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Nations Office for Project Services**

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UNFPA – Annual report of the Executive Director

**United Nations Population Fund
Statistical and financial review, 2020
Report of the Executive Director**

Summary

This review summarizes the financial performance of UNFPA in 2020 and its financial position as at 31 December 2020. Figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit.

Despite a strong resource mobilization performance, which allowed UNFPA to mitigate the financial impact of the COVID-19 pandemic and mobilize resources above \$1 billion for the fourth year in a row, total gross contributions decreased by 7.5 per cent in 2020 to \$1,267.7 million (2019: \$1,370.2 million).

Contributions to regular resources increased by 11.6 per cent in 2020, reaching \$416.8 million (2019: \$373.5 million), its highest level since 2014. Gross contributions to other resources decreased by 14.6 per cent to \$850.9 million (2019: \$996.7 million), with the decrease affecting most funding sources apart from contributions received through United Nations pooled funds and inter-agency transfers, which remained the top sources for other resources for the third year in a row.

Expenses for 2020 increased by 8.7 per cent to \$1,228.1 million in 2020 (2019: \$1,130.2 million), mainly as a direct result of the implementation of programme activities designed to maintain access to life-saving sexual and reproductive health services disrupted by the COVID-19 pandemic and to address gender-based violence, especially in countries with the highest need and lowest ability to finance their interventions.

UNFPA reserves and fund balances as at 31 December 2020 amounted to \$1,520.1 million (2019: \$1,432.8 million). The regular resources programmable fund balance increased to \$161.3 million as at 31 December 2020 (2019: \$105.8 million), mainly as a result of additional regular resources contributions received in the final part of the year, prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years, and challenges to planned programme and operations delivery caused by the pandemic. Other resources fund balances increased to \$1,214.0 million as at 31 December 2020 (2019: \$1,204.7 million), including contributions of \$416.9 million not yet collected and thus not available for spending (2019: \$384.3 million).

While UNFPA closed 2020 with a very positive resource mobilization performance and in good financial health, the outlook for 2021 and beyond remains difficult to predict due to the potential impact of the COVID-19 pandemic on available development and humanitarian resources and donor country priorities. In this context, timely inflows of predictable contribution revenue, especially from regular resources, 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 2020 and its financial position as at 31 December 2020. 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, as a result of rounding, may not add up to the totals.
2. The statement of financial performance for the year ended 31 December 2020 is provided in annex 1, table 1, for regular, other and total resources. The statement of financial position as at 31 December 2020 is provided in annex 1, table 2. The statement of changes in net assets for the year ended 31 December 2020 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 and allowances for doubtful contributions receivable.

II. Total resources

A. Revenue

5. Despite a strong resource mobilization performance, which allowed UNFPA to mitigate the financial impact of the COVID-19 pandemic and mobilize resources above \$1 billion for the fourth year in a row, total gross contributions decreased by 7.5 per cent in 2020 to \$1,267.7 million (2019: \$1,370.2 million).
6. A summary of gross contribution revenue for the last five years is provided in Table 1 below.

Table 1
Gross contribution revenue for 2016-2020

| | Millions of United States dollars | | | | |
|---|-----------------------------------|----------------|----------------|----------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Regular resources | 416.8 | 373.5 | 378.8 | 349.9 | 352.8 |
| Other resources - gross | 850.9 | 996.7 | 876.8 | 717.6 | 485.8 |
| Total gross contributions | 1,267.7 | 1,370.2 | 1,255.6 | 1,067.5 | 838.6 |
| Other resources, as percentage of total contributions | 67.1% | 72.7% | 69.8% | 67.2% | 57.9% |

7. Regular resources contribution revenue increased by 11.6 per cent to \$416.8 million (2019: \$373.5 million), reaching its highest level since 2014. This positive trend was a result of the increased support from several Member States, partially offset by the effect of adverse exchange rates over the contributions of two key donors. The share of regular resources as a percentage of total gross contribution revenue increased to 32.9 per cent in 2020, above the Funding Compact target of 30.0 per cent.²
8. More than 80 per cent of regular resources contributions pledged at the start of the year were collected by the end of May 2020, providing increased flexibility for COVID-19 response activities and for managing the heightened foreign exchange risk faced in the first months of 2020,

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

² [A/74/73/Add.1](#)

preventing further losses that could have affected the amount of regular resources available for programming.

9. Gross other resources contribution revenue decreased by 14.6 per cent to \$850.9 million (2019: \$996.7 million), mainly because of the financial impact of the COVID-19 pandemic on donor and programme countries and changing funding priorities. Despite this decrease, the amount of gross other resources contributions surpassed the UNFPA Strategic Plan, 2018-2021 target of \$650.0 million by 30.9 per cent.

10. Despite the higher share of regular resources as a percentage of total gross contribution in 2020, other resources contributions remain the most significant component of UNFPA revenue, a considerable difference from less than ten years ago, when they represented less than half of total contributions. While UNFPA remains grateful for all types of financial support, it would like to further stress the importance of timely inflows of predictable contribution revenue, especially from regular resources, for reducing fragmentation in programme planning and transaction costs and sustaining UNFPA operations and the achievement of its strategic objectives.

11. In early 2021, a major donor informed UNFPA of likely reductions in future regular and other resources contributions. At this time, UNFPA is not in the position to reliably estimate the impact of this funding reduction. UNFPA will continue monitoring the situation in 2021 and will adjust its revenue projections once more information becomes available. The impact of this situation will be partially mitigated by the resumption in funding from another Member State that had not contributed any resources to UNFPA since 2017.

12. Other revenue increased by 7.7 per cent in 2020 to \$113.5 million (2019: \$105.4 million), mostly due to a \$15.3 million increase in foreign currency exchange gains on contributions receivable and a \$5.6 million increase in cost-recovery charges, partially reduced by a \$7.4 million decrease in revenue generated by the working capital investment portfolio.

B. Expenses

13. Total expenses increased by 8.7 per cent in 2020 to \$1,228.1 million (2019: \$1,130.2 million), as summarized in Table 2 below.

Table 2
Total expenses

| | Millions of United States dollars | | Percentage | |
|--|-----------------------------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Programme and institutional budget | 1,205.7 | 1,100.4 | 98.2 | 97.4 |
| Country programmes, global and regional interventions (GRI) and other programme activities | 1,028.0 | 933.8 | 83.7 | 82.6 |
| Institutional budget - gross | 177.7 | 166.6 | 14.5 | 14.8 |
| Corporate | 22.4 | 29.8 | 1.8 | 2.6 |
| Corporate | 22.4 | 29.8 | 1.8 | 2.6 |
| Total expenses | 1,228.1 | 1,130.2 | 100.0 | 100.0 |

14. Expenses from the 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 Table 3 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 | |
|---|-----------------------------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Development outcomes | 1,020.2 | 919.4 | 84.6 | 83.6 |
| <i>Outcome 1: Every woman, adolescent and youth has utilized integrated sexual and reproductive health services and exercised reproductive rights</i> | 621.4 | 559.7 | 51.5 | 50.9 |
| <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> | 82.9 | 82.9 | 6.9 | 7.5 |
| <i>Outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced</i> | 239.9 | 190.0 | 19.9 | 17.3 |
| <i>Outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development</i> | 76.0 | 86.8 | 6.3 | 7.9 |
| Organizational effectiveness and efficiency (OEE) outputs | 185.5 | 181.0 | 15.4 | 16.4 |
| OEE1 - Improved programming for results | 44.2 | 45.3 | 3.7 | 4.1 |
| OEE2 - Optimized management of resources | 110.5 | 102.2 | 9.2 | 9.3 |
| OEE3 – United Nations coordination and coherence | 4.9 | 5.3 | 0.4 | 0.5 |
| OEE4 - Communication, resources mobilization and partnerships | 25.9 | 28.2 | 2.1 | 2.5 |
| Total expenses | 1,205.7 | 1,100.4 | 100.0 | 100.0 |

15. Expense trends for most outcomes and outputs were impacted in 2020 by UNFPA proactive response to the COVID-19 pandemic, which involved reprogramming interventions, repurposing available regular and flexible other resources, and mobilizing additional funding for COVID-19 related activities.

16. The increase in expenses for outcomes one and three, of \$61.7 million and \$49.9 million, respectively, are a result of UNFPA focus on maintaining the provision of sexual and reproductive health services, protecting health workers, and mitigating the negative impact of the pandemic on women and girls, considering their increased vulnerability including to incidents of gender-based violence. The \$10.8 million decrease in expenses for outcome four is mostly attributable to the postponement of previously scheduled large-scale population data projects, such as national population and housing censuses, due to the COVID-19 pandemic.

17. 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 | |
|--|-----------------------------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| East and Southern Africa | 224.1 | 217.2 | 18.6 | 19.8 |
| West and Central Africa | 191.3 | 173.3 | 15.9 | 15.7 |
| Arab States | 231.9 | 211.6 | 19.2 | 19.2 |
| Asia and the Pacific | 167.6 | 153.0 | 13.9 | 13.9 |
| Latin America and the Caribbean | 76.6 | 71.6 | 6.4 | 6.5 |
| Eastern Europe and Central Asia | 70.5 | 57.3 | 5.8 | 5.2 |
| Global activities | 243.7 | 216.4 | 20.2 | 19.7 |
| Total programmes and institutional budget | 1,205.7 | 1,100.4 | 100.0 | 100.0 |

18. UNFPA remains committed to directing maximum resources towards supporting its field office operations. In 2020, \$962.0 million, or 79.8 per cent, of the total programme and institutional budget expenses were incurred in the field (2019: \$884.0 million, or 80.3 per cent). Also, the UNFPA Supplies programme³ delivered reproductive health commodities worth \$107.9 million (9.0 per cent of the total programme and institutional budget expenses) to 46 priority countries with the highest needs in this area (2019: \$82.7 million, or 7.5 per cent).

19. All regions showed higher expenses in 2020 compared to 2019. The Arab States and the West and Central Africa regions had the largest increases of \$20.3 million and \$18.0 million, respectively. Expenses in the Arab States region increased mostly due to scaled-up programme activities in Yemen and Sudan, including the provision of emergency obstetric and newborn care services and running safe spaces in the conflict-affected areas of Yemen, and increased deliveries of programme supplies to health facilities in Sudan. The increase in expenses in the West and Central Africa region is mostly due to the expansion of activities for the prevention and care of gender-based violence in Mali and the delivery of equipment for the population and housing census in Côte d'Ivoire.

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.⁴ Total programme and institutional budget expenses for 2020 by quadrant are summarized in Table 5 below.

Table 5
Programme and institutional budget expenses by quadrant

| | Millions of United States dollars | | Percentage | |
|---|-----------------------------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Country expenses | 903.8 | 824.4 | 75.0 | 74.9 |
| Red | 584.3 | 536.2 | 48.5 | 48.7 |
| Orange | 97.0 | 94.9 | 8.0 | 8.6 |
| Yellow | 80.2 | 71.2 | 6.7 | 6.5 |
| Pink | 142.3 | 122.1 | 11.8 | 11.1 |
| Global and regional interventions | 37.7 | 38.4 | 3.1 | 3.5 |
| Regional | 20.7 | 21.3 | 1.7 | 1.9 |
| Global | 17.0 | 17.1 | 1.4 | 1.6 |
| Other regional and global expenses⁵ | 264.2 | 237.6 | 21.9 | 21.6 |
| Other regional | 37.5 | 38.3 | 3.1 | 3.5 |
| Other global | 226.7 | 199.3 | 18.8 | 18.1 |
| Total programmes and institutional budget | 1,205.7 | 1,100.4 | 100.0 | 100.0 |

21. Expenses in all country quadrants increased in 2020 compared to 2019, with the highest increase of \$48.1 million occurring in red quadrant countries – i.e., those with the highest need and lowest ability to pay – demonstrating UNFPA commitment to direct resources where they are needed the most. Pink quadrant countries had the second-largest increase of \$20.2 million in 2020, with Turkey and Lebanon having the largest increases, mainly through increased deliveries of dignity and well-being items, personal protective equipment, and other programme supplies including as part of the Syrian Arab Republic's cross-border operations.

³ 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 'Global activities' in Table 4 and as 'Other global' in Table 5.

⁴ 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.

⁵ 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.

22. Programme expenses funded from regular resources in 59 countries/territories classified as either 'least developed' or 'landlocked developing countries' amounted to \$111.3 million (46.9 per cent of total programme expenses funded from regular resources) in 2020, a similar level in the relative terms as in 2019 (\$104.7 million, or 47.0 per cent, of programme expenses funded with regular resources).

23. Programme expenses funded from regular resources in 'small island developing States' amounted to \$13.1 million in 2020, slightly less than the \$13.7 million spent in 2019. However, programme expenses funded from other resources in this group of countries increased significantly in 2020, to \$23.6 million (2019: \$16.7 million).

24. The response to the COVID-19 pandemic contributed to a significant increase in UNFPA humanitarian portfolio. In 2020, \$406.9 million, or 39.6 per cent, of total programme expenses corresponded to humanitarian interventions. Of this amount, \$199.5 million and \$137.3 million (49.0 per cent and 33.7 per cent respectively) were incurred for the provision of integrated sexual and reproductive health services and information, and for preventing and addressing gender-based violence.

25. UNFPA continues prioritizing gender equality and empowerment of women and girls in its programme activities. In 2020, \$705.0 million, or 68.6 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 (2019: \$634.9 million, or 68.0 per cent).

26. 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 2020, in both relative and absolute terms, to \$385.4 million, or 37.5 per cent (2019: \$348.2 million, or 37.3 per cent). Activities implemented through other United Nations organizations also increased in 2020 to \$10.1 million (2019: \$6.3 million). This increased level of partner implementation was allowed by a proactive reprogramming of funds to enable a more effective delivery in the COVID-19 pandemic context, and by flexibilities built into the processes followed to manage workplans and provide funding to implementing partners.

27. UNFPA was able to respond to the challenges created by the COVID-19 pandemic in an agile and proactive manner, reprogramming resources as required; leveraging opportunities for innovation and efficiency, such as the deployment of applications to support remote working arrangements; and incorporating flexibility into key policy areas. The additional workload created by the COVID-19 response and by reform initiatives, including the collection and management of the coordination levy under the agency-administered option, were managed within the existing administrative resources through the adaptation of the related business processes. Additional details are provided in the progress report on the implementation of the UNFPA Strategic Plan, 2018-2021.

28. 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 2020 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.

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

Table 6
Total expenses by nature

| | Millions of United States dollars | | Percentage | |
|--|-----------------------------------|----------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Staff costs | 320.7 | 303.7 | 26.1 | 26.8 |
| Reproductive health and other programme supplies | 261.4 | 174.7 | 21.3 | 15.5 |
| Contracted and professional services | 269.9 | 247.6 | 22.0 | 21.9 |
| Development and training of counterparts | 108.3 | 127.4 | 8.8 | 11.3 |
| Supplies, materials and operating costs | 220.7 | 196.6 | 18.0 | 17.4 |
| Travel | 30.0 | 64.7 | 2.4 | 5.7 |
| Other general expenses ⁶ | 17.1 | 15.5 | 1.4 | 1.4 |
| Total | 1,228.1 | 1,130.2 | 100.0 | 100.0 |

30. Delivery of programme supplies played a central role in UNFPA programmatic response to the COVID-19 pandemic. In 2020, expenses for reproductive health and other programme supplies, procured by UNFPA or its implementing partners for their subsequent distribution down to the “last mile” (i.e., the facilities and other points where beneficiaries can access them), increased by 49.6 per cent to \$261.4 million (2019: \$174.7 million). Of this amount, \$22.1 million corresponded to personal protective equipment.

31. Supplies, materials and operating costs, and contracted and professional services increased by 12.3 per cent and 9.0 per cent, to \$220.7 million and \$269.9 million, respectively (2019: \$196.6 million and \$247.6 million), mainly due to increased expenses for information and communication technology equipment and services, logistics costs, and contracting of personnel by implementing partners for the provision of sexual and reproductive health, and gender-based violence prevention and care services. Development and training of counterparts and travel expenses decreased by 15.0 per cent and 53.6 per cent to \$108.3 million and \$30.0 million, respectively (2019: \$127.4 million and \$64.7 million) due to COVID-19 related restrictions on movement and in-person events; the saving achieved in these categories were reprogrammed in support of service delivery activities, as explained above.

C. Fund balances and reserves

32. Reserves and fund balances as at 31 December 2020 increased by 6.1 per cent to \$1,520.1 million (2019: \$1,432.8 million). Details are provided in Table 7 below.

Table 7
Reserves and fund balances

| | Millions of United States dollars | |
|--|-----------------------------------|----------------|
| | 2020 | 2019 |
| Operational reserve | 83.2 | 74.2 |
| Humanitarian response reserve | 5.5 | 5.5 |
| Reserve for field accommodation | 5.0 | 5.0 |
| Designated regular resources fund balances | 73.2 | 70.1 |
| Undesignated regular and other resources fund balances | | |
| Regular resources | 139.2 | 73.3 |
| Other resources | 1,214.0 | 1,204.7 |
| Total | 1,520.1 | 1,432.8 |

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

33. The operational reserve, set at 20.0 per cent of the annual regular resources contribution revenue, increased by 12.1 per cent to \$83.2 million as at 31 December 2020 (2019: \$74.2 million) on account of the higher regular resources contribution revenue in 2020.

34. The humanitarian response reserve,⁷ which operates as a revolving fund, was retained at the same level of \$5.5 million as in 2019. Throughout 2020, it was used to provide prefinancing of humanitarian activities for a total amount of \$9.8 million. The reserve for field accommodation was replenished to the \$5.0 million levels approved by the Executive Board.

35. Designated regular resources fund balances⁸ increased by 4.4 per cent to \$73.2 million (2019: \$70.1 million), owing primarily to a \$7.5 million increase in cost recoveries above the budget set aside to a separate fund, partially offset by drawdown from procurement services funds of \$3.0 million and net excess of expenses over revenues in the private endowment fund of \$1.1 million.

36. Undesignated regular resources increased by 89.9 per cent to \$139.2 million (2019: \$73.3 million) due to the combined effect of the \$77.1 million annual surplus and \$23.7 million after-service health insurance investment portfolio unrealized gain, partially offset by actuarial losses on post-employment benefits liabilities of \$25.2 million (due to the decrease in the discount rates used to estimate the liabilities) and \$9.7 million transferred to increase or replenish reserves.

37. Total funds available for programming as at 1 January 2021 increased by 52.5 per cent to \$161.3 million (2020: \$105.8 million), mainly as a result of additional regular resources received in the final part of the year and prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years, as well as overall challenges to planned programme and operations delivery caused by the pandemic. Annex 1, Table 17 provides further details on the programmable fund balance amount. As part of risk-mitigating measures against unfavourable revenue trends due to COVID-19-related impacts, these funds will be gradually released for spending in future years taking into consideration the latest revenue forecasts.

38. As at 31 December 2020, undesignated fund balances of other resources increased by 0.8 per cent to \$1,214.0 million (2019: \$1,204.7 million). The fund balances amount includes resources received for implementation of programme activities under multi-year agreements, as well as contributions of \$416.9 million not yet collected and thus not available for programming (2019: \$384.3 million).

D. Integrated budget

39. In 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.

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

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

⁷ 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.

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

E. Cost-recovery

42. In 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 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.

43. 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.

44. Table 8 below summarizes the financial impact of differentiated cost-recovery rates and approved waivers for the fiscal year 2020.

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 2020 cost-recovery rate</i> |
| Thematic trust funds ⁹ | 13,213 | 15,100 | 1,887 | 7.0 |
| Umbrella agreements ¹⁰ | 16,239 | 18,561 | 2,322 | 7.0 |
| Preferential rates (programme governments, South-South and triangular cooperation) | 2,428 | 3,885 | 1,457 | 5.0 |
| Legacy agreements | 12 | 14 | 2 | 7.0 |
| Multilateral agreements with inherited reduced cost-recovery rates ¹¹ | 1,753 | 2,042 | 289 | 6.9 |
| Indirect cost-recovery waivers | 686 | 951 | 265 | 5.8 |
| Total | 34,331 | 40,553 | 6,222 | |

45. 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:

⁹ 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.

¹⁰ Umbrella agreements are broader agreements reached jointly with one (or more) United Nations organization vis-a-vis bilateral or multilateral donors.

¹¹ Multilateral agreements with inherited reduced cost-recovery rates are agreements, involving transfer of resources from other United Nations organizations to UNFPA, from funding with lower cost-recovery rates, and 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.

Table 9
Effective cost-recovery rates for 2018-2020

| | 2018 | 2019 | 2020 | 2018–2020 (weighted average) |
|-------|-------|-------|-------|------------------------------|
| UNFPA | 7.26% | 7.25% | 7.22% | 7.24% |

46. In 2020, UNFPA granted only three cost-recovery waivers, the same as in 2019 (two of them with reduced cost-recovery rates of 7.0 per cent and one with a reduced cost-recovery rate of 5.0 per cent). This resulted in cost-recovery charges \$0.2 million lower than those that would have been made at the standard 8.0 per cent rate. Also, the application of waivers granted in previous years resulted in cost-recoveries of \$0.1 million lower than what would have been due without the waivers.

47. 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 2020.

III. Regular resources

48. A summary of revenue, expenses and surplus under regular resources for 2020 and 2019 is presented in the table below.

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

| | Millions of United States dollars | |
|--|-----------------------------------|--------------|
| | 2020 | 2019 |
| Revenue | | |
| Contributions - gross | 416.8 | 373.5 |
| Other revenue | 88.9 | 90.4 |
| Total revenue | 505.7 | 463.9 |
| Expenses | | |
| Programme expenses | 237.4 | 222.7 |
| Country programmes and other programme activities (excluding Emergency Fund) | 191.6 | 178.0 |
| Emergency fund | 8.1 | 6.3 |
| Global and regional interventions | 37.7 | 38.4 |
| Institutional budget expenses | 177.7 | 166.6 |
| Institutional budget expenses | 177.7 | 166.6 |
| Corporate expenses | 15.5 | 29.0 |
| After-service health insurance and other employee benefits expenses charged to corporate resources | 7.8 | 19.7 |
| Other corporate expenses | 7.7 | 9.3 |
| Total expenses | 430.6 | 418.3 |
| Surplus for the year | 75.1 | 45.6 |

49. As explained above, the increase in gross regular resources contribution revenue was a result of increased contributions from several Member States, partially offset by the effect of adverse exchange rates over the contributions of two key donors. Annex 1, Table 16, provides a summary of regular resource contributions above \$1.0 million.

50. The decrease in other revenue of 1.7 per cent to \$88.9 million (2019: \$90.4 million) stems mainly from the lower revenue generated by the working capital investment portfolio due to lower interest rates earned in 2020, as compared to 2019, partially offset by higher cost-recovery charges.

51. Total regular resources expenses in 2020 increased by 2.9 per cent to \$430.6 million (2019: \$418.3 million), owing mainly to the higher programme and institutional budget expenses, partially offset by a reduction in corporate costs.

52. Programme expenses increased by 6.6 per cent to \$237.4 million in 2020 (2019: \$222.7 million), mainly due to the allocation of additional funding to COVID-19 response activities, such as the delivery of reproductive health commodities and other programme supplies, including personal protective equipment, worth \$24.8 million (2019: \$4.1 million).¹²

53. Institutional budget expenses increased by 6.7 per cent to \$177.7 million in 2020 (2019: \$166.6 million) owing mainly to higher staff costs and increased spending on information and communications technology transformation initiatives, including the update of the corporate enterprise resource planning platform. The increase in staff costs is attributable to higher payroll charges against the institutional budget and an increase in payroll charges for after-service health insurance benefits costs effective 1 January 2020, based on the approval of the midterm review of the UNFPA integrated budget, 2018-2021.

54. Corporate expenses decreased by 46.6 per cent to \$15.5 million (2019: \$29.0 million), owing mainly to the larger proportion of after-service health insurance costs recovered through payroll charges.

55. 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

56. 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.

57. A summary of revenue, expenses and annual surplus for other resources for 2020 and 2019 is presented in the table below.

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

| | Millions of United States dollars | |
|---|-----------------------------------|--------------|
| | 2020 | 2019 |
| Revenue | | |
| Contributions - gross | 850.9 | 996.7 |
| Less: refunds to donors | (6.2) | (7.9) |
| Less: indirect costs | (58.5) | (52.9) |
| Less: allowance for doubtful contributions receivable | 0.4 | (5.6) |
| Other revenue | 24.6 | 15.0 |
| Total revenue | 811.2 | 945.3 |
| Expenses | | |
| Programme expenses | 790.6 | 711.1 |
| Trust funds | 848.7 | 763.4 |
| Less: indirect costs | (58.1) | (52.3) |

¹² Inclusive of programme supplies procured by UNFPA implementing partners.

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.

| | Millions of United States dollars | |
|-----------------------------|-----------------------------------|--------------|
| | 2020 | 2019 |
| Corporate expenses | 6.9 | 0.8 |
| Special funds | 7.3 | 1.4 |
| Less: indirect costs | (0.4) | (0.6) |
| Total expenses | 797.5 | 711.9 |
| Surplus for the year | 13.7 | 233.4 |

58. Total revenue for other resources in 2020 decreased by 14.2 per cent to \$811.2 million (2019: \$945.3 million), mainly as a result of reduced gross contributions for most funding sources types, including bilateral agreements with OECD/DAC countries, agreements with programme Governments and thematic funds. However, contributions received through the United Nations pooled funds and inter-agency transfers increased by \$9.4 million and remained as the top sources for other resources for the third year in a row.

59. Other revenue increased by 64.0 per cent to \$24.6 million (2019: 15.0 million) mainly due to foreign currency exchange gains on contributions receivable.

60. Total expenses funded from other resources in 2020 increased by 12.0 per cent to \$797.5 million (2019: \$711.9 million). Annual revenue exceeded annual expenses in both 2020 and 2019, 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

61. A large part of the increase in programme expenses is attributable to increased deliveries of reproductive health commodities and other programme supplies, which amounted to \$235.2 million in 2020 (2019: \$175.4 million).¹⁵

62. 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

63. Cash and investments held by UNFPA increased by \$75.6 million, to \$1,513.7 million as at 31 December 2020 (2019: \$1,438.1 million), owing mainly to the excess of contributions collected over expenses paid. The increase was allocated primarily to cash and cash equivalents, due to the low yield rates for both short-term and long-term investments at the end of 2020.

64. Of the total investments, \$524.8 million are restricted in use (2019: \$455.1 million). Of this amount, \$93.7 million have been allocated to reserves (see above section C. Fund balances and reserves); \$364.5 million have been set aside to fund employee benefits liabilities; \$33.7 million correspond to the principal amount of a private endowment trust; and \$32.9 million are held by UNFPA in its capacity as administrative agent for joint programmes.

65. 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 \$1,190.9 million as at 31 December 2020 (2019: \$1,162.3 million) and generated an average yield of 1.32 per cent throughout the year (2019: 2.39 per cent).

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

¹⁵ Inclusive of programme supplies procured by UNFPA implementing partners.

66. 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 \$283.6 million as at 31 December 2020 (2019: \$248.4 million), generating annual rates of return ranging between 12.14 per cent to 14.67 per cent in 2020 (2019: 18.65 per cent and 19.33 per cent).

VI. Other assets and liabilities

67. The total value of inventories of reproductive health commodities and other programme-related supplies held for delivery to partners and distribution to beneficiaries or sale to third parties increased for the third year in a row, this time by \$22.1 million, to \$92.3 million as at 31 December 2020 (2019: \$70.2 million). The increase was due to the combined impact of a 45.4 per cent increase in acquisitions of programme supplies in 2020, as compared to 2019, and global supply chains disruptions that originated delays in certain shipments.

68. Contributions receivable increased by \$32.5 million, to \$417.0 million as at 31 December 2020 (2019: \$384.5 million), mostly owing to an increase in contributions to thematic trust funds due for collection in 2021 or thereafter. The gross value of contributions receivable past due as at 31 December 2020 amounted to \$16.7 million (2019: \$13.1 million). UNFPA carefully reviewed these receivables for collectability and created allowances worth \$6.0 million for all receivables whose collection was deemed as doubtful (2019: \$6.5 million).

69. The reduction in funding communicated by a major donor in early 2021 may affect the collection of amounts committed under existing contribution agreements. At this time, UNFPA is not in the position to reliably estimate the impact of this matter. UNFPA will continue monitoring the situation in 2021 and will update the valuation of its receivables once more information becomes available.

70. Total operating fund advances outstanding at year-end increased by \$11.5 million, to \$17.8 million as at 31 December 2020 (2019: \$6.3 million), mainly due to the increased flexibility to roll over outstanding year-end advances to fund activities to be implemented in the following year.

71. Prepayments and other assets increased by \$3.9 million, to \$16.7 million as at 31 December 2020 (2019: \$12.8 million), owing mainly to increased prepayments required by vendors for the procurement of COVID-19 personal protective equipment, and prepayments to other United Nations organizations for services to be delivered in 2021.

72. Accounts payable and accruals decreased by \$5.9 million, to \$136.2 million as at 31 December 2020 (2019: \$142.1 million), owing mainly to lower outstanding advances from third-party procurement clients and inter-fund balance payable to UNDP.

73. Other liabilities and deferred revenue increased by \$10.4 million, to \$32.8 million as at 31 December 2020 (2019: \$22.4 million), owing mainly to the increase in contributions received in advance and deferred other resources revenue not yet meeting the revenue recognition criteria.

74. Employee benefits liabilities increased by \$56.6 million, to \$426.9 million (2019: \$370.3 million), owing mainly to an \$8.8 million increase in annual and home leave liabilities, due to lower leave uptake levels in 2020, and a \$24.4 million actuarial loss originated by the decrease in the discount rate used to measure the after-service health insurance liability (3.13 per cent in 2020, compared to 3.61 per cent in 2019), and the recognition of the \$28.1 million annual service and interest costs accrued in 2020.

75. The unfunded employee benefits liabilities decreased by \$1.9 million to \$62.4 million (2019: \$64.3 million), owing to the above-mentioned increase of \$56.6 million in the liability

amount, offset by a \$58.5 million increase in liability funding in 2020. Cumulative resources set aside for funding the liabilities increased to \$364.5 million, covering 85.4 per cent of the total liabilities as at 31 December 2020 (2019: \$306.0 million, or 82.6 per cent). This high employee benefits liabilities funding ratio is mostly attributable to the increased payroll charges for after-service health insurance benefits and the strong performance of the after-service health insurance investment portfolio.

VII. Conclusion

76. Despite challenges introduced by COVID-19, UNFPA closed 2020 in good 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. The outlook for 2021 remains difficult to predict, with future revenue flows highly dependent on global progress in fighting the COVID-19 pandemic and the extent of the economic downturn it originates. In this environment, timely inflows of predictable contribution revenue, especially from regular resources, are critical for sustaining UNFPA operations and the achievement of its strategic objectives.
