



**Executive Board of the
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UNFPA

UNITED NATIONS POPULATION FUND

Annual Financial Review, 2003

Summary

From 2002 to 2003, total income to UNFPA increased by \$24.7 million or 6.6 per cent. This increase derives for the most part from a \$38.4 million or 15.4 per cent growth in contributions to regular resources, which continues the trend of the last five years. In the last biennium, this trend was maintained despite the temporary loss of a significant donor and is attributable to favourable exchange rates combined with the continued and strengthened support of other donors. However, despite the encouraging trend, annual contributions to regular resources have not yet matched contributions received immediately following the 1994 International Conference on Population and Development (ICPD). With respect to its funding base, UNFPA aims to continue to increase and to achieve stability and predictability in contributions to regular resources, thereby facilitating its pursuit of the goals of the ICPD Programme of Action and the Millennium Development Goals.

Income to other resources decreased by \$5.9 million or 5.4 per cent from 2002 to 2003, continuing a trend evidenced in recent years.

Total expenditure decreased by \$30.1 million or 7.3 per cent to \$380.0 million in 2003. Despite significant increases in payroll, security, and country office typology-related costs, expenditure in respect of the biennial support budget was contained within the Executive Board approved appropriation. Programme and other expenditure, specifically on the Enterprise Resource Planning system and termination payments, was managed prudently.

The balance of unexpended regular resources carried forward from 2003 to 2004 totalled \$20.0 million, representing 5 per cent of income for the year. Statutory reserves, operational and field accommodation, were replenished. The net decrease in the reserves and fund balances of other resources provides indication that UNFPA programme absorptive capacity is improving.

UNFPA closed the year and the biennium in robust financial health.

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Introduction

1. The annual financial review, 2003, provides summary information on UNFPA income and expenditure for the year and on assets, liabilities, and fund balances at 31 December 2003. This information is provided for activities funded by both regular and other resources.

2. The statements "Income and expenditures and fund balances for the year ended 31 December 2003" are provided in Table 1 for regular, other, and total resources and Table 2 for other resources by category. The statement "Assets, liabilities and fund balances at 31 December 2003" is provided in Table 3 for regular, other, and total resources.¹

I. TOTAL RESOURCES

A. Income

3. Total income to UNFPA in 2003 was \$397.9 million (in 2002 it was \$373.2 million), comprising contribution income of \$392.1 million (in 2002 it was \$359.6 million), interest income of \$4.6 million (in 2002 it was \$9.3 million) and other income of \$1.2 million (in 2002 it was \$4.3 million).

4. Total contribution income for the last five years can be summarized as follows:

	2003	2002	2001	2000	1999
	\$m	\$m	\$m	\$m	\$m
Regular resources	288.5	250.1	258.3	256.6	245.1
Other resources	103.6	109.5	123.5	143.1	72.2
Total	392.1	359.6	381.8	399.7	317.3
Other resources as percentage of total resources	26.4%	30.5%	32.3%	35.8%	22.8%

5. Contributions to regular resources have for the most part increased steadily in the last five years.

B. Expenditure

6. Total expenditure in 2003 was \$380 million (in 2002 it was \$410.1 million).

7. Total expenditure for the last five years can be summarized as follows:

	2003	2002	2001	2000	1999
	\$m	\$m	\$m	\$m	\$m
Programme expenditure	303.6	343.3	317.6	216.0	271.6
Programme activities	283.0	319.5	293.7	192.3	
Technical Advisory Programme	13.9	17.5	17.8	17.6	
Programme support services	6.7	6.3	6.1	6.1	
Net biennial support budget	67.5	65.4	57.1	56.4	65.2
Other	8.9	1.4	3.0	5.1	2.2
Total expenditure	380.0	410.1	377.7	277.5	339.0

¹ Figures may not add up to the totals due to rounding.

8. Programme activities expenditure for the last two years can be summarized by region as follows:

	2003		2002	
	\$m	%	\$m	%
Sub-Saharan Africa	92.7	32.7	95.0	29.7
Asia and the Pacific	81.7	28.9	84.8	26.6
Arab States and Europe	27.7	9.8	29.2	9.1
Latin America and the Caribbean	31.6	11.2	47.6	14.9
Interregional	36.6	12.9	56.2	17.6
Other trust funds / Procurement services / Junior Professional Officers programme	12.7	4.5	6.7	2.1
Total programme activities expenditure	283.0	100.0	319.5	100.0

9. Programme activities expenditure for the last two years can be summarized by UNFPA country category as follows:

Country Category	2003		2002	
	\$m	%	\$m	%
A Countries in most need of assistance to realize ICPD goals	142.4	50.3	147.2	46.1
B Countries which have made considerable progress towards achieving ICPD goals	47.7	16.9	60.9	19.1
C Countries that have demonstrated significant progress in achieving ICPD goals	14.4	5.1	19.1	6.0
T Countries with economies in transition	8.5	3.0	9.3	2.9
O Other countries	1.5	0.5	2.0	0.6
Total country projects	214.5	75.8	238.5	74.7
Regional projects	19.2	6.8	18.0	5.6
Interregional projects	36.6	12.9	56.3	17.6
Other trust funds / Procurement services / Junior Professional Officers programme	12.7	4.5	6.7	2.1
Total programme activities expenditure	283.0	100.0	319.5	100.0

C. Fund balances and reserves

10. Reserves and fund balances at 31 December 2003 totalled \$191.4 million (in 2002 it was \$184.6 million).

11. Reserves and fund balances for the last five years can be summarized as follows:

	2003	2002	2001	2000	1999
	\$m	\$m	\$m	\$m	\$m
Programmable fund balances	128.7	129.6	177.5	164.7	64.2
Operational reserve	57.7	50.0	51.7	52.0	24.0
Reserve for field accommodation	5.0	5.0	5.0	5.0	5.0
Total	191.4	184.6	234.2	221.7	93.2

II. REGULAR RESOURCES

A. Income

12. Contribution income for the year was \$288.5 million (in 2002 it was \$250.1 million). The increase by \$38.4 million or 15.4 per cent is due to primarily the continuing decline in the value of the US dollar throughout the year.

13. At 31 December 2003, a provision of \$0.1 million (in 2002 it was \$0.7 million) was made in respect of contributions receivable for which collection is considered doubtful.

14. Low interest rates combined with a lower cash and investment balance throughout the period gave rise to interest income for the year of \$2.6 million (in 2002 it was \$5.8 million). Other income totalled \$1.2 million for the year (in 2002 it was \$4.3 million).

15. Table 4 provides a summary of contributions in excess of \$1.0 million.

B. Programme expenditure

16. Actual programme expenditure for the year, which includes the direct costs of programme activities, expenditures in respect of the Technical Advisory Programme (TAP), and the cost of support services incurred by UNFPA and other executing agencies, totalled \$195.3 million (in 2002 it was \$226.2 million).

17. Table 5 and Figure 2 provide further analysis of programme activities by recipient country and region.

18. The difference in programme expenditures for 2002 and 2003 was influenced by the difference between the amount of resources carried forward from 2001 to 2002 (\$39.9 million) and from 2002 to 2003 (\$6.6 million). In addition, there were one-time costs in 2003 related to operations, thereby further reducing the amounts available for the programme.

19. Programme activities expenditure by executing agency can be summarized as follows:

	2003		2002	
	\$m	%	\$m	%
UNFPA	87.8	49.8	98.0	48.1
Governments	56.2	31.9	69.1	34.0
Intergovernmental institutions and NGOs	26.5	15.0	28.6	14.0
United Nations agencies	5.9	3.3	7.9	3.9
Total programme activities expenditure	176.4	100	203.6	100

C. Biennial support budget

20. The revised gross and net BSB appropriations for the biennium ended 31 December 2003 were \$155.2 million and \$135.1 million, respectively.

21. Actual BSB activity for the year can be summarized as follows:

	<u>2003</u>	<u>2002</u>
	\$m	\$m
Gross BSB expenditures	76.9	73.7
Credits to BSB	(9.4)	(8.3)
Net BSB expenditures	<u>67.5</u>	<u>65.4</u>
Total expenditure	270.8	292.9
Net BSB as percentage of total expenditure	<u>24.9%</u>	<u>22.3%</u>

22. The increase in the ratio of the net BSB to total expenditures is attributable both to the decrease in programme expenditure and a moderate increase in net BSB expenditures.

23. Actual BSB expenditures can be summarized as follows:

	<u>2003</u>	<u>2002</u>
	\$m	\$m
Posts	55.0	51.3
Other staff costs	0.6	0.6
Consultants	0.9	0.4
Travel	1.0	1.2
Operating expenses	13.9	13.9
Furniture and equipment	1.9	1.0
Reimbursement to United Nations agencies	3.6	5.3
Gross total	<u>76.9</u>	<u>73.7</u>
Credits to BSB	(9.4)	(8.3)
Net BSB expenditures	<u>67.5</u>	<u>65.4</u>

24. Net BSB appropriations were 98.4 per cent utilized for the biennium ended 31 December 2003. The unencumbered balance of net appropriations at 31 December 2003 was \$2.3 million.

D. Implementation of the Enterprise Resource Planning system

25. The financial plan for the ERP system totalled \$10.0 million for the biennium ended 31 December 2003. Expenditures of \$6.0 million were incurred in the year ending 31 December 2003 (in 2002 it was nil). Implementation was ongoing at 31 December 2003.

26. Once fully implemented, the ERP system will allow the integration of currently disparate financial systems, provide budget formulation/forecasting capabilities both for programme purposes and for the BSB in all locations, provide tools for human resources management functions at international and

local levels for all types of staffing, and support procurement activities and results-based management, including key performance management functions.

E. Termination payments

27. Planned expenditures in respect of termination payments to the incumbents of posts not included in the country office typology, totalled \$2.0 million. Expenditures of \$1.8 million were incurred in the year ended 31 December 2003 (in 2002 it was nil).

F. Fund balances and reserves

28. The balance of programmable funds at 1 January 2003 was \$6.6 million (in 2002 it was \$39.9 million). The net excess of income over expenditure for the year was \$21.7 million (in 2002 total expenditure exceeded income by \$33.9 million) and, together with other reserve movements, increased the balance of programmable funds to \$20.0 million at 31 December 2003, compared to \$6.6 million in 2002.

29. At 31 December 2003, the operational reserve was increased to \$57.7 million (in 2002 it was \$50.0 million).

III. OTHER RESOURCES

A. Income

30. Total income to other resources during the year was \$105.6 million (in 2002 it was \$113.0 million) comprising contributions of \$103.6 million (in 2002 it was \$109.5 million) and other income including interest of \$2.0 million (in 2002 it was \$3.5 million).

31. Contribution income to other resources can be summarized as follows:

	2003		2002	
	\$m	%	\$m	%
Cost-sharing	27.8	26.8	43.9	40.1
Trust funds				
Co-financing	62.1	60.0	56.8	51.9
Other	0.0	0.0	0.0	0.0
Procurement services	13.0	12.5	8.5	7.7
	75.1	72.5	65.3	59.6
Junior Professional Officers programme	0.7	0.7	0.3	0.3
Total	103.6	100.0	109.5	100.0

B. Expenditure

32. Programme activities expenditure funded by other resources can be summarized as follows:

	2003		2002	
	\$m	%	\$m	%
Cost-sharing	26.5	24.9	31.7	27.4
Trust funds				
Co-financing	51.3	48.1	75.7	65.3
Other	1.1	1.0	1.3	1.1
Procurement services	26.9	25.2	7.0	6.0
	79.3	74.3	84.0	72.4
Junior Professional Officers programme	0.8	0.8	0.2	0.2
Total	106.6	100.0	115.9	100.0

C. Fund balances

33. The deficit of income over expenditure for the year of \$3.6 million (in 2002 it was \$4.1 million), together with refunds to donors of \$4.1 million (in 2002 it was \$7.2 million) and a net transfer to regular resources of \$6.6 million (in 2002 it was \$3.4 million), resulted in a decrease in other resources fund balances from \$123.0 million in 2002 to \$108.7 million in 2003.

IV. CASH AND INVESTMENTS

34. At 31 December 2003, investments held by UNFPA totalled \$109.3 million under regular resources, compared to \$138.9 million in 2002, and \$135.1 million under other resources, compared to \$169.2 million in 2002. Cash held under regular resources totalled \$9.3 million (in 2002 it was \$3.7 million). The market value of investments held at 31 December 2003 was \$244.7 million.

V. RECOMMENDATIONS

35. The Executive Board may wish to: (a) take note of the present report (DP/FPA/2004/15); (b) recognize the significance of increasing and achieving stability and predictability in contributions to regular resources; and (c) recognize that timeliness in the payment of contributions is essential to maintaining liquidity and facilitating continuous programme implementation.

ANNEX

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