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United Nations Development
Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

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UNFPA – Annual report of the Executive Director

**United Nations Population Fund
Statistical and financial review, 2021
Report of the Executive Director**

Summary

This review summarizes the financial performance of UNFPA in 2021 and its financial position as at 31 December 2021. Figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit.

UNFPA gross contribution revenue for 2021 was the highest on record, amounting to \$1,464.1 million, surpassing the Strategic Plan target by 46.4 per cent, and exceeding the 2020 revenue level (\$1,267.7 million) by 15.5 per cent. The increase is solely attributable to other resources contributions, which increased by 23.6 per cent to \$1,051.5 million (2020: \$850.9 million), mainly because of higher contributions to other co-financing funds. Gross contributions to regular resources decreased by 1.0 per cent to \$412.6 million (2020: \$416.8 million). UNFPA continues advocating with its donors to increase contributions to flexible funding sources and instruments, especially to regular resources, which remain the bedrock of UNFPA operations.

Expenses for 2021 increased by 5.9 per cent to \$1,300.7 million in 2021 (2020: \$1,228.1 million), mainly because of scaled up programme activities to advance gender equality, empower women and girls, and promote reproductive rights, especially in countries with the highest need and lowest ability to finance their interventions.

UNFPA reserves and fund balances as at 31 December 2021 amounted to \$1,727.8 million (2020: \$1,520.1 million). Regular resources available for programming increased to \$181.2 million as at 31 December 2021 (2020: \$161.3 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in the future. Other resources fund balances increased to \$1,356.1 million as at 31 December 2021 (2020: \$1,214.0 million), which include contributions of \$421.2 million not yet collected and thus not available for spending (2020: \$416.9 million).

While UNFPA closed 2021 with a positive resource mobilization performance and in excellent financial health, the outlook for 2022 and beyond remains difficult to predict due to ongoing risks to peace and stability, and uncertainties regarding the future course and impact of the COVID-19 pandemic. In this context, timely inflows of predictable contribution revenue, especially from regular resources but also more flexible other resources, and from a broader group of donors, are critical for sustaining UNFPA operations and the achievement of its strategic objectives.

Elements of a decision

The Executive Board may wish to take note of the present report.

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I. Introduction

1. This review summarizes the financial performance of UNFPA in 2021 and its financial position as at 31 December 2021. This information is provided for activities funded by both regular and other resources. All figures in this document are provisional, subject to external audit and, because of rounding, may not add up to the totals.
2. The statement of financial performance for the year ended 31 December 2021 is provided in annex 1, table 1, for regular, other and total resources. The statement of financial position as at 31 December 2021 is provided in annex 1, table 2. The statement of changes in net assets for the year ended 31 December 2021 is provided in annex 1, table 3.¹
3. The figures presented have been prepared on the accrual basis of accounting, except for annex 1, table 14, which presents resource utilization in the integrated resource plan on a budgetary comparable basis (modified accrual basis).
4. Throughout the 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 amounts of refunds to donors, cost-recovery charges, allowances for doubtful contributions receivable and, in 2021, income tax reimbursements to taxpayers of one Member State.

II. Total resources

A. Revenue

5. In 2021, UNFPA gross contribution revenue increased by 15.5 per cent to \$1,464.1 million (2020: \$1,267.7 million). This is the highest level of contribution revenue recorded in any single year in UNFPA history, breaking the previous record achieved in 2019, and surpassing \$1.0 billion for the fifth year in a row.
6. A summary of gross contribution revenue for the last five years is provided in Table 1 below.

Table 1
Gross contribution revenue for 2016-2021

	Millions of United States dollars				
	2021	2020	2019	2017	2016
Regular resources - gross	412.6	416.8	373.5	378.8	349.9
Other resources - gross	1,051.5	850.9	996.7	876.8	717.6
Total gross contributions	1,464.1	1,267.7	1,370.2	1,255.6	1,067.5
<i>Other resources, as percentage of total contributions</i>	<i>71.8%</i>	<i>67.1%</i>	<i>72.7%</i>	<i>69.8%</i>	<i>67.2%</i>

7. Gross contributions to regular resources decreased by 1.0 per cent to \$412.6 million (2020: \$416.8 million), mainly due to the impact of a \$15.4 million reduction in core funding by one Member State and the one-time nature of additional contributions made by several Member States in 2020 to facilitate UNFPA response to the COVID-19 pandemic, partially offset by contributions of \$30.8 million made by another Member State that resumed funding to UNFPA in 2021. Despite the decrease, contributions to regular resources still surpassed the Strategic Plan target of \$350.0 million by 17.9 per cent.
8. In 2021, 59.4 per cent of regular resources contributions were disbursed to UNFPA during the first half of the year (2020: 76.8 per cent). UNFPA continues advocating with donors for early

¹ The annexes to this report are available on the UNFPA [Executive Board website](#).

payment of their contributions, as this facilitates more effective management of financial resources by UNFPA, including mitigation of foreign currency exchange risks.

9. Gross other resources contribution revenue increased by 23.6 per cent to \$1,051.5 million (2020: \$850.9 million), enabling UNFPA to surpass its Strategic Plan target of \$650.0 million by 61.8 per cent. This increase was achieved despite the impact of the significant reduction in funding by one Member State (contributions from this donor in 2021 were \$93.7 million lower than in 2020, including a \$42.2 million write-off of contributions receivable as at 31 December 2020 that were not paid), partially offset by contributions of \$62.5 million by the Member State that resumed funding to UNFPA in 2021. Most of the increase corresponded to highly earmarked funding instruments, which accounted for 41.0 per cent of the 2021 gross contribution revenue (2020: 31.0 per cent).

10. Due to the above trends, the share of regular resources as a percentage of total gross contributions decreased by 4.7 percentage points to 28.2 per cent (2020: 32.9 per cent), below the United Nations Funding Compact target of 30.0 per cent.²

11. The decrease in regular resources contributions, as well as the increase in the use of highly earmarked funding instruments and continued reliance on a small group of key donors, pose a significant concern to UNFPA, due to the impact on programme flexibility, higher administrative costs created, and challenges and risks to programme planning, implementation and continuity. Therefore, UNFPA continues advocating with its donors, including through the structured funding dialogue, to increase contributions to flexible funding sources and instruments, especially to regular resources, which remain the bedrock of UNFPA operations.

12. Other revenue decreased by 1.0 per cent in 2021 to \$112.4 million (2020: \$113.5 million) mainly due to foreign currency exchange losses on contributions receivable of \$14.7 million in 2021, which are reported as expenses, compared to foreign exchange gains of \$15.8 million reported as other revenue in 2020, partially compensated by a \$8.5 million increase in investment revenue and the reclassification of \$4.7 million from contributions to other revenue for reimbursements to UNFPA staff subject to income tax in one Member State.³

B. Expenses

13. Total expenses increased by 5.9 per cent in 2021 to \$1,300.7 million (2020: \$1,228.1 million), as summarized in Table 2 below.

Table 2
Total expenses

	Millions of United States dollars		Percentage	
	2021	2020	2021	2020
Programme and institutional budget	1,273.1	1,205.7	97.9	98.2
Country programmes, global and regional interventions (GRI) and other programme activities	1,086.4	1,028.0	83.5	83.7
Institutional budget - gross	186.7	177.7	14.4	14.5
Corporate	27.6	22.4	2.1	1.8
Corporate	27.6	22.4	2.1	1.8
Total expenses	1,300.7	1,228.1	100.0	100.0

14. Expenses from the programme and institutional budget resources incurred in furtherance of development outcomes and organizational effectiveness and efficiency outputs, as reflected in the integrated results and resources framework of the UNFPA Strategic Plan, 2018-2021, are summarized in Table 3 below.

² [A/74/73/Add.1](#).

³ Reclassification resumed in 2021, following the receipt of new contributions to regular resources from the concerned Member State.

Table 3
Programme and institutional budget expenses by outcomes and outputs of the integrated results and resources framework

	Millions of United States dollars		Percentage	
	2021	2020	2021	2020
Development outcomes	1,078.1	1,020.2	84.7	84.6
<i>Outcome 1: Every woman, adolescent and youth has utilized integrated sexual and reproductive health services and exercised reproductive rights</i>	627.1	621.4	49.3	51.5
<i>Outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights</i>	93.0	82.9	7.3	6.9
<i>Outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced</i>	277.5	239.9	21.8	19.9
<i>Outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development</i>	80.5	76.0	6.3	6.3
Organizational effectiveness and efficiency (OEE) outputs	195.0	185.5	15.3	15.4
OEE1 - Improved programming for results	45.6	44.2	3.6	3.7
OEE2 - Optimized management of resources	116.4	110.5	9.1	9.2
OEE3 – United Nations coordination and coherence	5.0	4.9	0.4	0.4
OEE4 - Communication, resources mobilization and partnerships	28.0	25.9	2.2	2.1
Total expenses	1,273.1	1,205.7	100.0	100.0

15. The expenses for all outcomes and organizational effectiveness and efficiency outputs increased in 2021, as compared to 2020, with the rate of increase for outcome three outpacing the rest, mainly due to scaling-up of interventions on prevention of and response to gender-based violence, in both humanitarian and development settings, through activities such as establishment of women-friendly spaces, provision of psychological support and counselling services, capacity building in gender-based violence case management, community awareness-raising, setting up of effective referral systems, and delivery of cash and voucher assistance.

16. Programme and institutional budget expenses by region are summarized in Table 4 below.

Table 4
Programme and institutional budget expenses by region

	Millions of United States dollars		Percentage	
	2021	2020	2021	2020
Country and regional offices activities	1,007.3	962.0	79.1	79.8
East and Southern Africa	241.5	224.1	19.0	18.6
West and Central Africa	206.3	191.3	16.2	15.9
Arab States	217.6	231.9	17.1	19.2
Asia and the Pacific	197.9	167.6	15.5	13.9
Latin America and the Caribbean	76.9	76.6	6.0	6.4
Eastern Europe and Central Asia	67.1	70.5	5.3	5.8
Global activities	265.8	243.7	20.9	20.2
Total programmes and institutional budget	1,273.1	1,205.7	100.0	100.0

17. UNFPA remains committed to directing maximum resources towards supporting its field office operations. In 2021, \$1,007.3 million, or 79.1 per cent, of the total programme and institutional budget expenses were incurred in the field (2020: \$962.0 million, or 79.8 per cent). Also, the UNFPA Supplies programme⁴ delivered reproductive health commodities worth \$108.6 million (8.5 per cent of the total programme and institutional budget expenses) to selected priority countries with the highest needs in this area (2020: \$107.9 million, or 9.0 per cent).

18. All regions but two incurred higher expenses in 2021 as compared to 2020. The larger increase of \$30.3 million (18.1 per cent) corresponded to the Asia and the Pacific region. Expenses in this region increased mainly due to scaled-up programme interventions in Bangladesh, including for implementation of integrated sexual and reproductive health and rights, and gender-based violence response services in the Cox's Bazar district. The second largest increase of \$22.1 million (9.1 per cent) corresponded to expenses for global activities, mainly due to the procurement and delivery of COVID-19 personal protective equipment (funded through the Humanitarian Thematic Trust Fund) and expanded activities of the joint programme to eliminate female genital mutilation and the Spotlight Initiative to eliminate violence against women and girls.

19. Expenses in the Arab States and Eastern Europe and Central Asia regions decreased by \$14.3 million and \$3.4 million (6.2 per cent and 4.8 per cent, respectively), mainly due to reduced spending in Yemen and Turkey, following reductions in other resources funding in these countries. Notwithstanding the decrease, Yemen remained the field office with the highest programme and institutional budget expenses in UNFPA in 2021, as in the previous year, closely followed by Bangladesh and the Syrian Arab Republic.

20. The business model of the UNFPA Strategic Plan, 2018-2021, classifies all countries/territories where UNFPA operates into four quadrants (red, orange, yellow and pink), based on need and ability to finance criteria.⁵ Total programme and institutional budget expenses for 2021 by quadrant are summarized in Table 5 below

Table 5
Programme and institutional budget expenses by quadrant

	Millions of United States dollars		Percentage	
	2021	2020	2021	2020
Country expenses	944.1	903.8	74.1	75.0
Red	612.4	584.3	48.1	48.5
Orange	96.2	97.0	7.5	8.0
Yellow	89.6	80.2	7.0	6.7
Pink	145.9	142.3	11.5	11.8
Global and regional interventions	41.1	37.7	3.3	3.1
Regional	22.7	20.7	1.8	1.7
Global	18.4	17.0	1.5	1.4
Other regional and global expenses^(*)	287.9	264.2	22.6	21.9
Regional	40.5	37.5	3.2	3.1
Global	247.4	226.7	19.4	18.8
Total programmes and institutional budget	1,273.1	1,205.7	100.0	100.0

(*) Includes expenses of regional offices and headquarters not related to global and regional interventions, such as programme activities funded from other resources and the institutional budget.

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 as part of 'Global activities' in Table 4 and 'Global' in Table 5.

⁵ The list of all countries/territories where UNFPA operates and their classification as per the business model of the UNFPA Strategic Plan, 2018-2021, is provided in Annex 2.

21. Expenses in all country quadrants (apart from orange) increased in 2021 compared to 2020, with the highest increase of \$28.1 million occurring in red quadrant countries – i.e., those with the highest need and lowest ability to pay – mainly due to scaled-up operations in Bangladesh, Niger, Somalia and Uganda. The slight decrease of expenses (of \$0.8 million) for the orange quadrant countries was mainly a result of reduced spending in the Syrian Arab Republic, following the reduction in other resources funding in this country.

22. Programme expenses funded from regular resources in 59 countries/territories classified as either ‘least developed’ or ‘landlocked developing countries’ amounted to \$119.5 million in 2021 (48.0 per cent of total programme expenses funded from regular resources), an increase of 7.4 per cent as compared to 2020 (\$111.3 million or 46.9 per cent).

23. Programme expenses funded from regular resources in ‘small island developing States’ amounted to \$14.3 million in 2021, 9.2 per cent more than the \$13.1 million spent in 2020.

24. Expenses for humanitarian interventions decreased both in absolute and relative terms to \$393.6 million or 36.2 per cent of total programme expenses (2020: \$406.9 million or 39.6 per cent of total programme expenses), due to lower COVID-19 emergency response expenses and the resumption of development activities put on hold in 2020 due to the COVID-19 pandemic. Consistent with 2020, most humanitarian expenses, 47.6 per cent and 35.5 per cent respectively, were incurred for the provision of integrated sexual and reproductive health and rights services and information, and for preventing and addressing gender-based violence (2020: 49.0 per cent and 33.7 per cent, respectively).

25. UNFPA continues prioritizing gender equality and the empowerment of women and girls in its programme activities. In 2021, \$729.7 million or 67.2 per cent of total programme expenses were incurred to further activities that either had gender equality/women’s empowerment as their primary objective or made a significant contribution to gender equality (2020: \$705.0 million or 68.6 per cent).

26. UNFPA works closely with the country programme Governments and national and international non-governmental organizations to implement its programme activities. Total programme expenses incurred by these partners increased for the fifth year in a row, both in absolute terms and as a percentage of total programme expenses, and in 2021 amounted to \$408.0 million or 37.6 per cent of total programme expenses (2020: \$385.4 million or 37.5 per cent).

27. Reflecting UNFPA commitment to the advancement of the United Nations development system reform and increased collaboration with other United Nations organizations, there was a 92.1 per cent increase in expenses for programme activities implemented through other United Nations organizations to \$19.4 million in 2021 (2020: \$10.1 million), mostly as the result of the joint implementation with the World Food Programme of a cash voucher assistance programme in the Syrian Arab Republic, for the benefit of pregnant and lactating women, and a community support programme implemented jointly with Food and Agriculture Organization in Bangladesh, to promote biosafety and good laboratory practices in response to the COVID-19 pandemic.

28. Throughout 2021, UNFPA continued to respond to the challenges created by the COVID-19 pandemic in an agile and proactive manner, including leveraging opportunities for innovation and efficiency, and maintaining the flexibility in key policy areas introduced in 2020, such as permitting implemented partners to carry forward unspent operating fund advance balances from one year to the next. The additional workload created by the COVID-19 response and by reform initiatives, including the collection and management of the resident coordinator system levy under the agency-administered option, the cost of which has been estimated at \$105,000 (2020: \$90,000), continued to be managed within the existing administrative resources following the processes established in 2020.

29. Annex 1, tables 4 through 11, present further details of the programme and institutional budget expenses by Strategic Plan, 2018-2021, outcome, output and quadrant, and by region, type of assistance, relevance to COVID-19 response, implementation modality, and the gender marker. Table 12 provides a breakdown of 2021 expenses by country/territory, and Table 13 provides a breakdown of programme expenses in the least developed and landlocked developing countries funded from regular resources.

30. Table 6 below provides a breakdown of total expenses by their nature.

Table 6
Total expenses by nature

	Millions of United States dollars		Percentage	
	2021	2020	2021	2020
Staff costs	335.1	320.7	25.8	26.1
Reproductive health and other programme supplies	232.8	261.4	17.9	21.3
Cash assistance programmes	7.7	0.3	0.6	-
Contracted and professional services	297.6	269.6	22.9	22.0
Development and training of counterparts	137.8	108.3	10.6	8.8
Supplies, materials and operating costs	216.4	220.7	16.6	18.0
Travel	36.3	30.0	2.8	2.4
Other general expenses ⁶	37.0	17.1	2.8	1.4
Total	1,300.7	1,228.1	100.0	100.0

31. The breakdown of expenses by nature reflects the pattern of gradual resumption in normal operations at UNFPA, following the phasing out of COVID-19 restrictions.

32. Staff costs increased by 4.5 per cent, mainly because of both higher costs relating to existing personnel and engaging additional staff to manage increased programme delivery.

33. Reproductive health commodities and other programme supplies expenses decreased by 10.9 per cent to \$232.8 million (2020: \$261.4 million), mostly due to reduced deliveries of humanitarian supplies, including COVID-19 personal protective equipment. Delivery of reproductive health commodities in non-humanitarian settings also decreased, mainly due to an increased quality of forecasting activities, measures put in place to better manage stock levels at the implementing partners entrusted with the distribution of the commodities, and a significant revenue reduction of contributions from one Member State (previously mentioned) earmarked for the procurement of reproductive health commodities.

34. Cash assistance programme expenses increased significantly, to \$7.7 million in 2021 (2020: \$0.3 million), reflecting the UNFPA strategy to implement and promote the use of cash and voucher assistance to improve access of women and youth, especially in humanitarian settings, to sexual and reproductive health, and gender-based violence-prevention and response services and goods. A large part of the 2021 expenses related to a cash voucher assistance programme for pregnant and lactating women in the Syrian Arab Republic (previously mentioned), and to a programme for gender-based violence survivors in the State of Palestine.

35. Expenses for contracted and professional services increased by 10.4 per cent, to \$297.6 million (2020: \$269.6 million), reflecting the of increased contracting of 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, with the highest increases attributable to scaled-up operations in Bangladesh, Iraq and Somalia.

36. Expenses for development and training of counterparts, which had shown a significant decrease in 2020, due to restrictions affecting travel and holding of in-person events, increased in 2021 to a 2019-comparable level, amounting to \$137.8 million (2020: \$108.3 million), with part of the increase attributable to capacity building events in South Sudan in preparation of the population estimation survey.

37. Expense for supplies, materials and operating costs remained at levels consistent with those of 2020, decreasing by 1.9 per cent to \$216.4 million (2020: \$220.7 million). Expenses for travel increased by 21.0 per cent, to \$36.3 million in 2021 (2020: \$30.0 million), but still represented only 56.1 per cent of 2019 travel expenses, with the increase almost entirely attributed to local travel,

⁶ Includes finance costs, depreciation and amortization, impairment of assets and other expenses.

reflective of UNFPA deliberate efforts to decrease its carbon footprint, including through travel reductions, by expanding utilization of virtual meetings and restricting travel to critical missions.

38. Other general expenses increased by 116.4 per cent, to \$37.0 million (2020: \$17.1 million), mainly due to foreign currency exchange losses on contributions receivable and bank accounts balances resulting from the strengthening of the United States dollar in relation to other key contribution currencies, especially at the end of 2021.

C. Fund balances and reserves

39. Reserves and fund balances as at 31 December 2021 increased by 13.7 per cent to \$1,727.8 million (2020: \$1,520.1 million). Details are provided in Table 7 below.

Table 7
Reserves and fund balances

	Millions of United States dollars	
	2021	2020
Operational reserve	82.2	83.2
Humanitarian response reserve	5.5	5.5
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances	92.7	73.2
Undesignated regular and other resources fund balances		
Regular resources	186.3	139.2
Other resources	1,356.1	1,214.0
Total	1,727.8	1,520.1

40. The operational reserve, set at 20.0 per cent of the annual regular resources contribution revenue, decreased by 1.2 per cent, to \$82.2 million, as at 31 December 2021 (2020: \$83.2 million) on account of the lower regular resources contribution revenue in 2021.

41. The humanitarian response reserve,⁷ which operates as a revolving fund, was retained at the same level of \$5.5 million as in 2020. Throughout 2021, it was used to provide \$14.5 million in pre-financing for humanitarian activities (2020: \$9.8 million). The reserve for field accommodation was replenished to the \$5.0 million levels approved by the Executive Board.

42. Designated regular resources fund balances⁸ increased by 26.6 per cent, to \$92.7 million (2020: \$73.2 million), owing primarily to a \$8.8 million increase in cost recoveries above the budgeted level and an allocation of \$12.1 million for the implementation of enterprise resource planning platform, both set aside into separate funds.

43. Undesignated regular resources increased by 33.8 per cent, to \$186.3 million (2020: \$139.2 million), due to the combined effect of the 2021 surplus of \$63.5 million and an actuarial gain on post-employment benefits liabilities of \$9.0 million, partially offset by transfers of \$19.5 million to designated funds and reserves, and a \$5.9 million after-service health insurance investment portfolio unrealized loss.

⁷The humanitarian response reserve was established by the Executive Board to serve as a source of pre-financing resources for emergency relief interventions, pending the receipt of funding committed in signed donor agreements. The reserve is replenished once donor funding is received.

⁸ Designated regular resources are funds set aside by management for special purposes and not available for programming.

44. Total regular resources funds available for programming as at 1 January 2022 increased by 12.3 per cent, to \$181.2 million (2021: \$161.3 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 due to the receipt of some contributions above Strategic Plan target that were collected in the final part of the year and could not be programmed in 2021. Annex 1, Table 17 provides a reconciliation between designated and undesignated regular resources fund balances and funds available for programming as at 1 January 2022. 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 next strategic plan and integrated budget cycle

45. As at 31 December 2021, undesignated fund balances of other resources increased by 11.7 per cent to \$1,356.1 million (2020: \$1,214.0 million), representing resources received for implementation of programme activities under multi-year agreements, as well as contributions of \$421.2 million not yet collected at that date and thus not available for programming (2020: \$416.9 million).

D. Integrated budget

46. In its decisions 2017/24, 2018/19 and 2020/7, the Executive Board approved the UNFPA integrated budget, 2018-2021 (DP/FPA/2017/10 and DP/FPA/2017/10/Corr.1), the subsequent revision of the budget (2018/FPA/2018/8 and DP/FPA/2018/8/Corr.1) and its midterm review (DP/FPA/2020/5), aligned with the UNFPA Strategic Plan, 2018-2021. The integrated budget encompasses all cost categories and results of UNFPA within a single, integrated framework.

47. Annex 1, Table 14, presents information on the actual utilization of resources for the full Strategic Plan cycle, 2018-2021. Information presented in this table uses the modified accrual basis of accounting, consistent with the budget presentation.

48. Annex 1, Table 15, provides further details on the expenses of the institutional budget component of the integrated budget.

E. Cost-recovery

49. In decision 2013/9, the Executive Board endorsed a general, harmonized cost-recovery⁹ rate of 8.0 per cent for contributions to other resources. The same decision also approved a differentiated cost-recovery structure for thematic trust funds, government cost-sharing, South-South and private-sector contributions, and legacy agreements. The UNFPA Executive Director was given the authority to waive the cost-recovery rates on a case-by-case basis.

50. In decision 2020/12, the Executive Board approved the joint comprehensive cost-recovery policy (DP/FPA-ICEF-UNW/2020/1), including cost-classification categories, methodology and rates, effective 1 January 2022, and requested UNFPA to report on the progress of implementation of the policy, including the financial impact of the harmonized differentiated rates applied and waivers granted, the resulting effective cost-recovery rates and cost-recovery amounts realized, and provide details on each waiver/discount, including the donor and programme name, amount of the contribution, cost-recovery rate and amount of the waiver/discount. This chapter and the accompanying Annex 3 respond to this request.

51. Table 8 below summarizes the financial impact of differentiated cost-recovery rates and approved waivers for the fiscal year 2021.

⁹ Cost recovery is a mechanism put in place for recovering the costs of running the organization that cannot be directly linked and traceable to a programme.

Table 8
Financial impact of differentiated cost-recovery rates and approved waivers

	Thousands of United States dollars			Percentage
	<i>Actual cost-recovery</i>	<i>Cost-recovery at harmonized 8 per cent rate</i>	<i>Difference</i>	<i>Effective 2021 cost-recovery rate</i>
Thematic trust funds ¹⁰	11,714	13,388	1,674	7.0
Umbrella agreements ¹¹	17,484	19,972	2,488	7.0
Preferential rates (programme governments, South-South and triangular cooperation)	2,398	3,910	1,512	5.0
Legacy agreements	3	3	-	7.0
Multilateral agreements with inherited reduced cost-recovery rates ¹²	414	537	123	6.3
Indirect cost-recovery waivers	649	931	282	5.6
Total	32,662	38,741	6,079	

52. Comparative information about the effective cost-recovery rates over the last three years of the current cycle of the strategic plan and the integrated budget is summarized in Table 9 below:

Table 9
Effective cost-recovery rates for 2019-2021

	Percentage			
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2019-2021 (weighted average)</i>
UNFPA	7.25%	7.22%	7.25%	7.24%

53. In 2021, UNFPA granted three cost-recovery waivers, the same number as in 2020 (one of them with a reduced cost-recovery rate of 6.0 per cent and the other two without any cost-recovery rate). This did not result in any loss of cost-recovery income for UNFPA in 2021 (2020: \$0.2 million), as no expenses were incurred under these agreements during the year. However, the application of the waivers granted in previous years resulted in cost-recoveries of \$0.3 million lower than what would have been due without the waivers (2020: \$0.1 million).

54. Annex 3 provides the justification for all new waivers and includes detailed disclosure of the financial impact of differentiated cost-recovery rates and the waivers applied in 2021.

¹⁰ Thematic trust funds or thematic funds are thematic single-agency commingled contributions to a single-entity funding mechanism designed to support high-level outcomes within a strategic plan, of which UNFPA is the fund administrator.

¹¹ Umbrella agreements are broader agreements reached jointly with one (or more) United Nations organization vis-a-vis bilateral or multilateral donors.

¹² Multilateral agreements with inherited reduced cost-recovery rates are agreements involving the transfer of resources from other United Nations organizations to UNFPA, from funding with lower cost-recovery rates. The transfer of those lower rates to UNFPA is contractually binding on the transferring United Nations organizations. Effective 2019, such arrangements are disclosed separately from other differentiated cost-recovery rates categories, in recognition of the fact that the reduced rates do not result from decisions made by UNFPA.

III. Regular resources

55. A summary of revenue, expenses and surplus under regular resources for 2021 and 2020 is presented in the table below.

Table 10
Revenue, expenses and surplus for the year – regular resources

	Millions of United States dollars	
	2021	2020
Revenue		
Contributions - gross	412.6	416.8
Less: transfer to other revenue for reimbursement of tax charges	(4.7)	-
Other revenue	103.9	88.9
Total revenue	511.8	505.7
Expenses		
Programme expenses	249.2	237.4
Country programmes and other programme activities (excluding Emergency Fund)	197.9	191.6
Emergency fund	10.2	8.1
Global and regional interventions	41.1	37.7
Institutional budget expenses	186.7	177.7
Institutional budget expenses	186.7	177.7
Corporate expenses	13.8	15.5
After-service health insurance and other employee benefits expenses charged to corporate resources	8.0	7.8
Other corporate expenses	5.8	7.7
Total expenses	449.7	430.6
Surplus for the year	62.1	75.1

56. In 2021 101 donors contributed to UNFPA regular resources (2020: 96 donors), with 10 donors accounting for 87.2 per cent of the total regular resources contribution revenue (2020: 90.9 per cent). Annex 1, Table 16, provides a summary of regular resource contributions above \$1.0 million.

57. Among the top 10 donors, eight donors paid their contributions in currencies other than United States dollars. 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 position.

58. Other revenue in 2021 increased by 16.9 per cent, to \$103.9 million (2020: \$88.9 million), mainly due to the reclassification from contribution revenue of \$4.7 million for reimbursements to UNFPA staff subject to income tax in one Member State, and a \$16.6 million increase in the after-service health insurance investment portfolio revenue (in accordance with the applicable accounting policies, unrealized gains and losses on these investments were reflected under net assets and thus do not impact the revenues and expenses). Cost-recovery charges, which amounted to \$58.7 million (56.5 per cent of other revenue) in 2021 (2020: \$58.1 million, or 65.4 per cent) remain the largest other revenue component.

59. Total regular resources expenses increased by 4.4 per cent in 2021, to \$449.7 million (2020: \$430.6 million), owing mainly to higher programme and institutional budget expenses, partially offset by a reduction in corporate costs.

60. Programme expenses increased by 5.0 per cent to \$249.2 million in 2021 (2020: \$237.4 million), mainly due to higher expenses in several country and regional offices.

61. Expenses funded from the Emergency Fund, the internal funding mechanism approved by the Executive Board to provide UNFPA field offices with initial funding to jump-start humanitarian activities before other resources become available, amounted to \$10.2 million (2020: \$8.1 million), incurred following resource allocations to 36 field offices (2020: 29 field offices).

62. Institutional budget expenses increased by 5.1 per cent to \$186.7 million in 2021 (2020: \$177.7 million), owing to an increased spending on the implementation of new enterprise resource planning platform, as part of the information and communications technology transformation initiative, and higher staff costs, mostly because of restructuring exercises at selected headquarters divisions, as approved by the Executive Board.

63. Corporate expenses decreased by 11.0 per cent to \$13.8 million (2020: \$15.5 million), owing mainly to the larger proportion of direct post occupancy and other costs recovered through payroll charges and other mechanisms.

64. Annex 1, tables 4 through 11, delineate programme and institutional budget expenses funded through regular resources – by outcomes and outputs of the integrated results and resources framework of the UNFPA Strategic Plan, 2018-2021, country quadrants, type of assistance, relevance to COVID-19 response, implementation modality, and the gender marker.

IV. Other resources

65. Other resources comprise trust funds and special funds. Trust funds include thematic funds, United Nations pooled funds¹³ and inter-agency transfers, and other co-financing funds. Special funds include the junior professional officer programme, procurement services and other funds.

66. A summary of revenue, expenses and annual surplus for other resources for 2021 and 2020 is presented in the table below.

Table 11
Revenue, expenses and surplus for the year – other resources

	Millions of United States dollars	
	2021	2020
Revenue		
Contributions - gross	1,051.5	850.9
Less: refunds to donors	(6.4)	(6.2)
Less: indirect costs	(58.9)	(58.5)
Less: allowance for doubtful contributions receivable	(1.2)	0.4
Other revenue	8.5	24.6
Total revenue	993.5	811.2
Expenses		
Programme expenses	837.2	790.6
Trust funds	895.9	848.7
Less: indirect costs	(58.7)	(58.1)
Corporate expenses	13.8	6.9
Special funds	14.0	7.3
Less: indirect costs	(0.2)	(0.4)
Total expenses	851.0	797.5
Surplus for the year	142.5	13.7

¹³ United Nations pooled funds are commingled contributions to a multi-entity funding mechanism and not earmarked for a specific United Nations entity. Funds are held by a United Nations fund administrator, and fund allocations are made by a United Nations-led governance mechanism for activities specifically aimed at promoting sustainable development of programming countries, with a focus on long-term impacts.

67. Total revenue for other resources in 2021 increased by 22.5 per cent to \$993.5 million (2020: \$811.2 million), mainly because of a 54.6 per cent increase in contributions to other co-financing funds. Contributions to thematic funds also increased, albeit at a smaller rate of 8.9 per cent, while contributions made through United Nations pooled funds and inter-agency transfers decreased by 8.8 per cent. This decrease notwithstanding, United Nations system organizations (including pooled funds and interorganizational transfers) remained the top donor to UNFPA other resources for the fourth year in a row, contributing \$247.4 million in 2021 (2020: \$271.6 million).

68. In 2021, 70.0 per cent of gross other resources contributions originated from top 10 donors, 9.0 percentage points lower than in 2020, when top 10 donors accounted for 79.0 per cent of the total, bearing fruit of UNFPA efforts to broaden its donor base by engaging middle-income and emerging economy countries, as well as private-sector donors. Agreements for 41.1 per cent of gross contribution revenue from top 10 donors were denominated in non-United States dollar currencies.

69. Gross contribution revenue included \$348.6 million, or 33.2 per cent of the total, for humanitarian purposes, the highest level of humanitarian funding UNFPA generated in any single year to date (2020: \$272.9 million or 32.1 per cent) with significant new contributions intended for humanitarian interventions in Afghanistan and regional response activities to the Syria crisis.

70. Other revenue decreased by 65.4 per cent to \$8.5 million (2020: \$24.6 million), mainly due to losses of \$13.4 million from unfavourable foreign currency exchange rate fluctuations on contribution receivable accounts recognized in 2021 as part of expenses, compared to foreign currency exchange gains of \$16.0 million recognized in other revenue in 2020.

71. Total expenses funded from other resources in 2021 increased by 6.7 per cent to \$851.0 million (2020: \$797.5 million). Annual revenue exceeded annual expenses by \$142.5 million, owing mainly to timing differences in the recognition of revenue and expenses, as most revenue is recognized upon the signature of binding donor agreements, and expenses are recognized as incurred, upon delivery of relevant goods and services).¹⁴

72. A large part of the increase in programme expenses is attributable to increases of \$25.9 million and \$14.8 million, respectively, in the development and training of counterparts and contracted and professional services expenses, as already highlighted as part of the analysis on expenses presented in section B above.

73. Corporate expenses increased to \$13.8 million in 2021 (2020: \$6.9 million) mainly due to higher allocation of procurement support services costs to programme activities in 2020, the increased value of supplies sold from UNFPA stock to third-party clients and the increased delivery of donated supplies to UNFPA partners.

74. Annex 1, tables 4 through 11, delineate trust fund expenses by outcomes and outputs of the integrated results and resources framework of the UNFPA Strategic Plan, 2018-2021, country quadrants, type of assistance, relevance to COVID-19 response, implementation modality, and the gender marker.

V. Cash and investments

75. Cash and investments held by UNFPA increased by \$176.3 million, to \$1,690.0 million, as at 31 December 2021 (2020: \$1,513.7 million), owing mainly to the excess of contributions collected over expenses paid. The increase was allocated primarily to investments maturing after one year, as interest rates generated by longer-term investments increased towards the end of 2021, after reaching a record-low in 2020, in the aftermath of the COVID-19 pandemic.

76. Of the total investments, \$548.1 million are restricted in use (2020: \$524.8 million). Of this amount, \$92.7 million have been allocated to reserves (see section C. above: Fund balances and reserves); \$406.0 million have been set aside to fund employee benefits liabilities; \$33.7 million

¹⁴ A summary of UNFPA accounting policies is provided in note 2 to the UNFPA financial statements.

correspond to the principal amount of a private endowment trust; and \$15.7 million are held by UNFPA in its capacity as administrative agent for joint programmes.

77. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet UNFPA working capital needs and 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 \$1,285.1 million as at 31 December 2021 (2020: \$1,190.9 million) and generated an average yield of 0.70 per cent throughout the year (2020: 1.32 per cent).

78. A separate portfolio, established in 2016 jointly with several other United Nations organizations and managed by two independent investment managers, invests resources allocated for funding after-service health insurance liabilities 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 transferred \$220.0 million to this portfolio, including \$25.0 million transferred in 2021. In addition, in 2021, UNFPA transferred \$19.3 million previously set aside for funding other post-employment benefits liabilities to a separate portfolio, to be managed by the same investment managers and following the same investment guidelines as the after-service health insurance investment portfolio. The combined fair market value of both portfolios reached \$347.7 million as at 31 December 2021 (2020: \$283.6 million), generating annual rates of return ranging between 5.15 per cent to 9.23 per cent in 2021 (2020: 12.14 per cent to 14.67 per cent).

VI. Other assets and liabilities

79. 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 decreased to \$78.3 million as at 31 December 2021 (2020: \$92.3 million), due to lower procurement and delivery of programme supplies in 2021, as compared to 2020, when both peaked as part of the UNFPA response to the COVID-19 pandemic.

80. Contributions receivable increased by \$5.1 million, to \$422.1 million as at 31 December 2021 (2020: \$417.0 million), due to the contributions receivable on new co-financing agreements entered into in 2021, partially offset by the reductions in donor contributions due to thematic trust funds and a \$42.2 million write-off (with the corresponding reduction in contributions revenue) of contributions receivable at 31 December 2020 that were not paid by a Member State after reducing its funding to UNFPA as from 2021. Contributions receivable are presented net of allowances for doubtful accounts of \$7.0 million (2020: \$6.0 million), established after a careful review of all receivables for collectability.

81. Total operating fund advances outstanding at the year-end increased by \$0.9 million, to \$18.7 million as at 31 December 2021 (2020: \$17.8 million), due to an increase in advances held by United Nations organizations implementing programme activities on behalf of UNFPA. Gross advances outstanding from governments and non-governmental organizations decreased by \$0.5 million, amounting to \$10.3 million as at 31 December 2021 (2020: \$10.8 million).

82. Prepayments and other assets decreased by \$0.5 million, to \$16.2 million as at 31 December 2021 (2020: \$16.7 million), owing to the combined impact of the lower contribution to the United Nations resident coordinator system allocated to UNFPA, and a reduction in prepayments to vendors for the procurement of personal protective equipment, offset by increase in amounts prepaid to the UNDP for common premises occupancy and services.

83. Accounts payable and accruals decreased by \$18.6 million, to \$117.6 million as at 31 December 2021 (2020: \$136.2 million), owing mainly to a decrease in funds held by UNFPA in its capacity of administrative agent for joint programmes.

84. Other liabilities and deferred revenue decreased by \$18.5 million, to \$14.3 million as at 31 December 2021 (2020: \$32.8 million), owing mainly to the use of an amount previously held in trust, as guarantee for pre-financing of procurement of reproductive health commodities, to offset the

revenue reduction arising from the lack of payment of contributions receivable as at 31 December 2020 by the previously mentioned Member State that reduced its funding to UNFPA as from 2021.

85. Employee benefits liabilities increased by \$18.8 million, to \$445.7 million as at 31 December 2021 (2020: \$426.9 million), owing mainly to a \$3.0 million increase in annual and home leave liabilities, as a result of an excess of leave earned over leave consumed in 2021, and a \$14.2 million increase in the after-service health insurance liability, following the recognition of annual service and interest costs, partially offset by the actuarial gain per the results of the full actuarial valuation of the liability performed in 2021.

86. The unfunded employee benefits liabilities decreased by \$22.7 million, in 2021 to \$39.7 million (2020: \$62.4 million), owing to the above-mentioned increase in the liability amount of \$18.8 million, offset by a \$41.5 million increase in liability funding. Cumulative resources set aside for funding the liabilities increased to \$406.0 million, covering 91.1 per cent of the total liabilities as at 31 December 2021 (2020: \$364.5 million, or 85.4 per cent). This high funding ratio is attributable to a great degree to 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 could potentially affect the key financial assumptions used for the measurement of the liabilities and the performance of the post-employment benefits investment portfolios and may fall below the levels already achieved should unfavourable trends materialize in future years.

VII. Conclusion

87. UNFPA closed 2021 in excellent 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 2022 and beyond remains difficult to predict due to ongoing risks to peace and stability, and uncertainties regarding the future discourse of COVID-19 pandemic. Shifting donor priorities and operational challenges may impact the ability of UNFPA to both 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 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.
