



United Nations

United Nations Population Fund

**Financial report and audited
financial statements**

for the year ended 31 December 2022

and

Report of the Board of Auditors

General Assembly

Official Records

Seventy-eighth Session

Supplement No. 5H



United Nations Population Fund

**Financial report and audited
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Report of the Board of Auditors



United Nations • New York, 2023

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 28 April 2023 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2022, which I hereby approve.

(Signed) Natalia **Kanem**
Executive Director

**Letter dated 26 July 2023 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors,
together with the financial report and audited financial statements of the United
Nations Population Fund, for the year ended 31 December 2022.

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UNFPA in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

UNFPA management is responsible for the other information, which comprises the financial report for the year ended 31 December 2022, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

UNFPA management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, UNFPA management is responsible for assessing the ability of UNFPA to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNFPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNFPA.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNFPA;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNFPA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNFPA to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNFPA that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNFPA.

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(Signed) **Jorge Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) **Pierre Moscovici**
First President of the French Cour des comptes

26 July 2023

Chapter II

Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

The Board of Auditors has completed the audit of UNFPA for the financial year ended 31 December 2022. The interim audit was carried out through a combination of field and remote audits at headquarters in New York and at the Yemen country office from 3 to 28 October 2022, at the Supply Chain Management Unit in Copenhagen and at the Türkiye country office from 14 November to 16 December 2022, and at the Philippines country office from 23 January to 10 February 2023. The final audit visit was conducted at headquarters in New York from 1 May to 2 June 2023.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with UNFPA management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNFPA as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNFPA operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board reviewed a detailed follow-up of action taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of the UNFPA for the year ended 31 December 2022. However, the Board noted scope for improvement in the areas of information and communications technology (ICT), the Supply Chain Management Unit, the Oversight Advisory Committee, the Office of Audit and Investigation Services, the Sustainable Development Goals, human resources management and programme management.

With total revenue of \$1,531.97 million, due mainly to an increase in earmarked resources and expenses of \$1,442.84 million during 2022, the financial performance reflected a surplus of \$89.13 million. The overall financial position of UNFPA remained sound, with current assets of more than eight times the current liabilities and total assets of more than five times the total liabilities.

Key findings

The Board's key findings are as follows:

Lack of governance and management of enterprise resource planning project

UNFPA did not prepare a project document that comprised the changes and defined the upcoming stages of its ICT transformation project. The Fund also did not have a framework regarding internal project management at the time of the project's implementation. The project was prepared on the basis of the Oracle unified method and focused only on developing an ICT solution.

Insufficient budget management of enterprise resource planning project

The ICT transformation project, scheduled to have gone live in January 2021, with an estimated cost for UNFPA of \$24.2 million, was not implemented by the Fund. After facing setbacks in the launch of its enterprise resource planning owing to project design and implementation delays, UNFPA decided to change the course of action and join the Quantum consortium led by the United Nations Development Programme. Since 2018, the Fund has estimated a total expenditure of \$39.2 million, which is divided into \$31.0 million incurred for the ICT transformation project and \$8.2 million for Quantum through December 2023. The modules for UNFPA duties, such as the inventory shipment tracker, third-party procurement and global programming system, had not been included in Quantum as of May 2023.

Ineffective establishment of the Supply Chain Management Unit

UNFPA prepared the Supply Chain Management Unit implementation activities as an initial implementation plan of the Unit. The Board detected that activities included in the plan had not commenced and had been overdue since August 2022 and that other activities were delayed, of which 73 per cent had been overdue since April 2022. With regard to the four functions established in the Unit's terms of reference, the Board detected that the Unit had not taken action or issued responses to fulfil the functions clustered in the four areas. In addition, the activities relating to field office support and oversight functions had not been defined and implemented. Thus, the oversight function and, consequently, support for country offices in the monitoring of supply chain and logistics status had not yet been established at the regional level, nor had the regulatory policies and corrective action to local procurement been implemented.

Delays in the completion and submission of audit and investigation services

The Board noted that the audit manual of the Office of Audit and Investigation Services had not been updated since 2015 and that it therefore did not cover current internal audit modalities. In addition, the Board noted that the audit reports uploaded to the Office's website were issued an average of 13 months after the completion of the fieldwork. With respect to the 2022 workplan of the Office, it was planned that audit engagements would be completed and reported before the third quarter of 2022; however, as of the date of the review, only four engagement reports had been issued. The Board noted that the work manual did not include a time frame for completion of the investigations and did not reflect the updating of the rules and regulations that governed the investigations. In short, retaliation investigation cases had been opened,

with an average time of 140 days, and cases were closed with an average time of 295 days, notwithstanding the 120 days indicated in the policy of protection against retaliation. Other cases were closed within an average time of 20 months for the completion of the investigation.

Main recommendations

On the basis of the audit findings, the Board recommends that UNFPA:

Lack of governance and management of enterprise resource planning project

(a) **Formalize the current enterprise resource planning project documentation and ensure that it is updated, in order to enhance proper project governance, as well as the proper assignment of accountabilities and responsibilities;**

(b) **Develop a framework for monitoring the implementation and management of resources for ICT projects, establishing a clear path with timelines, responsibilities, milestones to be achieved, risk assessment and stages to implement the projects in their entirety;**

Insufficient budget management of enterprise resource planning project

(c) **Monitor project expenses and set benchmarks to serve as early indicators of potential resource depletion, which are crucial for effective resource management;**

(d) **Accelerate the action taken to define the modules developed on Atlas, pending their inclusion in the Quantum enterprise resource planning system;**

Ineffective establishment of the Supply Chain Management Unit

(e) **Develop and issue a supply chain management policy, so that a coordinated approach to supply chains and logistics is implemented within the Fund;**

(f) **Conduct an assessment with regard to the fulfilment of the functions included in the Supply Chain Management Unit's terms of reference to ensure a clear implementation schedule and accountabilities, in order to fulfil the Unit's mandate;**

(g) **Take the action necessary to complete the initial implementation activities of the Supply Chain Management Unit;**

Delays in the completion and submission of audit and investigation services

(h) **Review and approve a new version of the audit and casework manuals to enhance the conduct of internal audits and investigations;**

(i) **Adhere to the timelines of audit reports and investigations and develop a mechanism to periodically review the level of compliance;**

(j) **Define a reasonable time frame for completing investigations.**

Follow-up of previous recommendations

The Board noted 36 outstanding recommendations up to the year ended 31 December 2021, of which 27 (75 per cent) had been implemented, 7 (19 per cent) were under implementation and 2 (6 per cent) was not implemented.

Key facts	
\$523.50 million	UNFPA budget for development and management, United Nations development coordination and special purpose activities
\$1,531.97 million	Total revenue
\$1,442.84 million	Total expense
\$89.13 million	Surplus for the year
155	Number of countries served by UNFPA
1,728	Number of implementing partners working with UNFPA
2,363	UNFPA local staff
875	UNFPA international staff
\$487.80 million	Total amount spent by implementing agents in 2022 for delivery of programme activities on behalf of UNFPA
\$955.05 million	Expenses spent directly by UNFPA in 2022

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) fulfils a leading role in the United Nations system in promoting population programmes. It is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. The Board of Auditors audited the financial statements of UNFPA and has reviewed its activities for the year ended 31 December 2022, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed the operations of UNFPA under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNFPA operations.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNFPA management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board verified the status of implementation of previous years' recommendations for the period ended 31 December 2021. Of the 36 outstanding recommendations, UNFPA implemented 27 recommendations (75 per cent), 7 recommendations (19 per cent) were under implementation and 2 were not implemented (6 per cent). Details of the status of implementation of the recommendations are presented in the annex to chapter II.

Table II.I
Status of implementation of recommendations

<i>Report</i>	<i>Number of recommendations</i>	<i>Recommendations pending as at 31 December 2021</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>	<i>Recommendations pending as at 31 December 2022</i>
A/75/5/Add.8 , chap. II (2019)	28	2	1	1	–	–	1
A/76/5/Add.8 , chap II (2020)	24	4	1	3	–	–	3
A/77/5/Add.8 , chap II (2021)	36	30	25	3	2	–	5
Total	88	36	27	7	2	–	9

8. The Board considers that an implementation rate of 75 per cent indicates a solid commitment of UNFPA to managing previous recommendations and acknowledges management's efforts, encouraging the Fund to continue the process of implementing recommendations, especially those outstanding for more than two years.

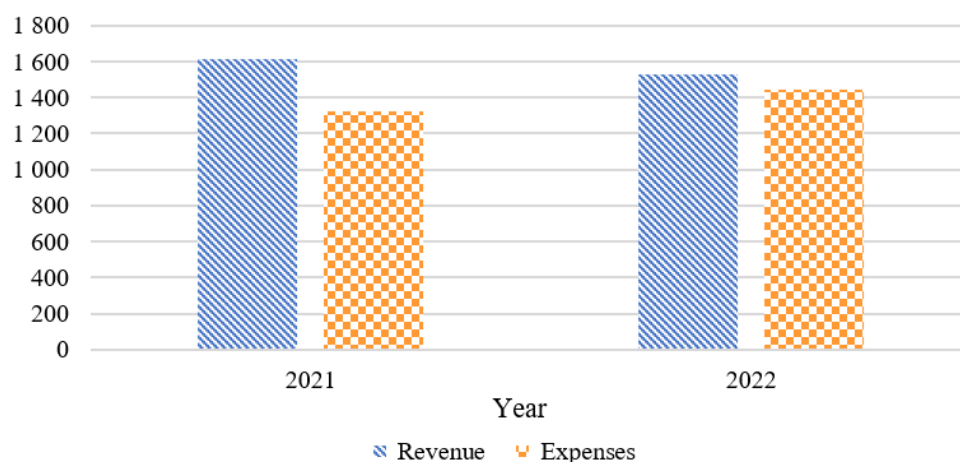
2. Financial overview

Operating results

9. In 2022, UNFPA reported total revenue of \$1,531.97 million (2021 restated: \$1,617.62 million) and total expenses of \$1,442.84 million (2021 restated: \$1,323.55 million), representing a surplus of \$89.13 million (2021 restated: \$294.07 million), as shown in figure II.I. The fall in surplus is attributable to the decrease in unearmarked contributions reaching \$390.92 million (2021 restated: \$524.97 million), owing to the change in its revenue recognition policy, which increased the unearmarked revenue in 2021 at the expense of the same category of contribution in 2022.

Figure II.I
Revenue and expenses for 2021 and 2022

(Millions of United States dollars)

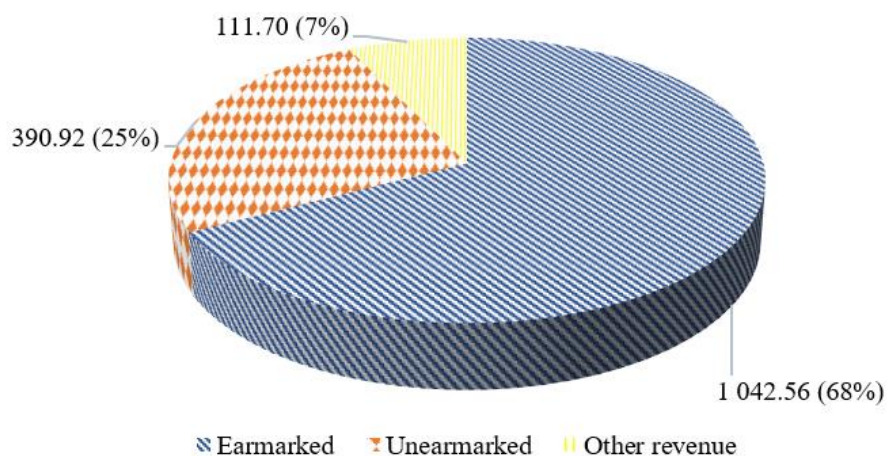


Source: Board analysis of UNFPA financial statements for the years ended 31 December 2021 and 31 December 2022.

10. Earmarked contributions amounted to \$1,042.56 million (2021: \$992.61 million), as shown in figure II.II. The earmarked contributions increased slightly, by \$49.95 million (5.03 per cent), and other sources of revenue reached \$111.70 million (2021: \$112.38 million).

Figure II.II
Revenue distribution, by nature, in 2022^a

(Millions of United States dollars)



Source: Board analysis of UNFPA financial statements for the year ended 31 December 2022.

^a These revenue amounts are gross and do not include the deduction by refunds to donors, allowances for doubtful contributions receivable and transfers to other revenue of income tax reimbursements.

11. Expenses increased by \$119.29 million (9.01 per cent), totalling \$1,442.84 million in 2022 (2021 restated: \$1,323.55 million), attributable to a fluctuation in the expenses for supplies, materials and operating costs. The \$49.81 million increase is due mainly to goods purchased to be distributed by UNFPA implementing partners. In 2022, expenses for developing and training counterparts increased by

\$31.16 million (22.61 per cent), reaching \$168.97 million (2021: \$137.81 million). The increase stems from the resumption of development and training of counterpart activities put on hold owing to coronavirus disease (COVID-19)-related restrictions on travel and on the holding of in-person events. For reproductive health and other programme-related supplies in 2022, there was a significant decrease (\$14.06 million) in the purchase of personal protective equipment compared with 2021, totalling \$2.73 million in 2022 (2021: \$16.79 million). The decrease is due primarily to the lessening of the effects of the COVID-19 pandemic and the decline in the delivery of medical products and contraceptives to implementing partners in 2022. Moreover, travel expenses rose by 65.02 per cent, reaching \$59.92 million in 2022 (2021: \$36.31 million), owing to the surge in local and international travel as global travel restrictions associated with the pandemic were lifted in large part.

Financial position

12. In 2022, the total assets of UNFPA increased slightly, by \$33.45 million (1.29 per cent), totalling \$2,626.28 million (2021: \$2,592.83 million). The growth was primarily a result of the increase in cash and cash equivalents, contributions receivable and inventories.

13. The rise of cash and cash equivalents refers to the investment portfolio of working capital placed in time deposits and money market funds, which are linked to the after-service health insurance investment portfolio invested in foreign currency and short-term bills. With respect to the total contributions receivable for 2022, the increase was due to the change in accounting policy for revenue amounting to \$711.63 million (2021 restated: \$709.52 million). With regard to the inventories, goods in transit amounted to \$51.92 million (2021: \$43.46 million), an increase of \$8.46 million (19.46 per cent), resulting from the high-value orders shipped in the last two months of 2022.

14. Accounts payable and accruals fell by \$19.78 million (16.81 per cent), amounting to \$97.86 million in 2022 (2021: \$117.64 million). This aligns with the decision of UNFPA to pay its suppliers and implementing partners earlier, towards the end of 2022, adjusted to the migration process from the Atlas to the Quantum enterprise resource planning system.

15. Total liabilities decreased by \$117.56 million (20.36 per cent), totalling \$459.92 million in 2022 (2021: \$577.48 million). The decrease in liabilities was due mainly to employee benefits and accounts payable and accruals.

16. Employee benefits decreased by \$97.66 million (21.91 per cent), totalling \$348.01 million (2021: \$445.67 million), resulting primarily from a decline of \$88.71 million in the after-service health insurance liability and a decline of \$6.96 million in the end-of-service relocation and repatriation liability. The reduction is attributable primarily to a surge in the discount rate, influenced by yearly interest rates. In addition, the surge in global inflation led to a rise in interest rates established by major central banks as part of their fiscal policy for 2022. As a result, the interest rate applied in the actuarial assessment increased from 3.30 per cent in 2021 to 5.34 per cent in 2022.

Ratio analysis

17. Upon analysing the primary financial ratios of UNFPA, the Board observed a rise in various ratios in 2022 compared with 2021. The increase is attributable to a surge in cash, contributions receivable and total assets, whereas current liabilities saw a minor decrease.

18. On the basis of the analysis of the liquidity situation of UNFPA through ratio analysis, in the past two years the financial solvency ratio and current ratio indicated an improvement in the position of the Fund to meet its current obligations with its current assets.

19. The current assets of UNFPA as at 31 December 2022 were \$1,341.26 million, or 8.61 times the current liabilities of \$155.82 million. This is attributable mainly to the significant increase in current assets, specifically the cash and cash equivalents and the contributions receivable explained by a shift in the composition of financial instruments in the investment portfolio, and an increase in money market funds and investment in time deposits. Even though the current liabilities decreased slightly compared with the current assets, the main change in the current liabilities was a decrease relating to accounts payable and accruals, owing to the decision of UNFPA to pay its suppliers and implementing partners earlier, towards the end of 2022.

20. Table II.II reveals a growing trend in liquidity ratios. The cash ratio rose from 3.84 to 5.04, which can be attributed to the increase in time deposits held as a working capital investment portfolio designed to meet UNFPA working capital needs. This information indicates that the organization is managing its finances effectively.

Table II.II
Ratio analysis

Description of ratio	31 December 2022	31 December 2021
Current ratio^a		
Current assets: current liabilities	8.61	6.67
Solvency ratio^b		
Total assets: total liabilities ^b	5.71	4.49
Cash ratio^c		
Cash + current investments: current liabilities	5.04	3.84
Quick ratio^d		
Cash plus current investments plus current contributions receivable: current liabilities	7.60	5.80

Source: Board analysis of UNFPA financial statements for the periods ended 31 December 2021 and 31 December 2022.

^a A high ratio indicates the ability of an entity to pay off its current liabilities.

^b A high ratio indicates an entity's ability to meet its overall obligations.

^c The cash ratio is an indicator of the liquidity of an entity, obtained by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

^d The quick ratio is more conservative than the current ratio because it excludes inventory, operating fund advances and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

3. Implementation of the new enterprise resource planning system

Migration from Atlas to Quantum

21. In 2020, a multi-year project was launched to replace the Atlas enterprise resource planning system with a cloud-based digital platform named Quantum, managed by a consortium of agencies led by the United Nations Development Programme (UNDP). Since 2020, the implementation of Quantum has experienced delays owing to issues associated with, among others, data quality and preparedness and ongoing testing.

22. During 2022, different processes were carried out to prepare for the launch of Quantum, such as data conversion and payroll testing. From June to October 2022, UNFPA also participated in three user acceptance tests.

23. Quantum went live in January 2023, with modules for human resources and payroll, procurement, general accounting and inventory – all for UNFPA – meaning that the accounting system that supported the preparation of the financial statements for the period ended on 31 December 2022 remained Atlas.

24. Considering that operations in Quantum started in 2023, the Board wishes to emphasize that the key operational processes and opening balances will be part of the scope for the audit of the year ending 31 December 2023.

4. Information and communications technology

25. The consortium of agencies that manages Atlas was established in 2004, and its premise was that, by sharing infrastructure, technical operations and customizations within a single PeopleSoft application, the synergies would result in lower implementation and operations costs. In 2016 and given that the PeopleSoft's financial application had not been upgraded or patched by the vendor since 2009, UNDP commissioned a study to assess options for moving on from that situation.

26. As a result, UNFPA explored alternatives for a new platform, commencing in March 2018, and received various proposals in August 2018. The search for a successor ICT solution platform was carried out independent of the Atlas consortium, and an ICT transformation project was established in that regard for increased effectiveness and efficiency of the business process. This project was operating pursuant to the requirements of the UNFPA 2018–2021 strategic plan to “improve the Agency’s monitoring and oversight capabilities via an information technology foundation that links back-office management systems with programme delivery”.

4.1 United Nations Population Fund information and communication technology transformation project

Lack of governance and management of enterprise resource planning project

27. UNFPA prepared a draft of the project’s charter, updated in October 2019, with the purpose of defining the scope, objectives and strategy of the new enterprise resource planning system and obtaining project sponsor alignment and approval. The first objective agreed upon was to replace the UNFPA legacy finance/human resources/procurement/programme system with one with a functional scope, considering a plan for reporting, finance and accounting, human resources management, procurement, transport assets, logistics execution and business intelligence.

28. In the draft of the project’s charter, it was established that the development of the new enterprise resource planning system would be a multi-year project to start in September 2019 and would go live and cut over by the end of the first quarter of 2021, with preparations for contingencies completed by the end of the second quarter of 2021.

29. The draft of the project’s charter, by design, was high-level and strategic in nature and included the creation of a project governance plan, establishing the enterprise resource planning project board. The project’s charter would also provide detail in terms of project execution and management within UNFPA and between its external project partners, with the project addressing the compositions and terms of reference of the various partners and stakeholder groups participating directly in the project. In addition, any changes to the ICT transformation project would require the approval of the project board and must be supported by a strong business case analysis and cost-benefit analysis.

30. The structure and content of the draft of the project's charter were prepared on the basis of the Oracle unified method, covering project management topics from planning through project closure.
31. The Board reviewed the management of the project and noted the absence of an updated or formalized document that provided a clear path to establishing services, deadlines and managing risks relating to its implementation. The last document provided to the Board was the 2019 draft of the project's charter, which was not approved.
32. With regard to its governance, a project board was established without any terms of reference formally approved to ensure that all stakeholders agreed on the objectives and outcomes of the project. During the project's development, it was noticed that there were frequent changes in board members, indicating a lack of continuity, notwithstanding the ongoing activities on the project board. For example, the project leader had a dual role – the first with the project and the second directing the Information Technology Solutions Office – whose leadership changed throughout the project in both cases.
33. Likewise, the Board noticed that members of the Office of Audit and Investigation Services had been appointed more than two years after the start of the project and almost two years before the decision taken by UNFPA to decline the development of its own enterprise resource planning system.
34. In addition, UNFPA did not have a framework regarding internal project management at the time of the project's implementation. According to the draft of the project's charter, the project was prepared on the basis of the Oracle unified method and focused only on developing an ICT solution.
35. Owing to the delay in meeting the deadline of the first quarter of 2021, as well as to the difficulties in building a system that allowed for flexibility in the development of business processes adapted to the Fund and the fact that a year had passed since its implementation deadline, the project board decided to cease continuing the development of the new enterprise resource planning system and joined the Quantum consortium of agencies. As of December 2022, UNFPA had not prepared a project document that comprised those relevant changes in direction and redefined the upcoming stages of its ICT transformation project.
36. The Board deems that the absence of an approved project charter, without the designation of responsibilities and accountability for the implementation of the UNFPA ICT transformation project, could lead to deficiencies in management and oversight of the project, the excessive use of resources and delays in the accomplishment of milestones.
37. The Board considers that complex projects such as the UNFPA ICT transformation project require a governance system and appropriate management to avoid situations as observed. It is also essential to articulate the various elements of the reporting mechanisms and project deliverables of the project effectively and to meet its main objectives and timelines through precise levels of project management and control, clearly defined roles and responsibilities, and guidance on the progress of implementation and the achievement of expected benefits.
38. The absence of a framework to track the implementation of the project, identify potential roadblocks and adjust plans accordingly may result in the project milestones not being effectively planned, monitored and achieved, resulting in delays, extension of the original time frame and additional costs.
39. The Board considers that the decline of the project can be attributed to the absence of robust project management techniques, which resulted in the shortcomings

previously mentioned and made UNFPA, over time, determine that it should join the Quantum consortium.

40. The Board recommends that UNFPA formalize the current enterprise resource planning project documentation and ensure that it is updated, in order to enhance proper project governance, as well as the proper assignment of accountabilities and responsibilities.

41. The Board recommends that UNFPA develop a framework for monitoring the implementation and management of resources for ICT projects, establishing a clear path with timelines, responsibilities, milestones to be achieved, risk assessment and stages to implement the projects in their entirety.

42. UNFPA accepted the recommendations and indicated that, during 2023, action had been taken to improve project governance and project management. These measures will be assessed by the Board during the next audit period.

Insufficient budget management of enterprise resource planning project

43. It is stated in the UNFPA integrated budget during the period 2018–2021 (DP/FPA/2017/10) that the ICT transformation project would provide a foundation that served UNFPA programme goals over the coming cycles of the strategic plan (8 to 12 years), with an emphasis on the best value for money.

44. The ICT transformation project was scheduled to go live in January 2021, with an estimated cost for UNFPA of \$24.2 million to support the new ICT architecture between 2018 and 2021. However, the project was not implemented by the Fund.

45. UNFPA faced setbacks in the launch of some critical components of project design and implementation delays. Consequently, and as previously mentioned, UNFPA decided to join the Quantum consortium. The ICT transformation project, which was discarded after the decision to join Quantum, ended up incurring total expenditure of \$20.4 million between 2018 and 2021.

46. Owing to the decision to turn to Quantum, the work carried out for the ICT transformation project was considered only in part for UNFPA integration into Quantum. For example, the activities relating to designing and developing interfaces between two separate systems were no longer needed, and using the scripts created for converting and migrating UNFPA data from Atlas was no longer necessary because UNDP was responsible for converting and migrating data for all partner agencies. In addition, UNFPA chose to adopt the business processes already utilized by UNDP rather than completely implement new ones relating to development. Consequently, for example, the structure of the general ledger account was designed to align with the existing UNDP format.

47. Given the expenditure already incurred by UNFPA in the development of the ICT transformation project and that associated with the Fund's incorporation into the Quantum consortium, as of December 2022 total project expenditure reached \$31.0 million. The primary areas of expenditure, which reached 80 per cent of the implementation costs, were primarily contractual services with companies (45 per cent), information technology equipment (19 per cent), international consultants (9 per cent) and rental and maintenance of information technology equipment (8 per cent).

48. Subsequently, an additional \$2.0 million had been approved by the UNFPA Executive Board for the period of 2022–2025. The Fund's project expenses for the ICT transformation project were expected to be \$16.5 million from January 2022 to December 2023, bringing the total budget for the enterprise resource planning project to \$39.2 million, which was intended to cover all project activities until December

2023. Those activities included common agency development charges, specific UNFPA enhancements, training on the new planning module, the Atlas licence and other tasks.

49. As of May 2023, specific modules included in Atlas for UNFPA tasks had not been incorporated into Quantum. These modules include the inventory shipment tracker, third-party procurement and the global programming system. The main purpose of these modules is to process cash transfer requests for implementing partners and manage workplan progress reports and tracking, as well as record and report field office inventory.

50. The Board is of the view that, owing to the complexity of a long-term project, this should have entailed a planning process to achieve correct completion with the same scale of complexity and thoroughness to attain the desired results; however, the management and oversight of the project proved to be insufficient to ensuring its implementation.

51. The Board is of the opinion that, when a project is to be developed, it is necessary to schedule it as accurately as possible to avoid the risk of the budget or the expected time frame being exceeded, especially when considering that more than one year will be needed to implement the project.

52. With regard to the modules developed in Atlas and to be integrated into Quantum, the Board deems that future requests for resources need to be documented strongly through a clear report regarding the achievement of the project's schedule, stages and milestones, to avoid possible budget constraints, duplication of efforts and difficulties in completing the project on time owing to a lack of financial resources.

53. The Board recommends that UNFPA monitor project expenses and set benchmarks to serve as early indicators of potential resource depletion, which are crucial for effective resource management.

54. The Board recommends that UNFPA accelerate the action taken to define the modules developed on Atlas, pending their inclusion in the Quantum enterprise resource planning system.

55. UNFPA accepted the recommendations.

Service agreement formalization

56. In February 2022, UNFPA officially joined the Quantum consortium of agencies.

57. For context, cooperation between two United Nations entities is commonly established and formalized in a memorandum of understanding, which sets a joint vision on common objectives and defines rules of engagement, including terms of reference, expertise-sharing and conflict resolution. When services are provided by one United Nations entity to another one, the terms and conditions of those services are settled in a service-level agreement.

58. The Board noted that, notwithstanding the existence of an agreement with UNDP relating to Atlas services as an overarching framework, the engagement and services associated with the new enterprise resource planning project provided by UNDP were not established in a formal document such as a memorandum of understanding or service-level agreement, even though UNFPA had joined the Quantum project in February 2022.

59. It was also observed that UNFPA had been conducting its business operations production and support with the Atlas enterprise resource planning system as of

December 2022. However, the last formalized memorandum of understanding with UNDP did not include project development (ICT transformation project).

60. The Board considers that relationships management with the parties involved in the Quantum project is essential to establish and clarify the general framework for the cooperation, in order to avoid any issue that could expose UNFPA to a vulnerable position in terms of duties and obligations.

61. The calculation of cost-recovery fees of the project could similarly be overestimated or underestimated. It could also therefore be a reputational risk if the organization needed to request additional resources.

62. The Board recommends that UNFPA, in coordination with UNDP, sign a memorandum of understanding and a service-level agreement that define clearly the rules of engagement and services provided that relate to the Quantum enterprise resource planning system.

63. UNFPA accepted the recommendation.

4.2 Information Technology Solutions Office

Deficiencies in the process of the deprovisioning of user access in Atlas

64. In accordance with the UNFPA directory maintenance guideline, the directory serves as the register of all individuals who have a contractual relationship with UNFPA for the purposes of identity management, application access management, security management and location relevant data. With regard to user accounts, the contract expiration section establishes that the directory removes Atlas access on the same day the contract expires. However, in cases where there are both an Atlas contract expiration date and a directory expiration date, the earlier of the two dates applies for removing the user.

65. The Board analysed the list of active Atlas user accounts as at 30 September 2022, which was compared with the list of separated staff in 2022 using an employee identifier code. In the course of the review, nine active user accounts from Atlas, which belonged to personnel who did not have a current contractual relation with UNFPA, were found. Of those nine accounts, it was observed that:

(a) There were time frames in which the accounts remained active, ranging from 32 to 272 days (from the end of the contract until the date of the Board's review), and were not automatically blocked in accordance with the above-mentioned procedure;

(b) Four out of the nine cases had been disabled from the system on 2 October 2022, during the Board's review;

(c) Two users had gained access to the system after being separated from UNFPA.

66. The Board considers that delays in the deprovisioning of separated staff user accounts expose the organization to the risk of unauthorized access, which could compromise the confidentiality and the integrity of UNFPA systems data.

67. The Board is of the view that regular review by business owners such as supervisors or chiefs could assist in the timely identification and resolution of anomalies relating to separated staff with active accounts.

68. The Board recommends that UNFPA ensure that the procedure for revoking access for all ICT resources for separated staff is carried out in a timely manner.

69. UNFPA accepted the recommendation.

Absence of a monitoring mechanism relating to disaster recovery planning and exercise

70. It is established in section 8 of the UNFPA policy and procedures for business continuity management, revised in December 2020, that business continuity management needs to be harmonized with existing UNFPA and wider United Nations system organizational context-specific processes, such as:

- (a) United Nations security risk management and contingency plans, applicable at the duty station;
- (b) Guidance note on minimum preparedness action;
- (c) Crisis/incident management;
- (d) ICT disaster recovery plans, based on local conditions.

71. The Board reviewed the UNFPA disaster recovery plan provided by the Information Technology Solutions Office in UNFPA headquarters and observed that the document did not mention the applicability scope of the plan, which means whether it is applicable for country, subregional or regional offices.

72. Although the Board acknowledges that some country, subregional and regional offices have developed their own disaster recovery plan and executed their disaster recovery exercise in 2022, it was noted that UNFPA had not designed a comprehensive coordination and monitoring mechanism between headquarters and the offices in which the Fund operates. Therefore, there was no effective control over the disaster recovery plan and disaster recovery exercise execution across the Fund.

73. The Board considers that the absence of a comprehensive mechanism of coordination regarding the establishment and conduct of disaster recovery exercises may affect the effectiveness of the recovery process of ICT resources in case of disaster. Effective entity-wide monitoring of this exercise is needed to ensure the adequate operational continuity of UNFPA activities.

74. A comprehensive exercise becomes more relevant in the light of the substantial changes in UNFPA and the Information Technology Solutions Office as a result of the enterprise resources planning project currently under development.

75. The Board recommends that UNFPA establish a disaster recovery plan procedure that outlines a clear scope of applicability, reporting and responsibilities for executing and supervising plans from headquarters to country, subregional or regional offices, in order to monitor the establishment and the conduct of the disaster recovery exercises.

76. UNFPA accepted the recommendation.

5. Supply Chain Management Unit

77. On 8 October 2021, the UNFPA Deputy Executive Director for Management announced the establishment of the Supply Chain Management Unit to provide oversight and coordination services to all supply chain management-related functions and processes across various organizational levels. The establishment of the Unit was formalized through an interoffice memorandum dated 16 November 2021 and sent to the UNFPA Executive Director.

78. To that end, UNFPA established a supply chain management working group, which was in charge of the Unit implementation project. The implementation of the Unit had, as at 31 December 2021, comprised two phases. The first phase included the design of a functional analysis and an organizational structure exercise, with a clear definition of functions, posts and costs. The second phase contained the

necessary organizational changes (i.e., staff movements, facilities, policies and systems) required for the Unit's establishment.

79. The results of the Unit implementation project included the terms of reference and the activities relating to the functions to be undertaken, which are clustered in four areas. The first one concerns strategic and enabling operations, the second transactional functions, the third field office support and oversight, and the fourth the Unit's management.

80. The terms of reference also indicate that the Unit enables UNFPA to undertake a coordinated approach in supply chain and logistics management interventions across all operations and provides the organization with a holistic, demand-driven and resilient supply chain system across development and humanitarian settings.

81. In addition, it is mentioned in the terms of reference that the Unit achieves this by establishing the supply chain strategy and governance through a focus on scalable assets and capabilities relating to service, cost, technical expertise, innovation, coordination, capital and digitalization. The Unit provides enabling services to regional and country offices and ensures coordination, end-to-end visibility and accountability on all supply chain management-related activities across UNFPA.

82. It was indicated in the interoffice memorandum that the Unit encompassed upstream, midstream and downstream supply chain functions, ensuring more effective coordination and oversight of all supply chain management-related functions under a single accountable unit, including organizational structure, which included staff from the Procurement Services Branch, the Technical Division (Commodity Security Branch) and the Finance Branch, which would operate under one Chief.

83. It is also indicated in the memorandum that it is expected that the new arrangement of the Unit would result in improved preparedness, reduced lead times and greater visibility over the entire supply chain, with the objective of reducing waste and hidden costs and additional capacity that had been added at a regional level to support country offices.

Ineffective establishment of the Supply Chain Management Unit

84. As of November 2022 and nine months after the launching, the Board noted that the second phase of the Supply Chain Management Unit implementation project had not been fulfilled. UNFPA had issued only a supply chain management fee guideline; no guideline or policy had been issued regarding the supply chain management system.

85. In an analysis of the 29 implementation activities defined by UNFPA for the initial implementation plan of the Unit, the Board observed the following issues:

(a) A total of 6 of the 29 activities had not commenced and had been overdue since August 2022;

(b) A total of 15 of 29 activities were delayed, of which 11 had been overdue since April 2022.

86. With regard to the four functions established in the Unit's terms of reference, the Board detected that the Unit had not taken action or issued responses to fulfil the functions clustered in the four areas. In addition, the activities relating to field office support and oversight functions had not been defined, and as a result, not implemented. Thus, the oversight function and, consequently, the support for country offices in the monitoring of supply chain and logistics status had not yet been established at the regional level, nor had the regulatory policies and corrective action to local procurement been implemented.

87. The Board considers that UNFPA needs to develop and implement a set of policies and guidelines that reflect the strategic objectives and how they can be achieved with the expected outcomes in order to reduce the ineffectiveness of establishing the Unit. This will contribute to standardizing the processes relating to the UNFPA supply chain system and optimizing the flow of commodities provided by the Fund.

88. The Board is of the opinion that strengthening the supply chain management approach allows the Unit to define and clarify the functions involved in the coordination and oversight of this process across organization levels.

89. Conversely, the Board deems that the absence of an implementation schedule for the operations of the Unit would not be aligned with the objectives of providing oversight and coordination to supply chain management-related functions at all levels, which is reflected in the four areas of the terms of reference.

90. The Board recommends that UNFPA develop and issue a supply chain management policy so that a coordinated approach to supply chains and logistics is implemented within the Fund.

91. The Board recommends that UNFPA conduct an assessment with regard to the fulfilment of the functions included in the Supply Chain Management Unit's terms of reference to ensure a clear implementation schedule and accountabilities, in order to fulfil the Unit's mandate.

92. The Board recommends that UNFPA take the action necessary to complete the initial implementation activities of the Supply Chain Management Unit.

93. UNFPA accepted the recommendations.

Weakness in the implementation of the supply chain strategy

94. On 1 October 2018, UNFPA issued the supply chain management strategy for the period 2018–2021 to ensure that the Fund could effectively and efficiently support the delivery of life-saving reproductive health products to end users. The strategy should outline the plan to acknowledge the two-part vision for supply chain leadership. Similarly, the Procurement Services Branch strategy was commended for implementing four key outcomes in support of its vision, covering a global and national level focus for improved internal supply chain capacity aligned with the UNFPA supply chain mandate at all levels.

95. In addition, UNFPA indicates in its results-based management policy, issued on 1 May 2011, that results-based management fosters a culture of measurement and results, creating demand and improving the use of credible information and evidence on results and making use of lessons learned to inform decision-making.

96. In the UNFPA strategic plan for the period 2022–2025 (DP/FPA/2021/8), issued in July 2021, it is indicated in its section on organizational effectiveness and efficiency that, as a global leader in supplying quality-assured contraceptives and sexual and reproductive health commodities, the Fund would focus on strengthening resilient supply chains to reach “the last mile” with contraceptives, along with improving its supply chain management, forecasting and prepositioning.

97. The Board observed that UNFPA had not formally developed and implemented the supply chain management strategy for 2018–2021. Thus, in the analysis of the four outcomes of the strategy, it was noted that a monitoring mechanism was not developed, nor was a supply chain capacity aligned with the UNFPA supply chain mandate at all levels implemented.

98. Moreover, one of the consequences of the shortcomings observed was that UNFPA did not have a set of lessons learned resulting from the strategy execution, which would have provided relevant input for the 2022–2025 strategy preparation.

99. The Board also noted that the Supply Chain Management Unit had identified seven focus areas for development of the new Unit's strategic plan; however, as at November 2022, a supply chain strategy at UNFPA had not been approved or established, nor had a schedule with clear milestones and responsibilities for the completion of the exercise.

100. The Board is of the view that establishing this strategy is paramount to strengthening UNFPA capacity in public health supply chain management because it provides a clear path and objectives to improve the management, forecasting and repositioning of the supply chain, as indicated in the 2022–2025 strategic plan.

101. The Board recommends that UNFPA define and approve a supply chain strategy to provide the organization with a holistic supply chain system.

102. UNFPA accepted the recommendation.

Absence of an updated and complete supply chain management risk assessment

103. It is indicated in the supply chain management strategy for 2018–2021 that a holistic risk management plan is developed to address potential risks through the sequential process of risk assessment, planning, monitoring and incident handling to ensure appropriate levels of preparedness and response.

104. Similarly, the new Supply Chain Management Unit's terms of reference indicate the development of a holistic risk management plan for supply chain management to identify risk mitigation measures, monitor risks and ensure that necessary corrective action is taken.

105. UNFPA has a tool for assessing and responding to risks by each office in the myRisks module contained in the strategic information system.

106. The Board noted that the last risk assessment template matrix had been uploaded to the strategic information system in April 2019. This covered 36 risks from the Procurement Services Branch (superseded by the Supply Chain Management Unit) with their relevant risk area, revised risk item, impact and probability. The risk monitoring mechanism and risk mitigation measures with its relevant corrective action were not included in the system.

107. In addition, the Board enquired about the status of the supply chain function risk assessment of the Supply Chain Management Unit, in which management indicated that an enterprise risk management workshop had been conducted to identify supply chain risks areas and opportunities to be addressed. However, as of November 2022, no holistic risk assessments had been approved or implemented that would cover the Unit's functions indicated in the terms of reference and the UNFPA supply chain function mentioned in the strategy.

108. Taking into account the Supply Chain Management Unit's establishment with its new functions, the Board considers that the absence of an updated and complete risk assessment may not allow a preventive recognition of the potential risks, to identify and execute a proper approach and proper responses to address the risks.

109. The timely identification and management of risks provide an objective approach of disruptions of the supply chain performance, helping management to address them with proper responses instead of constantly responding to them after the materialization of the risk.

110. **The Board recommends that UNFPA conduct the Supply Chain Management Unit and supply chain function risk assessments in order to address a complete risk approach.**

111. UNFPA accepted the recommendation.

Deficiencies in the organizational structure of the Supply Chain Management Unit

112. The policy and procedures for organizational structuring, last updated on September 2022, outlines guidelines for establishing or realigning organizational units. In paragraph 18 of the document, it is indicated that, under a restructuring process, the affected posts are managed in accordance with the sub-processes for post design, post classification and post reclassification. This process could entail the modification of job descriptions, the reclassification of levels or the creation of posts.

113. With the new arrangements for the establishment of the Supply Chain Management Unit's organizational structure, 95 posts were assigned to the Unit. Of the critical human resources-related action incurred for the creation of the Unit, 13 new posts were established. Of those posts, nine will be based in regional offices with the title of Support Chain Management Specialist (Regional Supply Specialist and Regional Logistician) and have the objective of developing a solid reporting line to the regional office and a functional reporting line to the Unit.

114. According to the information provided by the Supply Chain Management Unit, 24 positions were vacant in the Unit as of November 2022. The vacant key positions for the Unit that were considered part of the support and monitoring team were two positions of Last-Mile Assurance Analysts, five positions of Regional Supply Specialists, three positions of Regional Logisticians and one Regional Supply Analyst.

115. The positions relating to last-mile assurance and regional supply would contribute to supply chain visibility and transparency of the support chain management process, while the associated regional logistics and supply functions would coordinate support to country offices and implementing partners for effective supply chain management. Both activities were intended directly to meet functions defined in the area of "field support and oversight" in the Unit's terms of reference.

116. In addition, the Board reviewed the turnover rate of positions in the Unit on a quarterly basis for the current year and observed that the rates fluctuated from 8.82 per cent in the first quarter of 2022 to 10.58 per cent in the third quarter of the same year, resulting in an increase in the positions left vacant.

117. The Board considers that the vacant positions observed for the key roles of the Unit reflect weaknesses in the transition from the Procurement Services Branch to the new supply chain administrative structure, as well as in the establishment and implementation of the Unit's functions.

118. The Board also considers that the notable key vacant roles might indicate that the staffing needs of the Unit were not adequately assessed and defined. If key roles were not covered, it might hinder the fulfilment of some of the objectives for which the Unit was set up.

119. Similarly, the Board deems that the vacant status of key positions could pose a risk to the transparency and proper management of the support chain management process, especially when the roles not covered involve the coordination and monitoring of and support for the process in the country offices.

120. The Board is of the view that the increase in the turnover rate of positions threatens the continuity of the Unit's operations; therefore, it is essential for the Unit to enhance the recruitment and performance assessment mechanism of key personnel.

121. **The Board recommends that the UNFPA Supply Chain Management Unit carry out an assessment of its staffing needs to effectively organize relevant responsibilities in order to successfully fulfil the functions defined in the terms of reference.**

122. **The Board recommends that the UNFPA Supply Chain Management Unit analyse the reasons for the high turnover rate and take the action necessary to address it.**

123. UNFPA accepted the recommendations and pointed out that it was working to finalize the Unit's strategic plan for the period 2023–2025, as well as new and more fit-for-purpose terms of reference.

Delayed compliance with assessment of vendors

124. It is established in section 13.2 of the UNFPA policy on procurement procedures, revised in June 2019, that evaluating the performance of vendors is important because it allows UNFPA to identify performance gaps, communicate these gaps to vendors and put in place supplier development programmes.

125. In the policy, it is established that an online tool called the “vendor assessment application” is available to record vendor's performance evaluation information against some performance indicators, such as quantity and/or quality of goods and/or services supplied, the timing of delivery and the accuracy of documentation. This evaluation should be done with every purchase order created and closed.

126. It is mentioned in section 13.2.1 of the policy that, when goods have been received by the consignee, the last payment under a purchase order has been made and there are no more pending claims, the supplier performance evaluation tool must be completed for:

(a) All contracts issued to long-term agreement suppliers for core reproductive health commodities;

(b) Individual Atlas purchase orders that equal or exceed \$5,000 (for business units outside headquarters) and \$10,000 (for headquarters business units and regional offices) for all other types of procurements;

(c) All purchase orders issued by the Procurement Service Branch under the UNFPA purchase order business unit.

127. In addition, it is stated in the policy that nothing prevents procuring units from completing performance evaluations for contracts of a lower value.

128. The Board verified compliance with the policy regarding the evaluations to suppliers done in the vendor assessment application. The Board selected the purchase orders valued over \$10,000 of three business units (UNFPA, the United States of America and Yemen), issued in 2022 with completed status, and identified the following:

(a) The UNFPA purchase order business unit (683 purchase orders, representing a total amount of \$100 million) had a 26 per cent rate of compliance with the creation of the assessment of the supplier. The headquarters business unit for the United States (74 purchase orders, representing a total amount of \$7 million) had a 5 per cent rate of compliance and the Yemen country office business unit (68 purchase orders, representing a total amount of \$3 million) had an 84 per cent rate of compliance;

(b) With respect to the ageing of the evaluation on completed purchase orders associated with the same three business units, it was observed that some purchase orders issued in January had been delayed in their assessments by up to nine months.

129. The Board, using the UNFPA vendor assessment application, reviewed the status of the purchase order evaluations by region (six regions and two business units were displayed on the dashboard). Of those issued from 1 January to 17 October 2022, relevant differences between them were observed with regard to the evaluation of suppliers (differences in compliance ranged from 5 and 60 per cent).

130. The Board considers that conducting a late evaluation may affect the ability to obtain objective information of the vendors' performance for the decision-making process and the provision of proper feedback to the suppliers. It should be noted that the delays seen in the online tool would indicate the absence of effective controls to oversee the timely implementation of the vendor evaluations.

131. The assessments of vendors allow for timely feedback for more collaborative relationships and the identification of vendor weaknesses that may have been revealed during the purchase order execution, thereby preventing the various UNFPA offices from engaging with vendors who have performed poorly in previous deliveries and reducing the risk of unfavourable results in future.

132. Given the fact that sourcing resulting from external suppliers is an essential activity for UNFPA, the Board considers that it is necessary to improve offices' oversight of and responsibilities towards the vendor review committee with regard to timely compliance of the evaluation in the vendor assessment application.

133. The Board recommends that UNFPA ensure that its business units conduct vendor assessments when the purchase order is closed.

134. The Board recommends that UNFPA improve oversight of business units with the timely fulfilment of vendor assessments in the vendor assessment application that are defined by the Fund.

135. UNFPA accepted the recommendations.

Lack of information in the supply quantification process

136. In section III of the UNFPA policy on policy and procedures on the management of programme supplies (supplies policy), revised on 1 March 2021, relating to the supply quantification process, it is established that the determination of the programme supplies to be provided by UNFPA to address relevant country needs and contribute to the achievement of programme results must be informed by rigorous needs assessments and forecasts.

137. Multi-year forecasts must be developed with an appropriate periodicity, at least annually, in all countries where UNFPA provides reproductive health commodities or other programme supplies on a regular basis or as a component of preparedness for response to humanitarian crises. In the context of reproductive health commodities, they deal with contraceptives (hormonal and contraceptive devices), pharmaceutical products and medical devices used to support reproductive health interventions.

138. It is mentioned in paragraph 23 of the supplies policy that forecasting estimates the quantities of products that will be dispensed to meet the needs of the targeted population during a specific future period. Ideally, the forecasts for reproductive health commodities should be determined on the basis of accurate and up-to-date information on historical demand and consumption of the commodities to be supplied (supply plan), extracted from the country's logistics management information system. The logistics management information system is an integrated information system that captures the supply chain management activities and inventories of UNFPA implementing partners. When the forecasts are not possible owing to data quality problems or lack of functioning of the logistics management information system, other data sources can be used, such as health services, morbidity and/or demographic

data, central warehouse deliveries and assumptions, to assess future demand, programme plans and performance.

139. The Board reviewed the supply quantification process in the Yemen country office for 2022. The country's Ministry of Public Health and Population was the main implementing partner regarding the receipt of reproductive health commodities with the most significant value in terms of programme supplies.

140. In the supply plan for 2022, developed by the Ministry of Public Health and Population and used by UNFPA to prepare the Fund's procurement plan, it was observed that the quantification methodology used to estimate the maternal life-saving medicines was the demographic data information that came from the Ministry's demographic health survey report of 2013, as well as the data from population projections for 2022 of the Yemen central statistical organization, which were projections based on 2004 census data. However, in the forecasting for the reproductive health commodities on maternal life-saving medicines, justification for the use of demographic data instead of the information on demand and consumption of the commodities from the logistics management information system was not indicated clearly in the report. In addition, all commodities issued by UNFPA and received by the central warehouses of the Ministry are managed through the logistics management information system.

141. The Board observed that the supply plan revised by UNFPA for maternal life-saving medicines did not indicate whether the supply of reproductive health commodities belonged to items kept in stock or to be procured. It was verified that, during 2022, the Yemen country office's distribution of supplies in stock had been procured from previous periods.

142. The Board considers that determining reproductive health commodities forecasts without clearly reporting on the methodology utilized when the logistics management information system is not used could have an impact on the accuracy of the Yemen country office's forecasting process.

143. In addition, the Board considers that the lack of information regarding whether it is a forecast for a specific period could affect procurement plan development, given that there are inventories in stock from previous periods that are not adequately considered.

144. The Board recommends that the UNFPA Yemen country office carry out a forecast for reproductive health commodities, taking into account the ideal forecast and justifying the reason for using that methodology.

145. The Board recommends that the UNFPA Yemen country office incorporate information about the forecast for reproductive health commodities into the supply plan, indicating whether they are the result of an estimation.

146. The UNFPA Yemen country office accepted the recommendations.

Lack of indicators for the monitoring of data on supplies for programmatic implementation

147. In accordance with the policy and procedures for the preparation, management and monitoring of workplans issued in July 2014, the main tool for the planning, budgeting and monitoring of activities that contribute to programme output(s) or other planning instruments are workplans, which is one of the formal documents signed by the implementing partner and UNFPA. The workplan considers the expected programme outputs (with indicators, baselines and annual targets), the activities to be carried out towards achievement of the expected programme outputs, the costed inputs (budgets) to be provided for each activity (e.g., supplies, contracts, travel and

personnel), the associated resources and the time frame for undertaking the planned activities.

148. As indicated in the relevant policies,¹ when UNFPA makes in-kind contributions to an implementing partner, such as the provision of UNFPA-procured reproductive health commodities or other programme supplies, the implementing partner's workplan must specify, among other conditions, the types and estimated volumes and values of the programme supplies to be provided by UNFPA; the responsibilities and costs to be assumed by the implementing partner; a description of the intended use of the supplies provided, including, when appropriate, the service delivery points and target populations to which they should be provided; any foreseen collaboration with other development or humanitarian partners, if any, in distributing the programme supplies; and the activities to be undertaken by the implementing partners to ensure that the programme supplies are used for the intended purpose, even if those activities have no financial implications (i.e., budgets) for the workplan.

149. The Board reviewed the programme monitoring relating to the delivery of supplies from the Türkiye and Philippines country offices to the implementing partners for the period 2022–2025. The analysis performed contrasted the signed workplan with the implementing partners at the project and activity level against the reports used by the country offices to monitor and manage the inventory, such as the workplan budget amounts report and the inventory issuance report (supplies delivered) as at 16 November 2022 for the Türkiye country office and as at 31 December 2022 for the Philippines country office. The Board observed the following:

(a) At the Türkiye country office, in six implementing partners' workplans the adequate indicators to monitor the supplies of the programmatic implementation were neither defined nor differentiated between the services provided and the activities relating to the delivery of goods;

(b) Also at the Türkiye country office, 16 of 23 items relating to inventory were not considered in the monitoring of supplies to be managed by the implementing partner. The 16 items were listed in the workplan budget allocations as "supplies management" and were not included in the inventory issuance report. In addition, four items were distributed to the implementing partners without being associated with the activities to be carried out in accordance with the signed workplan;

(c) At the Türkiye country office, in 34 of 44 items of cases analysed, there were differences between the amount of supplies recorded in the inventory issuance report and the amount of supplies utilized indicated in the workplan budget report. These differences were observed at the activity and project identification level by implementing partners using the supplies' activity code;

(d) At the Philippines country office, in five workplans of implementing partners the indicators and target beneficiaries required to monitor the supplies distributed by the implementing partner as part of the programmatic implementation were not defined;

(e) Also at the Philippines country office, five of seven activities relating to supplies to be managed by the implementing partners were not considered in the inventory monitoring. Those five activities, relating to supplies, were assigned to the implementing partner and were indicated in the issuance report without being associated with the activities to be carried out in accordance with the signed workplan.

¹ In the section on the non-cash transfer of programme supplies of the policy and procedures for the preparation and monitoring of workplans and the policy and procedures on the management of programme supplies.

150. The Board considers that the lack of definitions of indicators and objectives associated with the activities relating to the inventories in the workplan of implementing partners could affect the proper planning and preparation of the distribution plan, which must be aligned with the target beneficiaries of the workplan and the delivery of programme inputs to implementing partners.

151. The Board also considers it essential to have all the enshrined information in the agreements and workplans signed with the implementing partners initially and make the information traceable in the programmatic implementation process to optimize the follow-up process, in order to ensure informed decision-making in the following periods and consistency with UNFPA programme planning.

152. The Board recommends that the UNFPA Türkiye country office clearly identify the service provision from the management of goods given by UNFPA to the implementing partners when the activities and indicators are determined, thus enabling the monitoring of them.

153. The Board recommends that the UNFPA Türkiye country office standardize the parameters included in their primary and supplementary reports to enable the monitoring of the quantities and amounts established in the signed workplans between the implementing partners and the office.

154. The Board recommends that the UNFPA Philippines country office strengthen programme monitoring regarding the supplies to be provided by UNFPA to the implementing partners, through an accurate establishment of the activities, indicators and targets embodied in the signed workplans.

155. The UNFPA Türkiye and Philippines country offices accepted the recommendations.

6. Oversight Advisory Committee

Deficiency in the definition of the role of the Oversight Advisory Committee

156. It is stated in the UNFPA internal control framework policy, in force since September 2016, that the effective application of internal controls within UNFPA rests on three cascading levels of controls, in line with the three lines of defence model, which addresses how specific duties relating to risk and control could be assigned and coordinated within the organization.

157. The three lines of defence model envisages the organizational personnel at the field, regional and headquarters offices as the first line of defence; functions that oversee risks and controls with specialized skills, such as planning, budgeting, risk management, quality assurance, results and performance management, as the second line of defence; and independent assurance and oversight, including independent internal units such as an audit advisory committee, as the third line of defence.

158. It is indicated in paragraph 58 of the UNFPA oversight policy, issued in January 2015, that the audit advisory committee, provisionally referred to as the Oversight Advisory Committee, assists and advises the Executive Director in fulfilling its oversight responsibilities. The five Oversight Advisory Committee members are appointed by the Executive Director, and the fiduciary oversight roles and responsibilities of the Oversight Advisory Committee are set down in its terms of reference approved by the Executive Director.

159. In this sense, in May 2021 UNFPA issued the terms of reference of the Oversight Advisory Committee, by which it is indicated that the Committee operationally reports to the Executive Director and that the annual report on oversight and compliance shall be provided to the UNFPA Executive Board as an appendix to the annual report on the internal audit and investigation services. Moreover, it is stated

that the Chair of the Committee has unrestricted access to the UNFPA Executive Board.

160. Furthermore, in the terms of reference, it is established that the Oversight Advisory Committee's Chair and the Executive Director determine, on an annual basis, the independence of the Committee's members.

161. In the best practices of the International Standards for the Professional Practice of Internal Auditing, any audit advisory committee is defined as an independent governance body that provides structured and systematic oversight of the organization's governance, risk management and internal control practices. To ensure that organizational independence is effectively achieved, the audit advisory committee reporting lines are linked directly to the UNFPA Executive Board, in accordance with the same standards.

162. However, in its analysis of the Oversight Advisory Committee's terms of reference, the Board noted that the provisions therein outlined the direct engagement of the Executive Director in the selection and appointment of the Committee's members, as well as their annual independent assessment.

163. It was also observed that the Oversight Advisory Committee's terms of reference included assistance, advice and reporting back to the Executive Director as their main responsibilities.

164. Similarly, the UNFPA internal control framework policy has been pending revision since September 2019.

165. The situations observed are in accordance with the conclusions of the Joint Inspection Unit in its report [JIU/REP/2023/1](#), in which it pointed out that the Oversight Advisory Committee could not be considered an independent oversight body.

166. Although the Oversight Advisory Committee has unrestricted access to the UNFPA Executive Board, the Board is of the view that the Committee's terms of reference are not aligned with the International Standards for the Professional Practice of Internal Auditing and best practices of internal auditing. Consequently, organizational independence is not effectively achieved owing to the Committee reporting directly to the UNFPA Executive Director and asking not only for the approval of the terms of reference, but also the selection, appointment and assessment of the independence of its members.

167. With regard to the primary role of the Oversight Advisory Committee, the Board considers that limiting the advising role only to management is restrictive in terms of fulfilling its oversight assessment role, taking into account that oversight involves management and the fiduciary bodies such as the evaluation office, the ethics office and the UNFPA Executive Board.

168. The Board deems that harmonization is necessary regarding the role and definitions of the Oversight Advisory Committee in UNFPA policies in order to reflect changes after reviewing the terms of reference.

169. The Board recommends that UNFPA ensure the Oversight Advisory Committee's independence by updating its terms of reference with the aim of aligning them with the International Standards for the Professional Practice of Internal Auditing and best practices.

170. The Board recommends that UNFPA strengthen its third line of defence by reviewing and updating the related oversight policies in order to reflect the new Oversight Advisory Committee definition and purpose.

171. UNFPA disagreed with the recommendations and stated that the Oversight Advisory Committee was an advisory body independent of the UNFPA Executive

Director, composed of five members, external to the organization and appointed by the UNFPA Executive Director to serve three-year terms, renewable once only and in line with the Executive Board-approved oversight policy of the Fund. UNFPA appreciated that there were different approaches to securing the independence of audit committees but maintained that the current structure and functioning of the Committee, as an advisory body to enable the Executive Director to fulfil her oversight responsibilities, was a best practice, independent in nature and of immense value to the organization in strengthening its oversight, transparency and risk management.

172. The Board is of the view that the structure and primary role of the UNFPA Oversight Advisory Committee, acting as an audit advisory committee, need to be revised to ensure its independence as an oversight body and have it aligned with the International Standards for the Professional Practice of Internal Auditing and best practices of internal auditing. Considering that the approval of the terms of reference and the selection, appointment and the assessment of the independence of Committee members was performed by management, the recommendation is maintained.

7. Office of Audit and Investigation Services

Outdated charter of the Office of Audit and Investigation Services

173. In accordance with rule 17.1 of the UNFPA financial regulations and rules, the Office of Audit and Investigation Services conducts independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing.

174. It is indicated in standard 1110 of the International Standards for the Professional Practice of Internal Auditing that organizational independence is effectively achieved when the chief audit executive reports functionally to the UNFPA Executive Board by asking for approval of the internal audit charter, risk-based internal audit plan, internal audit budget and resource plan. In guidance provided in a joint paper by the Institute of Internal Auditors and the International Organization of Supreme Audit Institutions on the three lines of defence model, it is stated that the independence of the third line of defence is secured when the chief audit executive or head of the internal audit activity is accountable to the governing body (directly or through an audit committee of the governing body comprised primarily of independent members without managerial responsibilities).

175. In paragraph 53 of the UNFPA oversight policy, issued in 2015, it is indicated that the detailed description of the mandate, responsibilities and authority of the Office of Audit and Investigation Services, including the relevant professional standards applied to its functions, should be outlined in the Office's charter.

176. In paragraph 51 of the charter of the Office of Audit and Investigation Services, it is stipulated that its director and personnel must avoid being placed in situations that might create any conflict of interest that may impair their judgment on internal audit and investigations matters. Accordingly, the Office's personnel are required to declare to the director of the Office any potential and actual conflict of interest or impediment to their independence in relation to any assigned activity and, accordingly, recuse themselves from such participation.

177. The Board carried out a review of the accountability and operations of the Office of Audit and Investigation Services through its charter and noted that this had not been revised since its establishment in 2018. For example, a number of changes in the Office's functions had not been reflected or updated in the charter, such as the transfer of focal point activities from the Joint Inspection Unit to the UNFPA Executive Office.

178. The Board noticed that the charter and the annual workplan of the Office of Audit and Investigation Services were reviewed and approved by the UNFPA Executive

Director (in para. 71 of the charter, it is stated that any revision shall be approved by the Executive Director after obtaining advice from the Oversight Advisory Committee).

179. Notwithstanding the Office of Audit and Investigation Services having unrestricted access to the UNFPA Executive Board, according to the International Standards for the Professional Practice of Internal Auditing, organizational independence is effectively achieved when the chief audit executive reports functionally to the UNFPA Executive Board by asking for the approval of the internal audit charter, the risk-based internal audit plan, the internal audit budget and the resource plan, which are all reported to the Executive Director and presented annually to the UNFPA Executive Board.

180. The Board reviewed the relevant policies² and the charter regarding resource allocation and noted that it did not have any exceptions to be considered to enhance the operational independence of the Office of Audit and Investigation Services in terms of using resources.

181. In addition, the Board noticed that the personnel had signed an annual financial disclosure statement with a declaration of interest at the beginning of each year, which did not include the audit engagement established in the Office of Audit and Investigation Services workplan. A potential conflict of interest was reported in each audit engagement.

182. The Board is of the view that having a non-updated charter may hamper the fulfilment of the duties of the Office of Audit and Investigation Services. Therefore, it is essential that UNFPA maintain an updated charter that provides a clear framework for action of internal audit and investigation activities, which should be aligned with the International Standards for the Professional Practice of Internal Auditing.

183. The Board considers that the adoption of declarations of the absence of conflict of interest for each audit engagement would reduce the risk of affecting the independence of the Office of Audit and Investigation Services.

184. The Board recommends that UNFPA review and approve a new version of the charter of the Office of Audit and Investigation Services that ensures adherence to the International Standards for the Professional Practice of Internal Auditing.

185. The Board recommends that UNFPA review and update its policies related to budget and human resources with the aim of enhancing the operational independence of the Office of Audit and Investigation Services.

186. The Board recommends that UNFPA establish a mechanism that allows the personnel of the Office of Audit and Investigation Services to declare any potential conflict of interest for each assignment.

187. UNFPA accepted the recommendations and pointed out that it was already in the process of implementing improvements, which would be presented at the 2023 annual session of the UNFPA Executive Board.

Delays in the completion and submission of audit and investigation services

188. It is indicated in the UNFPA internal control framework that the effective application of internal controls within UNFPA rests on three cascading levels of controls, in line with the three lines of defence model, which addresses how specific

² Oversight policy (2015), resource management policy (2022), UNFPA financial regulations and rules and the charter of the Office of Audit and Investigation Services.

duties relating to risk and control could be assigned and coordinated within the organization.

189. The three lines of defence model envisages the organizational personnel at the field, regional and headquarters offices as the first line of defence; functions that oversee risks and controls with specialized skills, such as planning, budgeting, risk management, quality assurance, results and performance management, as the second line of defence; and independent assurance and oversight, including internal audit, as the third line of defence.

190. In paragraph 46 of the oversight policy, it is indicated that the Office of Audit and Investigation Services covers internal auditing and investigation functions in UNFPA and provides advisory services to the organization.

191. With regard to the deadlines for the audit reports, in paragraph 4.7.2 of the Office of Audit and Investigation Services audit manual, updated in October 2015, there is mention that these reports should be issued within three to four months of the completion of fieldwork and published on the UNFPA audit and investigation webpage one month after the date of issuance.

192. With respect to investigations, the Office of Audit and Investigation Services casework manual, revised in May 2017, provides guidance to the Office with the purpose of ensuring that investigations are carried out in accordance with UNFPA principles.

193. For cases of retaliation, it is stipulated in the policy of protection against retaliation that the Office of Audit and Investigation Services will seek to complete its investigation and submit its investigation report to the UNFPA Ethics Office within 120 calendar days.

194. In terms of the time frame for investigations, in paragraph 16.1 of the disciplinary framework it is stated that investigations, to the extent possible and depending on the complexity of the matter and the period between the date on which the staff member was informed that he or she is an investigation subject and the date on which he or she is either issued charges of misconduct or informed that the case is closed, shall not, under normal circumstances, exceed six months.

195. In the analysis by the Board of the audit reports issued by the Office of Audit and Investigation Services, as at 30 September 2022, the following situations were observed:

(a) Of the 15 audit reports uploaded to the Office of Audit and Investigation Services website issued between January 2021 and September 2022, it was noted that the reports had been issued, on average, 13 months after the completion of the fieldwork;

(b) Regarding the 2022 workplan, 16 of 22 audit engagements were to be completed and reported on before the third quarter of 2022; however, by that deadline, only 4 engagements had issued their report;

(c) The audit manual had not been updated since 2015; thus, the current internal audit modalities, such as the worldwide remote audit and monitoring reported in 2022 within UNFPA offices, were not covered in the manual.

196. With respect to the review of the investigation cases conducted by the Office of Audit and Investigation Services, as at 30 September 2022 the Board observed the following:

(a) The casework manual did not include a time frame for the completion of the investigations and did not reflect the updating of the rules and regulations that govern the investigations;

(b) Of 356 investigation cases, 11 were related to retaliation cases. Of these, six cases were closed, on average, 295 days after the beginning of the investigation and three cases were opened, on average, 140 days after the beginning of the investigation, a, contravening the 120 days indicated in the protection against retaliation policy;

(c) Of the remaining 345 investigation cases:

(i) A total of 293 cases were opened, on average, 20 months after the beginning of the investigation, of which 119 were received between 2017 and 2020;

(ii) A total of 52 cases were closed, on average, 24 months after the beginning of the investigation, of which 27 cases were received between 2017 and 2020, displaying a closure time greater than two years.

197. The Board is of the opinion that updated audit and investigation guidelines and procedures are essential to establish the accountabilities of the Office of Audit and Investigation Services and to ensure that audits and investigations are carried out in accordance with UNFPA guiding principles.

198. The Board considers that the delay in issuing the audit reports affects the opportunity for the timely application of the corrective action that the UNFPA offices and process owners need to take.

199. In addition, the delays in finalizing the investigations could result in untimely disciplinary action that should be taken, affecting the UNFPA investigation mechanism's efficacy and trust in the system.

200. The Board recommends that UNFPA review and approve a new version of the audit and casework manuals to enhance the conduct of internal audits and investigations.

201. The Board recommends that UNFPA adhere to the timelines of audit reports and investigations and develop a mechanism to periodically review the level of compliance.

202. The Board recommends that UNFPA define a reasonable time frame for completing investigations.

203. UNFPA accepted the recommendations and reported that it had already begun to address them.

8. Sustainable Development Goals

Need for strengthening adoption of the Sustainable Development Goals

204. The UNFPA strategic plan for the period 2022–2025 contributes directly to the implementation of the 2030 Agenda for Sustainable Development, in particular to achieving Sustainable Development Goals 3, 5, 10, 13, 16 and 17 and ultimately to Goal 1, while aligning with the 2030 Agenda principles of human rights, universality and leaving no one behind. The plan is also harmonized with the United Nations reform efforts and the principles outlined in General Assembly resolution [75/233](#) on the quadrennial comprehensive policy review of operational activities for the development of the United Nations system.

205. In the 2020 quadrennial comprehensive policy review, stress was made on the importance of continuing to mainstream the 2030 Agenda into the work of each entity of the United Nations development system by ensuring a coherent approach to addressing the interconnections and cross-cutting elements across the Sustainable

Development Goals and targets and ensuring a balanced and integrated approach within the system towards its support for the implementation of them.

206. The global indicator framework for the Sustainable Development Goals and its targets (see General Assembly resolution 71/313) indicates that the indicators of the Goals should be disaggregated, where relevant, by income, sex, age, race, ethnicity, migratory status, disability and geographic location, among others, in accordance with the fundamental principles of official statistics. In addition, there is a list of indicators, by Goal, to be assessed.

207. It is indicated in the UNFPA oversight policy regarding roles and responsibilities that management, at all levels of the organization, is responsible for the implementation of the strategic plan and the corresponding results framework.

208. UNFPA monitors its strategic plan results at a strategic information system level and at an operational level through the workplans in the global programming system in Atlas.

209. In line with the strategic plan for 2022–2025 and alignment of the Sustainable Development Goals, UNFPA issued in September 2022 the policy and procedures for the preparation, management and monitoring of workplans as the main tool that contributes to programme outputs.

210. The Board reviewed the adoption and monitoring of Sustainable Development Goals by UNFPA as at 30 September 2022, and the following situations were observed:

(a) Regarding the 2022 Executive Office planning and monitoring carried out in the strategic information system, it was observed that there was no direct connection between the adopted Sustainable Development Goals and the indicators uploaded as results in the Executive Office workplan. Thus, the planning and monitoring reports included only one binary (yes/no) indicator called “strengthened strategic plan implementation through support to the executive leadership in ensuring results focus and programme accountability of the integrated budget, and alignment to the sustainable development goal” which had not yet been reported in the strategic information system;

(b) The UNFPA strategic plan for 2022–2025, approved by the UNFPA Executive Board, included, at the outcome level, only the adoption of Sustainable Development Goal 3 (good health and well-being) and Goal 5 (gender equality). For the remaining five Goals to be achieved, the specific metrics of the outputs and activities due were not embedded in the main text and its annexes;

(c) The programme implementation assessment, done through the workplan of the Yemen country office in the global programming system, did not include a direct connection between the programme execution and achievement of the Sustainable Development Goals through programmes activities established in the workplans and carried out by the implementing partners. In addition, it was not possible to visualize disaggregated information on the updated achievement status of the Goals;

(d) In the review of the policy and procedures for the preparation, management and monitoring of workplans, it was not possible to distinguish the specific incorporation of indicators and baselines into the workplans regarding the implementation of the strategic plan and the achievement of the Sustainable Development Goal and their assessment to be carried out by the offices or at a headquarters level;

211. The Board deems that the absence of a mechanism to monitor the adoption of the Sustainable Development Goals at the programme implementation level may

affect the effective alignment of UNFPA internal processes with integrating the goals of the strategic plan for 2022–2025.

212. The Board is of the view that UNFPA would benefit from keeping updated and traceable information in order to clearly identify its contribution to the implementation of the 2030 Agenda and the achievement of its specific targets, aimed at determining gaps and implementing accurate acceleration action measures.

213. The Board recommends that UNFPA reinforce the mainstreaming of the impact of the Sustainable Development Goals into its programme implementation, including activities, indicators and baseline data.

214. The Board recommends that UNFPA implement a mechanism to monitor the adoption of the Sustainable Development Goals globally and across all the regions in order to enhance transparency and accountability and detect gaps to be filled.

215. UNFPA agreed with the recommendations.

9. Human resources management

Overuse of service contractors

216. With regard to service contracts, UNFPA states, in its policies and procedures manual (human resources personnel of UNFPA: service contracts), that UNDP service contract guidelines apply *mutatis mutandis*. These personnel are regulated pursuant to Secretary-General's bulletin [ST/SGB/2002/9](#) of June 2002.

217. In accordance with UNDP service contract guidelines (version 7 of 2018), a service contract is a modality for hiring individuals under a non-staff contract. It is stated that this type of contract is a cost-effective and flexible instrument that can be used by country and regional offices.

218. With respect to UNFPA policy, the use of a service contract is defined as appropriate in situations such as the following:

- (a) For non-core support services in the office that would usually be outsourced to a company (i.e., custodial, security and information technology services);
- (b) The related services have a defined deliverable that can be completed within a specific time period.

219. UNFPA policy also offers examples of the improper use of the service contract. Among them, the Board highlights the following:

- (a) Hiring local office personnel for core functions (i.e., functions that are of a continuing nature and are part of the central work of UNFPA, except support services that would normally be outsourced to a company and be tasks within a project);
- (b) The services required for an extended period that would make them more appropriately fulfilled by a person on a staff contract.

220. In accordance with UNDP service contract guidelines under subparagraph (a) of the section on "contract duration", a service contract is issued for a minimum of 6 months and can be renewable for a period of 12 months at a time, while the maximum period of use of a service contract is normally for the duration of a project. Furthermore, in subparagraph (c) it is stated that service contracts are not intended to be of an indefinite duration.

221. The Board reviewed the composition of the Türkiye country office and identified that, of the active personnel, 27 of 69 workers (39 per cent) were under a service contract.

222. From the personnel identified as being on a service contract, 18 had been providing their services for the Türkiye country office for two years and 9 for four years. In all the cases, the contracts had already been extended to the next period.

223. The Board noted that five positions covered by service contracts dealt with core functions, including monitoring of budget implementation for various programmes, regional supervision of programmes, monitoring of expenditure of funds, maintaining budgets and undertaking revisions, if necessary, and monitoring implementing partners' activities.

224. The Board is of the view that the Türkiye country office service contracts that are for a long period may indicate that those personnel perform regular or even core functions and are an integral part of the workforce. The Board considers that the overuse of non-staff can not only have a negative impact on the country office's operations, by giving core functions and institutional knowledge to temporary workers, but also create an unstable and unmotivated workforce.

225. The Board recommends that the UNFPA Türkiye country office ensure that service contract personnel are recruited only under the conditions stated in the guidelines that apply to the entity and guarantee that no core functions are listed under the activities to be performed.

226. The Board recommends that the UNFPA Türkiye country office establish a plan to avoid inappropriate prolonged use of non-staff personnel currently under contract.

227. UNFPA Türkiye country office accepted the recommendations.

10. Programme management

Need for strengthening management of local data collection system's and implementing partners

228. In the UNFPA shadow information technology policy, issued in 2016, shadow information technology is defined as information technology systems and solutions outside the ownership or control of the Information Technology Solutions Office, which could be realized as country office developments.

229. In addition, the shadow information technology policy establishes that the Information Technology Solutions Office is responsible for assessing and monitoring shadow information technology systems to determine associated risks, support services, stability, effectiveness and impact on internal system performance and security. The potential of external, reputational damage to UNFPA from failure or malfunction is greater with shadow information technology systems.

230. In this regard and as stated in the internal guidance note on online data entry and management system, effective 2018 the UNFPA Türkiye country office began to use the implementing partner management online application for real-time data collection and the reporting of programmatic implementation, which involved the quantification of inventory stock and a registry of beneficiaries and services provided by the implementing partners, including outreach workers, service providers, legal counsellors, psychologists, social service experts and centre coordinators.

231. With reference to implementing partner management, it is indicated in the policy and procedures for the preparation, management and monitoring of workplans (effective March 2021) that the responsibility and accountability for the implementation of activities between UNFPA and the implementing partners are defined in the implementing partner agreements and workplans.

232. The Board noted that the approval to procure a local data collection system was granted on 16 April 2018 by the Information Technology Solutions Office Director from UNFPA. However, as of December 2022, there was no assessment, nor had monitoring been conducted by the Office to determine the eventual associated risks and their impact on the local data-collection system after its launch.

233. With regard to the agreements between UNFPA and the implementing partners, it was noted that a confidential management clause was missing, even in the UNFPA agreement templates, regarding beneficiaries. In that regard, the Türkiye country office provided guidelines to implementing partners that mentioned the principles of confidentiality and security.

234. According to the information provided by the Türkiye country office, as of December 2022 the local data collection system had recorded 589 user accounts, which included both UNFPA and implementing partner-related personnel. In its analysis of the user accounts, the Board noted that 229 were active and 360 were inactive. A total of 55 per cent of the active users had access to the local data collection system through non-organizational email addresses, 27 per cent from implementing partner organizational email addresses and 18 per cent from UNFPA email addresses. However, the local data collection system did not register when and who had assigned the active or inactive status in the application.

235. Considering that UNFPA owns its shadow information technology systems and that the information and resources remain the organization's property, the Board considers that the Information Technology Solutions Office must identify and manage the local data collection system risk assessment and resulting impact to avoid any external or reputational damage to the organization.

236. Moreover, because it is not possible to ensure how the information is visualized, extracted, manipulated or shared with other parties, UNFPA needs to take measures to engage with its implementing partners in order to ensure that they handle the beneficiaries' information and the quantification of inventory stock confidentially.

237. The Board is of the opinion that UNFPA must review the local data collection system architecture and scale it throughout the Fund, maintaining systems that include key information on the monitoring of programme implementation, in order to obtain the most significant advantage for the efficient use of resources, which involves benefits, obligations and risks that must be duly managed to avoid loss, duplication and lack of information.

238. The Board recommends that the Information Technology Solutions Office coordinate with the Türkiye country office in order to assess the local data collection system in order to assess risks, support services, stability, effectiveness and impact on internal system performance after its launch.

239. The Board recommends that UNFPA formalize and incorporate a confidential management clause regarding beneficiaries into the agreements signed with its implementing partners.

240. The Board recommends that UNFPA take mitigating measures regarding the manner of access to its information in the local data collection system when a non-institutional email address is used.

241. The Board recommends that UNFPA assess the use of an implementing partner management system within the organization, in order to have effective real-time data collection and reporting regarding the beneficiary service being delivered.

242. UNFPA accepted the recommendations.

C. Transmissions of information by management

1. Write-off of losses of cash, receivables and property

243. UNFPA informed the Board of losses in assets of \$680,334 (2021: \$355,698). The write-offs included contributions receivable of \$11,833; property, plant and equipment of \$13,627; implementing partners' ineligible expenses of \$283,300; staff receivables of \$8,468; cash advances of \$1,556 and a value-added tax reimbursement claim of \$361,550.

2. Ex gratia payments

244. As required in regulation 14.4 of the UNFPA financial regulations and rules, management reported ex gratia payments amounting to \$13,000 for the period under review.

3. Cases of fraud and presumptive fraud

245. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

246. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

247. UNFPA reported 2 cases (2021: 11 cases) of fraud or presumptive fraud closed during the year 2022 by the Office of Audit and Investigations Services amounted to \$22,920. As at 31 December 2022, the Office had under investigation 41 cases involving allegations of presumptive fraud.

D. Acknowledgement

248. The Board expresses its sincere appreciation and gratitude to the management and staff of UNFPA for the assistance and cooperation extended during the conduct of this audit.

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(Signed) **Jorge Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) **Pierre Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2019	A/75/5/Add.8 para. 76	The Board recommends that UNFPA and its Mozambique and Myanmar country offices update inventory transactions in a timely manner and accurately record them, in order to avoid inaccurate financial reporting for management decision-making.	The UNFPA Mozambique country office responded that it was improving its internal processes to update inventory transactions on time.	The Myanmar country office implemented the recommendation in the previous audit period. With regard to the Mozambique country office, the Board verified that it had improved the time of registration relating to the inventory transactions, decreasing the time between the registration and the delivery dates. Thus, this recommendation is considered implemented.	X			
2	2019	A/75/5/Add.8 para. 165	The Board recommends that the UNFPA country offices in Ethiopia, Mozambique and Myanmar incorporate into the information system strengthened tools related to the travel management process, in order to increase the effectiveness and efficiency of that process.	The UNFPA country offices in Ethiopia, Mozambique and Myanmar explained that a new global travel module would be part of the new enterprise resource planning system implementation, which would be launched in the second quarter of 2023.	Considering that the improvements would be part of the new enterprise resource planning system implementation, this recommendation is considered under implementation.		X		
3	2020	A/76/5/Add.8 para. 41	The Board recommends that UNFPA update the implementing partners' risk rating in the Implementing Partner Assurance System in a timely and accurate manner, in order to have precise planned assurance activities and overcome the limitations of the Implementing Partner Assurance System.	UNFPA explained that management had followed up with country offices reminding them of the importance of ensuring that the most recent microassessment risk rating was reflected correctly in the Implementing Partner Assurance System through guidance. In addition, the technical issue regarding the System was resolved to	The Board observed activities relating to mitigating the risk of the microassessment in the Implementing Partner Assurance System. UNFPA has been updating the risk ratings to incorporate context risk. For the implementing partners "not yet assessed", specific justifications were tolerated by assigning high or significant risks to them, in order to carry out a prompt	X			

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				ensure that the risk ratings recorded for implementing partners in the System were related to the actual risk rating documented in the microassessment report.	assurance activity. Thus, this recommendation is considered implemented.				
4	2020	A/76/5/Add.8 para. 42	The Board recommends that UNFPA incorporate automatic controls into the new enterprise resource planning system, with the aim of determining the implementing partners subject to mandatory assurance activities in a timely and accurate manner.	UNFPA explained that the relevant specifications for the automation of assurance selection had already been developed. Management will work with the enterprise resource planning team to incorporate these specifications, which will be launched in the first quarter of 2024.	The Board acknowledged the efforts made by UNFPA in preparing the relevant specifications for the automation of assurance selection, considering the scheduling of audits and spot checks in the assurance plan as soon as implementing partners' expenses reach the thresholds set in the assurance strategy. However, considering that the improvements have to be part of the new enterprise resource planning system implementation, this recommendation is considered under implementation.		X		
5	2020	A/76/5/Add.8 para. 88	The Board recommends that UNFPA improve its supplies monitoring process at the regional and country governance levels, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to implementing partners.	The new Supply Chain Management Unit indicated that a country office support and monitoring team would be established and would incorporate regional supply chain management specialists to provide support to country offices and monitor their supply chain management performance. The recruitment process is at the stage of shortlisting for four of them, one is at the longlist stage and one is pending reclassification.	The Board acknowledges the measures taken by the Supply Chain Management Unit relating to the establishment of the country office support and monitoring team and the recruiting process of six regional supply chain management specialists to provide support to country offices and monitor their supply chain management performance. The Board will analyse the effectiveness of these measures in the next		X		

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6	2020	A/76/5/Add.8 para. 89	The Board recommends that UNFPA incorporate preventive controls related to inventory information in the new enterprise resource planning, in order to provide early alerts at each stage of the supply process.	UNFPA management indicated that an adequate mix of automated processing functions and preventive and detective controls would be designed and implemented in its new enterprise resource planning system, to improve the tracking of shipments and the timely and accurate recording of inventory transactions. It is expected to be functional by the first quarter of 2024.	audit. Therefore, this recommendation is considered under implementation. Considering that the improvements would be part of the new enterprise resource planning system implementation, this recommendation is considered under implementation.		X		
7	2021	A/77/5/Add.8 para. 26	The Board recommends that UNFPA strengthen its planning, monitoring and reporting procedures on myResults for all business units in order to have a process that gives an accurate overview and demonstrates accountability in respect of the indicator target.	UNFPA management confirmed that functionalities had been added to the myDashboard application to follow up with business units and alert them when they had not initiated or finalized results reporting or when they were late in their results planning, monitoring and reporting in the strategic information system/ myResults.	The Board reviewed the strategic information system and concluded that UNFPA had strengthened its planning, monitoring and reporting procedures through an implemented alert functionality on myResults, which is part of the strategic information system for pending activities that had to be carried out, including the planning, monitoring and reporting processes. Therefore, this recommendation is considered implemented.	X			

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8	2021	A/77/5/Add.8 para. 27	The Board recommends that UNFPA regional offices implement effective and timely monitoring procedures in order to provide clearance of the regional office approval after the quality assurance review.	UNFPA management indicated that an application had been deployed in myDashboard to remind regional offices when there was a pending quality assurance and approval of a country office report.	The Board reviewed the strategic information system and concluded that UNFPA had implemented an alert functionality in myResults for regional offices' planning, monitoring and reporting processes. Therefore, this recommendation is considered implemented.	X			
9	2021	A/77/5/Add.8 para. 38	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo and the Subregional Office for the Caribbean strengthen their procedures regarding the uploading of output indicators on myResults in accordance with what is established in the subregional programme document in order to have an objective process that allows tracking of results.	The Democratic Republic of the Congo country office mentioned that a workshop to align the country programme document with the new strategic plan (2022–2025) had been held, which made it possible to have not only a new results framework with integrated outputs relating to humanitarian action, but also the reformulation of existing outputs and readjustments. In the case of the Subregional Office for the Caribbean, it was indicated that action had already been taken by priority alignment of all country programme indicators in the planning, monitoring and reporting of 2022 office results in myResults and priority alignment of country programme development indicators in all 2022 workplans.	The Board reviewed the workshop documents and the 2022 output indicators uploaded on myResults, verifying that they were aligned with the country programme document and the regional structure for monitoring results. Therefore, this recommendation is considered implemented.	X			

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10	2021	A/77/5/Add.8 para. 47	The Board recommends that UNFPA develop the recording of and easy access to the background information that supports the estimations made to determine vacancy rates, in order to ensure an effective and efficient use of the budgeted resources for personnel costs and to ensure proper staffing for the fulfilment of the planned programmes and activities.	UNFPA management mentioned that the guidance note on standard post costs had been updated to provide background information on the methodology to calculate the standard posts costs, including the vacancy rate estimates built into those costs. It was added that the guidance note on standard post costs had been issued and was available on the intranet.	On 22 November 2022, UNFPA approved a guidance note on standard post costs, which is available in the policy and procedures manual system. The Board noted that the guidance note supports the use of the standard post costs as the instrument used for budget preparation and budgeting for positions, giving the organization easy access to the background information that supports the estimations made to determine vacancy rates. The recommendation is therefore considered implemented.	X			
11	2021	A/77/5/Add.8 para. 56	The Board recommends that UNFPA maintain close monitoring of the recruitment time and take proper measures in a workforce plan to ensure that it gets closer to the target defined by the Fund in the strategic information system.	UNFPA management reported that it would be more active in enforcing a committed recruitment lead time of 90 calendar days (see the organization efficiency and effectiveness indicators in the strategic plan for 2022–2025) as part of enhancements to the new enterprise resource planning system. The following action measures were completed to address the recommendation: (a) recruitment of six Human Resources Analysts (P-2), who would play a key role in monitoring regional recruitment activities; (b) completion of the design of a training package on recruitment-related functions; and (c) a roll-out to	The Board reviewed the Fund's measures and verified that the recruitment of six Human Resources Analysts has been completed, who would be responsible for monitoring recruitment activities as outlined in their position's terms of reference. Moreover, it was observed that the Fund had provided the training material for all UNFPA recruiters regarding Quantum Recruit. Lastly, it was noted that the new enterprise resource planning system had introduced a recruitment dashboard created as part of Quantum reporting and deployed in Microsoft Power BI. As a result, the Board considers this recommendation implemented.	X			

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12	2021	A/77/5/Add.8 para. 65	The Board recommends that the UNFPA country office in Colombia and the Subregional Office for the Caribbean strengthen their internal control procedures to plan and ensure that all staff members complete the mandatory learning curriculum within the three-month deadline after joining the organization.	commence during the week of 3 October 2022. UNFPA would present the supporting documentation in April 2023. The Colombia country office reported that it had strengthened its internal controls by assigning a staff member who would monitor and track the status of the mandatory learning curriculum of all staff members within three months and follow up on the completion of mandatory courses. The Subregional Office for the Caribbean's coordination team stated that it would ensure that new staff members complete mandatory courses within the three-month deadline. Induction resources for new staff had been updated to include the requirement for completion to provide awareness for all staff. The human resources focal point monitored course completion and followed up on the completion of mandatory courses.	The Board observed that the measure to assign, a human resources focal point to monitor course completion and follow up on the completion of mandatory courses had been implemented. In addition, the Board observed that the offices had obtained the reports through the UNFPA mandatory course dashboard. Therefore, this recommendation is considered implemented.	X			
13	2021	A/77/5/Add.8 para. 66	The Board recommends that UNFPA redesign the control and enhance the oversight related to the mandatory courses, particularly with the migrated data, in order to ensure that the Taleo system is updated with accurate, reliable and available information.	UNFPA stated that, under the guidance of the Learning Advisory Board of the Fund, the mandatory course requirements were reduced from 15 to 11, and mandatory learning compliance was reduced from 90 to 30 days. The Quantum enterprise resource planning learning	The Board observed that UNFPA had migrated the information about the mandatory courses to Quantum learning. Therefore, this recommendation is considered implemented.	X			

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14	2021	A/77/5/Add.8 para. 77	The Board recommends that UNFPA update the assurance activities plan in a timely and accurate manner, using the information on the implementing partners' risk rating in the Implementing Partner Assurance System.	module was rolled out on 15 August 2022, with a mandatory learning dashboard developed, and access was decentralized to regional human resources business partner teams. The dashboard pulls data from UNFPA Quantum enterprise resource planning, displays pie charts for at-a-glance compliance monitoring, and allows for filtering by office unit and data extracts.	Management stated that, for 2022, UNFPA had restored and tested the automated scheduling of assurance activities in the implementing partner assurance system.	The Board reviewed the action taken by the Fund, which included the microassessment of the last, the current and the next period, and observed that the risk rating microassessment variations had been adjusted in accordance with the guidelines. The Board verified that the risk rating microassessment had performed accurately with regard to the assurance activities planned and targeted, modifying them as necessary. Thus, this recommendation is considered implemented.	X			
15	2021	A/77/5/Add.8 para. 78	The Board recommends that UNFPA strengthen the assurance activities plan and put in place preventive controls in its formulation process for the implementing partner assessment.	UNFPA management stated that the risk ratings in the 2022 assurance plan were accurately taken from the microassessment module.	While the Board acknowledges the Fund's efforts, no preventive controls have been adopted. There were still manual and detective controls in which the review and authorization of the information uploaded				X	

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					to prevent errors could not be tracked, leading to inaccuracies and delays in the microassessments indicated in the system to ensure that the proper risk rating microassessment was uploaded to the system correctly and in a timely manner. Therefore, this recommendation is considered not implemented.				
16	2021	A/77/5/Add.8 para. 90	The Board recommends that the UNFPA country offices in Lebanon and the Democratic Republic of the Congo ensure that the implementing partner agreements and their amendments are approved prior to carrying out the workplan and continuing with the transfer of cash and the delivery of goods.	The Lebanon country office reported that it continuously aimed to enhance the workplan management process and ensure that the legal status of UNFPA was correctly reflected under all contracting modalities. The Democratic Republic of the Congo country office declared that it ensured that the implementing partner agreements and amendments were approved and up to date before signing a workplan.	The Board verified that the Democratic Republic of the Congo and Lebanon country offices had made improvements by approving the agreements and amendments prior to the signature of the workplan. Therefore, this recommendation is considered implemented.	X			
17	2021	A/77/5/Add.8 para. 91	The Board recommends that the UNFPA country offices in Lebanon and the Democratic Republic of the Congo strengthen the periodic monitoring of implementing partner agreements and keep them updated and accurate in the partner information management system.	The Lebanon and the Democratic Republic of the Congo country offices reported that they had established more control action measures for monitoring implementing partner agreements and keeping all updated and accurate agreements. Before creating the implementing partners' Atlas code, the system was required to upload the implementing partner	The Democratic Republic of the Congo and Lebanon country offices took measures to improve agreement management accurately. Therefore, this recommendation is considered implemented.	X			

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18	2021	A/77/5/Add.8 para. 102	The Board recommends that the UNFPA country offices in Lebanon and the Democratic Republic of the Congo and the Subregional Office for the Caribbean strengthen the monitoring process for the progress in implementation of the workplan activities in order to conduct reviews of the workplan progress report in a more timely and accurate manner.	agreement to the United Nations Partner Portal. Since November, all implementing partners have had valid agreements under the partner information management system/United Nations Partner Portal. The Lebanon and the Democratic Republic of the Congo country offices declared that they had strengthened the monitoring process for implementing partners' workplan activities in order to review the workplan progress report on time and started organizing a quarterly review of the workplans of the implementing partners to ensure proper implementation of the activities and accuracy of reporting, including their target indicators, with the objective of having all 2022 workplan progress reports uploaded in the global programming system. The Subregional Office for the Caribbean strengthened the monitoring of the workplans by training the implementing partners on the timely completion of workplan progress reports and launched the updated standard operating procedures for the workplan and implementing partner management.	The Board reviewed the training material distributed between the programme staff and implementing partners of the training conducted in the Lebanon and the Democratic Republic of the Congo country offices and the Subregional Office for the Caribbean, along with the new update of the standard operating procedures, which ensured that the workplan progress reports were reviewed accurately and in a timely manner. Therefore, in view of the action taken, the recommendation is considered implemented.	X			

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19	2021	A/77/5/Add.8 para. 103	The Board recommends that the UNFPA country offices in Lebanon and the Democratic Republic of the Congo ensure that reviews are carried out in a timely manner by the programme officer before the approval of the workplan progress report and the respective funding authorization and certificate of expenditure form in order to safeguard the resources used by the implementing partner.	The Lebanon country office reported that all staff members had been notified and all vouchers processed in the global programming system after approving the workplan report. In addition, a checklist for the workplan management process was developed to ensure full compliance, and regular on-site monitoring of implementing partners' activities was ensured on a monthly basis. The Democratic Republic of the Congo country office indicated that a training session and the delivery unit would ensure that the designated programme officer would review the workplan progress reports before their approval and the relevant funding authorization and certificate of expenditure form.	The Board acknowledges the measures taken by the UNFPA country offices in the Democratic Republic of the Congo and Lebanon. However, in the review carried out by the Board, there were still verified cases in which the workplan progress report had been approved after the funding authorization and certificate of expenditure form. Thus, this recommendation is considered under implementation.		X		
20	2021	A/77/5/Add.8 para. 114	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo strengthen the process for registering purchase orders in order to receive the services or goods after the purchase order is issued, to ensure that the process is recorded on time and under budget-checked criteria.	The UNFPA Democratic Republic of the Congo country office has developed standard operating procedures to strengthen the procurement processes and timely recording of all process stages. In addition, a memo was issued by the representative to all staff, in particular the procurement personnel, regarding compliance with the purchase order registration requirements.	The Board verified that the UNFPA Democratic Republic of the Congo country office had strengthened the purchase order registering process through the new, official procurement standard operation procedure. Accordingly, this recommendation is considered implemented.	X			

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21	2021	A/77/5/Add.8 para. 123	The Board recommends that the UNFPA country office in Colombia ensure that all transparency standards are used for the local procurement processes in an efficient and timely manner in order to guarantee that all information is clearly defined and made known to all stakeholders.	The UNFPA Colombia country office has conducted procurement training sessions to educate the staff and enforce accountability at all levels to ensure the proper utilization of correct procurement templates for solicitation and evaluation. In addition, the standard operating procedure for procurement processes has been completed and shared with the administrative, programme and operational teams.	On the basis of the review carried out by the Board, it was noted that the UNFPA Colombia country office complied with the enforcement of procurement procedures at all levels to ensure the proper utilization of correct procurement templates, guaranteeing that local procurement processes were fair and ensuring that all information on procurement policies, procedures, opportunities and processes were clearly defined and made known simultaneously to all internal and external stakeholders of the organization. Therefore, this recommendation is considered as implemented.	X			
22	2021	A/77/5/Add.8 para. 124	The Board recommends that the UNFPA country office in Colombia and the Subregional Office for the Caribbean strengthen the local procurement process so that the purchase order is raised in Atlas before a contract for professional services is issued to the suppliers, in order to ensure that the procurement process is completed under budget-checked criteria.	The UNFPA Colombia country office and the Subregional Office for the Caribbean ensured the proper implementation of procurement processes for professional services and human resources and have created and implemented an internal control system to properly document the completion of the procurement process for all professional services contracts. All staff involved in the procurement process have been reoriented on the need to encumber funds before the contract issuance.	The Board verified that the UNFPA Colombia country office and the Subregional Office for the Caribbean had developed standard operating procedures to strengthen the procurement processes and ensure the timely issuance of purchase orders. In addition, it was verified that staff had been trained on applying procurement procedures to ensure that procurement processes had an approved purchase order in Quantum before the signing of any contract or commitment with suppliers. Hence, this recommendation is considered implemented.	X			

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23	2021	A/77/5/Add.8 para. 141	The Board recommends that the UNFPA country offices in Colombia, the Democratic Republic of the Congo and Lebanon and the Subregional Office for the Caribbean enhance the accurate and timely recording and updating of the shipment tracker when the products are received and the inspection process is performed and finalized.	The country offices in the Democratic Republic of the Congo and Lebanon stated that they had allocated additional staff resources to the team responsible for managing programme supplies and would formalize standard operating procedures. The Lebanon country office established a database under Google Drive to monitor and distribute its inventory. The Democratic Republic of the Congo country office reported that it had updated the shipment tracker records. The Colombia country office appointed logistics and procurement focal points to strengthen the monitoring and tracking of the programme supplies. In addition, the Subregional Office for the Caribbean assigned a focal person to monitor locally procured inventories for timely and accurate tracking and had two sessions with the Supply Chain Management Unit on inventory management.	The Board verified the action taken by the management of UNFPA country offices in Colombia, the Democratic Republic of the Congo and Lebanon and the Subregional Office for the Caribbean regarding the adoption of measures such as training, updating procedures and including new staff. Therefore, this recommendation is considered implemented.	X			

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24	2021	A/77/5/Add.8 para. 142	The Board recommends that the UNFPA country offices in Colombia, the Democratic Republic of the Congo and Lebanon and the Subregional Office for the Caribbean ensure the preparation of the handover form and the recording of the deliveries to the recipient when the control of the goods has been transferred.	The country offices in the Democratic Republic of the Congo and Lebanon stated that they had allocated additional staff resources to the team responsible for managing programme supplies and would formalize standard operating procedures. The Lebanon country office established a database under Google Drive to monitor and distribute its inventory. The Democratic Republic of the Congo country office reported that it had enhanced the process of the preparation and collection of signed handover documents and internal communication among teams managing various components of the country office supply chain. The Colombia country office appointed logistics and procurement focal points to strengthen the monitoring and tracking of the programme supplies. In addition, the Subregional Office for the Caribbean assigned a focal point to monitor locally procured inventories for timely and accurate tracking and had two sessions with the Supply Chain Management Unit on inventory management.	The Board verified the measures adopted by the country offices in Colombia, the Democratic Republic of the Congo and Lebanon, as well as the Subregional Office for the Caribbean, such as training, updating procedures and including new staff, and validated that the four offices had improved the preparation of the handover form and the recording of the deliveries to the recipient when the control of the goods had been transferred. Therefore, this recommendation is considered implemented.	X			

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25	2021	A/77/5/Add.8 para. 155	The Board recommends that the UNFPA country offices in Lebanon and Colombia enhance actions to manage and upload the distribution plan in the global programming system and keep the process flowing with the respective supporting documentation, the delivery of supplies once the workplans are signed and the inclusion of the distribution plan as a supplemental document.	The Lebanon country office updated the internal control framework to ensure the uploading of the distribution plan in the global programme system before any delivery to implementing partners and developed the distribution plan for each implementing partner to keep track of the distribution for each fund and the activity. The Colombia country office reported that it had prepared, reviewed, approved and tracked distribution plans and put in place a process to monitor its execution and reconciliation with respect to actual deliveries. In line with the guidance note, it also implemented action measures and uploaded the signed distribution plan to the global programme system.	The Board verified that the Lebanon country office had reviewed and updated its internal control framework and the standard operating procedure regarding the programme supplies management process, created a database under Google Drive to monitor the procurement and distribution of programme supplies, and developed a distribution plan for each implementing partner. Likewise, the Colombia country office prepared a standard operating procedure for supplies management and designed a distribution plan for each implementing partner. Therefore, this recommendation is considered implemented.	X			
26	2021	A/77/5/Add.8 para. 156	The Board recommends that the UNFPA country offices in the Democratic Republic of the Congo and Colombia strengthen the preparation and review of the distribution plan in order to carry out a process aligned with the workplan or another appropriate programme document.	The country offices in the Democratic Republic of the Congo and Colombia explained that they had put a process in place to review, approve and track distribution plans and to monitor their execution and reconciliation with respect to actual deliveries, in line with the guidance note prepared by UNFPA. The country offices also ensured that the distribution plans were included as supplemental documents of the workplans by implementing partners.	The Board verified that the country offices in Colombia and the Democratic Republic of the Congo had prepared a standard operating procedure regarding the programme supplies management process. In addition, a distribution plan template was designed as a supplementary programme document to both offices' signed workplans with the implementing partners. Thus, as a whole, this recommendation is considered implemented.	X			

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27	2021	A/77/5/Add.8 para. 157	The Board recommends that the UNFPA country offices in Lebanon and Colombia ensure that the delivery of goods to implementing partners is linked with the distribution plan.	The Lebanon country office developed the distribution plan form by adding the activity name and linking it with the distribution of programme supplies and developing a database under Google Drive to ensure the monitoring and distribution of programme supplies to implementing partners and beneficiaries. The Colombia country office reported that it had prepared, reviewed, approved and tracked distribution plans and put in place a process to monitor its execution and reconciliation with respect to actual deliveries. In line with the guidance note, it also implemented action measures and uploaded the signed distribution plan to the global programme system.	The Board noted that the country offices in Colombia and Lebanon had taken action to resolve the inventory management issues. However, the Board identified differences between the distribution plan uploaded to the global programme system and the information from inventory reports relating to the delivery of goods. Therefore, the recommendation is considered under implementation.		X		
28	2021	A/77/5/Add.8 para. 158	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo implement a monitoring process that includes the review and approval of distribution plans in the global programming system and oversee their execution in order to keep the process flowing with their respective supporting documentation, the delivery of supplies once the workplans are signed and the inclusion of the distribution plan as a supplemental document.	The Democratic Republic of the Congo country office reported that it had put a process in place to prepare, review, approve and track distribution plans and to monitor their execution and reconciliation with respect to actual deliveries, ensuring that the distribution plans were included as supplemental documents to the workplans for implementing partners.	The Board reviewed the action taken by the Democratic Republic of the Congo country office and verified the establishment of terms of reference to strengthen the monitoring and reinforcement of the supporting documentation relating to the delivery of supplies. In addition, it was verified that the distribution plans were included as supplemental documents to the workplans for implementing partners. Therefore, the recommendation is considered implemented.	X			

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29	2021	A/77/5/Add.8 para. 164	The Board recommends that the UNFPA country offices in Lebanon and Colombia work closely with headquarters to standardize the information contained in the distribution plan with the necessary specifications established in the policy.	The Lebanon country office has implemented this recommendation. For the Colombia country office, the action has been implemented by uploading the signed distribution plan to the global programming system previously approved by headquarters.	The Board verified that the Colombia and Lebanon country offices had adopted measures such as updating procedures, coordinating with headquarters and implementing improvements to standardize the information in the inventory process. Therefore, this recommendation is considered implemented.	X			
30	2021	A/77/5/Add.8 para. 165	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo incorporate the documents related to the delivery of supplies (distribution plan, handover of programme supplies and inventory issuance report) with the same item identification registered to ensure the traceability of every supply delivered.	With the support of headquarters, the Democratic Republic of the Congo country office reported the development of a standard operating procedure for using standard item identifications in all systems and documents.	The Board verified that the Democratic Republic of the Congo country office had incorporated the instructions from the standard operating procedure for using standard item identifications. Therefore, this recommendation is considered implemented.	X			
31	2021	A/77/5/Add.8 para. 175	The Board recommends that the UNFPA country offices in the Democratic Republic of the Congo and Colombia strengthen the proper process for preparing handover forms according to the nature of the transaction and oversee the accomplishment of the delivery of goods through either delivery slips, programme supplies distribution agreements or distribution lists.	The country offices in Colombia and the Democratic Republic of the Congo explained that they would work closely with headquarters and would formalize, under the responsibility of the head of the office, the inventory management process improvement plan and the standard operating procedures to ensure the proper execution of all inventory management activities. The Democratic Republic of the Congo country office allocated	The Board confirmed that the country offices in Colombia and the Democratic Republic of the Congo and Colombia had issued a standard operating procedure regarding the programme supplies management process. The Board verified that the country offices had improved the preparation of handover forms and the delivery of goods through the proper documents according to the nature of the transaction. Therefore, this recommendation is considered implemented.	X			

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32	2021	A/77/5/Add.8 para. 176	The Board recommends that the UNFPA country office in Colombia work closely with headquarters to incorporate the categorization of the type of delivery document (programme supplies distribution agreements, direct distribution and delivery slips) into the new enterprise resource planning system.	additional staff resources to the country office team responsible for managing programme supplies and strengthening internal communication. In addition, the Colombia country office took action to appoint a shipment tracker focal point and monitor inventory balances in the shipment tracker.	The Colombia country office stated that it would work closely with headquarters on the recommendation and the implementation of the new enterprise resource planning system. The implementation of the inventory module of the new enterprise resource planning system is not a part of the current phase and would be implemented in the next phase. The date of exact confirmation would be announced on March 2023.	Considering that the improvements would be part of the implementation of the new enterprise resource planning system and the Board has not received supporting documentation concerning its status, this recommendation is considered not implemented.			X	
33	2021	A/77/5/Add.8 para. 186	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo strengthen the preparation and review of the different reports involved in the last-mile assurance process components.	The UNFPA country office in the Democratic Republic of the Congo reported the development of a standard operating procedure and calendar outlining how the process would be executed throughout the year under the responsibility of its representative, with support from the headquarters last-mile assurance team. Training was provided to staff and implementing partners as	The Board acknowledges the efforts made by the UNFPA Democratic Republic of the Congo country office to strengthen the implementation of the last-mile assurance policy by developing a standard operating procedure and a calendar outlining how the process would be executed, and by training staff and implementing partners. In addition, owing to the			X		

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				regards the requirements of the last-mile assurance process.	transition of the last-mile assurance process from the Finance Branch to the Supply Chain Management Unit, surveys have been carried out in the field offices to review and re-evaluate it. However, the restructuring of the last-mile assurance process is new and its start is pending. This recommendation is considered under implementation.				
34	2021	A/77/5/Add.8 para. 187	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo prepare a workplan involving the accomplishment of the different reports established in every component of the last-mile assurance process.	The UNFPA Democratic Republic of the Congo country office reported the development of a standard operating procedure and calendar outlining how the process would be executed throughout the year under the responsibility of its representative, with support from the headquarters last-mile assurance team. Training was provided to staff and implementing partners as regards the requirements of the last-mile assurance process.	The Board verified that the Democratic Republic of the Congo country office had prepared a workplan for 2022 that was intended to strengthen the capacities of implementing partners in the use and filling of last-mile assurance tools templates, as well as workplan submission within the time limits. Therefore, this recommendation is considered implemented.	X			
35	2021	A/77/5/Add.8 para. 188	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo work closely with headquarters in order to improve the monitoring stage, with the aim of identifying deficiencies in the five components and strengthening the implementation of the last-mile assurance policy.	The Democratic Republic of the Congo country office reported the development of a standard operating procedure and a calendar outlining how the process would be executed throughout the year under the responsibility of its representative, with support from the headquarters last-mile assurance team. In	With regard to the last-mile assurance process, the Board noted that the process had been transferred from the Finance Branch to the Supply Chain Management Unit. As for the five components of the process, UNFPA presented the new supply chain overview, which contained the quarterly stock review	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
				addition, training was provided to staff and implementing partners as regards the requirements of the last-mile assurance process.	and the supply chain risk assessment. These were presented to all last-mile assurance focal points in the field office through a webinar. Considering the measures taken, this recommendation is considered implemented.					
36	2021	A/77/5/Add.8 para. 196	The Board recommends that UNFPA refine its policies and procedures and review its contribution agreements in order to establish an enhanced basis for decision-making on the recognition of non-exchange transactions in line with IPSAS 23.	UNFPA management indicated that a policy on the recognition of non-exchange transactions had been issued.	The Board reviewed the new policy (effective January 2022) for the recognition of revenue from non-exchange transactions, verifying that it included methods of accounting and reporting to be applied to the recognition of non-exchange revenue consistent with the requirements of IPSAS 23. Therefore, this recommendation is considered implemented.	X				
Total number of recommendations						36	27	7	2	–
Percentage of total number of recommendations						100	75	19	6	–

Chapter III

Certification of the financial statements

Letter dated 28 April 2023 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly reflected in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management of the United Nations Population Fund (UNFPA) is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Office of Audit and Investigation Services continually reviews the accounting and control systems;

UNFPA management provided the Office of Audit and Investigation Services with full and free access to all accounting and financial records and related supporting documents;

The recommendations of the United Nations Board of Auditors and the Office of Audit and Investigation Services are reviewed by UNFPA management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Chief Financial Officer, Bureau for Management Services, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(Signed) Andrew **Saberton**
Director
Division for Management Services

Chapter IV

Financial report for the year ended 31 December 2022

Introduction

1. The present report summarizes and further explains the information provided in the United Nations Population Fund (UNFPA) financial statements for the year ended 31 December 2022 and highlights significant matters and trends related to the Fund's financial position and performance.

Summary of financial results

2. In 2022, UNFPA modified its accounting policy for revenue recognition for contributions to regular resources. Previously, UNFPA recognized such revenue from regular resources in the year for which the contribution was intended, while revenue from other resources was recognized in the year the agreement was signed. This resulted in revenue from regular resources being recognized based on the schedule of payments indicated by a donor in the agreement, where contributions for regular resources were intended for a particular year. This is now referred to as "contributions received", while "revenue" now refers to an amount recognized in the year the agreement becomes binding. The impact of this change is two-fold: (a) revenue for regular resources is recognized in the year the agreement is signed; and (b) the full value of the agreement is recognized as revenue, even where the agreement is a multi-year agreement and the amounts are intended for future years. Under the new policy, revenue for both regular and other resources is recognized in full, including for multi-year contributions, at the time the agreement is signed. Where contribution agreements have conditions, UNFPA recognizes a liability, and revenue recognition is deferred until such conditions are met. The new policy exposes UNFPA to the risk of fluctuations in revenue from one year to another and that, in future periods, multi-year commitments may be affected by changes in government and/or policies.

3. Under the International Public Sector Accounting Standards, UNFPA is additionally required to restate the comparable figures for 2021 in its financial statements based on the modified accounting policy.

4. Considering the above, the main financial results for 2022 can be summarized as follows:

(a) UNFPA revenue for 2022 based on the modified accounting policy amounted to \$1,532.0 million (2021: \$1,617.6 million (restated)). The change in accounting policy resulted in revenue for unearmarked contributions being reduced by \$51.6 million for 2022 and increased by \$112.4 million for 2021. These adjustments are the net impact of revenue being recognized earlier, based on when the agreements were signed rather than in the year for which the contributions were intended;

(b) UNFPA total expenses increased by 9.0 per cent, to \$1,442.8 million in 2022 (2021: \$1,323.6 million (restated)), in part because of scaled-up programme interventions in humanitarian contexts in the provision of quality care and services;

(c) Total assets increased by 1.3 per cent, to \$2,626.3 million as at 31 December 2022 (2021: \$2,592.8 million (restated)), owing mainly to the increase in cash and cash equivalents. Total liabilities decreased by 20.4 per cent, to \$459.9 million in 2022 (2021: \$577.5 million), owing mainly to a decrease in employee benefits liabilities;

(d) Reserves and fund balances increased by 25.4 per cent, to \$2,166.4 million in 2022, compared with the original amount of reserves and fund balances as at 31 December 2021 (\$1,727.8 million), owing mainly to higher undesignated regular resources fund balances, which amounted to \$484.4 million as at 31 December 2022, on account of the restating of the opening balance for an adjustment of \$287.5 million resulting from the change in accounting policy for revenue recognition. This adjustment does not represent a receipt of cash but the recording of revenue for multi-year commitments for regular resources, where the inflow of cash is expected to be transferred to UNFPA between 2022 and 2027. The remaining increase is due to the actuarial gain on employee benefits liabilities of \$121.0 million, partially offset by a loss in fair value of investments of \$59.1 million and a deficit of revenue over expenses of \$35.0 million in the programmable fund balance. An adjustment in revenue of \$51.6 million was reversed in 2022 and recognized in prior years based on when the agreements were signed, resulting in higher restated revenue in 2021 and lower revenue in 2022 despite the resources being received in 2022. Total regular resources funds available for programming as at 1 January 2023 increased by 3.8 per cent to \$188.0 million (2022: \$181.2 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years and owing to contributions being collected in the latter part of the year and thus not being available for programming in 2022;

(e) As at 31 December 2022, undesignated fund balances of other resources increased by 9.2 per cent, to \$1,480.3 million (2021: \$1,356.2 million), representing resources received for the implementation of programme activities under multi-year agreements, as well as future contributions receivable, which are not available for programming, of \$494.4 million (2021: \$421.2 million).

Financial performance

Trends in contribution revenue

5. UNFPA is funded primarily from voluntary contributions that are either unrestricted as to use (referred to as “unearmarked”, “core” or “regular” resources) or restricted by the donors for a specific purpose, programme or activity (referred to as “earmarked”, “non-core” or “other” resources).

6. Throughout the present report, reference is made to contribution revenue as “gross” or “net”. Gross contributions refer to the amounts specified in agreements signed with donors, recognized as revenue consistent with UNFPA accounting policies, regardless of the period of implementation and payment schedule. Net contributions are gross contributions reduced by the amounts of refunds to donors, cost-recovery charges, allowances for doubtful contributions receivable and income tax reimbursements to taxpayers of one Member State.

7. The revenue figures stated in this section are based on the modified accounting policy introduced in 2022. As a result, the 2021 figures have been restated in line with the modified accounting policy, as previously discussed.

8. In 2022, UNFPA gross contribution revenue decreased by 4.9 per cent, to \$1,499.6 million (2021: \$1,576.5 million (restated)), surpassing \$1.0 billion for the sixth year in a row. The reduction in contribution revenue was the result of the above-mentioned change in accounting policy for revenue recognition. Net contribution revenue amounted to \$1,420.3 million (2021: \$1,505.2 million (restated)).

9. Gross unearmarked contributions decreased by 25.5 per cent, to \$390.9 million (2021: \$525.0 million), owing mainly to the change in accounting policy for revenue recognition. Under the modified policy, revenue for unearmarked contributions is now

recognized earlier, based on when the agreement is signed, rather than in the year for which the contribution is intended.

10. In March 2023, a major donor announced reductions in future development assistance unearmarked contributions owing to a change in its assistance priorities in reaction to evolving crises in 2023. The amount of \$79.9 million was deducted from the contributions receivable as at 31 December 2022. This change is reflected in the financial statements, but not in the report of the Executive Director on the statistical and financial review, 2022 (DP/FPA/2023/4 (Part I/Add.1)), which was submitted to the Executive Board of UNDP, UNFPA and the United Nations Office for Project Services before this event.

11. On the basis of contributions received in 2022, 82 donors³ deposited contributions to UNFPA unearmarked resources (2021: 96 donors (restated)), with 10 donors accounting for 88.8 per cent of the total unearmarked contribution revenue (2021: 87.2 per cent). Eight of the top ten donors paid their contributions in currencies other than the United States dollar. UNFPA actively manages its net foreign currency exchange exposure, including by hedging, when justified, and by advocating for early payment of the contributions to provide increased flexibility as regards the management of foreign currency positions. In 2022, only 30.6 per cent of unearmarked contributions were disbursed to UNFPA during the first half of the year, little more than half the percentage received in 2021 (2021: 59.4 per cent). UNFPA continues to advocate with donors for early payment of their contributions as this facilitates more effective management of financial resources by UNFPA, including the mitigation of foreign currency exchange risks.

12. Gross earmarked revenue in 2022 increased by 5.4 per cent to \$1,108.7 million (2021: \$1,051.5 million), mainly because of an increase in contributions to thematic funds. The increase was partially offset by a \$16.6 million reduction (amounting to a 2.7 per cent decrease) in contributions from co-financing arrangements and a \$28.7 million reduction (amounting to an 11.6 per cent decrease) in contributions made through United Nations pooled funds and inter-agency transfers. United Nations system organizations (including pooled funds and interorganizational transfers) remained the top donor to UNFPA other resources for the sixth year in a row, contributing \$218.7 million in 2022 (2021: \$247.4 million).

13. In 2022, 75.7 per cent of gross earmarked contributions originated from the top 10 donors, 5.7 percentage points higher than in 2021, when the top 10 donors accounted for 70.0 per cent of the total. Agreements for 44.0 per cent of gross contribution revenue from the top 10 donors were denominated in currencies other than the United States dollar, an increase of 2.9 percentage points from 2021.

14. Gross earmarked contribution revenue included \$467.6 million, or 42.2 per cent of the total, for humanitarian purposes, the highest level of humanitarian funding generated by UNFPA in any single year to date (2021: \$348.6 million, or 33.2 per cent). Significant new contributions were intended for humanitarian interventions in Afghanistan, the Syrian Arab Republic and Yemen.

15. The proportion of earmarked contributions to total gross contribution revenue increased by 8.5 percentage points in 2022, to 73.9 per cent (2021: 65.4 per cent (restated)). This trend, together with the continued reliance on a small group of key donors, pose a significant concern to the Fund, owing to the higher administrative costs it originates, challenges to programme planning and implementation, including reduced flexibility with regard to resource allocation, and risks to programme continuity. UNFPA continues to encourage its donors, including through the structured funding dialogue, to increase contributions to flexible funding sources and

³ Excluding private contributions.

instruments, especially to unearmarked resources, which remain the bedrock of UNFPA operations.

16. Refunds to donors increased by 52.3 per cent, to \$9.9 million in 2022 (2021: \$6.5 million). Refunds represented only 0.9 per cent of gross earmarked contribution revenue (2021: 0.6 per cent), reflecting the high implementation rate for programme activities. Given the change in accounting policy for revenue recognition, this percentage will fluctuate based on when new agreements are signed and recorded as revenue.

Other revenue

17. Other revenue remained at a similar level in 2022, at \$111.7 million (2021: \$112.4 million). The largest other revenue component was cost-recovery charges and fees for support services for unearmarked resources, which amounted to \$66.1 million (59.2 per cent of other revenue) in 2022 (2021: \$58.9 million, or 52.4 per cent). It includes indirect cost-recovery charges on disbursements funded from earmarked resources, fees earned by UNFPA for performing administrative agent functions and procurement services handling fees.

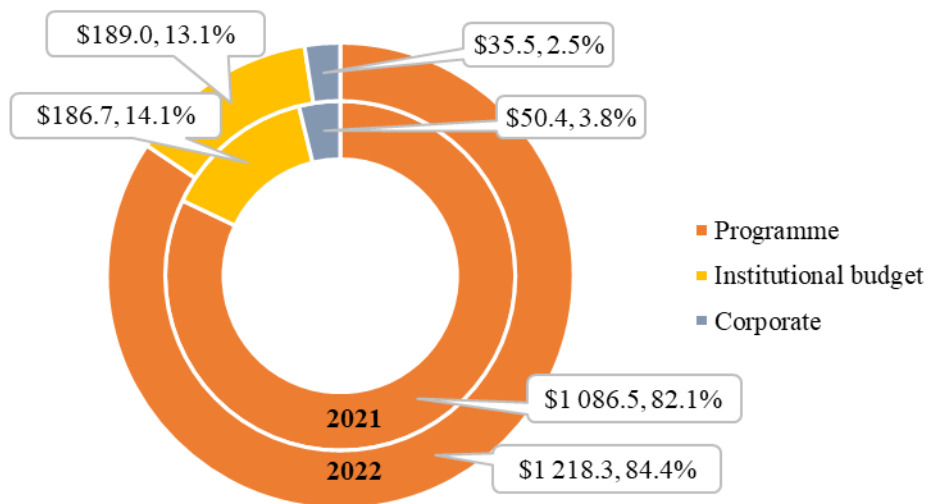
Expenses: overview

18. Total expenses increased by 9.0 per cent to \$1,442.8 million in 2022 (2021: \$1,323.6 million (restated)), attributable to the increase in both unearmarked and earmarked resources of \$48.2 million and \$71.0 million, respectively.

19. Figure IV.I provides an overview of expenses by purpose for both 2022 and 2021.

Figure IV.I
Total expenses by purpose

(Millions of United States dollars)



20. Programme expenses (country programmes, global and regional programmes and other programme activities) increased by 12.1 per cent, to \$1,218.3 million in 2022 (2021: \$1,086.5 million), owing mainly to increased expenses for humanitarian interventions in both absolute and relative terms to \$527.2 million, or 43.3 per cent of total programme expenses (2021: \$393.6 million, or 36.2 per cent of total programme expenses). Furthermore, UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2022, \$804.6 million, or 66.1 per cent of total programme expenses, were incurred to further

activities that either had gender equality and women's empowerment as their primary objective or made a significant contribution to gender equality (2021: \$729.7 million, or 67.2 per cent).

21. Institutional budget expenses increased by 1.2 per cent in 2022, to \$189.0 million (2021: \$186.7 million), owing largely to increased travel costs, as travel restrictions were lifted globally post-pandemic, and an increase in the write-down of assets.

22. Corporate expenses, representing costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific strategic plan outcomes, decreased by 29.6 per cent, to \$35.5 million in 2022 (2021: \$50.4 million (restated)), owing mainly to the decrease in other expenses from \$33 million in 2021 to \$11.3 million in 2022.

Expenses: overview by region and nature

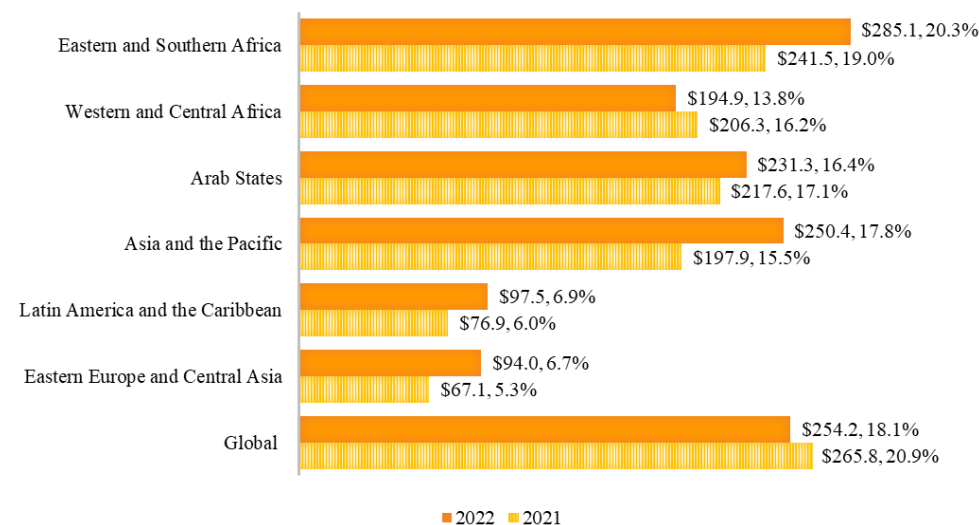
23. As in previous years, and in line with its role as a field-based organization, the majority of UNFPA programme and institutional budget expenses were incurred in the field (\$1,153.1 million, or 81.9 per cent, in 2022 and \$1,007.3 million, or 79.1 per cent, in 2021). In addition, the UNFPA Supplies programme⁴ delivered reproductive health commodities worth \$63.9 million (4.5 per cent of the total programme and institutional budget expenses) to selected priority countries with the highest needs in this area (2021: \$108.6 million, or 8.5 per cent).

24. Figure IV.II presents the breakdown of programme and institutional budget expenses by region.

Figure IV.II

Programme and institutional budget expenses by region

(Millions of United States dollars)



25. All regions but one incurred higher expenses in 2022 compared with 2021. The largest rates of increase were seen in the Eastern Europe and Central Asia region (an increase of \$26.9 million, or 40.1 per cent) and the Asia and the Pacific region (an increase of \$52.5 million, or 26.5 per cent). Expenses in Eastern Europe and Central

⁴ The UNFPA Supplies programme is the organization's flagship programme designed to support priority countries with significant needs to increase access to family planning services and modern methods of contraception. Its expenses are reported under the "Global" category in figure IV.II.

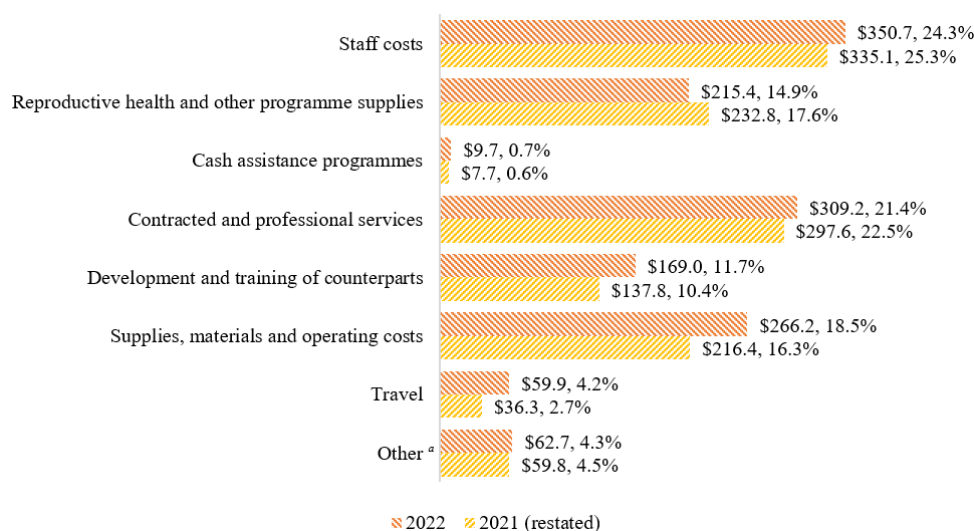
Asia rose as a result of scaled-up programme interventions for humanitarian assistance, for which expenses increased from \$13.7 million in 2021 to \$38.1 million in 2022. Expenses in the Asia and the Pacific region increased for both development and humanitarian activities; development expenses rose from \$110.8 million in 2021 to \$134.0 million in 2022, and humanitarian activities increased from \$67.2 million in 2021 to \$97.9 million in 2022.

26. UNFPA Supplies programme expenses continue to account for the largest share of global expenses, amounting to \$92.0 million in 2022,⁵ or 36.2 per cent of the total (2021: \$126.2 million, or 47.5 per cent).

27. In 2022, the field office with the highest programme and institutional budget expenses was Afghanistan (\$51.2 million), followed by Yemen (\$49.0 million) and Bangladesh (\$48.9 million). The breakdown of UNFPA total expenses by nature is summarized in figure IV.III.

Figure IV.III
Total expenses, by nature

(Millions of United States dollars)



^a "Other" refers to other general expenses and includes finance costs, depreciation and amortization, impairment charges and other expenses.

28. The success of UNFPA in delivering its mandate is dependent on its skilled and competent national and international staff. In 2022, UNFPA staff costs⁶ increased by 4.7 per cent, to \$350.7 million (2021: \$335.1 million), reflecting a reduction in the global vacancy rate in 2022 and an increase in staff remuneration in some locations as established by the International Civil Service Commission. At the end of 2022, 85.5 per cent of UNFPA staff were based in field offices (2021: 84.3 per cent).

29. Total expenses for reproductive health and other programme-related supplies, procured by UNFPA or its implementing partners for their subsequent distribution down to the "last mile" (i.e., the facilities and other points at which beneficiaries can access them), fell by 7.5 per cent, to \$215.4 million (2021: \$232.8 million). While the value of programme supplies procured in 2022 increased, the delivery of supplies to

⁵ After adjusting for undistributed inventories, which as from 2022 are tracked using a separate fund.

⁶ The term "staff" includes all personnel members holding letters of appointment from the Executive Director of UNFPA, issued based on the delegation of authority from the Secretary-General. It includes all staff members holding continuing, fixed-term and temporary contracts.

implementing partners decreased in 2022, resulting in lower programme supply expenses and a higher inventory balance at year-end. This was due to several factors, including the timing of when humanitarian activities were needed and initiated and longer supply chain timelines for goods in transit.

30. Cash assistance programme expenses increased, to \$9.7 million in 2022 (2021: \$7.7 million), reflecting the UNFPA strategy to implement and promote the use of cash and voucher assistance to improve the access of women and youth, especially in humanitarian settings, to services and goods related to sexual and reproductive health and gender-based violence prevention and response.

31. Expenses for the development and training of counterparts increased in 2022 by 22.6 per cent, to \$169.0 million (2021: \$137.8 million), with part of the increase attributable to activities designed to prevent and respond to gender-based violence in the Democratic Republic of the Congo and Somalia, and census activities in Liberia.

32. Expenses for supplies, materials and operating costs rose by 23.0 per cent, to \$266.2 million (2021: \$216.4 million). The increase of \$49.8 million was largely attributable to an increase in programme implementation as restrictions related to the coronavirus disease (COVID-19) pandemic eased, with higher levels of expenditure recorded for land transportation (including maintenance and fuel), office machinery in support of implementing partners and common services and premises. The increase also reflects the share of UNFPA costs for the new enterprise resource planning system.

33. Expenses for contracted and professional services increased by 3.9 per cent, to \$309.2 million (2021: \$297.6 million) and continued to be used for contracting entities and personnel to deliver integrated sexual and reproductive health services, including in family planning, maternal health and newborn care, and gender-based violence prevention and response services. Expenses for travel (which includes travel for UNFPA personnel as well as travel costs incurred by implementing partners) increased by 65.0 per cent, to \$59.9 million in 2022 (2021: \$36.3 million). The increase is attributable to both local and international travel, as global travel restrictions associated with the pandemic were largely lifted. This amount represented only 93.0 per cent of pre-pandemic travel expenses from 2019, despite global inflation and cost increases, and continued to reflect efforts by UNFPA to decrease its carbon footprint while ensuring representation and visibility in the advancement of its mission.

34. Other general expenses increased by 4.7 per cent, to \$62.7 million (2021: \$59.9 million (restated)). This was due to the above-mentioned change in accounting policy for revenue recognition. The accounts receivable balance was restated for 2021 to include donor commitments expected to be received in future years based on signed multi-year agreements. Most of these agreements are denominated in currencies other than the United States dollar. As a result, the unrealized loss on foreign currency exchange associated with contributions receivable in 2022 is \$41.4 million.

Expenses: overview by contribution to strategic results

35. The UNFPA strategic plan, 2022–2025 articulates a set of results in the furtherance of development outcomes and organizational effectiveness and efficiency outputs that UNFPA plans to achieve during the strategic plan cycle, supported by the integrated results and resources framework. Overall, there are six development outputs, contributing to three development outcomes, all enabled by three organizational effectiveness and efficiency outputs.⁷

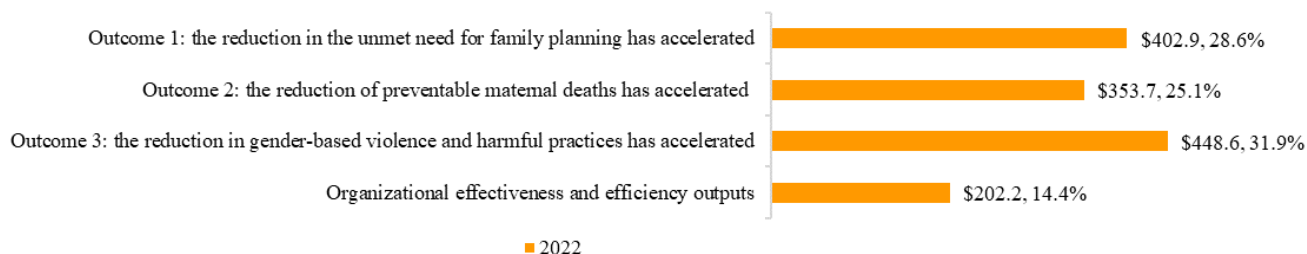
⁷ See “Annex 1: Integrated results and resources framework” to the UNFPA strategic plan, 2022–2025 (DP/FPA/2021/8).

36. A complete analysis of the progress made by UNFPA in implementing its strategic plan, 2022–2025 is available in the report of the Executive Director on progress in implementing the UNFPA strategic plan, 2022–2025 ([DP/FPA/2023/4 \(Part I\)](#)). Expenses incurred to achieve those results are summarized in figure IV.IV. Since 2022 is the first year of the new strategic plan, only one year of information is presented.

Figure IV.IV

Programme and institutional budget expenses by outcomes of the integrated results and resources framework

(Millions of United States dollars)



Expenses: overview by implementation modality, gender marker and type of assistance

37. UNFPA works closely with country programme governments and national and international non-governmental organizations to implement its programme activities. Programme expenses incurred by those partners increased for the sixth year in a row, both in absolute and relative terms, amounting to \$468.7 million, or 38.5 per cent of total programme expenses in 2022 (2021: \$408.0 million, or 37.6 per cent). Programme expenses incurred by United Nations organizations implementing UNFPA activities decreased slightly by 1.5 per cent, to \$19.1 million (2021: \$19.4 million), but UNFPA remains committed to the advancement of the United Nations development system reform and increased collaboration with other United Nations organizations.

38. In addition, UNFPA provided its partners with non-cash transfers of reproductive health commodities and other programme-related goods of \$195.0 million in 2022 (2021: \$211.7 million).

39. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2022, \$804.6 million, or 66.0 per cent of all programme expenses, was incurred for further activities with the primary objective of or making a significant contribution to gender equality and the empowerment of women (2021: \$729.7 million, or 67.2 per cent).

40. Expenses for humanitarian interventions increased both in absolute and relative terms to \$527.2 million, or 43.3 per cent of total programme expenses (2021: \$393.6 million, or 36.2 per cent). Most humanitarian expenses, 41.5 per cent, were incurred for the provision of quality care and services.

41. Humanitarian expenses included \$9.3 million funded from the Emergency Fund, the funding mechanism approved by the Executive Board to provide resources to UNFPA field offices to jump-start humanitarian response interventions before earmarked resources become available (2021: \$10.2 million), incurred following resource allocations to 25 field offices (2021: 36 field offices).

Net results for the year

42. The surplus for the year decreased to \$89.1 million in 2022 (2021: \$294.1 million (restated)), owing mainly to the change in accounting policy for revenue recognition.

43. In 2022, UNFPA implemented 92.2 per cent of its adjusted unearmarked resources ceilings/budget, 1.6 percentage points lower than in 2021, when the implementation rate was 93.8 per cent.

44. The implementation rates by cost classification categories approved by the UNFPA Executive Board are summarized in the table below. Figures have been presented only for one year as 2022 was the first year of the new strategic plan and integrated budget cycle.

<i>Cost classification category</i>	<i>2022</i>
Development activities	95.2
United Nations development coordination	94.2
Management activities	86.5
Independent oversight and assurance	82.2
Special purposes	78.3
Total implementation rate	92.2

45. Statement V provides more details about budgetary performance for institutional budget and programme activities funded with unearmarked resources during 2022, as the first year of the new UNFPA strategic plan cycle, 2022–2025. Note 23 provides a reconciliation between statement V prepared on a budget comparable basis and cash flow, revenue and expenses presented on a full accrual basis.

Financial position

Assets and liabilities

46. As at 31 December 2022, total assets and liabilities amounted to \$2,626.3 million and \$459.9 million, respectively (2021: \$2,592.8 million (restated) and \$577.5 million).

47. As at 31 December 2022, total current assets and current liabilities amounted to \$1,341.3 million and \$155.8 million, respectively (2021: \$1,180.5 million (restated) and \$177.0 million). The current ratio was equal to 8.6 (2021: 6.7 (restated)), indicating that UNFPA has sufficient liquid resources to meet its current obligations. The higher current ratio in 2022, compared with 2021, is mainly a result of higher current assets in the form of cash and cash equivalents.

Cash, cash equivalents and investments

48. Total cash, cash equivalents and investments held by UNFPA increased by 1.6 per cent, to \$1,717.6 million as at 31 December 2022 (2021: \$1,690.1 million), owing mainly to an increase in cash and cash equivalents held at year-end as part of the investment portfolio. Maintaining a higher level of cash equivalents was an intentional strategy given rising short-term interest rates.

49. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet the Fund's working capital needs, managed by UNDP under a service-level agreement, is limited to investment-grade, highly marketable fixed-income securities, with maturities aligned to UNFPA

liquidity requirements. This portfolio, measured at amortized cost, was valued at \$1,392.5 million as at 31 December 2022 (2021: \$1,285.1 million), and generated an average yield of 1.2 per cent throughout the year (2021: 0.7 per cent).

50. Two separate portfolios, established in 2016 and 2021 jointly with several other United Nations organizations and managed by two independent investment managers, invests resources allocated for funding after-service health insurance liabilities and other end-of-service entitlements in diversified, higher-yielding financial instruments, similar in composition to the investments held by the United Nations Joint Staff Pension Fund, comprising primarily fixed-income securities and equities. Since its inception, UNFPA has transferred \$220.0 million to these portfolios; no additional transfers were made in 2022. The combined fair market value of both portfolios reached \$300.5 million as at 31 December 2022 (2021: \$347.7 million), after negative annual rates of return ranging between 14.5 per cent and 14.3 per cent in 2022 (2021: growth of 5.2 per cent and 9.2 per cent). However, this did not have an impact on the level of funding coverage for the employee benefits liability, given the significant reduction in the employee benefits actuarial valuation for 2022.

51. Detailed information about UNFPA investments is disclosed in notes 4 and 25 to the financial statements.

Inventories

52. The total value of inventories of reproductive health commodities and other programme-related supplies held for delivery to partners and distribution to beneficiaries or sale to third parties increased to \$89.3 million as at 31 December 2022 (2021: \$78.3 million). This is attributable to several factors, such as ongoing global supply chain disruptions resulting in longer supply chain timelines for goods in transit; and increased inventory as part of UNFPA humanitarian activities in Afghanistan, Ethiopia and Pakistan, which include substantial programme components for the procurement and delivery of humanitarian programme supplies for programmes initiated later in 2022.

Contributions receivable

53. Contributions receivable (current and non-current combined) increased by \$2.1 million to \$711.6 million as at 31 December 2022 (2021: \$709.5 million (restated)) owing to the change in accounting policy for revenue recognition. Multi-year agreements remain essential to ensuring the predictability and financial sustainability of the organization. Contributions receivable are presented net of allowances for doubtful accounts of \$4.8 million (2021: \$7.0 million), established after a careful review of all receivables for collectability. Only \$8.5 million, or 1.2 per cent of gross contributions receivable, was due for payment as at 31 December 2022 (2021: \$7.7 million, or 1.8 per cent), with the remaining 98.8 per cent due for payment in 2023 and in future years.

Operating fund advances

54. Outstanding operating fund advances increased by \$3.4 million, to \$22.1 million as at 31 December 2022 (2021: \$18.7 million), owing to an increase in advances outstanding from governments and non-governmental organizations. These advances grew by \$4.9 million, amounting to \$15.2 million as at 31 December 2022 (2021: \$10.3 million). Ahead of the launch of the new enterprise resource planning system, UNFPA authorized a higher level of advances to implementing partners in the third and fourth quarters as a risk mitigation mechanism to enable programme continuity during the transition from the old enterprise resource planning system to the new system. Despite the higher level of advances during 2022, activities were

implemented, and the balance of operating fund advances had reduced to a reasonable level by the year-end, indicating that this was an effective risk management decision. Gross advances outstanding held by United Nations organizations implementing programme activities on behalf of UNFPA decreased by \$1.7 million, amounting to \$7.8 million as at 31 December 2022 (2021: \$9.5 million).

55. The allowance for doubtful operating fund advances was decreased to \$0.9 million as at 31 December 2022 (2021: \$1.2 million), on account of the reversal of a provision for aged sector-wide approach basket funds, whose recovery was previously deemed doubtful.

Property, plant and equipment and intangible assets

56. As at 31 December 2022, UNFPA held property, plant and equipment of \$34.5 million (2021: \$33.3 million), the largest fixed asset categories of which were vehicles, with a net book value of \$11.6 million, or 33.6 per cent of the total (2021: \$11.4 million, or 34.2 per cent), and buildings, with a net book value of \$8.8 million, or 25.5 per cent of the total (2021: \$9.2 million, or 27.6 per cent).

57. The net book value of intangible assets as at 31 December 2022 increased by 13.0 per cent to \$6.1 million (2021: \$5.4 million), owing mainly to the capitalization of qualifying costs for several internally developed intangibles, including the population development platform launched in April 2022.

58. In accordance with its strategic plan and integrated budget for the period 2022–2025, UNFPA continues to implement several information and communications technology transformation initiatives, including the adoption of new, functionally integrated, cloud-based enterprise resource planning and customer relationship management solutions. These initiatives have been implemented by UNFPA as part of a consortium with other United Nations organizations. In 2022, UNFPA spent \$10.0 million on the above initiatives, none of which were considered eligible for capitalization (2021: \$11.8 million).

Other receivables, prepayments and other assets

59. Other receivables decreased by 31.0 per cent to \$28.5 million as at 31 December 2022 (2021: \$41.3 million), owing mainly to a lower inter-fund balance receivable from UNDP.

60. Other receivables are presented net of an allowance for doubtful amounts of \$3.0 million (2021: \$2.7 million), comprising mostly aged value added tax reimbursement claims and rejected ineligible expenses from governmental and non-governmental partners, whose recovery and refund were assessed as doubtful.

61. Prepayments and other assets amounting to \$16.5 million as at 31 December 2022 remained consistent with the amount in 2021 (2021: \$16.2 million). Most prepayments relate to costs for common services or premises that remain unspent at year-end, prepaid education grants for UNFPA staff and other prepaid expenses.

Accounts payable and accruals

62. Accounts payable and accruals decreased by \$19.8 million, to \$97.8 million as at 31 December 2022 (2021: \$117.6 million), owing mainly to a decrease in accounts payable and a decrease in liabilities for procurement services. The decrease in accounts payable was an intentional strategy to pay suppliers and implementing partners earlier, at the end of 2022, before transitioning from the old enterprise resource planning system to the new system as a risk mitigation mechanism to ensure business continuity in early 2023. Liabilities for third-party procurement relate to

procurement services where funds have been received but the procurement has not been completed as at the reporting date.

Employee benefits

63. Employee benefits liabilities decreased by 21.9 per cent, to \$348.0 million as at 31 December 2022 (2021: \$445.7 million), owing mainly to an \$88.7 million decrease in the after-service health insurance liability and a \$7.6 million decrease in the end-of-service relocation and repatriation liability. The decrease in these liabilities is mainly due to an increase in the discount rate, which is heavily impacted by annual interest rates. Global inflation and the resulting rise in the interest rates set by major central banks as part of fiscal policy in 2022 increased the interest rate used in the actuarial valuation from 3.30 per cent in 2021 to 5.34 per cent in 2022. Once global inflation eases and fiscal policies return to lower interest rates, the after-service health insurance liability is expected to increase again. A full actuarial valuation will be commissioned for year-end 2023.

64. Annual and home leave liabilities decreased by 4.5 per cent and 5.1 per cent, to \$34.3 million and \$3.7 million, respectively, as at 31 December 2022 (2021: \$35.9 million and \$3.9 million). This was mainly due to the use of excess accrued annual leave and home leave points during the year, as COVID-19-related restrictions were lifted globally and previous flexibility provided to staff members following the outbreak of the pandemic to accumulate and carry forward larger leave balances and home leave points was discontinued in 2022.

65. Post-employment and other long-term employee benefits liabilities decreased by 23.6 per cent, to \$310.0 million as at 31 December 2022 (2021: \$405.8 million), owing mainly to an actuarial gain resulting from an increase in the discount rate (from 3.30 per cent in 2021 to 5.34 per cent in 2022), partially offset by the recognition of \$31.2 million in annual service and interest costs.

66. Cumulative resources set aside for funding employee benefits liabilities decreased by \$28.0 million, to \$378.0 million as at 31 December 2022 (2021: \$406.0 million). Despite this decrease, employee benefits liabilities are fully funded for 2022, resulting in a surplus of \$29.9 million (2021: unfunded amount, \$39.7 million). The decrease in resources is attributable to a combined loss of \$23.7 million to the after-service health insurance and end-of-service investment portfolios caused by market volatility resulting from unexpected global events and slow market recovery post-pandemic. The surplus is partially attributable to the decrease in employee benefits liabilities given the change in assumptions in the actuarial valuation referred to above, as well as the strategy put in place by UNFPA to fund employee benefits liabilities. However, the funding level is highly sensitive to future trends and events that affect the key financial assumptions used for the measurement of the liabilities. This high funding ratio is expected to reverse in 2023 and beyond once fiscal policies for inflation change and global interest rates reduce, which will increase the liability amounts. However, this should be partially offset by improved performance in the investment portfolio once global markets recover post-pandemic. UNFPA will continually monitor the situation to ensure that liabilities remain fully funded, as far as possible, without the build-up of any surpluses.

Other liabilities and deferred revenue

67. Other liabilities and deferred revenue fell by \$0.1 million, to \$14.1 million as at 31 December 2022 (2021: \$14.2 million (restated)). This amount refers mainly to deferred revenue, which comprises contributions received early, and liabilities owed from derivatives as part of the investment portfolio.

Fund balances and reserves

68. Reserves and fund balances increased by 7.5 per cent, to \$2,166.4 million as at 31 December 2022 (2021: \$2,015.4 million (restated)).

69. Reserves increased by 5.9 per cent, to \$98.2 million as at 31 December 2022 (2021: \$92.7 million), owing to a \$5.5 million increase in the operational reserve balance.

70. The operational reserve, set at 20.0 per cent of net annual contribution revenue of regular resources as established in the UNFPA Financial Regulations and Rules, increased by 6.7 per cent, to \$87.7 million as at 31 December 2022 (2021: \$82.2 million) on account of the higher level of contributions received for regular resources in 2022.

71. Despite the change in accounting policy for revenue recognition, the methodology for calculating the operational reserve remains the same as in 2021, which is based on net contribution revenue received. This is to ensure that the reserve level can be held in irrevocable and immediately available liquid assets, as required. The modified accounting policy records revenue for regular resources based on binding arrangements, including for multi-year agreements where contributions may not be received for several years. If the modified revenue recognition policy were used as the basis for determining the level of the operational reserve, there would be significant fluctuations in the reserve annually as it would be dependent on the timing of when agreements are signed, not the receipt of contributions. As such, funding the reserve in liquid assets would be challenging when revenue has been recorded but contributions will not be received for several years.

72. The humanitarian response reserve, which operates as a revolving fund, was used to provide prefinancing of \$25.0 million (2021: \$14.5 million) for humanitarian activities in 2022 and was replenished to the level approved by the Executive Board (\$5.5 million). The reserve for field accommodation was replenished by \$0.8 million in 2022 (2021: \$0.5 million) to cover the qualifying expenses incurred during the year, bringing the reserve balance back to the \$5.0 million approved by the Executive Board.

73. Designated unearmarked fund balances, which represent funds set aside by management for special purposes and not available for programming, increased by 11.7 per cent to \$103.5 million as at 31 December 2022 (2021: \$92.7 million), owing primarily to a \$14.2 million increase in cost recoveries above the budgeted level, offset by expenses of \$8.0 million used in the design and implementation of the new enterprise resource planning platform.

74. Undesignated unearmarked fund balances increased by 2.3 per cent, to \$484.4 million as at 31 December 2022 (2021: \$473.7 million (restated)). The original undesignated unearmarked fund balance as at 31 December 2021 was \$186.2 million. The difference is due to the restating of the opening balance for an adjustment of \$287.5 million resulting from the change in accounting policy for revenue recognition. This adjustment does not represent a receipt of cash but the recording of revenue for multi-year commitments for regular resources, where the inflow of cash is expected to be transferred to UNFPA between 2022 and 2027. The remaining increase is due to the actuarial gain on employee benefits liabilities of \$121.0 million, partially offset by a loss in fair value of investments of \$59.1 million and a deficit of revenue over expenses of \$35.0 million in the programmable fund balance. The deficit is mainly due to the change in accounting policy for revenue recognition; an adjustment in revenue of \$51.6 million was reversed in 2022 and recognized in 2021 based on when the agreements were signed, resulting in higher restated revenue in 2021 and lower revenue in 2022 despite the resources being received in 2022.

75. Unearmarked resources available for programming in future years increased by 3.8 per cent, to \$188.0 million (2021: \$181.2 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in the case of potential funding shortages in future years and owing to the receipt of some contributions above the strategic plan target. As part of risk-mitigating measures against unfavourable revenue trends and foreign currency exchange rate fluctuations, these funds will be gradually released for spending in future years, taking into consideration the latest available information and to ensure the sufficiency of resources required to adhere to Executive Board guidance for the duration of the new strategic plan and integrated budget cycle.

76. Undesignated earmarked fund balances increased by 9.2 per cent, to \$1,480.3 million (2021: \$1,356.2 million), representing resources received for the implementation of programme activities under multi-year agreements, as well as future contributions receivable, which are not available for programming, of \$494.4 million (2021: \$421.2 million).

Risk management

77. UNFPA has continued to respond effectively to the context, programme, operational and financial risks inherent to its programmatic and operational activities. This has been achieved, among other initiatives, by maintaining effective first-line controls in all key business process areas and through the continued enhancement of the enterprise risk management process and effective second-line controls, including: (a) a high level of implementation of assurance activities over cash transfers to implementing partners; (b) effective monitoring of and assurance over the management of programme supplies by UNFPA and its implementing partners through the inventory control and last mile assurance processes; (c) effective financial risk management processes, including the continuous monitoring of foreign currency bank balances and contributions receivable, to minimize foreign exchange losses; (d) the continuous monitoring and reconciliation of operating fund advances balances; and (e) a close monitoring of the post-employment benefits investment portfolios performance, in close collaboration and communication with the investment managers. Furthermore, in 2022, UNFPA continued to strengthen its risk management approach through the launch of its first enterprise risk management policy, the repositioning of the Chief Risk Officer in the Office of the Executive Director and the approval of the first UNFPA risk appetite statement by the Executive Committee.

Conclusion

78. UNFPA closed 2022 in strong financial health owing to the continued support of its donors and sound financial management practices, including processes and controls designed to keep the expenses within the available financial resources. However, the outlook for 2023 and beyond continues to be fluid, owing to ongoing risks to peace and stability, and continued funding adjustments as global economies adapt to post-pandemic conditions. Shifting donor priorities and operational challenges may have an impact on the ability of UNFPA to generate revenue and implement its programme activities. UNFPA will remain agile, innovative and results-oriented, adapting as required, to achieve its strategic priorities, as captured in the strategic plan, 2022–2025. UNFPA continues to rely on the support of its donors to provide timely inflows of predictable contribution revenue, especially from regular resources, which are critical for enabling UNFPA operations and the achievement of its strategic results.

Chapter V

Financial statements for the year ended 31 December 2022

United Nations Population Fund

I. Statement of financial position as at 31 December 2022^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2022</i>	<i>31 December 2021 (restated)</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3	363 145	206 966
Investments maturing within one year	Note 4	422 769	472 360
Contributions receivable	Note 5 (a)	399 002	346 636
Other receivables	Note 5 (b)	28 497	41 307
Operating fund advances	Note 6 (a)	22 087	18 689
Prepayments and other assets	Note 6 (b)	16 456	16 228
Inventories	Note 7	89 302	78 277
Total		1 341 258	1 180 463
Non-current assets			
Investments maturing after one year	Note 4	931 724	1 010 728
Contributions receivable	Note 5 (a)	312 629	362 880
Other non-current assets	Note 6 (b)	18	23
Property, plant and equipment	Note 8	34 515	33 349
Intangible assets	Note 9	6 139	5 386
Total		1 285 025	1 412 366
Total assets		2 626 283	2 592 829
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	97 859	117 638
Employee benefits	Note 12	47 166	48 617
Other current liabilities and deferred revenue	Note 13	10 799	10 767
Total		155 824	177 022
Non-current liabilities			
Employee benefits	Note 12	300 839	397 048
Other non-current liabilities and deferred revenue	Note 13	3 255	3 408
Total		304 094	400 456
Total liabilities		459 918	577 478
Net assets		2 166 365	2 015 351

United Nations Population Fund

I. Statement of financial position as at 31 December 2022^a (continued)

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2022</i>	<i>31 December 2021 (restated)</i>
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	87 696	82 203
Humanitarian response reserve	Note 14	5 500	5 500
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		98 196	92 703
Fund balances			
Designated unearmarked fund balances	Note 14	103 502	92 710
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	484 397	473 718
Earmarked resources	Schedule B	1 480 270	1 356 220
Total fund balances		2 068 169	1 922 648
Total reserves and fund balances		2 166 365	2 015 351

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2022^a

(Thousands of United States dollars)

	<i>Reference</i>	2022	2021 <i>(restated)</i>
Contribution revenue			
Unearmarked contributions	Schedule A	390 918	524 967
Less: transfer to other revenue of income tax reimbursements	Note 15	(5 466)	(4 679)
Subtotal	Note 15	385 452	520 288
Earmarked contributions	Note 15	1 042 562	992 612
Less: refunds to donors	Note 15	(9 877)	(6 470)
Less: allowance for doubtful contributions receivable	Note 15	2 135	(1 192)
Subtotal	Note 15	1 034 820	984 950
Total contribution revenue	Note 15	1 420 272	1 505 238
Other revenue	Note 16	111 697	112 384
Total revenue		1 531 969	1 617 622
Expenses			
Staff costs	Note 18	350 670	335 088
Reproductive health and other programme-related supplies	Note 18	215 405	232 780
Cash assistance programmes	Note 18	9 725	7 679
Development and training of counterparts	Note 18	168 967	137 807
Supplies, materials and operating costs	Note 18	266 222	216 417
Contracted and professional services	Note 18	309 245	297 586
Finance costs	Note 18	1 123	1 123
Travel	Note 18	59 924	36 305
Depreciation and amortization	Notes 8, 9, 18	7 723	7 188
Impairment	Note 18	60	422
Other expenses	Note 18	53 779	51 156
Total expenses	Notes 17, 18	1 442 843	1 323 551
Surplus for the year	Statements III and IV	89 126	294 071

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2022^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>Fund balances</i>	<i>Reserves</i>	<i>Total net assets</i>
Balance as at 31 December 2020		1 426 409	93 735	1 520 144
IPSAS adjustments for modified revenue policy		197 996	–	197 996
Adjusted balance as at 31 December 2020		1 624 405	93 735	1 718 140
Movements in fund balances and reserves in 2021				
Transfers to/from operational reserve		1 032	(1 032)	–
Actuarial gain on employee benefits liabilities		9 055	–	9 055
(Loss) in fair value of investments recognized in net assets		(5 915)	–	(5 915)
Transfers within UNFPA resources				
Reserve for field accommodation		(469)	469	–
Surplus/(deficit) for the year	Statement II	294 540	(469)	294 071
Total movements during the year		298 243	(1 032)	297 211
Balance as at 31 December 2021		1 922 648	92 703	2 015 351
Movements in fund balances and reserves in 2022				
Transfers to/from operational reserve	Note 14	(5 493)	5 493	–
Actuarial gain on employee benefits liabilities	Note 14	120 987	–	120 987
(Loss) in fair value of investments recognized in net assets	Note 14	(59 099)	–	(59 099)
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(755)	755	–
Surplus/(deficit) for the year	Note 14, statement II	89 881	(755)	89 126
Total movements during the year		145 521	5 493	151 014
Balance as at 31 December 2022		2 068 169	98 196	2 166 365

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2022^a

(Thousands of United States dollars)

	<i>Reference</i>	2022	2021 <i>(restated)</i>
Cash flows from operating activities			
Surplus for the year	Statement II	89 126	294 071
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized loss/(gain) on foreign exchange translation		22 634	6 374
Unrealized loss/(gain) on investments recognized in surplus	Note 4	1 461	1 234
Investment revenue presented as investing activities	Note 16	(23 512)	(34 953)
Depreciation and amortization	Notes 8, 9, 18	7 723	7 188
Impairment and write-off of property, plant and equipment and intangible assets		17	380
Loss on disposal of property, plant and equipment	Note 18	(194)	1 054
Adjustments to the opening fund balance for modified revenue policy		–	197 996
Changes in assets			
(Increase) in contributions receivable		(23 609)	(299 906)
(Increase) in other receivables		14 499	(20 469)
(Increase) in operating fund advances		(2 192)	(1 245)
Decrease/(increase) in prepayments and other assets	Note 6 (b)	(223)	432
Decrease/(increase) in inventories	Note 7	(10 675)	13 320
Increase/(decrease) in provisions/allowance for doubtful accounts	Notes 5 (a), 5 (b), 6 (a), 6 (b), 7	(2 380)	3 452
Changes in liabilities and net assets			
(Decrease) in accounts payable and accruals		(19 910)	(18 371)
Increase in employee benefits liabilities	Note 12	(97 660)	18 788
Actuarial gain/(loss) on employee benefits liabilities	Statement III	120 987	9 055
(Decrease)/increase in other liabilities and deferred revenue		(121)	(18 692)
Net cash flows from operating activities		75 971	159 708
Cash flows from investing activities			
Purchases of investments	Note 4	(643 803)	(1 318 372)
Maturities and sales of investments	Note 4	711 644	1 062 863
Interest received	Notes 4, 5 (b), 16	17 436	10 855
Dividend received	Notes 5 (b), 16	2 555	2 201
Gain on sale of investments	Note 16	1 771	22 664
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(10 054)	(11 326)
Proceeds from sale of property, plant and equipment		542	524
Net cash flows from investing activities		80 091	(230 591)

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2022^a (continued)

(Thousands of United States dollars)

	<i>Reference</i>	2022	2021 <i>(restated)</i>
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	–	–
Net cash flows from financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		156 062	(70 883)
Cash and cash equivalents at the beginning of the year	Note 3	206 966	278 246
Effect of exchange rate changes on cash and cash equivalents		117	(397)
Cash and cash equivalents end of the year	Note 3	363 145	206 966

^a The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the “indirect method”.

United Nations Population Fund

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2022^a

(Thousands of United States dollars)

<i>Budget line</i>	2022			<i>Variance/balance of resources</i>
	<i>Original budget</i>	<i>Final budget</i>	<i>Budget utilization</i>	
Development activities				
Development effectiveness	38 497	37 272	36 420	852
Programmes	261 600	316 000	300 060	15 940
United Nations development coordination	4 110	4 110	3 870	240
Management activities	144 179	145 298	125 636	19 662
Independent oversight and assurance activities	14 990	15 005	12 327	2 678
Special purposes	5 723	5 818	4 553	1 265
Total	469 099	523 503	482 866	40 637

^a The accompanying notes are an integral part of the financial statements.

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxv) to the financial statements.

**United Nations Population Fund
Notes to the 2022 financial statements****Note 1****Mission statement, organizational objectives and reporting entity****Mission statement**

The United Nations Population Fund (UNFPA) is the United Nations sexual and reproductive health agency. Its mission is to deliver a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled. UNFPA helps governments integrate population issues into their national development agenda to improve societies' well-being and resilience, and promote sustained and inclusive economic growth and sustainable development. UNFPA supports countries in promoting and protecting the human rights of all persons to sexual and reproductive health, and in building national capacities to collect, analyse and use population data to eliminate poverty and achieve the Sustainable Development Goals.

Organizational objectives

UNFPA works to advance the right to sexual and reproductive health for all by accelerating progress towards achieving the goals of the Programme of Action of the International Conference on Population and Development and the 2030 Agenda for Sustainable Development. It seeks to achieve three transformative results: zero unmet need for family planning, zero preventable maternal deaths and zero gender-based violence and harmful practices by 2030. With that focus, UNFPA aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries and across development and humanitarian settings.

UNFPA work is guided by its expertise in population dynamics, sexual and reproductive health, human rights and gender equality, and driven by the specific needs of countries. UNFPA is a catalyst for action and advocacy, partnering with governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, UNFPA helps countries use population data to anticipate emerging and future challenges through the provision of technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is committed to advancing sexual and reproductive health and reproductive rights, to advancing gender equality, and to the empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are not only development goals in themselves, but are critical to achieving inclusive and transformational sustainable development. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated – they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the 2030 Agenda for Sustainable Development, with a powerful field presence, under the leadership of a strengthened resident coordinator system. UNFPA plays an active and leading role in inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources at the national and international levels, following the commitments made by all countries under the Programme of Action of the International Conference on Population and Development as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Delivering on the promise of the Programme of Action of the International Conference on Population and Development is also essential for achieving the 2030 Agenda for Sustainable Development. Both have the overarching aims of ending extreme poverty, ensuring that all persons enjoy human rights and protecting the environment for current and future generations. The focus of the two interlinked agendas on the demographic dividend, youth and women's empowerment and gender equality, resilience and data for development underscores the relevance and criticality of the leading expertise of UNFPA on sexual and reproductive health and reproductive rights and population and development issues.

UNFPA, working with public and private partners, supports gender-transformative policies and programmes to achieve the Sustainable Development Goals. Those partnerships are tailored to national and local circumstances.

Reporting entity

UNFPA receives overall policy guidance from the General Assembly and the Economic and Social Council. It reports to its governing body, the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS), on administrative, financial, budgetary and programme matters.

UNFPA has its headquarters in New York and operates through a network of 150 regional, subregional, country and representation offices around the world.

The financial statements include only the operations of UNFPA, which does not control and is not controlled by any other entity.

Note 2

Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2022.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies (henceforth referred to as "foreign currencies"), the equivalent in United States dollars is normally established using the appropriate United Nations operational rate of exchange.

Units of currency, assets giving right to units of currency and liabilities to be paid in units of currency are classified as monetary items. All other items are classified as non-monetary items.

All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at the reporting date or, in the case of foreign currency investments maintained in the post-employment benefits investment portfolios, a close approximation thereof.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up as a result of rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition. They are presented net of allowances for expected exchange losses on restricted use foreign currency bank deposits.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

UNFPA classifies financial assets into four categories, as shown below.

<i>IPSAS classification</i>	<i>Financial asset</i>
Held-to-maturity	Working capital portfolio investments
Available-for-sale	Post-employment benefits portfolios investments
Loans and receivables	Cash and cash equivalents, contributions receivable and other receivables
Fair value through surplus or deficit	Derivative assets

The classification of financial assets depends on the purpose for which the financial instruments are acquired, as determined at initial recognition and re-evaluated at each reporting date. Loans and receivables are recognized on the date they originate, while all other financial assets are recognized on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs, and are subsequently carried at amortized cost, calculated using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and are subsequently measured at fair value at the

reporting date, with any resultant gains or losses recognized directly in net assets/equity, except for foreign exchange-related gains or losses on monetary items, which are recognized in surplus or deficit in the statement of financial performance. Fair values used for subsequent measurements are based on quoted market prices in an active market. When an available-for-sale financial asset is derecognized (e.g., through sale or maturity), the related gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Interest on available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, if applicable. Their market value is disclosed in the notes to the financial statements. Interest revenue is recognized on a time-proportion basis using the effective interest rate method.

Contributions receivable and other receivables are stated at nominal amounts less any allowances for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are financial assets either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

Impairment of financial assets

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. Evidence of impairment includes default or delinquency of the counterparty or a permanent reduction in the value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance in the year in which they arise and reduce the amounts of relevant financial assets either directly or through the use of allowance accounts.

An analysis of contributions receivable is performed at the reporting date to determine whether there is any evidence that estimated future cash flows from these contributions receivable would be below their carrying amounts.

Contributions receivable relating to regular resources are presumed to be impaired, and an allowance for their value is made, if they are outstanding for more than three years or are due from donors with a prior history of non-payment.

Contributions receivable relating to other resources are individually reviewed with a special focus on receivables past their payment due dates and/or upon expiration of correspondent contribution agreements. Should evidence of impairment

exist and the effect is quantifiable, an allowance, and corresponding contribution revenue reduction, are recorded.

(vi) Inventories

UNFPA inventories consist primarily of reproductive health commodities and other programme-related supplies controlled by UNFPA, located at identifiable premises or in transit to their destination locations, procured for distribution to beneficiaries, typically through implementing partners, or for sale to third parties. Inventories are measured at the lower of cost and current replacement cost, less any impairment losses, and are expensed when control over them is transferred from UNFPA to implementing partners, beneficiaries or other third parties.

Inventories procured with funding from the Global Contraceptive Commodity Programme revolving fund (set up to pre-position stocks of reproductive health kits primarily for use in humanitarian response activities) and the AccessRH revolving fund (set up to pre-position stocks of contraceptives in order to reduce supply lead times) are measured using the weighted average cost method. Inventories procured for direct delivery to field office locations are measured at actual cost.

The cost of inventories includes their purchase price, conversion costs (e.g., kit assembly services) and other costs incurred in bringing the goods to their intended location and condition (e.g., freight costs). For inventories under the control of field offices, the amount of other costs is determined on the basis of standard costs. For inventories acquired through non-exchange transactions (e.g., contributions in kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment en route to implementing partners as at the reporting date are recorded as property, plant and equipment-like inventories in transit.

(vii) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises each asset's purchase price plus any other costs directly attributable to bringing it to its intended location and condition suitable for use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value as at the date of acquisition by UNFPA is deemed to be its cost.

The capitalization threshold for property, plant and equipment is \$1,000. For asset classes subject to depreciation, a full month's depreciation is charged in the month in which the assets become available for use. No depreciation is charged in the month of the asset's disposal.

Leasehold improvements are recognized as property, plant and equipment at their cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is \$5,000.

Depreciation is provided over the estimated useful lives of the assets using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are set out below.

<i>Property, plant and equipment class</i>	<i>Estimated useful life</i>
Vehicles	7 years
Furniture and fixtures	6–10 years
Information and communications technology equipment	5–11 years
Leasehold improvements	5 years
Buildings	30 years

(viii) Intangible assets

Intangible assets are capitalized if their cost exceeds \$5,000, except for internally developed software, for which the capitalization threshold is \$100,000. UNFPA classifies all activities associated with the internal development of intangible assets as pertaining to either a research phase or a development phase. Costs incurred for research phase activities are expensed when incurred. Costs attributable to development phase activities for intangible assets that have met the recognition criteria are capitalized. These costs include personnel costs, contractual services, supplies and materials consumed in generating the assets. Development costs that do not meet the capitalization criteria are expensed as incurred.

Amortization is provided over the estimated useful life of the assets using the straight line method. The estimated useful life ranges for the different classes of intangible assets are set out below.

<i>Intangible asset class</i>	<i>Estimated useful life</i>
Software acquired separately	3–10 years
Software developed internally	3–10 years
Licences and rights	The shorter of the agreement term and useful life in a range of 2–6 years
Intangible assets under development	Not amortized

(ix) Impairment of property, plant and equipment and intangible assets

UNFPA property, plant and equipment and intangible assets are not held for the primary objective of generating a commercial return and are considered “non-cash-generating” for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment and intangible assets at least annually and before each reporting date. If any indication of impairment exists, UNFPA estimates the recoverable service amount for each affected asset and recognizes an impairment loss when such amount is below the asset’s carrying amount.

(x) Financial liabilities

Financial liabilities due for settlement within one year of the reporting date are classified as current liabilities. All other liabilities are classified as non-current liabilities.

UNFPA classifies financial liabilities into the following categories:

<i>IPSAS classification</i>	<i>Financial liability</i>
Other financial liabilities	Accounts payable, accruals and other liabilities
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

Other financial liabilities are contractual obligations to deliver cash or other financial assets to another entity. Current financial liabilities are recognized at their nominal value. Non-current other financial liabilities are recognized at fair value and may be subsequently remeasured at amortized cost using the effective interest rate method if application of this method will result in carrying amounts materially different from the amounts initially recognized.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are those either designated in this category on initial recognition or held for trading. They are initially recognized at fair value, and any related transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial liabilities at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. They include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. Their fair value is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities are classified as current if they are expected to be settled within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

(xi) Employee benefits liabilities

UNFPA recognizes employee benefits liabilities for benefits to which its employees are entitled.

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment, subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

UNFPA employee benefits are classified into short-term, post-employment and other long-term benefits.

Short-term employee benefits

Short-term employee benefits include annual and home leave entitlements.

Annual leave is an accumulating compensated absence. UNFPA recognizes a liability for the value of accumulated leave days, up to a maximum of 82.5 days as at the reporting date, exceptionally increased to 97.5 days in 2021, following the

coronavirus disease (COVID-19) pandemic outbreak, with up to 60 days commutable to cash upon separation from service.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The home leave liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, short-term employee benefits liabilities are not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits, payable upon separation from UNFPA, include:

(a) After-service health insurance, which provides worldwide coverage for medical expenses of eligible former staff members and their eligible dependants. The after-service health insurance liability represents the present value of the UNFPA share of medical insurance costs for present and future retirees and their eligible dependants;

(b) End-of-service entitlements, which comprise repatriation grants and reimbursement of shipping costs and travel expenses.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligations, calculated by independent actuaries, using the projected unit credit method. Changes from the remeasurement of the net defined benefit liability are recognized in net assets. All other changes, such as service costs and net interest, are recognized in the statement of financial performance in the period in which they occur.

The discount rate used to determine the present value of the liability is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of its Regulations, membership in the Pension Fund is open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

Other long-term employee benefits include workers' compensation provided under Appendix D to the United Nations Staff Rules in the event of death, disability, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Obligations for this benefit are measured similarly to those for defined benefit plans, with all changes resulting from remeasurement recognized in the statement of financial performance.

(xii) Revenue

UNFPA revenue comprises non-exchange and exchange transactions. Non-exchange transactions are those in which UNFPA receives resources from third parties to be applied towards advancing its mission, without directly giving equal value in return. UNFPA contribution revenue is classified as non-exchange transactions.

Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, procurement activities on behalf of third parties are currently the only exchange transactions.

UNFPA contribution revenue falls into two distinct categories:

(a) Unearmarked contributions (also referred to as "regular", "core" or "unrestricted" contributions), which represent resources that are unrestricted as to their use;

(b) Earmarked contributions (also referred to as "other", "non-core" or "restricted" contributions), which represent resources that are earmarked as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services and other funds.

For both types of contributions, the revenue is recognized at the time a binding agreement exists between UNFPA and the donor, except where conditions are present in the agreement and the donor has previously enforced such conditions, including multi-year agreements. A binding agreement can take many forms, such as a formal agreement, an exchange of letters or a note verbale (individually and collectively referred to as an "agreement"). Where resources are provided subject to specific conditions as stated in the agreement and the donor has previously enforced such conditions, recognition is deferred until those conditions have been satisfied.

A revenue reduction is recognized when mutual understanding is reached between UNFPA and a donor, subsequent to receiving a written binding agreement, to reduce previously recognized unearmarked or earmarked contribution revenue.

UNFPA participates in joint funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of those pooled contributions is recognized at the time when resource allocations are approved through the appropriate programme governance mechanisms.

Contributions of goods in kind are recognized as revenue at their fair value on the date of signing of enforceable agreements. Valuation is determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting and personnel services received free of charge.

Revenue from the sale of UNFPA-controlled goods to external parties is recognized upon transfer of the goods; revenue from performing procurement services is recognized when procurement services are rendered.

(xiii) Refunds to donors

Refunds of unspent fund balances at expiration or termination of agreements are recorded when contract language or prior experience indicate that a refund is likely or upon receipt of relevant requests from donors. All refunds to donors are shown as a reduction in contribution revenue.

(xiv) Expenses

A significant percentage of programme activities is implemented by Governments, intergovernmental and non-governmental organizations and other United Nations organizations engaged by UNFPA on the basis of signed workplans or other appropriate agreements.

Advances of funds to implementing partners, made on the basis of approved workplans or other programme documents, are initially recorded as operating fund advances. The advances are subsequently liquidated, and expenses recognized, on the basis of the reports submitted by the implementing partners prepared in accordance with their own accounting frameworks detailing the costs incurred. Outstanding advances reprogrammed for the implementation of programme activities in the following year are classified as “operating fund advances”, and those due to be refunded to UNFPA are classified as “other receivables” in the statement of financial position.

(xv) Indirect costs

“Indirect costs” mean the expenses incurred by UNFPA as a function of and in support of its activities and programmes, which cannot be unequivocally traced to those activities and programmes. They are funded through cost-recovery charges levied on disbursements (other than operating fund advances) from earmarked resources using the following rates:

(Percentage)

<i>Agreement type</i>	<i>Rate</i>
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Programme governments, South-South and triangular cooperation contributions	5
Umbrella agreements	0–8
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

Indirect costs recovered are deducted from earmarked contribution revenue and presented under other revenue for regular resources. The amount of cost-recovery charges is shown as an expense in schedule B to demonstrate total charges to individual trust and special funds.

(xvi) Foreign currency exchange gains and losses

All foreign currency exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within “other revenue” and “other expenses” in the statement of financial performance, apart from unrealized gains and losses on non-monetary assets classified as available-for-sale, such as equity instruments, which are recognized directly in net assets.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term for non-cancellable agreements is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use granted by the host Governments. Based on their length (or “lease term”) and the termination clauses, the donated rights to use can be similar to operating or finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease-similar rights to use (principally short term), expense and revenue are recognized in the statement of financial performance for amounts equal to the annual market rent of similar premises. In the case of finance lease-similar rights to use (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises, unless the property is transferred to UNFPA with specific conditions. In those situations, deferred revenue is recognized for an amount equal to the fair market value of the property. This liability is progressively recognized as revenue over the shorter of the useful life of the property and the right-to-use term in the amount equal to the property’s depreciation expense for the same period.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation amount.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or

present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized, but are disclosed if material.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA. Contingent assets are not recognized, but are disclosed if an inflow of economic benefits or service potential is probable.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office, the Chief of the Supply Chain Management Unit and the Director of the Information Technology and Solutions Office and their close family members, as well as any other individuals acting in one of these roles as officer-in-charge for three months or more in a calendar year. UNFPA discloses the value of transactions with these parties, including salaries and any loans obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions with the Executive Board to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as UNDP does not have the power to influence the financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future liabilities to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments, contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to the financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

On 1 January 2022, a new Supply Chain Management Unit was established. It provides oversight and coordination to all supply chain management-related functions and processes across the country, regional and headquarters levels. In this regard, the previous Procurement Services Branch was absorbed into this new unit.

UNFPA procures supplies, equipment and services on behalf and at the request of governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations.

UNFPA receives a handling fee in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2020, presented as part of other revenue.

Amounts prepaid on orders not fulfilled as at the reporting date are presented as “accounts payable and accruals” in the statement of financial position. Receivables for orders fulfilled ahead of the receipt of funds are reported as “other receivables” in the statement of financial position.

The cost of goods sold under orders fulfilled from UNFPA stock is recognized as other revenue and expense in the statement of financial performance, in addition to the corresponding handling fee, which is recognized as other revenue. For orders fulfilled from suppliers’ stock, only the handling fee is recognized in the statement of financial performance.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to, fair value of assets, impairment losses, useful lives, accrued charges, after-service health insurance and other employee benefits liabilities and contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2021 financial statements.

(xxiv) Transitional provisions

UNFPA did not apply any IPSAS transitional provisions in the year ended 31 December 2022.

(xxv) Comparison of budget with actual amounts

UNFPA prepares its budget on a modified cash basis.

A comparison between budget and actual amounts on a budget comparable basis is presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization’s institutional budget was prepared on a quadrennial basis for the period 2022–2025 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

(xxvi) Adoption of new accounting standards

In 2022, UNFPA did not adopt any new accounting standards.

(xxvii) Changes in accounting policies, accounting estimates or presentation

The UNFPA revenue recognition policy for unearmarked contributions was revised in 2022. Under the previous policy, UNFPA recognized revenue upon the earlier of the receipt of cash or the signing of a binding agreement. However, revenue for unearmarked contributions was deferred where contributions were given explicitly for a specific year, including for multi-year agreements.

Revenue for earmarked contributions was recognized in full at the time the agreement was signed, including for multi-year earmarked contributions, unless the agreement contained conditions. Where earmarked contribution agreements contained conditions, UNFPA recognized a liability, and revenue recognition was deferred until such conditions were met.

Under the new policy, revenue for both earmarked and unearmarked contributions is recognized in the same way. Revenue is recognized in full, including for multi-year contributions, at the time the agreement is signed, unless an agreement contains conditions and the donor has previously enforced such conditions. Where earmarked and unearmarked contribution agreements contain conditions, UNFPA recognizes a liability, and revenue recognition is deferred until such conditions are met. UNFPA recognizes assets when control over the resources is established on the basis of past events. Enforceability of agreements occurs upon signature.

This change in accounting policy was applied retrospectively in accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors. The restatement of comparative amounts has therefore been performed for prior-year periods. For the following prior-period adjustment, the 2021 comparative balances at the individual financial statement line were restated, as summarized in the table below. The impact on the 2021 financial results includes an increase of \$112.4 million in unearmarked revenue and a decrease of \$22.9 million owing to loss on foreign currency exchange, which results in an increase in the accumulated surplus of \$89.5 million in the statement of financial performance.

In the statement of financial position, the accounts receivable current and non-current balances increased by \$118.3 million and \$169.1 million, respectively, with a corresponding net increase in total assets of \$287.4 million. Other non-current liabilities and deferred revenue current and non-current balances decreased by \$0.1 million, with a corresponding net decrease in total liabilities of \$0.1 million. Net assets increased by \$287.5 million, representing the net of the above amounts, with a corresponding increase in designated unearmarked fund balances and total reserves and fund balances of \$287.5 million.

In the statement of cash flows, the net surplus increased by \$89.5 million, owing to the above-mentioned increase in revenue, offset by a negative adjustment of \$287.4 million in accounts receivable.

Impact on statement of financial position

(Thousands of United States dollars)

<i>Statement of financial position extract</i>	<i>As reported 31 December 2021</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As restated 31 December 2021</i>
Current assets			
Contributions receivable	228 344	118 292	346 636
Total current assets	1 062 171	118 292	1 180 463
Non-current assets			
Contributions receivable	193 737	169 143	362 880
Total non-current assets	1 243 223	169 143	1 412 366
Total assets	2 305 394	287 435	2 592 829
Total current liabilities	177 022	–	177 022

<i>Statement of financial position extract</i>	<i>As reported 31 December 2021</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As restated 31 December 2021</i>
Non-current liabilities			
Other non-current liabilities and deferred revenue	3 485	(77)	3 408
Total non-current liabilities	400 533	(77)	400 456
Total liabilities	577 555	(77)	577 478
Net assets	1 727 839	287 512	2 015 351
Fund balances			
Undesignated unearmarked fund balances	186 206	287 512	473 718
Total fund balances	1 635 136	287 512	1 922 648
Total reserves and fund balances	1 727 839	287 512	2 015 351

Impact on statement of financial performance

(Thousands of United States dollars)

<i>Statement of financial performance extract</i>	<i>As reported 31 December 2021</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As restated 31 December 2021</i>
Contribution revenue			
Unearmarked contributions	412 577	112 390	524 967
Total revenue	1 505 232	112 390	1 617 622
Other expenses			
Losses on foreign currency exchange – contributions receivable	14 679	22 874	37 553
Total expenses	1 300 677	22 874	1 323 551
Surplus for the year	204 555	89 516	294 071

Impact on statement of changes in net assets for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Statement of changes in net assets extract</i>	<i>As reported 31 December 2021</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As restated 31 December 2021</i>
Change in opening balance	1 520 144	197 996	1 718 140
Transfers within UNFPA resources			
Surplus/(deficit) for the year	204 555	89 516	294 071
Total movements during the year	207 695	89 516	297 211
Balance as at 31 December 2021	1 727 839	287 512	2 015 351

Impact on cash flow statement for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Cash flow statement extract</i>	<i>As reported 31 December 2021</i>	<i>Prior-period reclassifications/ adjustments</i>	<i>As restated 31 December 2021</i>
Cash flows from operating activities			
Surplus for the year	204 555	89 516	294 071
Adjustment to the opening balance	–	197 996	197 996
Changes in assets			
Increase in contributions receivable	(12 471)	(287 435)	(299 906)
Changes in liabilities and net assets			
Decrease in other liabilities and deferred revenue	(18 615)	(77)	(18 692)
Net cash flows from operating activities	159 708	–	159 708

(xxviii) Future accounting changes

Effective 1 January 2023, UNFPA will adopt IPSAS 41: Financial instruments, which establishes the new requirements for classifying, recognizing and measuring financial instruments, superseding IPSAS 29: Financial instruments: recognition and measurement. UNFPA is assessing the impact of IPSAS 41 on its financial statements.

In January 2022, the IPSAS Board issued IPSAS 43: Leases, replacing IPSAS 13: Leases. The new standard no longer requires classification of leases as either finance or operating, and introduces a new requirement to recognize assets and liabilities for rights and obligations created by the lease agreements. Adoption of the new standard is likely to result in an increase in both assets and liabilities relating to leases, currently classified as operating. UNFPA will perform a thorough assessment of the impact of the new standard on its financial statements, and will adopt the standard, as required, by its effective date of 1 January 2025.

In March 2023, the IPSAS Board approved two new standards: IPSAS 47: Revenue, which is a single standard to account for revenue transactions in the public sector; and IPSAS 48: Transfer expenses. IPSAS 47 replaces the existing three revenue standards: IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). These new standards are likely to have a significant impact on UNFPA revenue recognition practices and accounting relating to implementing partner transfers. These IPSAS will be effective for periods beginning on or after 1 January 2026, which gives UNFPA sufficient time to fully assess the impact of these new standards on its financial statements.

Note 3

Cash and cash equivalents

Cash and cash equivalents held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Cash		
Cash on hand	283	85
Cash at banks	24 994	57 892
Cash held in investment portfolios	12 853	11 861
Less: allowance for restricted use bank balances	(763)	(763)
Cash equivalents		
Money market funds	189 595	137 891
Time deposits	136 183	–
Total	363 145	206 966

Cash required for immediate disbursements is maintained on hand and at banks, in United States dollars and in foreign currencies, as shown in note 25.

Cash held in investment portfolios represents cash held in overnight sweep accounts, within the post-employment benefits investment portfolios, for subsequent investment into longer-term financial instruments or for portfolio rebalancing purposes. Note 4 provides more details on the purpose and composition of UNFPA investment portfolios.

The allowance for restricted-use bank balances reflects expected exchange losses on foreign currency bank deposits held in one programme country.

Cash equivalents are highly liquid financial instruments, such as money market funds, time deposits and bonds, with a maturity of three months or less from the date of acquisition, that are held in the UNFPA working capital investment portfolio.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4

Investments

UNFPA maintains two different types of investment portfolios.

The working capital investment portfolio, managed by UNDP on behalf of UNFPA, following UNDP investment guidelines and its governance framework, is limited to high-quality, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. Investments are registered in the name of UNFPA and are held by custodians appointed by UNDP. Throughout 2022, this portfolio was classified as held-to-maturity, carried at amortized cost, and measured using the effective interest method.

Financial instruments with maturity periods of more than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2022		31 December 2021	
	Market value	Amortized cost	Market value	Amortized cost
Bonds	990 114	1 035 864	869 310	872 316
Commercial paper	30 657	30 856	224 921	224 904
Time deposits	–	–	50 000	50 000
Total	1 020 771	1 066 720	1 144 231	1 147 220
Of which:				
Maturing within one year	414 189	421 267	470 235	469 832
Maturing after one year	606 582	645 453	673 996	677 388
Total	1 020 771	1 066 720	1 144 231	1 147 220

In addition, the working capital investment portfolio included \$325.8 million in financial instruments with maturities of three months or less (2021: \$137.9 million), reported under cash and cash equivalents (see note 3).

Bonds held in the working capital investment portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

Bond types	31 December 2022		31 December 2021	
	Market value	Amortized cost	Market value	Amortized cost
Non-United States sovereign obligations	519 995	540 004	433 482	434 007
Supranational organizations	340 506	357 415	331 638	333 306
United States government and agencies	82 834	89 958	74 149	74 958
Corporate	46 779	48 487	30 041	30 045
Total	990 114	1 035 864	869 310	872 316

In 2022, the average yield on the working capital investment portfolio increased to 1.2 per cent (2021: 0.7 per cent).

Two separate portfolios were established in 2016 and 2021, respectively, jointly with other United Nations organizations, to invest resources allocated to fund after-service health insurance liabilities and other end-of-service entitlements. Both portfolios are managed by two independent external investment managers and are governed by the same investment guidelines and a joint governance mechanism. Consistent with their purpose, the portfolios consist of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Investments are classified as available-for-sale and carried at fair market value.

Financial instruments with maturity periods of longer than three months held in these portfolios as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2022		31 December 2021	
	Market value	Base cost	Market value	Base cost
Fixed-income securities	115 690	133 427	124 213	124 385
Equities	172 083	175 643	211 655	172 221
Total	287 773	309 070	335 868	296 606
Of which:				
Fixed-income securities maturing within one year	1 502	1 540	2 528	2 471
Fixed-income securities maturing after one year and equities	286 271	307 530	333 340	294 135
Total	287 773	309 070	335 868	296 606

In addition, the post-employment benefits investment portfolios included \$12.9 million in cash and financial instruments with maturities of three months or less (2021: \$11.9 million), reported under cash and cash equivalents (see note 3).

The portfolios' annual rates of return decreased to negative 14.46 per cent and negative 14.25 per cent, respectively, for the components managed by the two investment managers appointed (2021: 5.15 per cent and 9.23 per cent).

UNFPA did not have any investment impairments during the year. The organization's exposure to credit, liquidity and market risks and the related risk management activities are discussed in note 25.

Of the total cash and investments held as at 31 December 2022, \$523.6 million was restricted in use as follows (2021: \$548.1 million):

	Reference	Amount
Funds held by UNFPA on behalf of joint programmes in the capacity of administrative agent	Note 10	\$13.7 million
Funding for employee benefits liabilities ^a	Note 12	\$378.0 million
Operational reserve	Note 14	\$87.7 million
Humanitarian response reserve	Note 14	\$5.5 million
Reserve for field accommodation	Note 14	\$5.0 million
Principal amount of the private endowment trust	Note 14 (h)	\$33.7 million

^a Including the investments held in the post-employment benefits investment portfolios.

The movements of investments within the working capital investment portfolio were as follows:

(Thousands of United States dollars)

	<i>Time deposits</i>		<i>Commercial paper</i>		<i>Bonds</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	50 000	60 000	224 904	352 172	872 316	549 873	1 147 220	962 045
Add: purchases	70 000	190 000	85 420	369 745	385 113	555 674	540 533	1 115 419
Less: maturities	(120 000)	(200 000)	(280 000)	(497 500)	(220 557)	(231 966)	(620 557)	(929 466)
Amortization	–	–	532	487	(1 008)	(1 265)	(476)	(778)
Closing balance	–	50 000	30 856	224 904	1 035 864	872 316	1 066 720	1 147 220

The movements of investments within the post-employment benefits investment portfolios were as follows:

(Thousands of United States dollars)

	<i>Fixed-income securities</i>		<i>Equities</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021
Opening balance	124 213	95 817	211 655	177 674	335 868	273 491
Add: purchases	28 975	100 616	74 295	102 337	103 270	202 953
Less: maturities	(1 548)	(1 373)	–	–	(1 548)	(1 373)
Less: sales	(18 667)	(64 296)	(70 872)	(67 728)	(89 539)	(132 024)
Amortization	282	(30)	–	–	282	(30)
(Loss)/gain in fair value recognized in:						
Surplus/(deficit)	(1 461)	(1 234)	–	–	(1 461)	(1 234)
Net assets	(16 104)	(5 287)	(42 995)	(628)	(59 099)	(5 915)
Closing balance	115 690	124 213	172 083	211 655	287 773	335 868

Note 5

Contributions receivable and other receivables

(a) Contributions receivable

Contributions receivable as at the reporting date, presented net of the allowance for doubtful accounts, were as follows:

(Thousands of United States dollars)

	31 December 2022	31 December 2021 (restated)
Non-exchange transactions		
Contributions receivable (current)	398 702	345 959
Unearmarked resources	76 049	119 223
Earmarked resources	322 653	226 736
Contributions receivable (non-current)	312 629	362 880
Unearmarked resources	141 191	169 143
Earmarked resources	171 438	193 737
Exchange transactions		
Contributions receivable (current)	300	677
Total	711 631	709 516

Owing to the change in accounting policy for revenue recognition, contributions receivable from unearmarked and earmarked resources represent either amounts committed in current and prior years but not yet collected by the end of the reporting period or amounts to be collected in future years, mainly in relation to multi-year donor agreements. Commitments in multi-year agreements for regular resources that will be received in future years are now recorded as contributions receivable at the time the agreement is binding, even where the commitments are intended for a future year.

The distinction between current and non-current receivables is based on their due date. Current contributions receivable are expected to be collected within 12 months of the reporting date, and non-current receivables are expected to be collected after that date.

Ageing analysis

The ageing of contributions receivable as at the reporting date was as follows:

(Thousands of United States dollars)

	31 December 2022		31 December 2021 (restated)	
	<i>Unearmarked</i>	<i>Earmarked</i>	<i>Unearmarked</i>	<i>Earmarked</i>
2018 and prior	–	529	12	529
2019	33	–	33	–
2020	74	–	74	–
2021	62	–	924	6 129
2022	2 280	5 569	–	–
Contributions receivable as at 31 December	2 449	6 098	1 043	6 658
Contributions receivable not yet due as at 31 December	214 833	493 089	287 358	421 423
Allowance for doubtful contributions receivable	(42)	(4 796)	(35)	(6 931)
Total	217 240	494 391	288 366	421 150

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is provided in schedule A (excluding the allowance for doubtful contributions receivable) and schedule B, respectively.

In line with the revised revenue recognition policy, the amount of the receivables reflects an expected inflow of cash in future years as stipulated in the multi-year agreements.

Allowance for doubtful contributions receivable

The movements in the allowance for doubtful contributions receivable were as follows:

(Thousands of United States dollars)

	2022	2021
Allowance at 1 January	(6 966)	(5 977)
Contributions receivable for which collection is now considered doubtful	(19)	(1 486)
Contributions receivable written off	12	111
Recoveries and reversals for contributions receivable for which collection was previously considered doubtful	2 135	386
Allowance at 31 December	(4 838)	(6 966)

(b) Other receivables

Other receivables as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Accrued dividends	262	68
Accrued interest	5 079	3 329
Advances to staff	503	343
Inter-fund balance receivable from United Nations organizations	3 586	17 597
Receivables from procurement activities	3 757	965
Recoverable value added/sales taxes	4 614	5 560
Refunds due from implementing partners	7 076	6 485
Miscellaneous accounts receivable	6 596	9 636
Less: allowance for doubtful other receivables	(2 976)	(2 676)
Total other receivables	28 497	41 307

The movements in the allowance for doubtful other receivables were as follows:

(Thousands of United States dollars)

	2022	2021
Allowance at 1 January	(2 676)	(1 481)
Other receivables for which collection is now considered doubtful	(1 645)	(1 410)
Other receivables written off	643	122
Recoveries and reversals of other receivables for which collection was previously considered doubtful	702	93
Allowance at 31 December	(2 976)	(2 676)

Note 6

Operating fund advances, prepayments and other assets

(a) Operating fund advances

Outstanding operating fund advances by implementing partner category as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
Governments	4 557	4 766
Intergovernmental institutions and non-governmental organizations	10 674	5 558
United Nations organizations	7 804	9 515
Less: allowance for doubtful advances	(948)	(1 150)
Total	22 087	18 689

The movements in the allowance for doubtful operating fund advances were as follows:

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
Allowance at 1 January	(1 150)	(541)
Advances for which collection is now considered doubtful	(9)	(676)
Advances written off	–	56
Recoveries and reversals for advances for which collection was previously considered doubtful	211	11
Allowance at 31 December	(948)	(1 150)

(b) Prepayments and other assets

Prepayments and other assets as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
Current		
Deferred programme costs	–	1 350
Unamortized education grant benefits	3 922	3 744
Prepayment of contributions to the resident coordinator system	3 870	3 870
Other prepayments	8 664	7 264
Total current	16 456	16 228
Non-current		
Other assets	18	23
Total non-current	18	23
Total prepayments and other assets	16 474	16 251

Note 7
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
Reproductive health and other programme-related supplies:	86 444	75 347
In transit	51 917	43 464
In stock	34 527	31 883
Property, plant and equipment-like inventories in transit	3 167	3 589
Provisions for impairment losses	(309)	(659)
Total	89 302	78 277

Inventory movements were as follows:

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
Inventories held as at 1 January	78 277	92 256
Additions	213 560	198 622
Issues	(202 395)	(211 703)
Provisions for impairment losses	350	(659)
Inventory adjustments and write-downs	(490)	(239)
Inventories held as at 31 December	89 302	78 277

Note 8 Property, plant and equipment

Property, plant and equipment (or fixed assets) movements and balances were as follows:

(Thousands of United States dollars)

	<i>Land</i>		<i>Buildings</i>		<i>Furniture and fixtures</i>		<i>Information and communications technology equipment</i>		<i>Vehicles</i>		<i>Leasehold improvements</i>		<i>Assets under construction and not yet available for use</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Cost																
As at 1 January	227	227	13 507	13 492	4 448	4 669	22 764	21 740	35 884	35 584	9 504	8 797	962	1 526	87 296	86 035
Additions	–	–	64	19	326	361	3 283	3 002	3 068	2 993	529	872	1 570	659	8 840	7 906
Disposals	–	–	–	–	(466)	(321)	(3 407)	(2 276)	(2 434)	(3 588)	(224)	(377)	–	–	(6 531)	(6 562)
Impairment reversal/(impairment)	–	–	–	–	–	–	(4)	–	–	27	–	–	–	–	(4)	27
Adjustments/reclassifications	–	–	–	(4)	(14)	(261)	228	298	224	868	41	212	(473)	(1 223)	6	(110)
As at 31 December	227	227	13 571	13 507	4 294	4 448	22 864	22 764	36 742	35 884	9 850	9 504	2 059	962	89 607	87 296
Accumulated depreciation																
As at 1 January	–	–	4 295	3 844	3 156	3 392	14 720	14 378	24 498	23 837	7 278	6 499	–	–	53 947	51 950
Depreciation charges	–	–	452	451	303	303	2 619	2 411	2 980	2 967	915	910	–	–	7 269	7 042
Disposals	–	–	–	–	(427)	(289)	(3 191)	(2 108)	(2 307)	(2 306)	(199)	(342)	–	–	(6 124)	(5 045)
Adjustments/reclassifications	–	–	–	–	(8)	(250)	57	39	(31)	–	(18)	211	–	–	–	–
As at 31 December	–	–	4 747	4 295	3 024	3 156	14 205	14 720	25 140	24 498	7 976	7 278	–	–	55 092	53 947
Net book value as at 1 January	227	227	9 212	9 648	1 292	1 277	8 044	7 362	11 386	11 747	2 226	2 298	962	1 526	33 349	34 085
Net book value as at 31 December	227	227	8 824	9 212	1 270	1 292	8 659	8 044	11 602	11 386	1 874	2 226	2 059	962	34 515	33 349

Assets under construction and not yet available for use pertain primarily to lease improvements and to property, plant and equipment items in transit to field locations as at the reporting date. Most fixed assets under construction and not yet available for use as at the end of 2021 were placed in service in 2022 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2022 was \$0.5 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2022 was \$0.6 million (2021: \$0.5 million). As at 31 December 2022, the cost of fully depreciated property, plant and equipment items which were still in use amounted to \$30.1 million (2021: \$29.6 million).

Note 9 Intangibles

Intangible assets movements and balances were as follows:

(Thousands of United States dollars)

	<i>Software acquired separately</i>		<i>Software developed internally</i>		<i>Intangible assets under development</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021
Cost								
As at 1 January	815	746	1 284	1 265	4 891	1 892	6 990	3 903
Additions	32	133	1 642	–	1 597	3 378	3 271	3 511
Disposals	(509)	(64)	(14)	–	–	–	(523)	(64)
Impairment	–	–	–	–	–	(379)	–	(379)
Adjustments/reclassifications	–	–	–	19	(2 049)	–	(2 049)	19
As at 31 December	338	815	2 912	1 284	4 439	4 891	7 689	6 990
Accumulated amortization								
As at 1 January	654	627	950	864	–	–	1 604	1 491
Amortization charges	64	60	390	86	–	–	454	146
Disposals	(508)	(33)	–	–	–	–	(508)	(33)
As at 31 December	210	654	1 340	950	–	–	1 550	1 604
Net book value as at 1 January	161	119	334	401	4 891	1 892	5 386	2 412
Net book value as at 31 December	128	161	1 572	334	4 439	4 891	6 139	5 386

The software developed internally that was capitalized in 2022 for \$1.6 million was the population data portal that was launched in April 2022. Of that amount, \$1.5 million was capitalized in previous years as intangible assets under development.

In addition to recognized intangible assets, UNFPA uses other intangible items under its control that do not meet the recognition criteria of IPSAS 31: Intangible assets and UNFPA accounting policies. These items include: (a) the business intelligence and analytics platform for financial, programme and other management data analysis and reporting; (b) the messaging and collaboration platform providing access to various applications such as email, calendar, file storage and other functionalities; and (c) the document management system.

In January 2023, UNFPA implemented a new, functionally integrated, cloud-based enterprise resource planning system as part of a consortium with other United Nations organizations. In 2022, UNFPA spent \$10.0 million on this initiative; none of the costs incurred met the capitalization criteria and were expensed during the year (2021: \$11.8 million). An additional \$0.6 million in research costs was incurred for other projects and expensed in 2022 (2021: \$0.7 million).

As at 31 December 2022, UNFPA had no material commitment for purchases of intangible assets (2021: \$0.3 million). The cost of fully amortized intangible assets, still in use by the end of 2022, amounted to \$0.9 million (2021: \$1.4 million), corresponding primarily to the licence for a suite of office productivity applications and internally generated applications.

Note 10
Accounts payable and accruals

Accounts payable and accruals as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
Accounts payable	2 862	16 251
Accrued liabilities	30 145	28 178
Advances for procurement activities	19 021	28 344
Inter-fund balance payable to United Nations organizations	–	102
Funds held on behalf of joint programmes	13 699	15 762
Reimbursements due to implementing partners and payables on their behalf	18 561	20 721
Payables for purchases of investment portfolio securities	–	234
Refunds due to donors	13 571	8 046
Total	97 859	117 638

Funds held on behalf of joint programmes reflect contributions received and administered by UNFPA in its capacity as administrative agent for programme activities to be implemented in conjunction with other United Nations organizations and to be distributed based on an agreed programme of work.

Reimbursements due to implementing partners and payables on their behalf primarily reflect costs incurred for the implementation of programme activities not yet disbursed by UNFPA, or payables for new operating fund advances.

Note 11
Finance leases

As at 31 December 2022, UNFPA had one finance lease agreement for an office building in one programme country. In 2022, UNFPA did not make any leasing payments for those premises, as its obligations under the agreement were fulfilled in previous years.

Note 12
Employee benefits

Employee benefits liabilities as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Current		
Short-term employee benefits		
Accumulated annual leave	34 305	35 901
Accumulated home leave	3 684	3 917
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff) ^a	909	272
Repatriation benefits (active staff)	3 352	4 228
After-service health insurance	4 858	4 246
Workers' compensation	58	53
Total current	47 166	48 617
Non-current		
Post-employment and other long-term employee benefits		
Repatriation benefits (active staff)	26 370	33 087
After-service health insurance	273 510	362 836
Workers' compensation	959	1 125
Total non-current	300 839	397 048
Total employee benefits liabilities	348 005	445 665

^a Inactive staff are those who had already separated from UNFPA as at the reporting date.

Short-term employee benefits

Short-term employment benefits provided by UNFPA to its staff in line with the Staff Regulations and Rules of the United Nations include annual leave and home leave.

Accumulated annual leave

This liability represents the amount of annual leave days accrued by staff members as at the reporting date, which can be utilized as compensated time in future periods. The liability is accrued as service is rendered based on effective daily salary rates, without discounting. In 2021, the maximum number of days that could be accumulated by a staff member as at 31 December of any calendar year was exceptionally increased to 97.5 days in recognition of the negative impact of the COVID-19 pandemic on the ability of staff to take leave; this was rescinded in 2022 and the maximum number of days that could be accumulated as at 31 December went back to 82.5 days.

Accumulated home leave

This liability represents the accumulated amount as at the reporting date of anticipated travel costs for eligible staff and their dependants for their next home

leave. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment and other long-term employee benefits

In line with the Staff Regulations and Rules of the United Nations, UNFPA staff members are provided with repatriation, after-service health insurance and workers' compensation benefits.

Repatriation benefits

Internationally recruited staff members meeting certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grants, which are based upon length of service, travel and removal expenses.

Repatriation benefits are classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

A separate liability is established in the actual amounts due to be paid to inactive staff members already separated from UNFPA who have not claimed their entitlements as at the reporting date.

After-service health insurance

Staff members, and their eligible dependants, may elect to participate in a UNFPA-subsidized health insurance plan upon the end of service, provided they have met certain eligibility requirements, including 10 years of participation in a contributory health insurance plan of the United Nations for staff members recruited after 1 July 2007 and 5 years for those recruited prior to this date.

This benefit is referred to as the after-service health insurance and is provided primarily through the United States-based insurance plans and the worldwide health insurance plan, both administered by the United Nations, and the Medical Insurance Plan, administered by UNDP.

After-service health insurance is classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

Workers' compensation

In accordance with Appendix D to the United Nations Staff Rules, UNFPA staff members are entitled to receive compensation in the event of death, disability, injury or illness attributable to the performance of official duties.

This benefit, classified as "other long-term employee benefit" and accounted similarly to a defined benefit plan, is only recognized as a liability upon occurrence of events that will result in compensation payments.

Measurement of post-employment and other long-term employee benefits

Net defined benefit liabilities for post-employment and other long-term employee benefits obligations are measured by independent actuaries using the projected unit credit method.

The liability amounts are estimated by discounting future cash flows required to settle the obligation, based on census data of employees meeting minimum eligibility criteria, using certain financial, demographic and behavioural assumptions, including

discount and health-care cost trend rates, annual salary increases, travel cost increases, cost-of-living adjustments, retiree payments, mortality, withdrawal and retirement projections, scheme enrolment assumptions and probability of marriage at retirement.

UNFPA normally performs a full actuarial valuation every two years. In the year when a full valuation is not performed, liability amounts are established through the roll-forward of the previous-year census data, including the review and update of key assumptions.

Resources set aside by UNFPA for funding employee benefits liabilities (see the section on funding below for more details) do not qualify as plan assets under IPSAS 39: Employee benefits, because such funds are not held in a trust that is legally separate from UNFPA and which was set up solely to pay or fund the employee benefits. Therefore, liabilities for post-employment and other long-term employee benefits are equal to the present value of the related defined benefit obligations.

2022 actuarial valuation

Summary of main assumptions

The post-employment employee benefits liabilities as at 31 December 2022 were established on the basis of the roll forward of the previous-year census data and most actuarial assumptions. Consistent with this approach, the valuation relied on data obtained for purposes of the 2021 valuation, except for discount and health-care cost trend rates, which were updated in 2022. Workers' compensation benefits liabilities were established on the basis of a full valuation.

Key assumptions used for the valuation purposes were as follows:

(Percentage)

	<i>After-service health insurance</i>		<i>Repatriation benefits (active staff)</i>		<i>Workers' compensation</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Single equivalent discount rate	5.34	3.30	5.10	2.68	5.35	2.78
Annual salary increase			3.97–9.27	3.97–9.27		
Travel cost increase			2.50	2.50		
Cost-of-living adjustment					2.50	2.50

The discount rates were set on the basis of the market yields on high-quality corporate bonds with maturity dates approximating the terms of future payments. Annual salary increase and cost-of-living adjustment assumptions were consistent with those used by the United Nations Joint Staff Pension Fund for the actuarial valuation of pension benefits. Travel cost increases were projected on the basis of a United States long-term inflation assumption.

The health-care cost trend rates used for measurement of the after-service health insurance liability were as follows:

Plan	2022			2021		
	Initial (percentage)	Final (percentage)	Grade down (years)	Initial (percentage)	Final (percentage)	Grade down (years)
United States, non-Medicare	6.50	3.85	9	5.17	3.95	10
United States, Medicare	6.50	3.85	9	5.03	3.95	10
United States, dental	6.50	3.85	9	4.53	3.95	10
Non-United States – Switzerland	4.25	2.55	6	3.44	2.25	7
Non-United States – eurozone	5.20	4.15	11	3.75	3.75	None

Per capita medical claims costs were estimated on the basis of actual claims and enrolment experience for the period 2016–2018 provided by the third-party administrators.

Estimated payments of plan participants towards after-service health insurance costs were deducted from the net liability amount by applying the following cost-sharing ratios approved by the General Assembly:

(Percentage)

Plan	By retiree	By organization
United States-based plans	33.00	67.00
Worldwide health insurance plan	50.00	50.00
Medical Insurance Plan	25.00	75.00

Mortality, withdrawal and retirement projections used for measurement of the after-service health insurance liability were consistent with those used by the United Nations Joint Staff Pension Fund for actuarial valuation of pension benefits. Scheme enrolment, probability of marriage at retirement and age difference between spouses were estimated based on historic trends.

2022 actuarial valuation results

The reconciliation of opening and closing balances for post-employment and other long-term employee benefits liabilities is provided in the table below:

(Thousands of United States dollars)

	After-service health insurance (net)	Repatriation benefits (active staff)	Workers' compensation	2022	2021
As at 1 January	367 082	37 315	1 178	405 575	389 315
Current service cost	15 951	2 159	143	18 253	18 364
Net interest	12 045	942	9	12 996	11 724
Benefits paid	(3 784)	(2 633)	(65)	(6 482)	(5 388)
Actuarial (gains)/losses arising from:					
Changes in financial assumptions	(112 324)	(6 353)	(322)	(118 999)	(2 700)
Changes in demographic assumptions	–	–	–	–	1 035
Experience adjustments	(602)	(1 708)	74	(2 236)	(6 775)
As at 31 December	278 368	29 722	1 017	309 107	405 575

The current service cost for after-service health insurance and repatriation benefits is the increase in the liability amounts resulting from employee service in the current period. The current service cost for workers' compensation reflects the addition of current year events and changes to the compensation plan.

Net interest reflects the increase in the liability amounts resulting from future employee benefits being closer to settlement. Both current service costs and net interest are recognized in surplus or deficit for the year.

Benefits paid reflect the employer share of health insurance premiums and the repatriation benefits and workers' compensation benefits paid by UNFPA during the year. They are recorded as reductions to the liability. Differences between actual and actuarially estimated benefits paid are classified as a remeasurement of the net defined benefit liability arising from experience adjustments and are recognized in net assets.

Based on actuarial estimates, benefits to be paid by UNFPA during the next reporting period will amount to \$5.0 million for after-service health insurance, \$3.4 million for repatriation benefits and \$0.06 million for workers' compensation benefits.

Actuarial gains and losses represent the changes in the present value of the obligation amounts due to changes in financial and demographic assumptions and experience adjustments (differences between the previous actuarial assumptions and what has actually occurred).

Actuarial gains and losses on post-employment benefits are recognized in net assets. In 2022, an actuarial gain was recorded owing primarily to the increase in the discount rates used, slightly offset by losses from higher health-care cost trend rates. Changes in the accumulated actuarial gains and losses were as follows:

(Thousands of United States dollars)

	<i>After-service health insurance (net)</i>	<i>Repatriation benefits (active staff)</i>	<i>Total</i>
As at 31 December 2021	47 114	15 939	63 053
(Gain) for current period	(112 926)	(8 061)	(120 987)
As at 31 December 2022	(65 812)	7 878	(57 934)

Actuarial gains and losses on workers' compensation are recognized in surplus or deficit for the year. The actuarial gain recorded in 2022 originated primarily from the increase in the discount rates used.

The present value of the after-service health insurance liability as at the reporting date, both gross and net of payments by plan participants, was as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
Gross liability	427 767	564 094
Offset from payments made by plan participants	(149 399)	(197 012)
Net liability	278 368	367 082

The weighted average duration of the defined benefit obligations as at 31 December 2022 was 20 years for after-service health insurance, 8 years for

repatriation benefits and 22 years for workers' compensation (2021: 23 years, 9 years and 14 years, respectively).

Sensitivity analysis

The valuation of post-employment and other long-term employee liabilities is sensitive to variations in key assumptions such as the discount and health-care cost trend rates. The table below demonstrates the impact that a 0.50 per cent change in the single equivalent discount rate or health-care cost trend rate would have on the net defined benefit liability amounts and combined annual service and net interest costs (all other assumptions remaining constant):

(Thousands of United States dollars)

	<i>After-service health insurance</i>			<i>Workers' compensation liability</i>
	<i>Year-end liability</i>	<i>Sum of service and net interest costs</i>	<i>Repatriation benefits liability (active staff)</i>	
Single equivalent discount rate				
0.50 per cent increase	(24 805)		(1 080)	(68)
0.50 per cent decrease	27 368		1 126	80
Health-care cost trend rate				
0.50 per cent increase	30 338	3 624		
0.50 per cent decrease	(26 396)	(3 090)		
Cost-of-living adjustment rate				
0.50 per cent increase				85
0.50 per cent decrease				(74)

Funding for employee benefits liabilities

Funding allocated for employee benefits liabilities in 2022 decreased by \$28.0 million (2021: increase of \$41.5 million), as detailed below:

(a) Net investment loss of \$48.8 million generated by funds set aside for funding of employee benefits liabilities (2021: gain of \$21.6 million);

(b) Payroll charges for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave of \$20.8 million (2021: \$19.9 million).

As at 31 December 2022, the after-service health insurance and other employee benefits liabilities were fully funded, resulting in a surplus of \$29.9 million (2021: unfunded amount of \$39.7 million), as detailed below:

(Thousands of United States dollars)

<i>Employee benefits liabilities</i>	<i>Accrued liability</i>	<i>Funded liability</i>	<i>Unfunded liability</i>
After-service health insurance	278 368	309 783	(31 415)
Repatriation benefits	30 631	30 394	237
Annual leave	34 305	34 305	–
Home leave	3 684	3 684	–
Workers' compensation	1 017	(216)	1 233
Total	348 005	377 950	(29 945)

This high funding ratio is expected to reverse in 2023 and beyond once fiscal policies for inflation change and global interest rates reduce, which will increase the liability amounts. However, this should be partially offset by improved performance in the investment portfolio once global markets recover post-pandemic. UNFPA will continually monitor the situation to ensure that liabilities remain fully funded, as far as possible, without the build-up of any surpluses.

Changes in the unfunded liabilities were as follows:

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>Increase/(decrease) in liability</i>	<i>Net increase/ (decrease) in funding</i>	<i>31 December 2022</i>
	<i>Unfunded liability</i>			<i>Unfunded liability</i>
After-service health insurance	26 477	(88 714)	(30 822)	(31 415)
Repatriation benefits	11 920	(6 956)	4 727	237
Annual leave	–	(1 596)	(1 596)	–
Home leave	–	(233)	(233)	–
Workers' compensation	1 328	(161)	(66)	1 233
Total	39 725	(97 660)	(27 990)	(29 945)

Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of its Regulations, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UNFPA to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly, currently at 7.9 per cent for participants and 15.8 per cent for participating organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency

payments are payable only if and when the Assembly has invoked the provision of article 26, following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date.

The latest actuarial valuation for the Pension Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Pension Fund for its 2022 financial statements.

The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation).

The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, the deficiency payments required from participating organizations would be proportionate to their contributions paid during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2019, 2020 and 2021) amounted to \$8,505.27 million, of which \$119.3 million (1.4 per cent) was contributed by UNFPA.

During 2022, contributions paid to the Pension Fund by UNFPA amounted to \$44.2 million (2021: \$42.3 million). Estimated contributions to be paid in 2023 are not expected to be materially different from these amounts.

Membership in the Pension Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Pension Fund at the date of termination shall be paid to the former participating organizations for the exclusive benefit of their staff who were participants in the Pension Fund at that date, pursuant to arrangements mutually reached between the organizations and the Pension Fund. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets that are in excess of the liabilities will be included in the amount.

The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, which are available at www.unjspf.org.

Note 13

Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021 (restated)</i>
Current		
Other current liabilities	3 534	5 386
Deferred revenue	4 755	5 260
Derivative liabilities	2 510	121
Total current	10 799	10 767
Non-current		
Deferred revenue	3 255	3 408
Total non-current	3 255	3 408
Total other liabilities and deferred revenue	14 054	14 175

Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) (\$3.3 million, most of which are classified as non-current), and contributions to regular and other resources received in advance or due for reimbursement to UNFPA following the incurrence of qualifying costs (\$4.7 million).

Note 14
Unearmarked resources – movements in reserves and fund balances

Movements in unearmarked resources reserves and fund balances were as follows:

(Thousands of United States dollars)

	<i>Undesignated funds</i>				<i>Designated funds</i>				<i>Reserves</i>			2022	2021 (restated)	
	<i>Programmable fund balance</i>	<i>After-service health insurance and employee benefits fund</i>	<i>Procurement services fund</i>	<i>Excess cost recovery</i>	<i>Comprehensive resources review</i>	<i>Information and communications technology transformation</i>	<i>Programme continuity fund</i>	<i>Private endowment trust fund</i>	<i>Total fund balances</i>	<i>Operational reserve</i>	<i>Humanitarian response reserve</i>	<i>Reserve for field accommodation</i>	<i>Total reserves and fund balances</i>	<i>Total reserves and fund balances</i>
	<i>(Note 14 (a))</i>	<i>(Note 14 (b))</i>	<i>(Note 14 (c))</i>	<i>(Note 14 (d))</i>	<i>(Note 14 (e))</i>	<i>(Note 14 (f))</i>	<i>(Note 14 (g))</i>	<i>(Note 14 (h))</i>		<i>(Note 14 (i))</i>	<i>(Note 14 (j))</i>	<i>(Note 14 (k))</i>		
Balance as at 1 January	225 931	(39 725)	5 326	35 009	320	12 079	5 000	34 976	278 916	82 203	5 500	5 000	371 619	306 139
IPSAS adjustments for modified revenue policy	287 512	–	–	–	–	–	–	–	287 512	–	–	–	287 512	197 996
Adjusted balance as at 1 January	513 443	(39 725)	5 326	35 009	320	12 079	5 000	34 976	566 428	82 203	5 500	5 000	659 131	504 135
Net excess/(shortfall) of revenue over expenses	(34 960)	7 783	–	–	(99)	(7 969)	–	(1 176)	(36 421)	–	–	(755)	(37 176)	151 494
Resource allocations and transfers														
Operational reserve	(5 493)	–	–	–	–	–	–	–	(5 493)	5 493	–	–	–	–
Reserve for field accommodation	(755)	–	–	–	–	–	–	–	(755)	–	–	755	–	–
Other transfers	(17 784)	–	1 693	14 157	–	4 186	–	–	2 252	–	–	–	2 252	362
Adjustments to resource balances														
(Loss)/gain in fair value of investments recognized in net assets	–	(59 099)	–	–	–	–	–	–	(59 099)	–	–	–	(59 099)	(5 915)
Actuarial gain/(loss) on employee benefits liabilities	–	120 987	–	–	–	–	–	–	120 987	–	–	–	120 987	9 055
Balance as at 31 December	454 451	29 946	7 019	49 166	221	8 296	5 000	33 800	587 899	87 696	5 500	5 000	686 095	659 131
Net total		484 397						103 502				98 196		

Undesignated funds

Undesignated regular resources funds comprise the programmable fund balance and the after-service health insurance and employee benefits fund.

(a) Programmable fund balance

The programmable fund balance reflects regular resources available for spending on country programmes, the institutional budget, global and regional interventions, the emergency fund and other programme activities, following UNFPA resource allocation and distribution models.

As at 31 December 2022, the programmable fund balance amounted to \$454.5 million, of which \$287.5 million was due to the change in accounting policy for revenue recognition. This amount represents receivables for future years in accordance with the schedule of payment in the multi-year agreements. The programmable fund balance available for programming in future years amounted to \$188.0 million, after further adjustments made to reflect funds required to cover future property, plant and equipment depreciation charges; expensing of inventory balances and outstanding sector-wide approach modality advances; and other internally restricted amounts.

The emergency fund was approved by the Executive Board to provide UNFPA field offices with the initial funding required to jump-start humanitarian activities before the other resources become available. The fund was allocated \$10.0 million in regular resources in 2022, same as in 2021. Of this amount, \$9.3 million was spent in 2022 (2021: \$10.2 million).

(b) After-service health insurance and employee benefits fund

This fund reflects the funding surplus of after-service health insurance and other employee benefits liabilities as at the reporting date (see note 12).

Designated funds

Designated funds are regular resources internally earmarked by management for special purposes and thus not available for programming. They include the following:

(c) Procurement services fund

The procurement services fund reflects the surplus set aside to cover the cost of procurement activities undertaken by the Supply Chain Management Unit of UNFPA, on behalf of field offices, headquarters units and third-party clients. The balance has been set aside by management to ensure adequate funding of future procurement activities. In 2022, \$7.1 million of procurement services charges in excess of actual costs incurred was transferred to this fund, and \$5.4 million was transferred out of the fund to programmable regular resources, referenced in note 14 (a).

(d) Excess cost recovery

Cost recoveries in excess of budgeted amounts are retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of costs that are associated with the implementation of projects. In 2022, cost recoveries in excess of budget amounted to \$16.7 million, of which \$2.5 million was transferred to the programmable fund balance.

(e) Comprehensive resources review

The comprehensive resources review designated fund was established in 2017 to enable the continued implementation of the change management initiative launched

by UNFPA management to ensure optimal alignment between the strategic plan, resource allocation and organizational structures. The fund is a continuation of a provision approved by the Executive Board (see DP/2017/2, decision 2016/10) at the midterm review of the integrated budget (see DP/FPA/2016/3). In 2022, expenses for comprehensive resources review activities amounted to \$0.1 million.

(f) Information and communications technology transformation

In 2021, the unspent balance of \$12.1 million from the Executive Board-approved integrated budget 2018–2021 for the information and communications technology transformation project was transferred to this designated fund, to fund qualifying expenses to be incurred in subsequent years for the implementation of the enterprise resource planning platform, the major component of the project. A further \$4.2 million of institutional budget savings was allocated to the fund in 2022. After \$8.0 million of expenses in 2022, the closing balance of \$8.3 million remains to fund the completion of the enterprise resource planning platform.

Considering the additional \$2.0 million approved by the Executive Board within the framework of the integrated budget 2022–2025 and spent in 2022, the total planned cost of the information and communications technology transformation project is \$39.0 million, of which \$31.0 million is already expensed.

(g) Programme continuity fund

In 2018, UNFPA allocated \$5.0 million to a designated fund, operating on a revolving basis, to pre-finance development programme activities ahead of the receipt of funds committed in signed co-financing agreements. The fund balance remained unchanged as at 31 December 2022.

(h) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of \$33.8 million comprises the principal of \$33.7 million plus cumulative interest earned of \$10.4 million, less cumulative eligible expenses of \$10.3 million from the date the fund was created. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or the trustee's heirs for any potential liability in the event of a valid claim against the estate.

Reserves

The following reserves were established either in accordance with the UNFPA Financial Regulations and Rules or based on Executive Board decisions:

(i) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. In accordance with the UNFPA Financial Regulations and Rules, the reserve balance is set at 20 per cent of annual unearmarked resources contribution revenue (excluding government contributions to local office costs and adjusted for foreign currency exchange gains/losses for associated contributions receivable).

The amount of the reserve was increased by \$5.5 million in 2022 to adjust it to 20 per cent of regular resources contributions received in that year.

Despite the change in accounting policy for revenue recognition, the methodology for calculating the operational reserve remains the same as in 2021, which is based on net contribution revenue received. This is to ensure that the reserve

level can be held in irrevocable and immediately available liquid assets, as required. Under the modified accounting policy, revenue for regular resources is recorded on the basis of binding arrangements, including for multi-year agreements where contributions may not be received for several years. If the modified revenue recognition policy were used as the basis for determining the level of the operational reserve, there would be significant fluctuations in the reserve annually as it would be dependent on the timing of when agreements were signed, not the receipt of contributions. As such, funding the reserve in liquid assets would be challenging when revenue has been recorded but contributions will not be received for several years.

(j) Humanitarian response reserve

The humanitarian response reserve was established by the Executive Board to pre-finance programme activities before the funding committed in signed donor agreements is received. Throughout 2022, it was used to provide pre-financing of humanitarian activities for a total amount of \$25.0 million (2021: \$14.5 million), all of which has been reimbursed.

(k) Reserve for field accommodation

This reserve was established by the Executive Board for the purpose of financing the UNFPA share of construction costs for common premises. Qualifying expenses of \$0.8 million were charged to the reserve, and the same amount was replenished, in 2022, bringing its balance back to the \$5.0 million level approved by the Executive Board.

**Note 15
Contribution revenue**

Contribution revenue for the reporting period was as follows:

(Thousands of United States dollars)

	2022	2021 (restated)
Unearmarked (core) contributions	390 918	524 967
Less: transfer to other revenue of income tax reimbursements	(5 466)	(4 679)
Subtotal	385 452	520 288
Contributions earmarked for:		
Co-financing	1 038 335	983 114
Junior Professional Officers	3 803	5 271
Contributions in kind	424	4 227
Less: refunds to donors	(9 877)	(6 470)
Less: allowance for doubtful contributions receivable	2 135	(1 192)
Subtotal	1 034 820	984 950
Total	1 420 272	1 505 238

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA cost-recovery charges of \$66.1 million (2021: \$58.9 million), which are shown in note 16, under cost-recovery charges and fees for support services.

Note 16
Other revenue

Other revenue for the reporting period was as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021 (restated)</i>
Cost-recovery charges and fees for support services	65 878	58 637	3 053	2 514	68 931	61 151
Investment revenue	20 209	34 030	3 303	923	23 512	34 953
(Losses)/gains on foreign currency exchange – others ^a	39	(228)	2 860	2 450	2 899	2 222
Premises occupancy based on donated rights to use	5 553	5 603	–	–	5 553	5 603
Income tax reimbursements	5 466	4 679	–	–	5 466	4 679
Revenue from sale of UNFPA inventories	–	–	3 193	1 790	3 193	1 790
Miscellaneous revenue	1 136	1 132	1 007	854	2 143	1 986
Total	98 281	103 853	13 416	8 531	111 697	112 384

^a (Losses)/gains on foreign currency exchange – others for 2022 correspond primarily to realized foreign currency exchange gains on accounts payable.

Cost-recovery charges and fees for support services include indirect cost-recovery charges on disbursements funded from earmarked resources, fees earned by UNFPA for performing administrative agent functions and procurement services handling fees.

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Interest revenue	15 689	9 180	3 303	923	18 992	10 103
Dividend revenue	2 749	2 186	–	–	2 749	2 186
Realized gain on sale of investments	1 771	22 664	–	–	1 771	22 664
Total	20 209	34 030	3 303	923	23 512	34 953

Revenue and expense in the amount of \$5.6 million were recognized in 2022 (2021: \$5.6 million) for donated right-to-use arrangements equivalent to the annual rental value for similar premises (for operating lease-similar arrangements) or annual depreciation charges (for finance lease-similar arrangements).

Note 17
Expenses by implementing agent

Total expenses incurred during the reporting period, broken down on the basis of the implementation modality used, were as follows:

(Thousands of United States dollars)

	2022	2021 (restated)
Activities implemented by:	487 797	427 977
Governments	104 911	103 012
Non-governmental organizations	363 786	305 291
United Nations organizations	19 100	19 674
Activities implemented by UNFPA	955 046	895 574
Total expenses	1 442 843	1 323 551

In 2022, 38.5 per cent of programme activities were implemented by governments and non-governmental organizations (2021: 37.6 per cent). Total expenses for programme activities are disclosed in schedule D.

Expenses incurred by UNFPA implementing partners can be further broken down on the basis of their nature as follows:

(Thousands of United States dollars)

	2022	2021
Reproductive health and other programme-related supplies	22 217	22 923
Cash assistance programmes	9 334	7 097
Development and training of counterparts	145 641	120 403
Supplies, materials and operating costs	110 391	87 767
Staff costs and contracted services	176 672	170 968
Finance costs	547	474
Travel	20 365	17 682
Other expenses	2 630	663
Total expenses	487 797	427 977

Note 18
Expenses by nature

Total expenses incurred during the reporting period, broken down on the basis of their nature, were as follows:

(Thousands of United States dollars)

	2022	2021 (restated)
Staff costs		
Staff salaries	209 726	200 925
Pension contributions	44 211	42 277
Other employee benefit costs	96 733	91 886
Subtotal, staff costs	350 670	335 088
Reproductive health and other programme-related supplies		
Reproductive health supplies	170 290	198 800
Other programme-related supplies	45 115	33 980
Subtotal, reproductive health and other programme-related supplies	215 405	232 780
Cash assistance programmes	9 725	7 679
Subtotal, cash assistance programmes	9 725	7 679
Development and training of counterparts	168 967	137 807
Subtotal, development and training of counterparts	168 967	137 807
Supplies, materials and operating costs		
Supplies and materials	49 343	27 421
Rent, repairs and maintenance	58 960	52 435
Printing, publications and media	35 365	33 918
Transportation and distribution	60 182	44 371
Other operating costs	62 372	58 272
Subtotal, supplies, materials and operating costs	266 222	216 417
Contracted and professional services		
Contracted and professional services with individuals	231 789	225 133
Contracted and professional services with companies	69 884	64 914
United Nations Volunteers expenses	7 572	7 539
Subtotal, contracted and professional services	309 245	297 586
Finance costs (mainly bank charges)	1 123	1 123
Subtotal, finance costs	1 123	1 123
Travel	59 924	36 305
Subtotal, travel	59 924	36 305
Depreciation and amortization		
Depreciation	7 269	7 042
Amortization	454	146
Subtotal, depreciation and amortization	7 723	7 188
Impairment losses and reversals of impairment losses	60	422
Subtotal, impairment and reversals of impairment losses	60	422
Other expenses		
Premises occupied based on donated right to use	5 373	5 423

	2022	2021 (restated)
Transfers and (gains)/losses on disposal of property, plant and equipment and intangible assets	(194)	1 054
Losses on foreign currency exchange – contributions receivable ^a	41 385	37 553
Losses on foreign currency exchange – others	5 935	3 096
Doubtful accounts expenses and write-offs	869	3 507
Other	411	523
Subtotal, other expenses	53 779	51 156
Total expenses	1 442 843	1 323 551

^a Losses on foreign currency exchange – contributions receivable for 2022 correspond primarily to the revaluation of contributions receivable account balances owing to the change in accounting policy for revenue recognition; an additional unrealized loss was incurred owing to the adjustment of the contributions in local currency.

Note 19

Programme activities and institutional budget expenses by region and country/territory

Programme activities and institutional budget expenses incurred over the reporting period at the country, regional and global levels were as follows:

(Thousands of United States dollars)

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2022	2021
Eastern and Southern Africa					
Country/territory activities					
Angola	2 323	2 245	1 219	5 787	4 445
Botswana	671	886	255	1 812	1 423
Burundi	2 441	3 098	868	6 407	4 977
Comoros	877	683	136	1 696	1 600
Democratic Republic of the Congo	9 167	27 725	992	37 884	28 086
Eritrea	551	13	662	1 226	1 651
Eswatini	746	635	320	1 701	1 769
Ethiopia	5 562	25 949	830	32 341	22 409
Kenya	3 829	3 071	1 078	7 978	7 936
Lesotho	783	761	480	2 024	2 039
Madagascar	4 916	5 190	646	10 752	8 630
Malawi	3 429	12 309	784	16 522	16 972
Mauritius	255	76	–	331	260
Mozambique	5 029	25 108	1 077	31 214	23 999
Namibia	966	885	445	2 296	2 080
Rwanda	3 134	4 687	730	8 551	4 102
Seychelles	163	1	–	164	80
South Africa	1 558	1 309	424	3 291	3 094
South Sudan	4 210	21 559	2 221	27 990	22 672
Uganda	6 009	17 503	967	24 479	24 945
United Republic of Tanzania	5 820	16 764	1 044	23 628	18 401

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2022	2021
Zambia	2 704	6 002	627	9 333	10 806
Zimbabwe	2 808	8 543	987	12 338	16 012
Subtotal	67 951	185 002	16 792	269 745	228 388
Regional activities	4 866	7 400	3 042	15 308	13 094
Total	72 817	192 402	19 834	285 053	241 482
Western and Central Africa					
Country/territory activities					
Benin	2 044	4 966	962	7 972	8 016
Burkina Faso	3 171	10 877	1 316	15 364	13 615
Cabo Verde	1 095	13	239	1 347	1 069
Cameroon	3 702	7 163	1 100	11 965	11 244
Central African Republic	2 546	2 889	1 280	6 715	5 787
Chad	3 550	6 606	1 073	11 229	9 008
Congo	1 913	497	654	3 064	3 150
Côte d'Ivoire	3 410	5 849	856	10 115	11 213
Equatorial Guinea	806	260	520	1 586	1 853
Gabon	1 304	182	604	2 090	1 610
Gambia	1 290	2 641	347	4 278	3 692
Ghana	3 307	4 328	895	8 530	8 192
Guinea	2 842	2 848	724	6 414	8 499
Guinea-Bissau	1 115	792	526	2 433	2 830
Liberia	1 654	10 363	1 402	13 419	8 651
Mali	4 277	12 235	1 131	17 643	18 754
Mauritania	1 568	778	709	3 055	2 930
Niger	3 875	8 272	1 192	13 339	22 928
Nigeria	8 986	12 645	1 061	22 692	26 375
Sao Tome and Principe	484	222	208	914	900
Senegal	2 729	3 460	644	6 833	8 260
Sierra Leone	2 410	4 535	1 029	7 974	9 674
Togo	2 256	2 025	618	4 899	5 644
Subtotal	60 334	104 446	19 090	183 870	193 894
Regional activities	3 677	5 112	2 222	11 011	12 430
Total	64 011	109 558	21 312	194 881	206 324
Arab States					
Country/territory activities					
Algeria	573	109	168	850	699
Djibouti	1 036	579	304	1 919	1 729
Egypt	1 628	8 496	523	10 647	13 904
Iraq	2 396	15 731	1 154	19 281	26 254
Jordan	1 084	9 621	392	11 097	11 275
Lebanon	760	3 926	574	5 260	7 155

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2022	2021
Libya	1 443	4 054	757	6 254	6 848
Morocco	1 138	1 449	720	3 307	2 864
Oman	302	1 004	291	1 597	1 431
Somalia	4 715	29 510	2 159	36 384	27 424
State of Palestine	1 650	6 115	1 029	8 794	8 259
Sudan	4 947	19 329	1 335	25 611	17 678
Syrian Arab Republic	2 657	36 624	822	40 103	30 463
Tunisia	671	586	100	1 357	1 364
Yemen	5 590	42 044	1 379	49 013	51 536
Subtotal	30 590	179 177	11 707	221 474	208 883
Regional activities	4 206	3 297	2 274	9 777	8 770
Total	34 796	182 474	13 981	231 251	217 653
Asia and the Pacific					
Country/territory activities					
Afghanistan	5 972	43 940	1 314	51 226	15 275
Bangladesh	6 023	41 919	1 002	48 944	51 367
Bhutan	727	97	73	897	631
Cambodia	2 432	793	559	3 784	3 181
China	1 913	553	1 181	3 647	3 625
Democratic People's Republic of Korea	422	283	441	1 146	1 290
India	5 644	3 392	852	9 888	9 615
Indonesia	3 548	3 541	687	7 776	7 772
Iran (Islamic Republic of)	1 273	1 860	688	3 821	4 732
Lao People's Democratic Republic	1 595	2 076	607	4 278	3 529
Malaysia	560	26	336	922	487
Maldives	678	66	160	904	743
Mongolia	1 186	1 544	482	3 212	3 459
Myanmar	3 171	17 518	924	21 613	15 203
Nepal	2 978	6 836	826	10 640	9 504
Pacific Islands (multi-country) ^a	4 052	9 738	1 009	14 799	12 301
Pakistan	4 838	9 886	907	15 631	14 294
Papua New Guinea	2 393	5 157	973	8 523	5 764
Philippines	3 923	5 866	692	10 481	8 280
Sri Lanka	2 601	1 606	348	4 555	2 289
Thailand	823	1	359	1 183	1 244
Timor-Leste	1 401	1 868	641	3 910	3 092
Viet Nam	2 716	2 927	813	6 456	8 535
Subtotal	60 869	161 493	15 874	238 236	186 212
Regional activities	6 509	3 049	2 613	12 171	11 659
Total	67 378	164 542	18 487	250 407	197 871

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2022	2021
Latin America and the Caribbean					
Country/territory activities					
Argentina	772	439	184	1 395	1 045
Bolivia (Plurinational State of)	1 455	4 067	596	6 118	3 822
Brazil	2 212	1 720	569	4 501	3 587
Caribbean (multi-country) ^b	3 567	2 236	945	6 748	4 984
Chile	152	–	–	152	147
Colombia	1 742	4 240	504	6 486	5 073
Costa Rica	680	211	109	1 000	792
Cuba	729	221	120	1 070	871
Dominican Republic	963	655	311	1 929	1 461
Ecuador	1 156	4 682	569	6 407	2 874
El Salvador	974	2 226	508	3 708	3 256
Guatemala	1 823	2 178	807	4 808	4 140
Haiti	2 563	8 662	1 378	12 603	12 928
Honduras	1 211	1 730	671	3 612	4 464
Mexico	1 380	2 263	878	4 521	5 457
Nicaragua	1 000	1 513	629	3 142	2 937
Panama	693	352	174	1 219	1 023
Paraguay	857	3 647	354	4 858	1 743
Peru	1 349	1 595	968	3 912	2 078
Uruguay	736	1 823	466	3 025	1 945
Venezuela (Bolivarian Republic of)	1 064	5 691	548	7 303	2 975
Subtotal	27 078	50 151	11 288	88 517	67 602
Regional activities	4 327	1 713	2 966	9 006	9 275
Total	31 405	51 864	14 254	97 523	76 877
Eastern Europe and Central Asia					
Country/territory activities					
Albania	594	299	188	1 081	1 538
Armenia	683	745	202	1 630	1 230
Azerbaijan	715	479	246	1 440	1 623
Belarus	582	984	137	1 703	1 284
Bosnia and Herzegovina	828	620	509	1 957	2 328
Georgia	629	1 294	200	2 123	1 593
Kazakhstan	598	878	550	2 026	1 719
Kosovo	735	151	153	1 039	1 279
Kyrgyzstan	1 032	1 233	170	2 435	2 177
North Macedonia	531	617	148	1 296	706
Republic of Moldova	1 193	9 038	512	10 743	2 991
Serbia	601	306	210	1 117	794
Tajikistan	1 119	1 368	206	2 693	2 643
Türkiye	1 353	24 008	760	26 121	23 745

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2022	2021
Turkmenistan	812	986	205	2 003	1 307
Ukraine	1 438	21 210	1 051	23 699	8 530
Uzbekistan	1 133	835	555	2 523	3 673
Subtotal	14 576	65 051	6 002	85 629	59 160
Regional activities	3 763	2 566	2 038	8 367	7 923
Total	18 339	67 617	8 040	93 996	67 083
Global programme and other headquarters activities	19 375	141 749	93 063	254 187	265 853
Total programme and institutional budget	308 121	910 206	188 971	1 407 298	1 273 143

^a The Pacific Islands multi-country programme implements programme activities in the following countries and territories: Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia (Federated States of), Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

^b The Caribbean multi-country programme, English- and Dutch-speaking, implements programme activities in the following countries and territories: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Netherlands Antilles (Aruba, Curaçao and Sint Maarten), Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos Islands.

Corporate expenses amounting to \$35.5 million are excluded from the table above, as due to their nature, they cannot be assigned to any specific country or region. Schedule D provides a breakdown by nature of total programme activities and institutional budget expenses referenced above.

Note 20

Provisions, contingent assets and contingent liabilities

As at 31 December 2022, UNFPA did not have any material provisions.

Contingent assets include contributions from signed donor agreements that do not meet the revenue recognition criteria as at the reporting date. As at 31 December 2022, these contingent assets amounted to \$383.4 million (2021: \$478.4 million), all related to earmarked resources (2021: \$124.9 million). There is no contingent asset related to unearmarked resources as all the contributions were recognized in 2022 owing to the change in accounting policy for revenue recognition. Those contributions will be recognized in future periods when revenue recognition criteria are met.

As at 31 December 2022, UNFPA had a limited number of contingent liabilities that represented ongoing legal and administrative law claims. The total potential outflow for such claims as at 31 December 2022 was estimated at \$5.2 million (2021: \$3.4 million). Owing to the uncertainty of their outcomes, neither a liability nor a provision was recorded as at the reporting date, as the occurrence and timing of outflows is not certain. UNFPA does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	<i>Key management personnel</i>					
	<i>Number of individuals</i>	<i>Compensation and post adjustment</i>	<i>Staff assessment</i>	<i>Other entitlements</i>	<i>Pension plan and health benefits</i>	<i>Total remuneration</i>
2022	25	5 200	(878)	921	1 078	6 321
2021	22	4 865	(840)	1 311	1 003	6 339

The aggregate remuneration paid to key management personnel includes salaries, post adjustment, entitlements such as representation and other allowances, assignment and other grants, rental subsidies, shipment costs and employer pension and current health insurance contributions. In 2022, the presentation of the note was revised to include the deduction of staff assessment in the calculation of the total remuneration.

Key management personnel are also eligible for post-employment benefits at the same level as other employees and are ordinary members of the United Nations Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2022 was estimated at \$5.8 million (2021: \$7.6 million).

There were no loans or advances granted to key management personnel and their close family members that were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2022. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director by 30 April 2023.

In March 2023, a major donor announced reductions in future development assistance unearmarked contributions owing to a change in its assistance priorities in reaction to evolving crises in 2023. The amount of \$79.9 million was deducted from the contributions receivable as at 31 December 2022. This change is reflected in the financial statements, but not in the report of the Executive Director on the statistical and financial review, 2022 (DP/FPA/2023/4 (Part I/Add.1)), which was submitted to the Executive Board of UNDP, UNFPA and UNOPS before this event.

There were no other material events, favourable or unfavourable, that occurred between the reporting date and the date on which the financial statements were authorized for issuance that would have affected the financial statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2022, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final

projections of regular contributions to be received and prior-year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

The reconciliation between the amount of actual expenses for the year 2022 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2022) and in statement IV (cash flow statement for the year ended 31 December 2022) is shown below. Differences are due to “basis” differences and scope (or “entity”) differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

(Thousands of United States dollars)

	<i>Operating activities</i>	<i>Investing activities</i>	<i>Financing activities</i>	<i>Total</i>
Total actual expenses on budget comparable basis (statement V)	(477 440)	(5 426)	–	(482 866)
Basis differences	(205 961)	(233)	–	(206 194)
Entity differences	759 372	85 750	–	845 122
Net increase/(decrease) in cash and cash equivalents (statement IV)	75 971	80 091	–	156 062

The reconciliation between the actual surplus or deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventories.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	40 637
Difference between revenue on accrual basis and final budgetary allocations	(117 537)
Difference between expenses on budgetary basis and an accrual basis	(14 226)
Actual net deficit on a financial reporting comparable basis for activities included in the scope of the budget	(91 126)

Note 24 Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2022

UNFPA considers, for purposes of segment reporting, cash, cash equivalents and investments as “joint assets” between segments, and selected accounts payable (e.g.,

inter-fund accounts) and employee benefits as “joint liabilities” between segments. Revenue and expenses related to these joint items are reflected in the appropriate segments in the normal course of operations. Cash, cash equivalents and investments are attributed to segments on the basis of the respective fund balances of the segments, while accounts payable and employee benefits liabilities are attributed to the segments on the basis of the number of personnel charged to each funding source.

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 (restated)</i>
Assets						
Current assets						
Cash and cash equivalents	140 669	79 270	222 476	127 696	363 145	206 966
Investments maturing within one year	163 767	180 919	259 002	291 441	422 769	472 360
Contributions receivable	76 049	119 223	322 953	227 413	399 002	346 636
Other receivables	13 404	27 221	15 093	14 086	28 497	41 307
Operating fund advances	1 742	2 001	20 345	16 688	22 087	18 689
Prepayments and other assets	11 527	10 898	4 929	5 330	16 456	16 228
Inventories	5 586	4 039	83 716	74 238	89 302	78 277
Total	412 744	423 571	928 514	756 892	1 341 258	1 180 463
Non-current assets						
Investments maturing after one year	360 919	387 120	570 805	623 608	931 724	1 010 728
Contributions receivable	141 191	169 143	171 438	193 737	312 629	362 880
Other non-current assets	18	23	–	–	18	23
Property, plant and equipment	33 982	29 143	533	4 206	34 515	33 349
Intangible assets	6 139	5 386	–	–	6 139	5 386
Total	542 249	590 815	742 776	821 551	1 285 025	1 412 366
Total assets	954 993	1 014 386	1 671 290	1 578 443	2 626 283	2 592 829
Liabilities						
Current liabilities						
Accounts payable and accruals	14 824	21 437	83 035	96 201	97 859	117 638
Employee benefits	33 205	35 491	13 961	13 126	47 166	48 617
Other current liabilities and deferred revenue	5 824	5 074	4 975	5 693	10 799	10 767
Total	53 853	62 002	101 971	115 020	155 824	177 022
Non-current liabilities						
Employee benefits	211 790	289 845	89 049	107 203	300 839	397 048
Other non-current liabilities and deferred revenue	3 255	3 408	–	–	3 255	3 408
Total	215 045	293 253	89 049	107 203	304 094	400 456
Total liabilities	268 898	355 255	191 020	222 223	459 918	577 478
Net assets	686 095	659 131	1 480 270	1 356 220	2 166 365	2 015 351

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 (restated)</i>
Reserves and fund balances						
Reserves						
Operational reserve	87 696	82 203	–	–	87 696	82 203
Humanitarian response reserve	5 500	5 500	–	–	5 500	5 500
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	98 196	92 703	–	–	98 196	92 703
Fund balances						
Designated unearmarked fund balances	103 502	92 710	–	–	103 502	92 710
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	484 397	473 718	–	–	484 397	473 718
Earmarked resources	–	–	1 480 270	1 356 220	1 480 270	1 356 220
Total fund balances	587 899	566 428	1 480 270	1 356 220	2 068 169	1 922 648
Total reserves and fund balances	686 095	659 131	1 480 270	1 356 220	2 166 365	2 015 351

Acquisitions of fixed and intangible assets from both unearmarked and earmarked resources were as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Property, plant and equipment	5 792	5 610	3 048	2 296	8 840	7 906
Intangible assets	3 271	3 511	–	–	3 271	3 511
Total	9 063	9 121	3 048	2 296	12 111	11 417

**(b) Segment reporting of the statement of financial performance for the year ended
31 December 2022**

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Elimination^a</i>		<i>Total</i>	
	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 (restated)</i>
Contribution revenue								
Unearmarked contributions	390 918	524 967	–	–	–	–	390 918	524 967
Less: transfer to other revenue of income tax reimbursements	(5 466)	(4 679)	–	–	–	–	(5 466)	(4 679)
Subtotal	385 452	520 288	–	–	–	–	385 452	520 288
Earmarked contributions	–	–	1 108 712	1 051 483	(66 150)	(58 871)	1 042 562	992 612
Less: refunds to donors	–	–	(9 877)	(6 470)	–	–	(9 877)	(6 470)
Less: allowance for doubtful contributions receivable	–	–	2 135	(1 192)	–	–	2 135	(1 192)
Subtotal	–	–	1 100 970	1 043 821	(66 150)	(58 871)	1 034 820	984 950
Total contribution revenue	385 452	520 288	1 100 970	1 043 821	(66 150)	(58 871)	1 420 272	1 505 238
Other revenue	98 281	103 853	13 416	8 531	–	–	111 697	112 384
Total revenue	483 733	624 141	1 114 386	1 052 352	(66 150)	(58 871)	1 531 969	1 617 622
Expenses								
Staff costs	245 105	237 982	105 565	97 106	–	–	350 670	335 088
Reproductive health and other programme-related supplies	8 692	14 477	206 713	218 303	–	–	215 405	232 780
Cash assistance programmes	2 676	1 034	7 049	6 645	–	–	9 725	7 679
Development and training of counterparts	32 337	21 444	136 630	116 363	–	–	168 967	137 807
Supplies, materials and operating costs	92 246	70 723	240 126	204 565	(66 150)	(58 871)	266 222	216 417
Contracted and professional services	79 300	74 242	229 945	223 344	–	–	309 245	297 586
Finance costs	175	227	948	896	–	–	1 123	1 123
Travel	24 489	10 519	35 435	25 786	–	–	59 924	36 305
Depreciation and amortization	7 129	6 379	594	809	–	–	7 723	7 188
Impairment	10	356	50	66	–	–	60	422
Other expenses	28 750	35 264	25 029	15 892	–	–	53 779	51 156
Total expenses	520 909	472 647	988 084	909 775	(66 150)	(58 871)	1 442 843	1 323 551
Surplus for the year	(37 176)	151 494	126 302	142 577	–	–	89 126	294 071

^a The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. The amounts in the elimination column represent the \$66.1 million in cost-recovery charges.

Note 25
Financial risk management

Valuation

Financial assets

UNFPA financial assets held as at the reporting date, broken down on the basis of IPSAS classification adopted by UNFPA, were as follows:

(Thousands of United States dollars)

2022	<i>Held-to-maturity</i>	<i>Available-for-sale</i>	<i>At fair value through surplus or deficit</i>	<i>Loans and receivables</i>	<i>Total</i>
Cash and cash equivalents	325 778	12 853	–	24 514	363 145
Investments	1 066 720	287 773	–	–	1 354 493
Contributions receivable	–	–	–	711 631	711 631
Other receivables	–	–	48	28 467	28 515
Total financial assets	1 392 498	300 626	48	764 612	2 457 784

(Thousands of United States dollars)

2021 (restated)	<i>Held-to-maturity</i>	<i>Available-for-sale</i>	<i>At fair value through surplus or deficit</i>	<i>Loans and receivables</i>	<i>Total</i>
Cash and cash equivalents	137 891	11 861	–	57 214	206 966
Investments	1 147 220	335 868	–	–	1 483 088
Contributions receivable	–	–	–	709 516	709 516
Other receivables	–	–	712	40 618	41 330
Total financial assets	1 285 111	347 729	712	807 348	2 440 900

Held-to-maturity financial assets are carried at amortized cost; as at the reporting date, the book value of these assets exceeded their market value by \$45.9 million (2021: the book value exceeded the market value by \$3.0 million).

Available-for-sale financial assets are carried at fair market value. IPSAS 30: Financial instruments: disclosures, defines a three-tier fair value measurement hierarchy, based on the significance of the inputs used in the valuation, with level 1 using the most reliable inputs (unadjusted quoted prices in active markets for identical assets or liabilities), and level 3 using the least reliable (inputs not based on observable market data). Measurement for all UNFPA investments carried at fair value was determined at level 1 of the IPSAS hierarchy.

As at the reporting date, UNFPA had financial assets of \$0.05 million recorded at fair value through surplus or deficit (2021: \$0.7 million) arising from foreign currencies exchange contracts held as part of the post-employment benefits investment portfolios. Together with financial liabilities classified at fair value through surplus or deficit (see below), in 2022 these contracts generated a net exchange gain of \$3.4 million, both realized and unrealized (2021: gain of \$2.0 million), which was recognized in the surplus for the year in the statement of financial performance.

The carrying values of loans and receivables are a reasonable approximation of their fair value.

Financial liabilities

UNFPA financial liabilities as at the reporting date, broken down on the basis of the IPSAS classification adopted by UNFPA, were as follows:

(Thousands of United States dollars)

2022	<i>At fair value through surplus or deficit</i>	<i>Other financial liabilities</i>	<i>Total</i>
Accounts payable and accruals	–	97 859	97 859
Other liabilities (current and non-current)	2 511	3 534	6 045
Total financial liabilities	2 511	101 393	103 904

(Thousands of United States dollars)

2021	<i>At fair value through surplus or deficit</i>	<i>Other financial liabilities</i>	<i>Total</i>
Accounts payable and accruals	–	117 638	117 638
Other liabilities (current and non-current)	121	5 386	5 507
Total financial liabilities	121	123 024	123 145

As at the reporting date, UNFPA had \$2.5 million in financial liabilities classified at fair value through surplus or deficit (2021: \$0.1 million), arising from foreign currencies exchange contracts held as part of the post-employment benefits investment portfolios.

Financial liabilities classified as other financial liabilities are carried at their nominal amounts, without discounting, as they are primarily due for settlement within 12 months from the reporting date.

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

- (a) Credit risk: the risk that financial losses may arise from the failure of third parties to meet their financial/contractual obligations to UNFPA;
- (b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;
- (c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets is the maximum exposure to credit risk.

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the working capital and post-employment benefits investment portfolios, and limit the extent of credit exposure to any single counterparty, by setting minimum credit quality requirements and limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of

issuer and counterparty credit ratings. The working capital investment portfolio (78.8 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

Ratings from the three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, are used to evaluate the credit risk of financial instruments. As at the reporting date, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using S&P Global Ratings' rating convention):

Concentration of fixed-income investments by credit rating, working capital investment portfolio^a

(Thousands of United States dollars)

2022	AAA	AA+	AA	AA-	A+	A	A-	Total
Bonds	588 086	223 509	94 548	44 986	71 235	–	13 500	1 035 864
Time deposits	–	–	–	–	–	–	–	–
Commercial paper	–	24 856	–	–	6 000	–	–	30 856
Total	588 086	248 365	94 548	44 986	77 235	–	13 500	1 066 720

(Thousands of United States dollars)

2021	AAA	AA+	AA	AA-	A+	A	A-	Total
Bonds	528 829	200 675	71 790	45 043	25 979	–	–	872 316
Time deposits	–	–	–	50 000	–	–	–	50 000
Commercial paper	44 948	–	89 974	44 984	44 998	–	–	224 904
Total	573 777	200 675	161 764	140 027	70 977	–	–	1 147 220

^a Excludes investments classified as cash and cash equivalents.

Concentration of fixed-income investments by credit rating, post-employment benefits investment portfolios^a

(Thousands of United States dollars)

2022	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	United States Treasury	Not rated	Total
Fixed-income securities	3 997	2 078	398	3 079	1 846	2 096	2 286	2 762	676	11 124	85 348	115 690
Total	3 997	2 078	398	3 079	1 846	2 096	2 286	2 762	676	11 124	85 348	115 690

(Thousands of United States dollars)

2021	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	BBB-	United States Treasury	Not rated	Total
Fixed-income securities	4 094	743	616	3 160	1 997	2 690	944	3 666	1 021	13 056	92 226	124 213
Total	4 094	743	616	3 160	1 997	2 690	944	3 666	1 021	13 056	92 226	124 213

^a Excludes investments classified as cash and cash equivalents.

Of the \$85.3 million in fixed-income securities held as at 31 December 2022 and not rated by S&P Global Ratings (2021: \$92.2 million), instruments valued at \$12.1 million were rated by Moody's (2021: \$13.2 million), with assigned ratings ranging from Aaa to Aa3. The majority of other non-rated fixed-income securities represent investments in exchange-traded funds and mutual funds, comprising multiple instruments, which may be rated individually, but the overall funds are not rated.

A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations organizations, which have historically had very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities do not in general commence until cash is received. The UNFPA approach to assessing outstanding contributions receivable for recoverability is described in note 2. An analysis of the age of contributions receivable that are past due as at 31 December 2022 and movements in allowance for doubtful accounts is provided in note 5 (a).

Analysis of liquidity risk

UNFPA uses investments in the working capital investment portfolio to meet its regular cash flow needs. UNDP makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Therefore, UNFPA maintains a significant part of its investments in cash equivalents and short-term instruments, sufficient to cover its commitments as and when they fall due, as shown in the following table:

(Thousands of United States dollars)

	31 December 2022	Percentage	31 December 2021	Percentage
Cash equivalents	325 778	23	137 891	11
Subtotal	325 778	23	137 891	11
Current investments	421 267	31	469 832	36
Non-current investments	645 453	46	677 388	53
Subtotal	1 066 720	77	1 147 220	89
Total investments, cash and cash equivalents	1 392 498	100	1 285 111	100

Analysis of market risk

Market risk is the risk of financial losses due to unfavourable movements in the market prices of financial instruments, including movements in interest rates, foreign exchange rates and price risk.

(a) Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets, liabilities and future cash flows of interest revenue. UNFPA is exposed to interest rate risk on its interest-bearing assets.

UNFPA investments in the working capital investment portfolio (78.8 per cent of the total investments), which is classified as held-to-maturity, are not marked to

market and their carrying amounts are not affected by changes in interest rates (2021: 77.4 per cent).

UNFPA investments in the post-employment benefits portfolios (21.2 per cent of the total investments), which are classified as available-for-sale, are carried at fair value (2021: 22.6 per cent). As at 31 December 2022, these portfolios included interest-bearing instruments valued at \$115.7 million (8.5 per cent of the total investments), thus creating exposure to interest rate risk (2021: \$124.2 million, 8.4 per cent of the total investments). The table below demonstrates the interest rate sensitivity of these investments, based on their maturity period:

(Thousands of United States dollars)

Sensitivity variation	2022		2021	
	Net assets	Surplus/deficit ^a	Net assets	Surplus/deficit ^a
100 basis point increase	(2 657)	–	(2 830)	–
50 basis point decrease	1 329	–	1 415	–

^a Since the post-employment benefits investment portfolios are classified as available-for-sale, changes in the fair value are recognized in net assets, and volatility in the interest rate has no impact on surplus/deficit for the year.

As at 31 December 2022, UNFPA did not hold any investments in floating rate fixed-income securities as part of its working capital portfolio (2021: nil). These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest revenue.

(b) *Foreign exchange risk*

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. Year-end positions of UNFPA financial assets and liabilities by major currency were as follows:

(Thousands of United States dollars)

2022	United States dollar	Pound sterling	Canadian dollar	Euro	Swedish krona	Other currencies	At 31 December 2022
Cash and cash equivalents	350 193	479	3	10 390	26	2 054	363 145
Investments	1 276 088	14 403	4 328	39 100	1 545	19 029	1 354 493
Contributions receivable	376 447	24 230	73 864	67 834	25 139	144 117	711 631
Accounts payable and accruals	(83 163)	21	(2)	(235)	–	(14 480)	(97 859)
Other liabilities (including derivative liabilities)	(5 406)	–	(9)	(630)	–	–	(6 045)
Net exposure	1 914 159	39 133	78 184	116 459	26 710	150 720	2 325 365

(Thousands of United States dollars)

<i>2021 (restated)</i>	<i>United States dollar</i>	<i>Pound sterling</i>	<i>Canadian dollar</i>	<i>Euro</i>	<i>Swedish krona</i>	<i>Other currencies</i>	<i>At 31 December 2021</i>
Cash and cash equivalents	192 686	3 362	2 326	3 264	5	5 323	206 966
Investments	1 399 963	9 676	5 068	44 999	1 833	21 549	1 483 088
Contributions receivable	467 299	31 966	67 744	39 220	51 387	51 900	709 516
Accounts payable and accruals	(96 293)	(39)	–	(905)	–	(20 401)	(117 638)
Other liabilities (including derivative liabilities)	(2 284)	–	(2 908)	(315)	–	–	(5 507)
Net exposure	1 961 371	44 965	72 230	86 263	53 225	58 371	2 276 425

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. During 2022, contribution receivables in eight different currencies were hedged.

The table below provides a sensitivity analysis of UNFPA net assets and surplus/deficit for the year to movements of key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus/deficit and net assets for the year and vice versa.

(Thousands of United States dollars)

<i>2022</i>	<i>Strengthening of United States dollar by 10 per cent</i>		<i>Weakening of United States dollar by 10 per cent</i>	
	<i>Surplus/deficit</i>	<i>Net assets</i>	<i>Surplus/deficit</i>	<i>Net assets</i>
Pound sterling	(2 675)	(883)	3 269	1 079
Canadian dollar	(6 966)	(142)	8 514	173
Euro	(8 623)	(1 964)	10 539	2 401
Swedish krona	(2 288)	(140)	2 796	172

(Thousands of United States dollars)

<i>2021</i>	<i>Strengthening of United States dollar by 10 per cent</i>		<i>Weakening of United States dollar by 10 per cent</i>	
	<i>Surplus/deficit</i>	<i>Net assets</i>	<i>Surplus/deficit</i>	<i>Net assets</i>
Pound sterling	(3 704)	(384)	4 527	469
Canadian dollar	(6 403)	(164)	7 825	200
Euro	(5 264)	(2 578)	6 434	3 150
Swedish krona	(4 672)	(167)	5 710	204

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) *Equity price risk*

About 59.8 per cent of the UNFPA post-employment benefits investment portfolios is composed of equities (2021: 63.0 per cent). The table below presents an analysis of the price sensitivity of these investments to a 5 per cent change in fair value. The sensitivity pertains to equities classified as available-for-sale, which are marked to market through net assets/equity. Therefore, changes in prices do not have any impact on surplus/deficit for the year.

(Thousands of United States dollars)

<i>Fair values of equities as at 31 December 2022</i>	<i>Percentage change</i>	<i>Impact on the financial statements</i>	
		<i>Surplus/deficit</i>	<i>Net assets</i>
172 082	5 per cent increase	–	8 604
172 082	5 per cent decrease	–	(8 604)

(Thousands of United States dollars)

<i>Fair values of equities as at 31 December 2021</i>	<i>Percentage change</i>	<i>Impact on the financial statements</i>	
		<i>Surplus/deficit</i>	<i>Net assets</i>
211 655	5 per cent increase	–	10 583
211 655	5 per cent decrease	–	(10 583)

Note 26
Commitments

As at 31 December 2022, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to \$183.72 million (2021: \$96.0 million).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedules

Schedule A

Unearmarked resources – status of contributions for the year ended 31 December 2022

(Thousands of United States dollars)

<i>Donor</i>	<i>Restated balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Movement in contributions^a</i>	<i>Movement in billing^a</i>	<i>Movement in deferred income^a</i>	<i>Realized exchange gains/(losses)</i>	<i>Unrealized exchange gains/(losses)^a</i>	<i>Payments received</i>	<i>Balance of contributions due to UNFPA as at 31 December</i>
Afghanistan	–	–	–	1	–	(1)	–	–	–	–
Albania	–	–	5	–	–	–	–	–	5	–
Algeria	–	–	10	–	–	–	–	–	10	–
Angola	–	–	80	(60)	–	60	–	–	80	–
Armenia	9	–	–	3	–	–	–	–	3	6
Australia	–	–	32 371	(25 675)	–	–	–	–	6 696	25 675
Austria	–	–	243	–	–	–	–	–	243	–
Azerbaijan	–	–	20	–	–	–	–	–	20	–
Bangladesh	35	–	35	–	35	–	–	–	70	–
Barbados	–	–	5	–	–	–	–	–	5	–
Belgium	30 647	–	–	10 216	–	–	(731)	(1 263)	9 484	19 169
Bhutan	–	–	6	–	–	–	–	–	6	–
Bolivia (Plurinational State of)	–	–	6	–	–	–	–	–	6	–
Bosnia and Herzegovina	–	–	2	–	–	–	–	–	2	–
Botswana	–	–	–	5	–	(5)	–	–	–	–
Burkina Faso	–	–	–	11	–	(11)	–	–	–	–
Burundi	–	–	1	–	–	–	–	–	1	–
Cambodia	10	(5)	–	–	–	–	–	–	–	5
Canada	–	–	11 749	–	–	–	(226)	–	11 523	–
Central African Republic	17	–	–	–	–	–	–	–	–	17
China	–	–	1 480	–	–	–	–	–	1 480	–
Colombia	–	–	22	–	–	–	–	–	22	–
Comoros	–	–	1	–	(1)	–	–	–	–	1

<i>Donor</i>	<i>Restated balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Movement in contributions^a</i>	<i>Movement in billing^a</i>	<i>Movement in deferred income^a</i>	<i>Realized exchange gains/(losses)</i>	<i>Unrealized exchange gains/(losses)^a</i>	<i>Payments received</i>	<i>Balance of contributions due to UNFPA as at 31 December</i>
Costa Rica	–	–	4	–	–	–	–	–	4	–
Cyprus	–	–	16	–	–	–	–	–	16	–
Denmark	34 341	–	–	34 341	–	–	(623)	–	33 718	–
Dominican Republic	–	–	15	–	–	–	–	–	15	–
Egypt	–	–	21	–	–	–	–	–	21	–
El Salvador	–	–	4	(2)	–	2	–	–	4	–
Eritrea	5	–	5	–	–	–	–	–	5	5
Estonia	–	–	34	–	–	(34)	–	–	–	–
Eswatini	–	–	19	–	(10)	(10)	–	–	9	–
Ethiopia	–	–	1	–	–	–	–	–	1	–
Finland	–	–	34 382	–	–	–	–	–	34 382	–
France	–	–	1 103	–	–	–	(55)	–	1 048	–
Georgia	–	–	60	(40)	–	–	–	–	20	40
Germany	–	–	60 063	–	–	–	(800)	–	59 263	–
Guyana	1	–	9	–	1	–	–	–	9	–
Iceland	–	–	935	–	–	–	(16)	–	919	–
India	500	–	–	–	500	–	(3)	–	497	–
Indonesia	–	–	12	–	–	–	–	–	12	–
Iraq	80	–	50	–	(50)	–	–	–	–	130
Ireland	–	–	4 556	–	–	–	–	–	4 556	–
Israel	–	–	10	–	–	–	–	–	10	–
Italy	–	–	3 348	–	–	–	(197)	–	3 151	–
Japan	–	–	16 500	–	–	–	–	–	16 500	–
Jordan	–	–	50	–	(50)	–	–	–	–	50
Kazakhstan	–	–	3	–	–	–	–	–	3	–
Kenya	–	–	10	–	–	–	–	–	10	–
Kuwait	–	–	10	–	–	–	–	–	10	–
Kyrgyzstan	–	–	–	–	–	–	–	–	–	–
Lao People's Democratic Republic	–	–	6	–	(6)	–	–	–	–	6

<i>Donor</i>	<i>Restated balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Movement in contributions^a</i>	<i>Movement in billing^a</i>	<i>Movement in deferred income^a</i>	<i>Realized exchange gains/(losses)</i>	<i>Unrealized exchange gains/(losses)^a</i>	<i>Payments received</i>	<i>Balance of contributions due to UNFPA as at 31 December</i>
Luxembourg	14 415	–	2 026	3 519	(2 025)	–	(87)	(673)	3 432	12 250
Madagascar	–	–	14	–	–	–	–	–	14	–
Maldives	5	–	5	–	–	–	–	–	5	5
Mauritania	–	–	33	(28)	–	28	–	–	33	–
Mauritius	7	(4)	–	2	–	–	–	–	2	1
Mexico	–	–	43	–	–	–	–	–	43	–
Micronesia (Federated States of)	–	–	3	–	–	(3)	–	–	–	–
Mongolia	–	–	4	–	–	–	–	–	4	–
Morocco	–	–	12	–	–	–	–	–	12	–
Netherlands	–	–	36 194	–	–	–	–	–	36 194	–
New Zealand	–	–	11 314	(7 542)	–	–	(40)	67	3 731	7 609
Nicaragua	–	–	3	–	–	–	–	–	3	–
North Macedonia	3	(3)	–	–	–	–	–	–	–	–
Norway	–	–	60 182	–	–	–	–	–	60 182	–
Panama	50	–	–	10	–	–	–	–	10	40
Peru	–	–	2	–	–	–	–	–	2	–
Philippines	151	–	7	26	24	–	(3)	(15)	54	86
Portugal	242	–	267	–	225	–	(14)	–	478	17
Republic of Korea	–	–	164	–	–	–	–	–	164	–
Romania	–	–	10	–	–	–	–	–	10	–
Russian Federation	–	–	300	–	–	–	–	–	300	–
Rwanda	10	–	5	–	(5)	–	–	–	–	15
Saint Kitts and Nevis	–	–	2	–	–	–	–	–	2	–
Sao Tome and Principe	22	(4)	–	–	–	–	–	–	–	18
Senegal	–	–	–	12	–	(12)	–	–	–	–
Serbia	–	–	5	–	–	–	–	–	5	–
Singapore	–	–	5	–	–	–	–	–	5	–
Slovakia	–	–	5	–	–	–	–	–	5	–
Slovenia	–	–	21	–	–	–	–	–	21	–

<i>Donor</i>	<i>Restated balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Movement in contributions^a</i>	<i>Movement in billing^a</i>	<i>Movement in deferred income^a</i>	<i>Realized exchange gains/(losses)</i>	<i>Unrealized exchange gains/(losses)^a</i>	<i>Payments received</i>	<i>Balance of contributions due to UNFPA as at 31 December</i>
South Africa	–	–	40	–	–	–	–	–	40	–
Spain	–	–	267	–	(107)	–	–	–	160	107
Sri Lanka	18	–	–	18	(18)	–	–	–	–	18
Sweden	207 781	–	–	70 111	–	–	(1 284)	(20 360)	68 827	117 310
Switzerland	–	–	50 104	(33 403)	–	–	357	1 267	17 058	34 670
Tajikistan	–	–	1	–	–	–	–	–	1	–
Thailand	–	–	150	–	–	–	–	–	150	–
Togo	–	–	9	–	–	–	–	–	9	–
Trinidad and Tobago	–	–	5	–	–	–	–	–	5	–
Tunisia	–	–	18	–	(18)	–	–	–	–	18
Türkiye	–	–	50	–	–	–	–	–	50	–
Turkmenistan	–	–	8	–	–	–	–	–	8	–
Uganda	2	–	10	–	–	–	–	–	10	2
Uruguay	–	–	5	–	–	–	–	–	5	–
United Kingdom of Great Britain and Northern Ireland	–	–	9 950	–	–	–	–	–	9 950	–
United Republic of Tanzania	–	–	15	(12)	–	–	–	–	3	12
United States of America	–	–	50 580	–	–	–	–	–	50 580	–
Viet Nam	20	–	–	20	–	–	–	–	20	–
Zimbabwe	30	–	–	30	–	–	–	–	30	–
Private contributions	–	–	1 543	–	–	–	–	–	1 543	–
Subtotal	288 401	(16)	390 643	51 563	(1 505)	14	(3 722)	(20 977)	436 999	217 282
Government contributions to local office costs	–	–	275	–	–	–	–	–	275	–
Total	288 401	(16)	390 918	51 563	(1 505)	14	(3 722)	(20 977)	437 274	217 282^b

^a These columns have been added to present the movements in unearmarked contributions related to the change in accounting policy for revenue recognition.

^b This amount is presented gross of the allowance for doubtful accounts of \$0.42 million.

Schedule B
Earmarked resources – revenue, expenses and fund balances for the year ended 31 December 2022

(Thousands of United States dollars)

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Trust funds									
ABT Associates Inc.	340	349	–	–	–	689	267	422	–
AFP Popular	167	77	–	–	–	244	107	137	–
Agora, Inc.	–	149	–	–	–	149	7	142	–
Albania	1	–	–	–	–	1	–	1	–
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Angola	1 048	–	1	(65)	–	984	984	–	–
Anonymous	8 543	3 464	2	–	–	12 009	3 640	8 369	–
Argentina	318	209	2	–	–	529	73	456	104
Australia	35 994	24 340	206	(40)	–	60 500	25 485	35 015	3 770
Austria	3 472	3 282	17	(22)	–	6 749	2 669	4 080	1 278
Bangladesh	36 963	–	152	–	–	37 115	16 918	20 197	14 830
Bayer AG	1	77	4	–	–	82	77	5	–
Banque pour l'industrie et le commerce des Comores	–	10	–	–	–	10	10	–	–
Beifang International Education Group	230	–	–	–	–	230	88	142	100
Belgium	915	3 454	2	–	1	4 372	315	4 057	3 317
Benin	5 571	–	5	–	–	5 576	582	4 994	2 760
Bill & Melinda Gates Foundation	307	16 948	–	(8)	(1)	17 246	657	16 589	7 518
Botswana	39	–	–	–	–	39	22	17	–
Brandix Apparel Limited	28	–	1	(1)	–	28	28	–	–
Brazil	5 879	4 236	–	–	–	10 115	736	9 379	139
Bulgaria	30	27	–	–	–	57	31	26	–
Burkina Faso	298	–	33	–	–	331	94	237	–
Cameroon	2 679	–	25	–	–	2 704	2 085	619	–
Canada	96 561	60 940	220	(264)	(3)	157 454	57 847	99 607	62 822

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Central African Republic	2	–	–	–	–	2	–	2	–
Chad	47	–	–	–	–	47	–	47	–
Children's Investment Fund Foundation	2	–	–	–	–	2	–	2	–
China	3 214	242	7	–	1	3 464	2 008	1 456	200
Chugai Pharmaceutical Co., Limited	153	–	–	–	–	153	100	53	50
Colombia	760	137	3	–	–	900	869	31	–
Columbia University	2 810	(2 226)	–	(3)	–	581	581	–	–
Congo	14	500	–	(13)	(1)	500	–	500	250
Côte d'Ivoire	3 378	–	7	–	1	3 386	1 010	2 376	1 376
Cuba	5	–	–	–	–	5	5	–	–
Czechia	337	218	4	–	–	559	146	413	–
Democratic Republic of the Congo	15 755	20 000	–	–	–	35 755	12 194	23 561	2 793
Denmark	28 379	17 695	98	(432)	(2)	45 738	28 927	16 811	4 437
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	1 127	–	3	–	–	1 130	998	132	–
Department of Management Strategy, Policy and Compliance	–	614	1	–	–	615	133	482	339
Dominican Republic	284	100	–	–	–	384	232	152	90
Ecuador	2 415	1 008	–	–	–	3 423	2 589	834	–
El Salvador	5 070	–	–	–	–	5 070	592	4 478	4 017
Equatorial Guinea	94	–	–	–	–	94	14	80	–
Estonia	122	–	2	–	–	124	123	1	–
European Commission	27 550	34 165	102	(2)	443	62 258	41 525	20 733	6 207
Ferring	288	–	–	–	–	288	164	124	–
Finland	9 745	1 994	30	(106)	(1)	11 662	4 521	7 141	3 317
Fiotec	384	(210)	5	(176)	–	3	2	1	–
Flowminder Foundation	2	–	–	–	(1)	1	–	1	–
Food and Agriculture Organization of the United Nations	8	47	–	–	1	56	56	–	–
Ford Foundation	4	–	–	–	–	4	–	4	–
Foundation Axian	47	–	–	–	–	47	47	–	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
France	3 792	8 852	26	8	–	12 678	3 533	9 145	–
Friends of UNFPA	613	1 578	2	57	(4)	2 246	1 281	965	192
Fundación Unidos por un México Vivo A.C.	4	–	–	–	–	4	4	–	–
Gambia	100	–	1	–	–	101	100	1	–
Gates Ventures, LLC	–	396	–	–	–	396	388	8	–
Germany	1 185	4 956	(18)	–	–	6 123	1 164	4 959	4 359
Gobi Oyu Development Support Fund	134	–	–	–	–	134	125	9	–
Good Neighbors Laos	1	–	–	–	(1)	–	–	–	–
Guatemala	5 884	–	–	–	–	5 884	2 447	3 437	3 327
Guinea	594	–	(7)	(4)	–	583	583	–	–
Haiti	16 507	–	57	–	–	16 564	3 616	12 948	275
Honduras	4	–	–	–	–	4	–	4	–
Iceland	8 014	598	29	–	(4)	8 637	1 922	6 715	3 500
India	2 306	5 562	8	–	–	7 876	1 445	6 431	5 356
Individual Giving Programme	50	–	–	–	–	50	–	50	–
Indonesia	901	(540)	–	–	1	362	56	306	–
Indonesia AIDS Coalition	–	277	–	–	–	277	55	222	165
International Organization for Migration	1	656	–	–	–	657	68	589	290
International Planned Parenthood Federation	–	564	48	–	–	612	520	92	–
Inventories – other resources – programme	57 842	–	–	–	–	57 842	(13 646)	71 488	–
Ireland	3 819	2 012	10	(5)	(4)	5 832	2 944	2 888	270
Islamic Development Bank	70	100	–	–	–	170	–	170	115
Italy	13 766	17 859	(1)	(110)	–	31 514	10 677	20 837	6 393
Japan	12 336	35 044	63	(350)	1	47 094	14 934	32 160	24 161
Joint Programme-UNFPA: participating agent	16 046	23 568	222	(1)	–	39 835	28 636	11 199	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	2 064	9 892	24	(10)	3	11 973	5 733	6 240	3 890
Jordan	252	–	–	–	–	252	126	126	126
Kazakhstan	100	–	–	–	–	100	100	–	–
Korea Foundation for International Healthcare	–	–	–	(467)	492	25	26	(1)	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Kuwait	26	–	–	–	1	27	–	27	–
Lebanon	6	–	–	(1)	1	6	–	6	–
Liberia	292	3 000	–	–	1	3 293	2 800	493	–
Luxembourg	3 946	23 407	20	–	(2)	27 371	1 380	25 991	17 846
Malawi	5 771	3 444	–	(6)	–	9 209	3 170	6 039	–
Malaysia	580	–	–	–	–	580	28	552	–
Mali	78	508	–	–	–	586	63	523	–
Mauritania	5	–	–	–	–	5	–	5	–
Mauritius	31	300	–	–	–	331	37	294	230
Médecins sans frontières	–	267	–	–	–	267	77	190	134
Meiji Holdings	15	–	–	–	–	15	13	2	–
Merck Sharp & Dohme (Asia) Ltd.	1 486	–	–	–	–	1 486	96	1 390	400
Mexico	1 659	2 032	6	–	(1)	3 696	1 631	2 065	–
Morocco	107	–	(2)	–	1	106	104	2	–
Multi-donor funds	26 227	2 989	57	(12)	(15)	29 246	16 039	13 207	2 716
Netherlands	62 804	10 702	291	(321)	57	73 533	28 540	44 993	23 677
New Zealand	3 232	690	11	–	–	3 933	3 067	866	–
Niger	1 942	–	1	–	–	1 943	465	1 478	532
Nigeria	303	235	1	(6)	(1)	532	223	309	–
Noble Energy	214	–	–	(11)	–	203	203	–	–
Norway	22 502	47 599	105	(917)	1	69 290	25 150	44 140	20 475
Nutrition International	327	–	–	–	–	327	284	43	34
Office for the Coordination of Humanitarian Affairs	28 597	47 889	198	(2 656)	(106)	73 922	56 986	16 936	1 057
Office of the Secretary-General's Envoy on Youth	127	–	–	–	–	127	40	87	–
Office of the Special Envoy of the Secretary- General for the Great Lakes Region	–	90	–	–	–	90	90	–	–
Office of the United Nations High Commissioner for Refugees	–	2 521	2	–	–	2 523	530	1 993	–
Olympic Refugee Foundation	1 250	–	5	–	–	1 255	225	1 030	512
Oman	176	–	–	–	–	176	62	114	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Oman, basic terms cooperation agreement	1 393	860	–	–	–	2 253	879	1 374	–
Organon Comercializadora, S del R.L. de C.V.	–	530	–	–	–	530	11	519	274
Organon	157	–	–	–	–	157	20	137	–
Oyu Tolgoi	6	–	–	(6)	–	–	–	–	–
Panama	1 032	210	–	–	1	1 243	359	884	599
Papua New Guinea	661	–	–	–	–	661	–	661	–
Paraguay	149	4 654	28	–	–	4 831	3 540	1 291	96
Period Tracker & Pregnancy and Baby Calendar Limited (amma.family)	–	15	–	–	–	15	15	–	–
Portugal	22	–	–	–	–	22	–	22	–
Prada USA Corporation	113	337	–	–	–	450	138	312	238
Private individuals	1	57	–	–	1	59	34	25	–
Productora de Pulpas Soledad	30	–	–	–	–	30	21	9	–
Qatar	3 153	130	–	–	–	3 283	2 486	797	630
REC Foundation	4	–	–	(1)	(1)	2	2	–	–
Reckitt Benckiser	36	1 556	–	(36)	–	1 556	1	1 555	1 435
Rehabilitation International	1	–	–	–	(1)	–	–	–	–
Republic of Korea	53 450	15 181	87	(291)	–	68 427	20 175	48 252	26 241
Republic of Moldova	353	681	2	–	1	1 037	486	551	525
Russian Federation	9 600	–	(3)	–	1	9 598	4 089	5 509	250
Sabancı Foundation	13	96	(2)	–	–	107	19	88	36
Sao Tome and Principe	–	726	–	–	–	726	–	726	436
Saudi Arabia	–	2 511	–	–	–	2 511	1 004	1 507	1 507
Small contributions	1 650	2 737	1	(14)	(6)	4 368	2 562	1 806	–
Spain	3 633	7 347	(73)	–	(1)	10 906	5 733	5 173	–
Spain – Barcelona	31	–	–	–	–	31	31	–	–
Spain – Basque Country	13	8	–	–	–	21	21	–	–
Spain – Catalunya	245	435	3	–	(1)	682	256	426	–
Sudan	745	(522)	–	–	–	223	223	–	–
Swarovski Foundation	64	–	–	–	–	64	64	–	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Sweden	75 747	16 039	258	(1 091)	(10)	90 943	44 564	46 379	24 183
Switzerland	21 723	3 426	118	(63)	1	25 205	10 564	14 641	7 083
Tajikistan	508	–	(6)	–	–	502	326	176	165
Takeda Pharmaceutical Company Limited	–	7 152	–	–	–	7 152	(278)	7 430	7 430
The Foundation to Promote Open Society	–	800	–	–	–	800	142	658	600
Thematic trust funds – multi-donor	284 734	289 239	3 196	–	(478)	576 691	200 899	375 792	59 416
Timor-Leste	30	363	–	–	1	394	383	11	–
Turkmenistan	810	525	–	–	–	1 335	765	570	–
UNDP – multi-partner trust funds	49 003	59 020	227	(1 358)	–	106 892	54 690	52 202	–
United Arab Emirates	–	2 000	3	–	–	2 003	624	1 379	200
United Kingdom of Great Britain and Northern Ireland	61 915	33 618	236	(90)	–	95 679	42 443	53 236	24 230
United Nations Children’s Fund	35 240	15 066	181	(116)	66	50 437	27 537	22 900	858
United Nations Development Programme	30 521	34 191	124	(286)	(1)	64 549	41 313	23 236	3 685
United Nations Educational, Scientific and Cultural Organization	18	–	–	–	–	18	–	18	–
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	1 907	5 452	9	(5)	–	7 363	2 501	4 862	3 313
United Nations Fund for International Partnerships	68	–	–	(30)	(1)	37	37	–	–
United Nations Office for Project Services	1 263	15 877	5	(28)	–	17 117	793	16 324	15 420
United Nations Office for South-South Cooperation	688	(7)	–	13	(2)	692	641	51	–
United Nations Resident Coordinator Office	9	–	–	(1)	–	8	4	4	–
United Nations trust fund for human security	516	–	–	–	–	516	169	347	145
United States of America	44 756	129 253	308	(530)	–	173 787	78 780	95 007	70 913
Uruguay	3 445	2 338	(2)	–	–	5 781	1 613	4 168	2 009
Vital Strategies Health Systems (Asia Pacific) Limited	131	79	2	–	–	212	100	112	–
Vital Strategies, Inc.	–	336	–	–	–	336	111	225	163
Wesley Zaidan	248	–	–	–	–	248	25	223	132
West African Health Organization	15 202	–	1	–	–	15 203	4 833	10 370	4 300
World Bank	5	–	–	–	–	5	–	5	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
World Food Programme	946	250	21	–	4	1 221	920	301	129
World Health Organization	1 087	618	2	–	–	1 707	552	1 155	618
World Vision PNG Trust	–	760	–	–	–	760	158	602	380
Zimbabwe	244	632	–	–	–	876	741	135	–
Zonta International Foundation	882	743	–	–	–	1 625	266	1 359	375
Subtotal, trust funds	1 317 670	1 104 212	6 817	(9 877)	433	2 419 255	976 083	1 443 172	497 760
Special funds									
Bridge funding liability foreign currency exchange adjustments	178	–	–	–	(1)	177	–	177	–
Contribution in kind – earmarked (goods)	4 049	424	–	–	(1)	4 472	3 946	526	155
Cuba-Caribbean Community	2	–	1	–	–	3	3	–	–
Donor reporting resources	1 126	–	464	–	1	1 591	717	874	–
European Union finance specialist post	162	–	–	–	–	162	–	162	–
Global Contraceptive Commodity Programme	5 000	–	–	–	11	5 011	11	5 000	–
Inventories – other resources – corporate	7 284	–	–	–	1	7 285	3 069	4 216	–
Junior Professional Officers programme	8 372	4 076	220	–	1	12 669	5 191	7 478	443
Pooled foreign exchange gains/losses for other resources	2 463	–	–	–	(578)	1 885	–	1 885	–
Population Award	1 809	–	21	–	(1)	1 829	–	1 829	–
Procurement services – non-third party services-related	13 436	–	5 881	–	(2 116)	17 201	(933)	18 134	300
Rafael M. Salas Endowment Fund	1 079	–	12	–	(1)	1 090	–	1 090	–
United Nations Care Global Coordinator	7	–	–	–	(1)	6	(3)	9	–
Valuation adjustments for contributions receivable	(6 417)	2 135	–	–	–	(4 282)	–	(4 282)	(4 267)
Subtotal, special funds	38 550	6 635	6 599	–	(2 685)	49 099	12 001	37 098	(3 369)
Total	1 356 220	1 110 847	13 416	(9 877)	(2 252)	2 468 354	988 084	1 480 270	494 391

Note: Contributions and expenses as disclosed in this schedule include cost-recovery charges of \$66.1 million. With the exception of this schedule, expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (governments, intergovernmental organizations, non-governmental organizations or United Nations entities, including the funds and programmes of the United Nations system and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract, which includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	<i>Fund balances as at 31 December 2021 reclassified as liabilities</i>	<i>Receipts for procurement services</i>	<i>Adjustments and transfers</i>	<i>Total funds available</i>	<i>Cost of procurement services</i>	<i>Net advances as at 31 December 2022</i>
Institutions						
Governments and intergovernmental institutions	18 624	19 674	(411)	37 887	29 022	8 865
UNDP and other United Nations organizations	(355)	8 627	133	8 404	4 384	4 020
Non-governmental organizations	9 110	6 106	121	15 337	12 958	2 379
Total	27 379	34 407	(157)	61 628	46 364	15 264

Schedule D Unearmarked and earmarked expenses for the year ended 31 December 2022

(Thousands of United States dollars)

	<i>Programme activities</i>				<i>Institutional budget</i>		<i>Corporate</i>				<i>Total</i>			
	<i>Unearmarked</i>		<i>Earmarked</i>		<i>Unearmarked</i>		<i>Unearmarked</i>		<i>Earmarked</i>		<i>Unearmarked</i>		<i>Earmarked</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 (restated)</i>	<i>2022</i>	<i>2021</i>
Staff costs	100 346	91 208	93 509	84 871	139 334	137 777	5 425	8 997	12 056	12 235	245 105	237 982	105 565	97 106
Reproductive health and other programme-related supplies	9 114	14 693	198 814	212 376	26	40	(448)	(256)	7 899	5 927	8 692	14 477	206 713	218 303
Cash assistance programmes	2 676	1 034	7 049	6 645	–	–	–	–	–	–	2 676	1 034	7 049	6 645
Development and training of counterparts	32 380	21 121	136 657	116 343	74	44	(117)	279	(27)	20	32 337	21 444	136 630	116 363
Supplies, materials and operating costs	65 542	50 961	183 125	151 481	27 417	28 637	(713)	(8 875)	(9 149)	(5 787)	92 246	70 723	173 976	145 694
Contracted and professional services	63 400	56 092	229 012	222 818	11 755	17 831	4 145	319	933	526	79 300	74 242	229 945	223 344
Finance costs	133	113	948	894	29	7	13	107	–	2	175	227	948	896
Travel	21 502	9 924	35 399	25 787	3 090	561	(103)	34	36	(1)	24 489	10 519	35 435	25 786
Depreciation and amortization	1 709	2 391	579	788	1 093	1 665	4 327	2 323	15	21	7 129	6 379	594	809
Impairment	21	(27)	44	21	–	–	(11)	383	6	45	10	356	50	66
Other expenses	11 298	1 706	25 070	15 206	6 153	135	11 299	33 423	(41)	686	28 750	35 264	25 029	15 892
Total expenses	308 121	249 216	910 206	837 230	188 971	186 697	23 817	36 734	11 728	13 674	520 909	472 647	921 934	850 904