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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, 2018
Report of the Executive Director**

Summary

This review summarizes the UNFPA financial performance for 2018 and its financial position as at 31 December 2018. 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 second year in a row, total gross contributions surpassed the \$1 billion mark, exceeding the 2017 contribution levels by 17.6 per cent, and amounting to \$1,255.6 million (2017: \$1,067.5 million). This favourable trend is attributable to both other resources and regular resources contribution revenue, which increased by 22.2 per cent and 8.3 per cent, respectively, to \$876.8 million for other resources (2017: \$717.6 million) and \$378.8 million for regular resources (2017: \$349.9 million). While the increase in other resources contribution revenue continued the trend from previous years, the regular resources contributions grew for the first time in five years.

Expenses for the year increased by 17.2 per cent, to \$1,086.0 million (2017: \$926.9 million). Expenses for activities funded from other resources grew by 22.0 per cent, to \$668.4 million (2017: \$547.9 million), due to increases in programme activities, including in humanitarian settings. Regular resources expenses grew by 10.2 per cent, to \$417.6 million (2017: \$379.0 million), primarily due to an expansion in country programme activities, newly approved integrated budget costs, higher post-employment benefits annual service and interest costs (actuarially determined), and foreign currency exchange losses.

UNFPA reserves and fund balances as at 31 December 2018 amounted to \$1,080.3 million (2017: \$841.5 million), of which 90.1 per cent, or \$973.5 million, were for other resources (2018: 96.5 per cent, or \$812.4 million). Other resources fund balances included \$336.0 million in outstanding contributions receivable (2017: \$283.9 million) as well as contributions that were collected as at 31 December 2018 for programme activities to be implemented in future years.

In 2018, UNFPA enjoyed significant success in mobilizing resources. Notwithstanding a highly favourable amount of other resources and the increase in absolute amounts of contributions to regular resources, which remain the bedrock of UNFPA operations, these have continued to decline as a percentage of overall revenue generated by UNFPA. This unfortunate trend remains a substantial challenge for UNFPA and affects its ability to deliver on its strategic results.

Elements of a decision

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

Note: The present document was processed in its entirety by UNFPA.

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I. Introduction

1. The present review summarizes the UNFPA financial performance for 2018 and its financial position as at 31 December 2018. 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 2018 is provided in annex 1, table 1, for regular, other and total resources. The statement of financial position as at 31 December 2018 is provided in annex 1, table 2. The statement of changes in net assets for the year ended 31 December 2018 is provided in annex 1, table 3.¹
3. The 2018 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, and are 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 and cost recovery charges.

II. Total resources

A. Revenue

5. Total revenue surpassed the \$1 billion mark for the second year in a row, exceeding 2017 levels by 16.0 per cent, amounting to \$1,290.3 million (2017: \$1,112.6 million), primarily as a result of the increase in both other resources and regular resources contributions.
6. Total gross contribution revenue for the last five years can be summarized as follows:

	Millions of United States dollars				
	2018	2017	2016	2015	2014
Regular resources - gross	378.8	349.9	352.8	398.2	477.4
Other resources - gross	876.8	717.6	485.8	581.3	529.2
Total gross contributions	1 255.6	1 067.5	838.6	979.5	1 006.6
Other resources, as percentage of total resources	69.8%	67.2%	57.9%	59.3%	52.6%

7. Contribution revenue to regular resources increased by 8.3 per cent, to \$378.8 million (2017: \$349.9 million). This growth is primarily due to increased contributions from two major donors and favourable foreign currency exchange movements for several contribution currencies.
8. Gross other resources contribution revenue had yet another year of strong performance, increasing by 22.2 per cent, to \$876.8 million (2017: \$717.6 million). As a result, the share of other resources as a percentage of total gross contributions increased yet again, by 2.6 basis points, to 69.8 per cent (2017: 67.2 per cent), demonstrating that UNFPA reliance on other resources revenue continues to grow in spite of the increase in regular resources contributions in 2018. Indeed, the amount of regular resources contributions in 2018 was \$98.6 million less than in 2014, the first year when UNFPA gross contributions exceeded the \$1 billion benchmark.
9. Other revenue decreased by 6.0 per cent in 2018 to \$87.2 million (2017: \$92.8 million), mainly due to foreign currency exchange gains of \$27.1 million on monetary assets in 2017, compared to \$30.6 million losses recognized in 2018 in the other expenses. This reduction was partially offset by an increase in indirect costs recovery and investment revenue of \$8.2 million and \$10.0 million, respectively.

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

B. Expenses

10. Total expenses increased by 17.2 per cent in 2018, amounting to \$1,086.0 million (2017: \$926.9 million), as summarized in the table below:

	Millions of United States dollars		Percentage	
	2018	2017	2018	2017
Programme and institutional budget	1 034.9	894.4	95.3	96.5
Country programmes, global and regional interventions and other programme activities	872.4	752.9	80.3	81.2
Institutional budget - gross	162.5	141.5	15.0	15.3
Corporate	51.1	32.5	4.7	3.5
Corporate	51.1	32.5	4.7	3.5
Total expenses	1 086.0	926.9	100.0	100.0

11. Expenses from programme and institutional budget resources incurred by UNFPA in 2018 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:

	Millions of United States dollars	Percentage
Development outcomes	860.4	83.1
<i>Outcome 1: Every woman, adolescent and youth everywhere, especially those furthest behind, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence</i>	512.5	49.5
<i>Outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights, in all contexts</i>	73.2	7.1
<i>Outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings</i>	162.6	15.7
<i>Outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development</i>	112.1	10.8
Organizational effectiveness and efficiency (OEE) outputs	174.5	16.9
OEE1 – Improved programming for results	41.4	4.0
OEE2 – Optimized management of resources	102.1	9.9
OEE3 – UN coordination and coherence	3.0	0.3
OEE4 – Communication, resources mobilization and partnerships	28.0	2.7
Total programme and institutional budget expenses	1 034.9	100.0

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

	Millions of United States dollars		Percentage	
	2018	2017	2018	2017
East and Southern Africa	204.9	194.3	19.8	21.7
West and Central Africa	165.2	150.8	16.0	16.9
Arab States	183.1	155.6	17.7	17.4
Asia and the Pacific	143.5	118.2	13.9	13.2
Latin America and the Caribbean	95.8	55.8	9.2	6.2
Eastern Europe and Central Asia	51.4	48.8	5.0	5.5
Global activities ²	191.0	170.9	18.4	19.1
Total programme and institutional budget expenses	1 034.9	894.4	100.0	100.0

² Global activities include \$0.2 million (2018) and \$1.2 million (2017) spent by the Liaison Office in Addis Ababa. Even though these expenses form part of the regional interventions, it is not possible to assign them to an individual region.

13. The business model of the strategic plan for 2014-2017 classified all countries/territories where UNFPA operates into four quadrants (red, orange, yellow and pink), based on need and ability to finance criteria. The Strategic Plan, 2018-2021 retained this model, introducing refinements to the measurement of both criteria, primarily through the inclusion of a health inequality parameter into the measurement methodology. These refinements, combined with the use of updated data for criteria indicators, resulted in 21 countries changing quadrants. The updated classification is provided in annex 2. Total programme and institutional budget expenses for 2018 by country quadrant are summarized in the table below:

	Millions of United States dollars	Percentage
Country expenses	786.9	76.0
Red	473.2	45.7
Orange	126.0	12.2
Yellow	80.1	7.7
Pink	107.6	10.4
Global and regional interventions	34.4	3.3
Regional	20.8	2.0
Global	13.6	1.3
Other regional and global expenses³	213.6	20.7
Other regional	36.2	3.5
Other global	177.4	17.2
Total programme and institutional budget expenses	1 034.9	100.0

14. Annex 1, tables 4 through 12, present further details of expenses by Strategic Plan 2018-2021 outcomes, outputs and quadrants, and by region.

15. UNFPA spent \$872.4 million on country programmes, global and regional interventions, and other programme activities in 2018 (2017: \$752.9 million). Governments and non-governmental organizations implemented 35.5 per cent (\$309.5 million) of these resources, a similar share of programme expenses as the previous year (2017: 35.5 per cent, or \$267.0 million).

16. In 2018, \$586.4 million, or 67.2 per cent, of all 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. This is a significant increase, compared to 2017, when similar expenses amounted to \$428.9 million, or 57.0 per cent, of the total programme expenses.

17. UNFPA remains committed to ensuring that maximum resources are directed towards supporting its field office operations. In 2018, 81.5 per cent (\$843.9 million) of total programme and institutional budget expenses were incurred by country or regional offices, up by 0.5 basis points from the previous year (2017: 81.0 per cent, or \$724.7 million). The breakdown of 2018 expenses by region, quadrant and country/territory, is provided in annex 1, table 12.

18. Other global expenses include the cost of reproductive health commodities funded by the UNFPA Supplies programme,⁴ procured for delivery to programme countries at a cost of \$75.4 million in 2018 (2017: \$67.7 million).

19. In the Strategic Plan, 2018-2021, UNFPA reaffirmed its commitment to focus on the needs of the most vulnerable countries, the least developed countries and landlocked developing countries, all of which constitute the largest proportion of countries in the red quadrant. In 2018, UNFPA spent \$105.3 million of regular resources (49.6 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 the levels from the

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 UNFPA Supplies 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.

previous year (2017: \$105.8 million, or 49.1 per cent, of regular resource funded programme expenses).

C. Fund balances and reserves

20. Reserves and fund balances at 31 December 2018 increased by \$238.8 million, totalling \$1,080.3 million (2017: 841.5 million). More details are provided in the table below:

	Millions of United States dollars	
	2018	2017
Operational reserve	75.5	70.5
Humanitarian response reserve	7.5	5.0
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances	58.3	43.0
Undesignated regular and other resources fund balances		
Regular resources	(39.5)	(94.4)
Other resources	973.5	812.4
Total	1 080.3	841.5

21. The operational reserve, set at 20.0 per cent of the annual regular resources contribution revenue, was increased to \$75.5 million as at 31 December 2018 (2017: \$70.5 million) on account of the larger regular resources contribution revenue in 2018. The humanitarian response reserve,⁵ which operates as a revolving fund, was increased to \$7.5 million (2017: \$5.0 million), expanding the resource pool available to UNFPA field offices for immediate commencement of humanitarian operations, upon signature of co-financing agreements.

22. Designated regular resources fund balances, which represent funds set aside by management for special purposes and that are not available for programming, increased to \$58.3 million (2017: \$43.0 million) primarily due to \$8.1 million in cost recoveries in excess of budget that were retained in a separate fund, \$5.0 million designated for pre-financing of development programme activities ahead of receipt of funds from signed co-financing agreements, and \$2.8 million surplus on provision of procurement services to field offices, headquarters units and third-party clients to safeguard future procurement activities.

23. The deficit under undesignated regular resources decreased to \$39.5 million (2017: \$94.4 million deficit) mainly due to a combination of a \$55.3 million actuarial gain on post-employment benefits liabilities and the regular resources surplus for the year, partially offset by \$8.1 million in transfers to reserves and a \$20.8 million unrealized loss on the after-service health insurance investment portfolio. Total funds made available for programming for 2019 amounted to \$61.4 million (2018: 48.5 million). Annex 1, table 17 provides further details on this amount.

24. As at 31 December 2018, undesignated fund balances under other resources increased to \$973.5 million (2017: \$812.4 million), mainly due to the large increase in other resources contribution revenue, which exceeded expenses funded from this source. The fund balances amount includes contributions of \$336.0 million not yet collected and thus not available for programming (2017: \$283.9 million). It also includes collected contributions designated for future years' activities.

D. Integrated budget

25. The Executive Board approved the UNFPA Integrated Budget for 2018-2021 (DP/FPA/2017/10 and DP/FPA/2017/10/Corr.1), including 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

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.

integrated budget encompasses all cost categories and results of UNFPA within a single, integrated framework.

26. 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.

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

E. Cost recovery

28. 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.

29. The table below summarizes the financial effect of differentiated rates and approved waivers in 2018:

	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 2018 cost recovery rate</i>
Thematic trust funds	9 742	11 133	1 392	7.0
Umbrella agreements ⁶	9 339	10 673	1 334	7.0
Government cost-sharing	2 849	4 558	1 709	5.0
Legacy agreements	56	64	8	7.0
Indirect cost recovery waivers	767	1 127	360	5.4
Total	22 753	27 555	4 803	

30. 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 2018, UNFPA granted 10 indirect cost-recovery waivers, reducing the cost-recovery rates to either 7.0 per cent (five agreements) or 5.0 per cent (five agreements).

31. Application of cost-recovery waivers approved in 2018 and waivers carried forward from previous years generated \$0.36 million less in indirect cost revenue in 2018 than would be recoverable under the standard 8.0 per cent rate (2017: \$0.18 million).

32. The majority of the waivers granted in 2018 arose from the continued engagement of UNFPA in joint activities with other United Nation Sustainable Development Group entities to promote effectiveness and efficiency of programme interventions. Six waivers were related to transfers from other United Nations organizations that had agreed with donors to extend the limits to indirect cost-recovery rates if transferring a portion to other United Nations organizations, including UNFPA. Three other waivers were related to transfers from entities in the framework of South-South and triangular cooperation, with one waiver related to funding partially originating from the European Union, normally covered under umbrella agreements. Detailed justification for all 10 waivers is provided in annex 3.

F. Regular resources

33. A summary of revenue, expenses and surplus under regular resources for 2018 and 2017 is presented in the table below:

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

	Millions of United States dollars	
	2018	2017
Revenue		
Contributions – gross	378.8	349.9
Other revenue ⁷	78.5	67.7
Total revenue	457.3	417.6
Expenses		
Programme expenses	212.4	215.3
Country programmes (excluding Emergency Fund)	171.4	166.5
Emergency fund	6.6	5.8
Global and regional interventions	34.4	43.0
Institutional budget expenses	162.5	141.5
Institutional budget	162.5	141.5
Corporate expenses	42.7	22.2
After-service health insurance and other post-employment benefits expenses charged to corporate resources	19.5	10.7
Other corporate expenses	23.2	11.5
Total expenses	417.6	379.0
Surplus for the year	39.7	38.6

34. The increase in gross contribution revenue was primarily due to increased contributions from two major donors and favourable foreign currency exchange differences. Annex 1, table 16, provides a summary of regular resource contributions in excess of \$1.0 million.

35. The increase in other revenue stems mainly from the increase in both indirect cost recovery and investment revenue, partially offset by the effect of exchange rate variations in 2018, which originated foreign exchange losses on monetary assets, reported under other expenses, instead of the foreign exchange gains accrued and reported in 2017.

36. Total regular resources expenses in 2018 increased for the first time in five years, to \$417.6 million (2017: \$379.0 million), due to a combination of increased country programme activity expenses, including those funded from the Emergency Fund, newly approved integrated budget costs, and higher post-employment benefits annual service and interest costs (actuarially determined).

37. Global and regional interventions decreased by \$8.6 million, or 20.0 per cent, in 2018, primarily due to the effect of reclassification of additional costs to the institutional budget, as approved by the Executive Board in the revised Integrated Budget, 2018-2021. This reclassification is one of the main drivers behind the \$21.0 million (14.8 per cent) increase in institutional budget expenses.

38. Institutional budget expenses for 2018, while commensurate with the approved budget for the year, are not readily comparable to the 2017 expense levels. The Integrated Budget, 2018-2021 introduced a number of substantive changes to the institutional budget, including the reclassification of costs previously reported under global and regional interventions. Institutional budget expenses in 2018 also reflect the cost of new corporate initiatives, such as the information and communications technology transformation and investments in strengthening various UNFPA areas, including internal investigation, preventing sexual exploitation and abuse coordination, corporate evaluation, field offices, branding, communication and resource mobilization.

39. The increase of \$8.8 million in the after-service health insurance and other post-employment benefits expenses charged to corporate resources reflects higher service and interest costs estimated by the independent actuarial valuation.

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

40. Other corporate expenses increased in 2018 by \$11.7 million, mainly due to foreign currency exchange losses on monetary assets.

41. 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

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

43. A summary of revenue, expenses and annual surplus/deficit for the other resources for 2018 and 2017 is presented in the table below:

	Millions of United States dollars	
	2018	2017
Revenue		
Contributions – gross	876.8	717.6
Less: refunds to donors	(5.0)	(8.4)
Less: indirect costs ⁸	(47.5)	(39.3)
Other revenue	8.7	25.1
Total revenue	833.0	695.0
Expenses		
Programme expenses	660.0	537.6
Trust funds	707.2	576.6
Less: indirect costs	(47.2)	(39.0)
Corporate expenses	8.4	10.3
Special funds	8.7	10.6
Less: indirect costs	(0.3)	(0.3)
Total expenses	668.4	547.9
Surplus for the year	164.6	147.1

44. Total revenue for other resources in 2018 increased by \$138.0 million, or 19.9 per cent, to \$833.0 million (2017: \$695.0 million), as a result of highly successful resource mobilization efforts.

45. Total expenses for the year also increased by \$120.5 million, or 22.0 per cent, amounting to \$668.4 million (2017: \$547.9 million). Annual revenue exceeded annual expenses, mainly due to timing differences in the recognition of revenue and expenses, as most revenue is recognized upon signature of binding donor agreements, and expenses are recognized as incurred, upon delivery of relevant goods and services.⁹

46. The increase in expenses occurred primarily due to scaling-up in humanitarian response activities, including delivery of essential reproductive-health services as well as services to prevent and respond to gender-based violence in humanitarian settings, and due to increased support to large-scale population data projects, such as censuses.

47. Annex 1, tables 4 through 12, summarize 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.

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.

IV. Cash and investments

48. At 31 December 2018, cash and investments held by UNFPA increased by \$191.5 million, to \$1,152.0 million (2017: \$960.5 million), mainly due to the excess of contributions collected over expenses paid. The increase was allocated primarily to investments maturing within one year, to benefit from more favourable yield rates.

49. Of the total investments, \$404.7 million are restricted in use (2017: \$381.3 million). Of this amount, \$88.0 million have been allocated to reserves (see above Section C. Fund balances and reserves); \$256.9 million have been set aside to fund employee benefits liabilities; \$33.7 million correspond to the principal amount of a private endowment trust; and \$26.1 million are held by UNFPA in its capacity of Administrative Agent for joint programmes.

50. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet UNFPA working capital needs and managed by the United Nations Development Programme 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 \$914.0 million as at 31 December 2018 (2017: \$723.3 million) and generated an average yield of 2.0 per cent throughout the year (2017: 1.3 per cent).

51. A separate portfolio, established in 2016 jointly with some other United Nations organizations and managed by two independent investment managers, invests resources allocated for funding after-service health insurance liabilities in diversified, higher-yielding financial instruments, similar in composition to investments held by the United Nations Joint Staff Pension Fund, comprising primarily fixed-income securities and equities. In 2018, UNFPA transferred an additional \$15.0 million to this portfolio, increasing total contributions over the last three years to \$180.0 million. The portfolio, measured at fair value, amounted to \$194.8 million as at 31 December 2018 (2017: \$190.6 million). Even though the portfolio yielded negative returns in 2018 (with losses ranging from 3.27 per cent to 5.83 per cent), owing to a market downturn in the last quarter of the year, it has consistently outperformed the return benchmarks and achieved average annual return rates ranging between 4.64 per cent and 5.81 per cent since its inception.

V. Other assets and liabilities

52. 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 \$12.5 million, to \$50.8 million, as at 31 December 2018 (2017: \$38.3 million). The increase was primarily due to a higher volume of purchases in 2018 and increased quantities of essential supplies held in stock by UNFPA field offices as part of humanitarian response operations.

53. Contributions receivable reflected a net increase of \$21.7 million, to \$336.3 million, at the end of 2018 (2017: \$314.6 million). This net variation is mainly the result of an increase of \$42.3 million in current other resources contributions receivable, due to the larger 2018 revenue levels, and a decrease of \$30.4 million in regular resources contributions receivable, primarily due to the collection in 2018 of 2017 contributions from two donors. Regular resources and other resources contributions receivable due for payment as at 31 December 2018 amounted to \$0.6 million and \$3.9 million, respectively (2017: \$31.2 million and \$3.2 million).

54. Total operating fund advances outstanding at year-end decreased by \$0.7 million, to \$7.0 million, as at 31 December 2018 (2017: \$7.7 million), primarily due to a \$0.6 million decrease in outstanding advances to other United Nations organizations for implementation of UNFPA activities.

55. Prepayments and other assets increased by \$6.4 million, to \$27.5 million, as at 31 December 2018 (2017: \$21.1 million), mainly due to the prepayment of \$4.6 million for 2019 contributions to the Resident Coordinator system. Starting in 2019, the amount of the organization's annual contribution has doubled; UNFPA was one of the first United Nations organizations to pay, demonstrating its commitment towards a strong and independent Resident Coordinator function.

56. Accounts payable and accruals increased by \$10.9 million, to \$113.9 million, as at 31 December 2018 (2017: \$103.0 million), mainly attributable to a \$7.2 million increase in funds due to UNDP as part of an inter-fund settlement.

57. Other liabilities and deferred revenue increased by \$12.0 million, to \$28.0 million, as at 31 December 2018 (2017: \$16.0 million), mainly due to bridge funding of \$14.1 million provided by one donor for procurement of reproductive health commodities ahead of the receipt of the contributions earmarked for that purpose.

58. Employee benefits liabilities decreased by \$28.5 million, to \$387.3 million (2017: \$415.8 million), mainly due to a \$55.4 million actuarial gain on post-employment benefits liabilities, partially offset by a \$31.4 million liability increase from the recognition of annual service and interest costs. The actuarial gain resulted primarily from an increase in the discount rate used to measure the after-service health insurance liability, to 4.62 per cent (2017: 3.91 per cent), supplemented by favourable experience adjustments.

59. The unfunded portion of the total employee benefits liabilities decreased by \$42.1 million (2017: increase of \$42.0 million), due to the above-mentioned \$28.5 million decrease in the liability amount and the net \$13.5 million increase in liability funding. This decrease brought the amount of funded liability to \$256.9 million, or 66.3 per cent, of total employee benefits liabilities (2017: \$243.3 million or 58.5 per cent). UNFPA will be reviewing its strategy towards funding of the after-service health insurance liabilities as part of the midterm review of the strategic plan.

VI. Conclusions

60. UNFPA closed 2018 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources. Notwithstanding a highly favourable amount of other resources and the increase in absolute amounts of contributions to regular resources, which remain the bedrock of UNFPA operations, these have continued to decline as a percentage of overall revenue generated by UNFPA. This unfortunate trend remains a substantial challenge for UNFPA and affects its ability to deliver on its strategic results.