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A. Introduction

1. The Executive Director presents in this report a summary of the financial situation of the United Nations Population Fund (UNFPA) for 1999.
2. Various income and expenditure items in table 1 have been reclassified or amended in accordance with recommendations by the United Nations Board of Auditors (A/53/217) as well as with Executive Board decision 97/6 on the harmonization of the budgets of UNDP, UNICEF and UNFPA. These changes reflect the current presentation of UNFPA financial statements for the year ended 31 December 1999.
3. For comparison purposes, financial information pertaining to 1998 is also included in the text and tables of this report. Tables 11, 12 and 13 highlight financial trends for the past 10 years.

B. Overview

4. Table 1 presents a comparison of income and expenditures for 1998 and 1999. Total income for the General Fund in 1999 amounted to \$254.2 million (\$249.9 million for regular resources and \$4.3 million for cost-sharing) and total expenditures amounted to \$279.6 million (\$276.2 million for regular resources and \$3.4 million for cost-sharing). This resulted in an excess of expenditure over income of \$25.4 million for the General Fund. Thus, after adjusting for excess expenditure in 1998 and the reduction in the level of the operational reserve of \$6.0 million, UNFPA was required to draw down from the operational reserve to finance a regular resource deficit of \$26.0 million. This deficit, along with a \$2.4 million balance of unexpended cost-sharing resources, comprises the negative \$23.6 million in unspent General Fund resources at the end of 1999.

C. Income

5. Total General Fund income for 1999 is \$254.2 million, a decrease of \$24.5 million (9 per cent) from the 1998 income level of \$278.7 million. Total contributions, including additions and adjustments to pledges during 1999, were \$249.5 million, a decrease of \$21.5 million in dollar terms from the previous year (1998: \$271.0 million). Table 3a includes a summary of donor pledges for 1999 as compared to 1998; table 3b includes donor pledges and payments for 1999. Of UNFPA's major donors (contributing US\$1 million and over), significant increases in contributions were pledged by Japan (11 per cent), United Kingdom (15 per cent), Sweden (12 per cent), Switzerland (10 per cent), Italy (120 per cent), Belgium (8 per cent), and France (17 per cent). In addition, Finland and the Netherlands made additional substantial year-end contributions to UNFPA. The cumulative outstanding balance of unpaid pledges for 1999 and prior years is \$1.5 million. Contributions for cost-sharing increased from \$3.6 million in 1998 to \$4.3 million in 1999 with the number of donors also increasing from 9 in 1998 to 10 in 1999 (table 3c).

6. Throughout 1999, UNFPA's cash holdings were maintained in relatively stable major currencies, such as the United States dollar. Interest income amounted to \$4.4 million (1998: \$5.9 million). UNFPA realized a net loss on exchange of \$1.9 million, as compared with a \$0.6 million net loss in 1998. In accordance with the recommendations of the Board of Auditors, net exchange losses and other miscellaneous expenditures are shown as other expenditure (table 1).

D. Programme expenditures

7. As shown in table 4, total project expenditures in 1999 were \$187.2 million (1998: \$216.6 million), a decrease of \$29.4 million (14 per cent). United Nations agencies (including the regional commissions) executed projects amounting to \$19.5 million (1998: \$19.9 million), constituting 10.4 per cent of total project expenditures in 1999. Table 4 also shows the percentage breakdown of project expenditures by United Nations executing agencies for 1998 and 1999. Governments, assisted by UNFPA country offices, executed projects amounting to \$59.7 million in 1999 (1998: \$62.5 million), accounting for 31.9 per cent of total project expenditures in 1999, an increase over the 1998 percentage of 28.9. UNFPA-executed projects totalled \$73.5 million in 1999 (1998: \$99.2 million), a decrease of 25.9 per cent from the previous year. Of this amount, \$16.0 million is in respect of procurement assistance undertaken on behalf of Governments, representing a 62.7 per cent decrease over 1998 (\$42.9 million). This decrease is mainly a consequence of the decline in UNFPA execution in 1999. Expenditures for projects executed by non-governmental organizations (NGOs) (which includes intergovernmental institutions and other agencies) totaled \$34.4 million in 1999, a decrease of 1.1 per cent from 1998 (\$35.0 million), constituting 18.4 per cent of project expenditures.

8. Table 5 shows 1999 expenditures by executing agency and by major expenditure component of the project budgets. It indicates that expenditure is more or less spread evenly across the major components of personnel services, 25.8 per cent; sub-contracts, 22.2 per cent; training, 23.0 per cent and equipment and supplies, 22.3 per cent (1998: 24.4 per cent, 17.3 per cent, 21.6 per cent and 29.9 per cent, respectively).

9. Table 6 provides a breakdown of costs, by executing agency, of technical support services (TSS) and administrative and operational services (AOS) for 1999, which totaled \$26.9 million (1998: \$31.4 million), or 9.8 per cent of total expenditure. TSS costs amounted to \$20.0 million; AOS, \$6.9 million.¹

10. Table 7 shows total project expenditures by country, region and country category for 1998 and 1999.

¹ Total AOS costs comprise three elements: (a) reimbursements to United Nations executing agencies for support costs - \$1.3 million; (b) payment of overhead charges to non-governmental organizations (NGOs) executing UNFPA-financed projects - \$1.8 million; and (c) reimbursements to UNFPA for support costs (\$0.8 million) and procurement services (\$3.0 million) provided to government-executed projects - \$3.8 million.

11. Programme expenditures, including TSS and AOS, in 1999 (\$214.1 million), constituted 76.6 per cent of total expenditure (1998: \$246.7 million, or 81.6 per cent of total expenditures).

E. Biennial support budget (BSB) expenditures

12. The total net BSB expenditures in 1999 amounted to \$63.6 million (1998: \$54.8 million). Of this amount, management and administration costs totaled \$17.4 million or 6.2 per cent of total expenditures. Programme support costs amounted to \$46.3 million; \$34.3 million (1998: \$31.2 million) was incurred by country offices and \$12.0 million at headquarters (1998: \$12.5 million).² Income to the BSB totaled \$5.9 million,³ reflecting the changes agreed to in the budget harmonization process. Tables 12 and 13 show the historical distribution of the support budget between headquarters and country offices, and between management and administration and programme support costs, respectively. An analysis of the 1999 BSB expenditure by component is contained in table 8.

F. Status of reserves

13. Operational reserve. At its thirty-eighth session in decision 91/36, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of regular resources income for each year of the UNFPA work plan and that the level of the reserve would be reviewed every other year. In accordance with this decision, the operational reserve was reduced from \$56 million in 1998 to \$50 million in 1999. However, due to the income shortfall in 1999, UNFPA drew down from the reserve by \$26.0 million, leaving a balance of \$24.0 million at year end. UNFPA will restore the operational reserve to its authorized level of \$50.0 million in 2000 as soon as possible. The drawdown was caused mainly by UNFPA not receiving the income expected for 1999, and information on actual income became available only rather late in the year. Budgets and expenditure ceilings that had been set on income projections were revised downwards a number of times as it became gradually clear, later in the year, that the expected resources would not materialize. While UNFPA made major efforts throughout the year to slow down expenditures to match the income, this was not achieved to the extent needed due to the very strong programme momentum in countries. At the same time, despite several donors maintaining or even increasing their contributions to UNFPA in terms of national currencies, fluctuations in exchange rates resulted in decreases in contributions in terms of the United States dollar.

14. Field office accommodation reserve. A reserve for field office accommodation amounting to \$5 million was approved by the Governing Council for 1992-1993 (decision 91/36,

² Starting with the 1998-1999 biennium, the budget follows the format and guidelines approved by the Executive Board in decision 97/6 on the harmonization of the budgets of UNDP, UNICEF and UNFPA.

³ These income credits are comprised of: UNFPA support costs (\$3.0 million); fees for procurement services (\$0.8 million) provided to government-executed projects; support costs charged to projects executed under trust fund arrangements (\$1.2 million); and net income from reimbursable procurement services (\$0.9 million).

para. 17). An amount of \$1 million was utilized in 1994 towards the cost of construction of common premises for organizations of the United Nations in Cape Verde, Guinea-Bissau, Maldives and Sao Tome and Principe. In 1998, \$96,000 was reimbursed to UNDP as a partial settlement of construction costs in Maldives. UNFPA will, as outlined in paragraphs 35 and 36 of document DP/FPA/1999/11, and as noted by the Executive Board in decision 99/21, paragraph 5, utilize this reserve to cover its share of costs associated with the United Nations House programme in the current biennium.

G. Liquidity position

15. As at 31 December 1999, UNFPA held cash and investments amounting to \$125.6 million, which included \$27.9 million in investments of the reserves (1998: \$53.4 million) and \$80.4 million in investments for trust funds (1998: \$62.3 million) (table 2). While UNFPA has established a cash forecasting and management system that has enabled the Fund to predict and minimize drawdowns from the operational reserve, due to increased rates of programme implementation and lower-than-expected levels of contributions, UNFPA drew down from the operational reserve in 1999. As a result of the decline in available resources and the pattern in the timing of the receipt of contributions, it is likely that, in 2000, the reserve will again be utilized to temporarily finance ongoing activities.

H. UNFPA trust funds

16. Table 9 shows that in 1999 total income from donors and other sources for projects financed through trust funds, including those funded through multi-bilateral sources, and from procurement services was \$71.4 million (1998: \$58.2 million). Total expenditures from trust funds were \$61.6 million (1998: \$52.1 million). Transfers and adjustments to trust fund resources, including refunds to donors, was a negative \$1.2 million (1998: negative \$0.8 million).

17. As at 1 January 1999, the unexpended balance of trust funds was \$53.1 million, which, when added to total net income of \$71.4 million, including transfers and adjustments, resulted in a total amount available for programming in 1999 of \$124.5 million. The unexpended balance as at 31 December 1999 of \$62.9 million is available to finance trust fund activities in 2000 (table 1). Table 10 shows programme expenditures from trust funds by country for 1998 and 1999. These figures include project costs and support costs paid by trust funds.

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