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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, 2019
Report of the Executive Director**

Summary

This review summarizes the financial performance of UNFPA in 2019 and its financial position as at 31 December 2019. Figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit.

For the third successive year, total gross contributions surpassed \$1 billion, exceeding the 2018 contribution levels by 9.1 per cent and amounting to \$1,370.2 million (2018: \$1,255.6 million). This favourable trend is attributable to contribution revenue from other resources, which increased by 13.7 per cent to \$996.7 million (2018: \$876.8 million).

Contributions to regular resources decreased by 1.4 per cent in 2019, amounting to \$373.5 million (2018: \$378.8 million), continuing the trend in annual regular resources contributions during four of the last five years when each year was lower than the previous year.

Expenses for 2019 increased by 4.1 per cent to \$1,130.2 million (2018: \$1,086.0 million). The 6.5 per cent growth in other resources expenses, to \$711.9 million (2018: \$668.4 million), is mainly a result of the expansion in programme activities, particularly in humanitarian settings. Regular resources expenses remained almost unchanged, growing by just 0.2 per cent to \$418.3 million (2018: 417.6 million) owing to the combined impact of increased programme and institutional budget activities offset by a decrease in corporate expenses as a result of favourable foreign currency exchange trends.

UNFPA reserves and fund balances as at 31 December 2019 amounted to \$1,432.8 million (2018: \$1,080.3 million), of which 84.1 per cent, or \$1,204.7 million, were for other resources (2018: 90.1 per cent, or \$973.5 million). Other resources fund balances included \$384.3 million in contributions receivable (2018: \$336.0 million) and thus not available for programming.

Notwithstanding the 2019 success in mobilizing other resources, the further decrease in regular resources, which remain the bedrock of UNFPA operations, both in absolute amounts and, in particular, as a share of total contribution revenue, remains a substantial challenge for UNFPA. Moreover, in 2020 and future years, UNFPA may not be able to generate an equivalent level of other resources contributions owing to the impact of the COVID-19 pandemic. In the highly volatile environment originated by the COVID-19 pandemic, a predictable and timely inflow of regular resources contributions is critical to enable UNFPA to sustain its operations and deliver on 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 UNFPA financial performance in 2019 and its financial position as at 31 December 2019. This information is provided for activities funded by both regular resources and other resources. All figures in the present document are provisional, subject to external audit and, as a result of rounding, may not add up to the totals.
2. The statement of financial performance for the year ended 31 December 2019 is provided in annex 1, table 1, for regular, other and total resources. The statement of financial position as at 31 December 2019 is provided in annex 1, table 2. The statement of changes in net assets for the year ended 31 December 2019 is provided in annex 1, table 3.¹
3. The 2019 figures are prepared on the accrual basis of accounting, with the exception of 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 and allowances for doubtful contributions receivable.

II. Total resources

A. Revenue

5. Total revenue surpassed \$1 billion for the third year in a row, exceeding 2018 levels by 9.2 per cent, amounting to \$1,409.2 million (2018: \$1,290.3 million), primarily as a result of the increase in other resources contributions.
6. Total gross contribution revenue for the last five years can be summarized as follows.

Table 1: Gross contribution revenue for 2015-2019

	Millions of United States dollars				
	2019	2018	2017	2016	2015
Regular resources - gross	373.5	378.8	349.9	352.8	398.2
Other resources - gross	996.7	876.8	717.6	485.8	581.3
Total gross contributions	1,370.2	1,255.6	1,067.5	838.6	979.5
Other resources, as percentage of total contributions	72.7%	69.8%	67.2%	57.9%	59.3%

7. Regular resources contribution revenue decreased by 1.4 per cent, to \$373.5 million (2018: 378.8 million), mainly as a result of the strengthening of the United States dollar against UNFPA main contribution currencies, partially offset by increased contributions from two major donors.
8. Gross other resources contribution revenue increased by 13.7 per cent to a record \$996.7 million (2018: \$876.8 million). As a result, the share of other resources as a percentage of total gross contributions increased again, by 2.9 per cent points, to 72.7 per cent (2018: 69.8 per cent), demonstrating increased UNFPA reliance on other resources. Indeed, the amount of regular resources contributions in 2019 was \$103.9 million less than in 2014, the first year when UNFPA gross contributions exceeded the \$1 billion benchmark.
9. Other revenue increased by 20.9 per cent in 2019 to \$105.4 million (2018: \$87.2 million), mainly as a result of a \$6.8 million increase in investment revenue, \$5.6 million foreign currency exchange gains on monetary assets, and a \$5.0 million increase in cost-recovery charges.

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

B. Expenses

10. Total expenses increased by 4.1 per cent in 2019, amounting to \$1,130.2 million (2018: \$1,086.0 million), as summarized in the table below.

Table 2: Total expenses

	Millions of United States dollars		Percentage	
	2019	2018	2019	2018
Programme and institutional budget	1,100.4	1,034.9	97.4	95.3
Country programmes, global and regional interventions and other programme activities	933.8	872.4	82.6	80.3
Institutional budget - gross	166.6	162.5	14.8	15.0
Corporate	29.8	51.1	2.6	4.7
Corporate	29.8	51.1	2.6	4.7
Total expenses	1,130.2	1,086.0	100.0	100.0

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

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

	Millions of United States dollars		Percentage	
	2019	2018	2019	2018
Development outcomes	919.4	860.4	83.6	83.1
<i>Outcome 1:</i> Every woman, adolescent and youth has utilized integrated sexual and reproductive health services	559.7	512.5	50.9	49.5
<i>Outcome 2:</i> Every adolescent and youth, in particular adolescent girls, is empowered	82.9	73.2	7.5	7.1
<i>Outcome 3:</i> Gender equality, the empowerment of all women and girls, and reproductive rights are advanced	190.0	162.6	17.3	15.7
<i>Outcome 4:</i> Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development	86.8	112.1	7.9	10.8
Organizational effectiveness and efficiency (OEE) outputs	181.0	174.5	16.4	16.9
OEE1 - Improved programming for results	45.3	41.4	4.1	4.0
OEE2 - Optimized management of resources	102.2	102.1	9.3	9.9
OEE3 - United Nations coordination and coherence	5.3	3.0	0.5	0.3
OEE4 - Communication, resources mobilization and partnerships	28.2	28.0	2.5	2.7
Total expenses	1,100.4	1,034.9	100.0	100.0

12. Increases in expenses related to outcomes one and three are primarily attributable to an expanded delivery of essential reproductive-health services, and gender-based violence response and prevention activities in humanitarian settings. The decrease in expenses for outcome four is attributable to the completion or postponement of large-scale population data projects, such as national population and housing censuses.

13. Programme and institutional budget expenses by region can be summarized as follows

Table 4: Programme and institutional budget expenses by region

	Millions of United States dollars		Percentage	
	2019	2018	2019	2018
East and Southern Africa	217.2	204.9	19.8	19.8
West and Central Africa	173.3	165.2	15.7	16.0
Arab States	211.6	183.1	19.2	17.7
Asia and the Pacific	153.0	143.5	13.9	13.9
Latin America and the Caribbean	71.6	95.8	6.5	9.2
Eastern Europe and Central Asia	57.3	51.4	5.2	5.0
Global activities	216.4	191.0	19.7	18.4
Total programmes and institutional budget	1,100.4	1,034.9	100.0	100.0

14. The larger increase in expenses corresponded to the Arab States region, owing mainly to scaled up humanitarian response interventions in Yemen. The decrease in expenses in Latin America and the Caribbean is attributable to the completion or postponement of large-scale population data projects.

15. 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.² Total programme and institutional budget expenses for 2019 by quadrant are summarized in the table below

Table 5: Programme and institutional budget expenses by quadrant

	Millions of United States dollars		Percentage	
	2019	2018	2019	2018
Country expenses	824.4	786.9	74.9	76.0
Red	536.2	473.2	48.7	45.7
Orange	94.9	126.0	8.6	12.2
Yellow	71.2	80.1	6.5	7.7
Pink	122.1	107.6	11.1	10.4
Global and regional interventions	38.4	34.4	3.5	3.3
Regional	21.3	20.8	1.9	2.0
Global	17.1	13.6	1.6	1.3
Other regional and global expenses³	237.6	213.6	21.6	20.7
Other regional	38.3	36.2	3.5	3.5
Other global	199.3	177.4	18.1	17.2
Total programmes and institutional budget	1,100.4	1,034.9	100.0	100.0

16. UNFPA remains committed to directing maximum resources towards supporting its field office operations. In 2019, \$884.0 million or 80.3 per cent of total programme and institutional budget expenses were incurred by country or regional offices (2018: \$843.9 million, or 81.5 per cent). In addition, the UNFPA Supplies programme⁴ delivered reproductive health commodities worth \$82.7 million (7.5 per cent of total programme and institutional budget expenses) to 46 priority countries with the highest needs in this area (2018: \$75.4 million).

² 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 the annex 2.

³ 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 46 priority countries with significant needs to increase access to family planning services and modern methods of contraception. Its expenses are reported as 'other global activities'.

17. Expenses in red quadrant countries – those with the highest need and lowest ability to pay – increased by 13.3 per cent in 2019 to \$536.2 million, or 48.7 per cent of total programme and institutional budget expenses (2018: \$473.2 million, or 45.7 per cent), owing mainly to expanded programme activities in Yemen, the Democratic Republic of the Congo, Burkina Faso and Bangladesh. Total expenses in the orange and yellow quadrant countries decreased to \$94.9 million and \$71.2 million (2018: \$126.0 million and \$80.1 million, respectively), owing primarily to the previously mentioned trend in large-scale data population projects.

18. In 2019, UNFPA spent \$104.7 million of regular resources (47.0 per cent of programme expenses funded with regular resources) on 59 country programmes implemented in countries/territories classified as either least developed or landlocked developing countries, maintaining comparable levels from the previous year (2018: \$105.3 million or 49.6 per cent of regular resource funded programme expenses).

19. Regular resources funded programme expenses in the small island developing states amounted to \$13.7 million in 2019 (2018: \$13.2 million). Additionally, programme expenses of \$16.7 million in these countries were funded through other resources (2018: \$19.2 million).

20. UNFPA works closely with the country programme governments and national and international non-governmental organizations to implement its programme activities. The share of total programme expenses incurred by those partners increased in 2019, both in relative and absolute terms, to \$348.2 million or 37.3 per cent of the total (2018: \$309.5 million, or 35.5 per cent). In addition, UNFPA provided its partners non-cash transfers of reproductive health commodities and other programme-related goods of \$160.1 million in 2019, or 17.1 per cent per cent of total programme expenses (2018: \$147.8 million, or 16.9 per cent).

21. UNFPA continues prioritizing gender equality and empowerment of women and girls in its programme activities. In 2019, \$634.9 million or 68.0 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 (2018: \$586.4 million, or 67.2 per cent).

22. Annex 1, tables 4 through 11, present further details of programme and institutional budget expenses by Strategic Plan, 2018-2021, outcome, output and quadrant, and by region, implementation modality and the gender marker. Table 12 provides a breakdown of 2019 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.

C. Fund balances and reserves

23. Reserves and fund balances at 31 December 2019 increased by \$352.5 million, totalling \$1,432.8 million (2018: \$1,080.3 million). More details are provided in the table below.

Table 6: Reserves and fund balances

	Millions of United States dollars	
	2019	2018
Operational reserve	74.2	75.5
Humanitarian response reserve	5.5	7.5
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances	70.1	58.3
Undesignated regular and other resources fund balances		
Regular resources	73.3	(39.5)
Other resources	1,204.7	973.5
Total	1,432.8	1,080.3

24. The operational reserve, set at 20.0 per cent of the annual regular resources contribution revenue, was reduced to \$74.2 million as at 31 December 2019 (2018: \$75.5 million) on account of the lower regular resources contribution revenue in 2019.

25. The humanitarian response reserve,⁵ which operates as a revolving fund, was reduced to \$5.5 million (2018: \$7.5 million), owing to the need to transfer additional resources to the Emergency Fund, which received a total allocation of \$7.0 million in 2019, of which \$6.3 million were spent (2018: \$6.6 million).

26. Designated regular resources fund balances, which represent funds set aside by management for special purposes and which are not available for programming, increased to \$70.1 million (2018: \$58.3 million), owing primarily to \$10.6 million in cost recoveries in excess of budget that were retained in a separate fund, and a \$1.8 million surplus on the provision of procurement services set aside to safeguard future procurement activities.

27. At \$73.3 million, undesignated regular resources are not in a deficit position for the first time since the adoption of the International Public Sector Accounting Standards in 2012. This improvement is mainly a result of a \$45.6 million surplus in regular resources, a \$45.6 million actuarial gain on post-employment benefits liabilities, and a \$27.9 million unrealized gain on the after-service health insurance investment portfolio. Total funds made available for programming for 2020 amounted to \$105.8 million (2019: \$61.4 million). Annex 1, table 17 provides further details on this amount.

28. As at 31 December 2019, undesignated fund balances under other resources increased to \$1,204.7 million (2018: \$973.5 million), owing mainly to the large increase in other resources contribution revenue, which exceeded expenses funded from this source. The fund balances amount includes resources received for implementation of programme activities under multi-year agreements, as well as contributions of \$384.3 million not yet collected and thus not available for programming (2018: \$336.0 million).

D. Integrated budget

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

30. 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.

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

E. Cost-recovery

32. In its decision 2013/9, the Executive Board endorsed a general, harmonized cost-recovery 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 triangular cooperation, private-sector contributions, and for legacy agreements. The UNFPA Executive Director was given the authority to waive the cost-recovery rates on a case-by-case basis.

33. The table below summarizes the financial effect of differentiated rates and approved waivers in 2019.

⁵ The 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.

Table 7: Financial effect 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 2019 cost-recovery rate</i>
Thematic trust funds	10,586	12,098	1,512	7.0
Umbrella agreements ⁶	14,296	16,339	2,043	7.0
Government cost-sharing	2,137	3,419	1,282	5.0
Legacy agreements	7	10	3	7.0
Indirect cost-recovery waivers	823	1,189	366	5.5
Multilateral agreements with inherited reduced cost-recovery rates	1,253	1,435	182	7.0
Total	29,102	34,490	5,388	

34. In its decision 2018/21, the Executive Board requested UNFPA to reduce the granting of waivers lowering the agreed cost-recovery rates and to provide an update on the steps taken in this regard, including on the application of waivers. In 2019, UNFPA granted only three waivers reducing the cost-recovery rates to either 7.0 per cent (one agreement) or 0.0 per cent (two agreements). This resulted in cost recoveries of \$0.02 million lower than those due under the standard 8.0 per cent rate. In addition, the application of waivers granted in previous years resulted in cost recoveries of \$0.35 million lower than what would have been due without the waivers.

35. UNFPA received transfers from other United Nations organizations, thereby inheriting reduced cost-recovery rates which the transferring United Nations organizations had previously agreed with donors and which they were contractually bound to extend to transfers made to other United Nations organizations. In previous years, such agreements were classified by UNFPA as waivers. Effective 2019, they are disclosed separately in recognition of the fact that the reduced cost recovery rates do not result from decisions made by UNFPA, but rather originate from agreements between the transferring United Nations organizations and their donors, frequently as a result of government cost-sharing, South-South cooperation and umbrella agreements.

36. Annex 3 provides detailed disclosure of the effect of reduced cost-recovery rates approved in 2019 and previous years and describes the justifications for the new waivers.

F. Regular resources

37. A summary of revenue, expenses and surplus under regular resources for 2019 and 2018 is presented in the table below

Table 8: Revenue, expenses and surplus for the year – regular resources

	Millions of United States dollars	
	2019	2018
Revenue		
Contributions - gross ⁷	373.5	378.8
Other revenue	90.4	78.5
Total revenue	463.9	457.3
Expenses		
Programme expenses	222.7	212.4
Country programmes and other programme activities (excluding Emergency Fund)	178.0	171.4

⁶ Umbrella agreements are broader agreements reached jointly with one (or more) United Nations organization vis-a-vis bilateral or multilateral donors.

⁷ Other revenue includes indirect costs recovered during the year and deducted from other resources gross contribution revenue.

	Millions of United States dollars	
	<i>2019</i>	<i>2018</i>
Emergency fund	6.3	6.6
Global and regional interventions	38.4	34.4
Institutional budget expenses	166.6	162.5
Institutional budget	166.6	162.5
Corporate expenses	29.0	42.7
After-service health insurance and other post-employment benefits expenses charged to corporate resources	19.7	19.5
Other corporate expenses	9.3	23.2
Total expenses	418.3	417.6
Surplus for the year	45.6	39.7

38. As previously explained, the decrease in gross contribution revenue was mainly a result of the strengthening of the United States dollar against the main UNFPA contribution currencies, partially offset by increased contributions from two major donors. Annex 1, table 16, provides a summary of regular resource contributions in excess of \$1.0 million.

39. The increase in other revenue stems mainly from the increase in cost-recovery charges, investment revenue, and foreign currency exchange gains on monetary assets.

40. Total regular resources expenses in 2019 increased to \$418.3 million (2018: \$417.6 million), owing mainly to growth in the programme activities and institutional budget expenses, partially offset by a reduction in corporate costs.

41. Programme expenses increased by \$10.3 million, benefiting from the larger amount of funds carried forward from the previous year and made available for programming as at 1 January 2019 and the increase in other revenue generated in 2019.

42. Institutional budget expenses increased by \$4.1 million owing mainly to the doubling of the UNFPA contribution to the United Nations resident coordinator system and increased spending on information and communications technology transformation initiatives.

43. Corporate expenses decreased by \$13.7 million, owing mainly to favourable foreign currency exchange trends and associated gains on revaluation of monetary assets recognized in 2019 as part of other revenue, as compared to foreign currency exchange losses of \$10.8 million recognized in expenses in 2018.

44. 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 Strategic Plan, 2018-2021, country quadrants, implementation modality and the gender marker.

III. Other resources

45. Other resources comprise trust funds and special funds. Special funds include the junior professional officer programme, procurement services and other funds.

46. A summary of revenue, expenses and annual surplus for the other resources for 2019 and 2018 is presented in the table below.

Table 9: Revenue, expenses and surplus for the year – other resources

	Millions of United States dollars	
	<i>2019</i>	<i>2018</i>
Revenue		
Contributions - gross	996.7	876.8
Less: refunds to donors	(7.9)	(5.0)
Less: indirect costs ⁸	(52.9)	(47.5)
Less: allowance for doubtful contributions receivable	(5.6)	-
Other revenue	15.0	8.7
Total revenue	945.3	833.0
Expenses		
Programme expenses	711.1	660.0
Trust funds	763.4	707.2
Less: indirect costs	(52.3)	(47.2)
Corporate expenses	0.8	8.4
Special funds	1.4	8.7
Less: indirect costs	(0.6)	(0.3)
Total expenses	711.9	668.4
Surplus for the year	233.4	164.6

47. Total revenue for other resources in 2019 increased by \$112.3 million, or 13.5 per cent, to \$945.3 million (2018: \$833.0 million), mainly as a result of highly successful resource mobilization efforts.

48. Total expenses for 2019 also increased by \$43.5 million, or 6.5 per cent, amounting to \$711.9 million (2018: \$668.4 million). Annual revenue exceeded annual expenses, 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.⁹

49. The increase in programme expenses occurred primarily as a result of the scaling up of humanitarian response activities, including delivery of essential reproductive health and gender-based violence response and prevention services in red quadrant countries. The highest increase is associated with UNFPA operations in Yemen, where volume of programme expenses funded with other resources more than doubled in one year, increasing by \$36.1 million. Other countries with substantial increases included the Democratic Republic of the Congo (\$10.1 million), Bangladesh (\$6.6 million) and Somalia (\$4.6 million).

50. Annex 1, tables 4 through 11, delineate trust fund expenses by outcomes and outputs of the integrated results and resources framework of the Strategic Plan, 2018-2021, country quadrants, implementation modality and the gender marker.

IV. Cash and investments

51. At 31 December 2019, cash and investments held by UNFPA increased by \$286.1 million to \$1,438.1 million (2018: \$1,152.0 million), owing mainly to the excess of contributions collected over expenses paid. The increase was allocated primarily to investments maturing within one year, in order to benefit from more favourable yield rates.

52. Of the total investments, \$455.1 million are restricted in use (2018: \$404.7 million). Of this amount, \$84.7 million have been allocated to reserves (see above section C. Fund balances and

⁸ The same amount is included in 'other revenue' under regular resources.

⁹ A summary of UNFPA accounting policies is provided in note 2 to the UNFPA financial statements.

reserves); \$306.0 million have been set aside to fund employee benefits liabilities; \$33.7 million correspond to the principal amount of a private endowment trust; and \$30.7 million are held by UNFPA in its capacity as administrative agent for joint programmes.

53. 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 \$1,162.3 million as at 31 December 2019 (2018: \$914.0 million) and generated an average yield of 2.39 per cent throughout the year (2018: 2.0 per cent).

54. 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 the 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 \$195.0 million to this portfolio, the fair value of which reached \$248.4 million as at 31 December 2019 (2018: \$194.8 million), generating annual rates of return ranging between 18.65 per cent and 19.33 per cent in 2019 (2018: negative annual return rates of 3.27 per cent and 5.83 per cent). These gains are likely to be reversed in 2020, at least in part, owing to the high volatility in financial markets originated by the COVID-19 pandemic.

V. Other assets and liabilities

55. The total value of inventories of reproductive health commodities and other programme-related supplies held for distribution to beneficiaries or sale to third parties increased by \$19.4 million, to \$70.2 million, as at 31 December 2019 (2018: \$50.8 million). The increase was primarily a result of the 12.3 per cent increase in the volume of supplies purchased in 2019 and increased quantities of essential commodities held in stock by UNFPA field offices as part of humanitarian response operations.

56. Contributions receivable had a net increase of \$48.2 million, to \$384.5 million, at the end of 2019 (2018: \$336.3 million), most of it originating from the larger other resources contribution revenue recognized in 2019. The gross value of contributions receivable past due as at 31 December 2019 increased to \$13.1 million (2018: \$4.5 million). UNFPA carefully reviewed these receivables for collectability and created allowances worth \$6.5 million for all receivables whose collection was deemed as doubtful (2018: \$0.9 million).

57. Total operating fund advances outstanding at year-end decreased by \$0.7 million, to \$6.3 million, as at 31 December 2019 (2018: \$7.0 million), owing primarily to a \$0.6 million decrease in outstanding advances to other United Nations organizations for implementation of UNFPA activities.

58. Prepayments and other assets increased by \$6.2 million, to \$33.7 million, as at 31 December 2019 (2018: \$27.5 million), owing mainly to an increase in receivables for pre-financing programme activities (\$3.8 million) and an increase in accrued interest receivable (\$1.3 million).

59. Accounts payable and accruals increased by \$28.2 million, to \$142.1 million, as at 31 December 2019 (2018: \$113.9 million), owing mainly to increases in advances received from third party procurement clients, accounts payable, and funds held by UNFPA in its capacity as administrative agent for joint programmes of \$10.2 million, \$4.7 million and \$4.6 million, respectively.

60. Other liabilities and deferred revenue decreased by \$5.6 million, to \$22.4 million, as at 31 December 2019 (2018: \$28.0 million), owing mainly to the recognition in revenue of 2019 regular resource contributions collected in advance in 2018.

61. Employee benefits liabilities decreased by \$17.0 million, to \$370.3 million (2018: \$387.3 million), owing mainly to a \$45.6 million actuarial gain on post-employment benefits liabilities, partially offset by a \$31.6 million liability increase from the recognition of annual

service and interest costs. The actuarial gain resulted mainly from updated per capita health claims data used to measure after-service health insurance liabilities, partially offset by the actuarial loss from a decrease in the discount rate, to 3.61 per cent (2018: 4.62 per cent).

62. The unfunded portion of the total employee benefits liabilities decreased by \$66.1 million to \$64.3 million (2018: \$130.4 million), owing to the above-mentioned decrease of \$17.0 million in the total liabilities and the net increase of \$49.1 million in the liability funding. Cumulative resources set aside for funding the liabilities increased to \$306.0 million, covering 82.6 per cent of the total employee benefits liabilities as at 31 December 2019 (2018: (\$256.9 million, or 66.3 per cent). This high employee benefits liabilities funding ratio, attributable largely to the strong performance of the after-service health insurance investment portfolio in 2019, may not be maintained in 2020, owing to the high level of volatility in financial markets originated by the COVID-19 pandemic. UNFPA will remain vigilant in its efforts to ensure it has sufficient resources to meet its obligations towards existing and former staff.

VI. Conclusions

63. UNFPA closed 2019 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources. Notwithstanding the 2019 success in mobilizing other resources, the further decrease in regular resources, which remain the bedrock of UNFPA operations, both in absolute amounts and, in particular, as a share of total contribution revenue, remains a substantial challenge for UNFPA. Moreover, in 2020 and future years, UNFPA may not be able to generate an equivalent level of other resources contributions and other revenue owing to the impact of the COVID-19 pandemic. In the highly volatile environment originated by the COVID-19 pandemic, a predictable and timely inflow of regular resources contributions is critical to enable UNFPA to sustain its operations and deliver on its strategic objectives.
