



United Nations

United Nations Population Fund

**Financial report and audited
financial statements**

for the year ended 31 December 2020

and

Report of the Board of Auditors

General Assembly

Official Records

Seventy-sixth Session

Supplement No. 5H



United Nations Population Fund

**Financial report and audited
financial statements**

for the year ended 31 December 2020

and

Report of the Board of Auditors



United Nations • New York, 2021

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal	5
I. Report of the Board of Auditors on the financial statements: audit opinion	7
II. Long-form report of the Board of Auditors	10
Summary	10
A. Mandate, scope and methodology	13
B. Findings and recommendations	14
1. Follow-up of previous recommendations	14
2. Financial overview	14
3. Harmonized approach to cash transfers framework	17
4. Programme management	24
5. Inventory management	25
6. Procurement management	28
7. Travel management	32
8. Internal control framework	34
C. Disclosures by management	35
1. Write-off of cash, receivables and property	35
2. Ex gratia payments	35
3. Cases of fraud and presumptive fraud	35
D. Acknowledgement	36
Annex I	
Status of implementation of recommendations up to the year ended 31 December 2019	37
Annex II	
Summary of assets written off	51
III. Certification of the financial statements	52
IV. Financial report for the year ended 31 December 2020	53
V. Financial statements for the year ended 31 December 2020	68
I. Statement of financial position as at 31 December 2020	68
II. Statement of financial performance for the year ended 31 December 2020	70
III. Statement of changes in net assets for the year ended 31 December 2020	71
IV. Cash flow statement for the year ended 31 December 2020	72

V. (a) Statement of comparison of budget with actual amounts for the year ended 31 December 2020	74
(b) Statement of comparison of budget with actual amounts for the period 2018–2020 of the strategic plan cycle for 2018–2021	74
Notes to the financial statements	75

Letters of transmittal

**Letter dated 27 April 2021 from the Executive Director of the
United Nations Population Fund addressed to the Chair of the
Board of Auditors**

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2020, which I hereby approve.

(Signed) Natalia **Kanem**
Executive Director

**Letter dated 22 July 2021 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and audited financial statements of the United Nations Population Fund, for the year ended 31 December 2020.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of financial position (statement I) as at 31 December 2020 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UNFPA, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to paragraphs 51 to 54 of the long-form report, which describe the deficiencies in the monitoring and execution of the assurance activities planned for the expenses incurred in 2020 in relation to implementing partners. Our opinion is not modified with respect to the matter.

Information other than the financial statements and auditor’s report thereon

UNFPA management is responsible for the other information, which comprises the financial report for the year ended 31 December 2020, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

UNFPA management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, UNFPA management is responsible for assessing the ability of UNFPA to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNFPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNFPA.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNFPA;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNFPA to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNFPA to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNFPA that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNFPA.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors

(Signed) Hou Kai
Auditor General of the People's Republic of China

22 July 2021

Chapter II

Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) fulfils a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning.

The Board of Auditors has reviewed the operations of UNFPA as part of its audit of the financial statements for the year ended 31 December 2020. The interim audit was carried out remotely from Santiago, owing to the coronavirus disease (COVID-19) pandemic, from 26 October 2020 to 19 February 2021 with regard to headquarters in New York, the UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic and the Arab States Regional Office. The final audit of the financial statements was also conducted remotely from Santiago, from 26 April to 28 May 2021. A summary of the Board's conclusions, key findings and recommendations is presented below.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with UNFPA management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNFPA as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNFPA operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

Lastly, the Board reviewed a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNFPA for the period under review, as reflected in chapter I.

Overall conclusion

UNFPA closed 2020 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources.

The Board did not identify significant errors, omissions or misstatements in its review of the financial records of UNFPA for the year ended 31 December 2020.

However, the Board noted scope for improvement in the areas of procurement management, inventory management, programme management, the harmonized approach to cash transfers, travel management and the internal control framework.

Key findings

The Board has identified a number of issues related to enhancing the effectiveness of UNFPA operations. In particular, the Board highlights the following key findings:

Monitoring of assurance activities

Owing to untimely monitoring of the assurance activities, UNFPA had to review its planned activities and introduce changes while the plan was being rolled out. Those changes, made between June and October 2020, were included as a result of the inaccurate and inefficient selection of the implementing partner subject to the assurance activities. Furthermore, there were implementing partners that did not yet have assurance activities planned for 2020, whose current monitoring amounts were above the established thresholds for mandatory spot checks or audits. Finally, the Board noticed that there were cases in which implementing partner risk ratings had not been accurately reflected in the implementing partner assurance system owing to user errors when uploading reports. These risk levels are one of the criteria for building the assurance activities plan.

Updating of shipment tracker

The Board reviewed the global list of supplies delivered to the implementing partners between January and October 2020. As a result of the analysis, the Board noticed that there were cases in which the shipment tracker had been updated with a delay of one to eight months from the handover of supplies to the implementing partners. In other cases, the shipment tracker was updated with a delay of 1 to 29 days from the handover of supplies to the implementing partners. There were also cases in which the shipment tracker had been updated with a delay of 15 to 29 days from the handover of supplies to the implementing partners.

Evaluation of long-term agreements

The Board found that the evaluation of long-term agreements was delayed for more than a year and that the Procurement Services Branch had consolidated the evaluations for 2018 and 2019 into a single report, containing 11 cases. Therefore, performance feedback was not given to the suppliers on an annual basis. In addition, 12 long-term agreements evaluation reports for 2018 and 2019 were signed in October and November 2020 by the supplier and UNFPA. Consequently, feedback on the reports was not delivered to the suppliers in a timely manner. Furthermore, the long-term agreements evaluation reports provided were focused on the core commodities centrally procured by the Procurement Services Branch, and therefore the process did not involve long-term agreements related to other categories, such as vehicles or information and communications technology.

Main recommendations

On the basis of the audit findings, the Board recommends that UNFPA:

Monitoring of assurance activities

(a) **Strengthen its assurance activities monitoring procedures at all governance levels (global, regional and country), with the purpose of having a**

process that gives an accurate overview of the implementing partners subject to well-timed spot checks and/or audits;

(b) Update the implementing partners' risk ratings in the implementing partner assurance system in a timely and accurate manner, in order to have precise planned assurance activities;

(c) Incorporate automatic controls into the new enterprise resource planning system, with the aim of determining the implementing partners subject to mandatory assurance activities in a timely and accurate manner;

(d) Provide effective training to the third-party auditors on the use of the implementing partner assurance system;

Updating of shipment tracker

(e) Improve its supply monitoring process at the regional and country governance levels, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to implementing partners;

(f) Incorporate preventive controls related to inventory information into the new enterprise resource planning system, in order to provide early alerts at each stage of the supply process;

Evaluation of long-term agreements

(g) Strengthen monitoring and internal controls to ensure the timely and accurate submission of all long-term agreement evaluation reports to suppliers;

(h) Increase gradually the scope of the long-term agreement evaluation reports to all UNFPA business units, in order to have a wider overview of the use of such agreements in areas beyond core commodities.

Follow-up of previous recommendations

The Board verified the status of implementation of recommendations from prior years for the period ended 31 December 2020. Of the 33 outstanding recommendations, UNFPA had implemented 26 recommendations (79 per cent), 6 recommendations (18 per cent) were under implementation and 1 recommendation (3 per cent) was overtaken by events.

Key facts

\$456.23 million	UNFPA budget for development and management, United Nations development coordination and special purpose activities
\$1,316.91 million	Revenue reported
\$1,228.10 million	Total expenses
155	Number of countries served by UNFPA
1,623	Number of implementing partners working with UNFPA
2,250	UNFPA local staff
822	UNFPA international staff
\$395.74 million	Total amount spent by implementing partners in 2020 for delivery of programme activities on behalf of UNFPA
\$832.36 million	Expenses spent directly by UNFPA in 2020

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) fulfils a leading role in the United Nations system in promoting population programmes. It is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.
2. The Board of Auditors audited the financial statements of UNFPA and has reviewed its activities for the year ended 31 December 2020, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.
3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules.
4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.
5. The Board also reviewed the operations of UNFPA under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations with respect to the efficiency of the financial procedures, the

accounting system, the internal financial controls and, in general, the administration and management of the UNFPA operations.

6. The audit was carried out remotely owing to travel restrictions following the coronavirus disease (COVID-19) pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that this remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNFPA management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board verified the status of implementation of recommendations for prior years for the period ended 31 December 2020. Of the 33 outstanding recommendations, UNFPA had implemented 26 recommendations (79 per cent), 6 recommendations (18 per cent) were under implementation and 1 recommendation (3 per cent) was overtaken by events. Details of the status and progress of all previous outstanding recommendations are set out in annex I.

Table II.1
Status of implementation of recommendations

<i>Report (audit year)</i>	<i>Number of recommendations</i>	<i>Recommendations pending as at 31 December 2019</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>	<i>Recommendations pending as at 31 December 2020</i>
A/72/5/Add.8 , chap. II (2016)	18	1	0	1	0	0	1
A/73/5/Add.8 , chap. II (2017)	18	4	3	1	0	0	1
A/75/5/Add.8 , chap. II (2019)	28	28	23	4	0	1	4
Total	64	33	26	6	0	1	6

9. The Board considers that an implementation rate of 79 per cent reflects the solid commitment of UNFPA to manage previous recommendations. The Board acknowledges management's efforts and encourages the Fund to finalize the process of implementing long-standing recommendations.

2. Financial overview

10. The COVID-19 pandemic has had an impact on UNFPA programme delivery and operations, affecting mainly 2020 expenditures. Programme expenses increased by 10.1 per cent, mainly as a result of the implementation of activities designed to maintain access to life-saving sexual and reproductive health services disrupted by the pandemic. The delivery of programme supplies played a central role in the UNFPA programmatic response to the pandemic, including \$22.1 million for personal protective equipment. Expenses for travel decreased by 53.7 per cent to \$30.0 million in 2020 (2019: \$64.7 million) as a result of travel restrictions; and expenses for the development and training of counterparts were reduced by 15.0 per cent to \$108.3 million (2019: \$127.4 million), mainly owing to restrictions on in-person events, including training and capacity-building activities.

Financial position

11. The total assets of UNFPA increased by \$148.42 million (7.5 per cent), from \$1,967.63 million in 2019 to \$2,116.04 million as at 31 December 2020. The growth was primarily a result of the increase in cash and cash equivalents, contributions receivable and inventories. Total liabilities increased by \$61.13 million (11.4 per cent), from \$534.77 million in 2019 to \$595.9 million in 2020. The growth in liabilities is mainly due to higher employee benefits. Reserves and fund balances increased by 6.1 per cent, equal to \$1,520.14 million as at 31 December 2020 (2019: \$1,432.86 million).

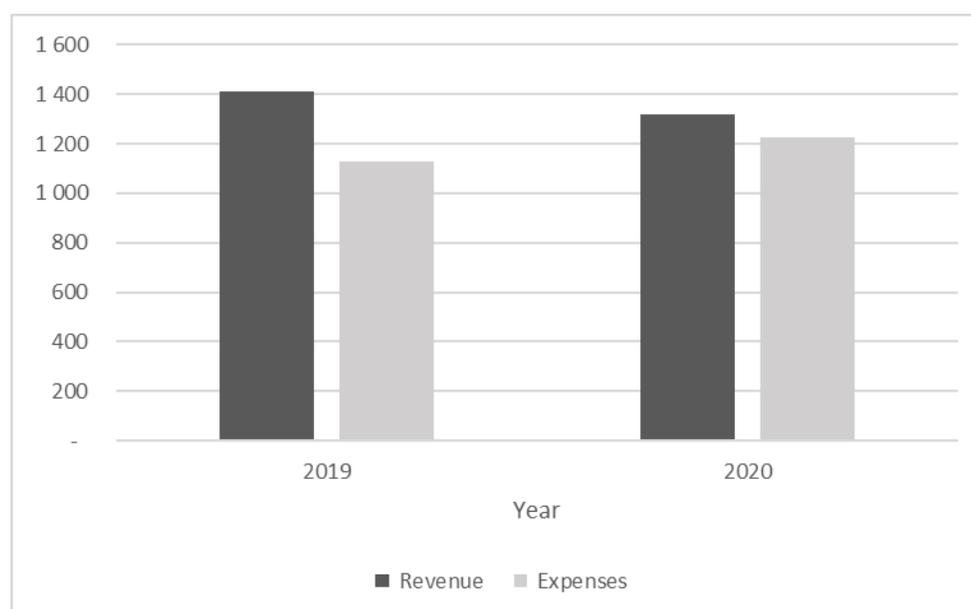
Operating results

12. In 2020, UNFPA reported total revenues of \$1,316.91 million (2019: \$1,409.20 million) and total expenses of \$1,228.10 million (2019: \$1,130.20 million), representing a surplus of \$88.81 million (2019: surplus of \$279 million), as shown in figure II.I. The decrease in surplus is attributable to the decrease in earmarked contributions, and the increase in expenses is mainly a result of the implementation of programme expenses.

Figure II.I

Revenue and expenses

(Millions of United States dollars)



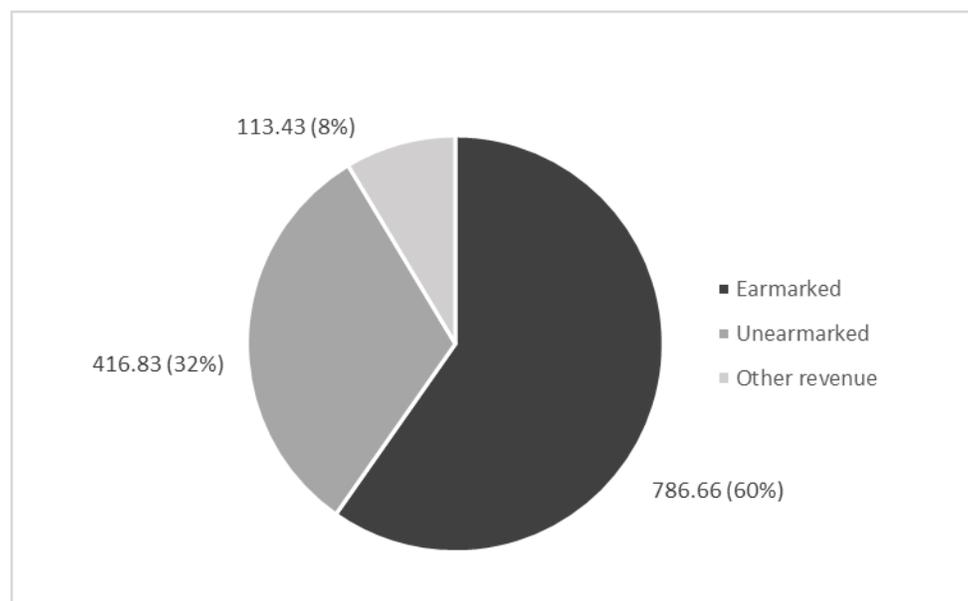
Source: Board analysis of UNFPA financial statements for the year ended 31 December 2020.

13. Of the total revenue, earmarked contributions reached \$786.66 million (2019: \$930.28 million), unearmarked contributions were at \$416.83 million (2019: \$373.47 million) and other sources of revenue amounted to \$113.43 million (2019: \$105.46 million), as shown in figure II.II. Earmarked contributions decreased by \$143.63 million (15.4 per cent) to \$786.66 million (2019: \$930.28 million), which is attributable primarily to the decrease in revenue from bilateral agreements and agreements with programme government bodies and thematic funds, mainly as a result of the financial impact of the pandemic and changing donor priorities. Unearmarked contributions increased by \$43.37 million (11.6 per cent) to \$416.83 million (2019: \$373.47 million), mainly as a result of increased support from several Member States,

including a one-time contribution by a key donor in the second half of 2020 to support the UNFPA response to the pandemic; the increase was partly offset by the effect of adverse changes in exchange rates affecting two key contribution currencies.

Figure II.II
Revenue distribution by nature

(Millions of United States dollars)



Source: Board analysis of UNFPA financial statements for the year ended 31 December 2020.

14. In 2021, a major donor Government communicated its decision to significantly reduce future unearmarked and earmarked contributions to UNFPA. The reduction in funding will also affect the collection of contributions receivable from that donor under existing contribution agreements. On the date of signing of the financial statements, UNFPA was not in a position to measure the impact of those funding reductions on its future revenue flows or on the recoverability of contributions receivable; therefore, no adjustments to the 2020 financial statements were made as a result of this event.

Ratio analysis

15. The analysis of the main financial ratios (see table II.2) presents a decrease, although UNFPA still maintains an adequate financial position to meet its short-term liabilities with its liquid assets. Similarly, the sound financial position is exhibited by all ratios, with the current ratio decreasing from 6.4 to 5.9, mainly owing to an increase of \$25.3 million in respect of cash, cash equivalents and current investments (primarily due to the surplus for the year 2020) and an increase of \$23.8 million in other current liabilities and deferred revenue (due to bridge funding reclassified from non-current to current liabilities in 2020).

Table II.2
Ratio analysis

<i>Description of ratio</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Current ratio^a		
Current assets: current liabilities	5.9	6.4
Total assets: total liabilities ^b	3.6	3.7
Cash ratio^c		
Cash plus current investments: current liabilities	4.2	4.7
Quick ratio^d		
Cash plus current investments plus current contributions receivable: current liabilities	5.2	5.8

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2020.

^a A high ratio indicates the ability of an entity to pay off its short-term liabilities.

^b A high ratio is a good indicator of solvency.

^c The cash ratio is an indicator of the liquidity of an entity, obtained by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

^d The quick ratio is more conservative than the current ratio because it excludes inventory, operating fund advances and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

3. Harmonized approach to cash transfers framework

3.1 Monitoring of assurance activities

16. The harmonized approach to cash transfers framework¹ details the guidelines for carrying out macroassessments, microassessments, cash transfers modalities and assurance activities for implementing partners.

17. With regard to assurance activities, whether spot checks or audits, the purpose is to determine if the funds transferred to implementing partners have been used for their intended purposes and in accordance with the workplan, which is the main tool for planning, budgeting and monitoring activities that contribute to programme outputs.

18. In addition, according to the harmonized approach to cash transfers, without appropriate completion of the assurance activities, the framework would serve as a mechanism only for risk assessment and identification, rather than for risk management and mitigation.

19. For the assurance activities process, UNFPA uses the implementing partner assurance system tool, which captures data on assessments of implementing partners (such as risk rating and date of microassessment and microassessment document), assurance plans, spot checks, audits and follow-up to spot checks and audits, with their corresponding status. The data are entered by UNFPA staff and by third-party auditors commissioned to carry out audits and/or spot checks. The tool has a warning that highlights when the implementing partner's microassessment is not valid owing to the date.

20. UNFPA selects the expenses subject to assurance on the basis of the implementing partner's risk as reflected in the implementing partner assurance system (high, significant, moderate or low), the cash transfers modality (direct cash transfers,

¹ The framework is applied by the United Nations Children's Fund, the United Nations Development Programme and the United Nations Population Fund.

reimbursement or direct payment), the result of past assurance activities (qualified or unqualified opinion; non-high-priority or high-priority findings) and the established thresholds amount. Subsequently, third-party auditors perform audits, and UNFPA staff or third-party providers perform spot checks.

21. Furthermore, under the harmonized approach to cash transfers, periodic on-site reviews (spot checks) are performed during the programme cycle to assess the accuracy of the financial records for cash transfers to implementing partners and the status of programme implementation, on the basis of the UNFPA assurance plan.

22. It is established in paragraph 9.22, point 3, of the framework that the spot check should be completed within three weeks of initiation, including the site visit to the implementing partner. Furthermore, it is stated in point 5 of paragraph 9.22 that the entity should document the results of its analysis and the decisions made as a result of the spot check, and that those files will be attached to the spot check documentation.

23. In order to coordinate and implement the assurance activities indicated in the framework, the UNFPA Division for Management Services issued a guide in 2020 on implementing partner assurance, in which it is established that offices must address all recommendations made in microassessments, audits and spot checks, as well as monitor activities with their implementing partners and ensure that appropriate and timely action is taken to address the findings. This should be done as soon as possible after the report is issued and shared with the partner, with a target completion date for spot checks by 30 June, at the latest, in the year after the year of review.

24. In the UNFPA guidance on spot checks issued in 2020, it is indicated that high-priority observations require follow-up by the UNFPA programme manager.

25. According to the regional terms of reference issued in 2015, regional offices perform a leadership role for country offices, providing guidance and oversight on matters requiring alignment with regional and global operations. Regional offices also ensure communication between headquarters and country offices and collaborate with headquarters to improve implementation of the harmonized approach to cash transfers assurance process in the field.

26. Finally, the Board draws attention to the fact that an emphasis of matter was disclosed in the audit opinion included in its report for the year ended 31 December 2019 (A/75/5/Add.8), since there were delays and reductions in the coverage of assurance activities and a large number of activities could not be completed owing to travel restrictions put in place as a result of the COVID-19 pandemic. The audit opinion was not modified with respect to the matter.

Monitoring of assurance activities by headquarters

27. The Board reviewed the status of assurance activities for 2019 that were postponed or not completed owing to travel restrictions imposed during the COVID-19 pandemic and observed the following situations:

(a) Changes between June and October 2020 in the planned assurance activities for 2019. There were 643 planned spot checks in June and 653 in October (27 were dropped and 37 were added), and 298 planned audits in June and 297 in October (1 was removed). The entity explained the following main reasons for the changes:

(i) The audit was dropped after being changed to a spot check. In 2019, the implementing partner had a significant microassessment risk, and the new risk rating for the year 2020 was low;

(ii) A total of 31 implementing partners were added to the spot check report extract with direct payments (not mandatory); nevertheless, their expenditure was above \$50,000;

(iii) Four implementing partners were added to the spot check report extract for mandatory assurance activities because the low risk rating for 2019 was not accurately reflected in the implementing partner assurance system, owing to a delay in the approval of the uploaded result. The risk updates were applied in 2020;

(iv) There were 24 implementing partners (for a total amount of \$3,196,159) dropped from the spot check plan because they were international non-governmental organizations, their headquarters were in a donor country, activities were managed from a donor country, they had no negative audit history with UNFPA or they had an unqualified statutory audit. UNFPA relies on national regulations and oversight mechanisms for the audit of such organizations;

(b) Delay in the completion of assurance activities for 2019. By October, UNFPA had performed 488 spot checks, representing 74.7 per cent of those planned (445 by June, representing 69.2 per cent) and 217 audits, representing 73.1 per cent of those planned (163 by June, representing 54.7 per cent). The entity stated that 24 audits (\$10.31 million) had been postponed and would be conducted with the 2020 audits in 2021, and that 56 audits (\$39.78 million) were in progress.

28. The Board reviewed the assurance plan guide for 2020 and observed that, as a result of the changes in the thresholds for assurance activities, \$41 million in expenditure would not be subject to audits or spot checks, representing 10 per cent of the total expenditure of implementing partners (according to the annual workplan as at 2 July 2020).

29. The Board also reviewed the implementing partner assurance plan for 2020, as at October 2020, and observed the following situations:

(a) There were 30 implementing partners (total expenditure of \$8.92 million) that did not have an audit or spot check planned at that time, whose risk ratings were low, who did not have direct payments as a cash transfers modality and who had a monitoring amount above \$100,000;

(b) There were 38 implementing partners (total expenditure of \$4.46 million) that did not have an audit or spot check planned at that time, whose risk ratings were medium, significant or high, who did not have direct payments as a cash transfers modality and who had a monitoring amount above \$50,000.

30. It is important to note that the implementing partner assurance system did not automatically select an implementing partner for an audit or spot check. The selection of implementing partners subject to assurance activities was therefore done by each field office on the basis of the corporate minimum criteria determined and issued by the Division for Management Services. In this context, the field offices were encouraged by the Division to apply their own risk considerations for the selection of implementing partners, beyond and above the corporate minimum requirements.

31. The Board noticed four cases in which implementing partner risk ratings had not been accurately reflected in the implementing partner assurance system owing to a delay in the approval of uploaded results by headquarters. The risk ratings used as a criterion to build the assurance activities process were high, but the risk ratings in the microassessment for 2019 were low. Therefore, the system did not have updated risk ratings to build the assurance activity plan.

32. The Board also reviewed the implementing partner microassessment ratings for the country office in the Syrian Arab Republic and noted that one implementing partner had a significant risk rating in the implementing partner assurance system; however, according to the most recent microassessment, conducted in 2017, the overall risk rating for that implementing partner was low. This risk rating was not reflected on the front page of the implementing partner assurance system, which is considered when building the assurance activity plan.
33. Furthermore, the Board observed three cases with limitations in the implementing partner assurance system for recording the correct date of the microassessment by the organization unit.
34. Finally, the Board noted that the implementing partner assurance system tool allows third-party auditors, who carry out the assurance activities for expenses incurred by implementing partners, to change the audit report status on the “audit reporting” module from “audit finalized” to “unfinalized audit” several times after the audit opinion has been issued by the third-party auditors.
35. The Board considers that inaccurate and untimely monitoring of assurance activities generates uncertainty related to the use of the funds transferred by UNFPA to implementing partners.
36. The Board deems that the changes in the planned assurance activities for 2019 indicate that the planning process was not, according to an adequate evaluation of implementing partners’ risk, inefficient at that stage of the process.
37. The Board is of the view that the outdated risk rating in the implementing partner assurance system tool has a direct impact on planned assurance activities because UNFPA considers, inter alia, the risk rating to determine which implementing partners will have a mandatory spot check and/or audit, resulting in an inaccurate assurance activities process. This situation acquires greater relevance, considering that the entity, in recent years, has paid increased attention to the implementing partners’ risk level than to their amounts.
38. In addition, the Board is of the opinion that the current systems do not make it possible to carry out preventive or automatic controls, because the activities must be created manually in the implementing partner assurance system. Moreover, the system’s limitation on recording the correct date of a microassessment could mean that the entity uses unreliable information for monitoring the status.
39. The Board considers that changes in the audit report status after an audit opinion has been issued reflect a lack of capacity of the third-party auditors in the use of the implementing partner assurance system tool, as well as unreliable information related to the results of assurance activities.
- 40. The Board recommends that UNFPA strengthen its assurance activities monitoring procedures at all governance levels (global, regional and country), with the purpose of having a process that gives an accurate overview of the implementing partners subject to well-timed spot checks and/or audits.**
- 41. In addition, the Board recommends that UNFPA update the implementing partners’ risk ratings in the implementing partner assurance system in a timely and accurate manner, in order to have precise planned assurance activities and overcome the limitations of the implementing partner assurance system.**
- 42. Furthermore, the Board recommends that UNFPA incorporate automatic controls into the new enterprise resource planning system, with the aim of determining the implementing partners subject to mandatory assurance activities in a timely and accurate manner.**

43. Finally, the Board recommends that UNFPA provide effective training to the third-party auditors on the use of the implementing partner assurance system.

44. UNFPA agreed with the recommendations and stated that management would apply strong monitoring procedures for its assurance activities. It also indicated that the update of the implementing partners' risk rating in the implementing partner assurance system would be reflected in the new enterprise resource planning system. UNFPA stated that it would consider how best to move forward with a centralized compared with a decentralized audit selection process, in order to obtain greater efficiency and effectiveness, and that a solution to balance automation and differentiation and/or decentralization would be explored in the new enterprise resource planning system.

Monitoring of assurance activities and follow-up in the Arab States Regional Office and country offices of the Arab States region

45. The Board reviewed the assurance activities in the implementing partner assurance system (429 spot checks and 168 audits) of the 14 field offices in the Arab States region that should have been performed in 2018 and 2019, and noted the following situations as at the review date:²

(a) Regarding the spot checks:

(i) In the 2018 period, there were 5 spot checks for which data had been entered and the report was awaiting finalization by the approver ("pending finalization" status), 14 spot checks that had not been initiated at that time ("pending user entry" status) and 3 spot checks for which the report had been received and the data entry was still pending ("initiated" status);

(ii) In the 2019 period, there was 1 spot check that still had "pending finalization" status, 17 spot checks with "pending user entry" status and 3 spot checks with "initiated" status;

(b) As a result of the analysis performed to follow up on the spot checks, the following situations were identified:

(i) In the 2018 period, there were three follow-ups with a finalized status, but no documents attached in the system;

(ii) In the same period, there were 19 follow-ups that had not been carried out or finalized as at the review date ("pending" status);

(iii) Furthermore, of the 19 aforementioned cases, there were 14 implementing partners that had a workplan during 2020 despite not having finalized the follow-up to the recommendations of the prior period;

(iv) In the 2019 period, there were 29 follow-ups with "pending" status. This included 27 implementing partners that had a workplan during 2020, of which 6 also had "pending" status in 2018;

(c) With regard to audit follow-ups for the Arab States region for 2018 and 2019, the Board noted that there were four follow-ups of qualified opinions (two for 2018 and two for 2019) with "pending" status. This included three implementing partners that had a workplan during 2020.

46. The Board considers that untimely monitoring of assurance activities and follow-up thereto could generate uncertainty about using the funds transferred by UNFPA to implementing partners, since signing workplans with implementing

² Reviewed between 8 and 10 February 2021.

partners whose assurance activities follow-ups have not been carried out or have not been finalized indicates that field offices could make transfers of funds to implementing partners with an outdated risk level, and therefore an inadequate cash transfer modality could be used. Such situations could also have an impact on the appropriate development of the forthcoming assurance plan.

47. In addition, the Board deems that maintaining supporting documents for each spot check and follow-up in the implementing partner assurance system is of the utmost importance, since, on one hand, it affords all stakeholders transparent access to details of the results of the assurance activities and, on the other hand, it helps to carry out effective oversight and accurate analyses at all governance levels, with all the necessary supporting information available.

48. Finally, the Board considers that the non-provision of adequate oversight and monitoring to country offices by the Arab States Regional Office in matters related to the assurance activities of implementing partners could result in untimely information about the use of the funds transferred by UNFPA to implementing partners in connection with their workplans.

49. The Board recommends that the UNFPA Arab States Regional Office implement effective and timely monitoring procedures regarding the assurance activities, with the purpose that each country office should accomplish the pending assurance activities and the follow-up thereto.

50. The UNFPA Arab States Regional Office agreed with the recommendation.

Expenses incurred by implementing partners

51. In 2020, UNFPA implemented a share of its projects through 1,623 implementing partners (2019: 1,462), for total expenses amounting to \$395.74 million (2019: \$354.61 million), which represents 32.2 per cent of total expenses in 2020 (2019: 31.4 per cent). For the 2020 period, UNFPA management planned mandatory assurance activities to cover an amount of \$355.63 million in expenditure (89.9 per cent).

52. As at 25 June 2021, UNFPA had performed 480 of 647 planned spot checks (74.2 per cent) and 278 of 331 planned audits (84.0 per cent), for total expenses of \$294.22 million, which represents 82.7 per cent of the planned assurance activity coverage and is a substantial improvement over the previous period, in which, as at 26 June 2020, it had achieved 64.7 per cent of the assurance activities planned for 2019. Under normal circumstances, the audits and spot checks would have been carried out between mid-February and the end of April 2021. However, owing to the effects of the COVID-19 pandemic, UNFPA reported that there were delays and reductions in the coverage, and a large number of activities could not be completed.

53. It should be noted that in recent years the entity, in order to select the implementing partners subject to assurance activities, has paid greater attention to the implementing partners' risk levels and the results of past assurance activities than to the expenses coverage of the assurance plan. Therefore, the delay in performing the assurance activities affects the future planning and monitoring process for those activities.

54. Finally, the Board acknowledges management's efforts to improve accomplishment of the mandatory assurance activities and expects UNFPA to further expedite its efforts on this matter, in order to resolve deficiencies in the implementation of the standards contained in the harmonized approach to cash transfers framework that have been exposed in the present long-form report, which would allow the entity to overcome the challenges related to executing the assurance activities.

3.2 Microassessments for implementing partners in the Arab States Regional Office and country offices of the Arab States region

55. The purpose of microassessments is to assess the implementing partners' financial management capacity to determine the overall risk rating. That rating, along with other available information, is taken into consideration when selecting the appropriate cash transfer modality for an implementing partner. Moreover, the risk rating, along with other criteria, is used to determine the type (spot check or audit) and frequency of assurance activities.

56. It is stated in the Policy and Procedures for Selection, Registration and Assessment of Implementing Partners, issued in 2012 and revised in 2016, that, for an implementing partner expected to receive a cumulative amount of more than \$100,000 during the entity's programme cycle, the microassessment should be conducted before implementation of the activities begins.

57. According to the policy, a microassessment is valid for a period of five years and may extend across programme cycles, and the implementing partner must be reassessed after five years or if significant changes occur.

58. The Board reviewed a total of 186 microassessments in the implementing partner assurance system for a sample of eight field offices in the Arab States region (including the Arab States Regional Office and offices in Egypt and the Sudan) and observed the following situations:

(a) 11 cases in which a delay in performing the reassessment of the implementing partners' financial management capacity was found;

(b) Seven cases with differences in the microassessment dates between the implementing partner assurance system and the microassessment reports. This included one case in which the year of the microassessment in the implementing partner assurance system was shown to be 2025, and another in which the year of the microassessment was shown to be 2024, instead of 2020 and 2019, respectively;

(c) Two cases in which microassessments were performed in 2017 and are still in "draft" status in the implementing partner assurance system;

(d) One case with a difference in the risk rating between the implementing partner assurance system and the microassessment report;

(e) One case with the wrong microassessment report uploaded in the implementing partner assurance system.

59. The Board considers that the aforementioned situations and the delay in accomplishing the reassessment of the implementing partners' financial management capacity may result in an implementing partner having an outdated risk rating, which could cause UNFPA to work with implementing partners whose financial management or institutional capacity is inadequate to implement workplans and therefore constitutes a misuse of resources transferred by UNFPA. Such a situation could also affect the determination of the type and frequency of the assurance activities (spot check or audits) and the selection of the appropriate cash transfer modality to the implementing partner.

60. The Board considers that inaccurately recording the dates of microassessments could result in UNFPA using unreliable information to monitor the status of the microassessments. The warning in the implementing partner assurance system may also not be effective.

61. Finally, the Board considers that the Arab States Regional Office has not provided adequate oversight and monitoring to country offices in matters related to

implementing partner microassessments, a situation that could lead to inaccurate information about the financial and operational reality of the partners to which UNFPA transfers cash.

62. The Board recommends that UNFPA carry out microassessments in a timely manner and record the dates and risk rating in an accurate manner in the implementing partner assurance system tool, with the purpose of having an updated risk rating for implementing partners, precise cash transfer modalities to implementing partners and adequate assurances activities.

63. In addition, the Board recommends that UNFPA strengthen its microassessment monitoring procedures at all governance levels (global, regional and country), in order to have accurate and updated implementing partner assessments.

64. The UNFPA Arab States Regional Office and headquarters agreed with these recommendations.

4. Programme management

Workplan progress reports

65. In accordance with the Policy and Procedures for Preparation, Management and Monitoring of Workplans, issued in 2018, workplans are the main tool for the planning, budgeting and monitoring activities that contribute to programme outputs. They are one of the formal documents signed by the implementing partner and UNFPA.

66. According to the policy, the workplan progress report is a tool to keep track of progress in implementation so that the implementing partner can provide UNFPA with an accurate update on progress in the implementation of the workplan activities.

67. It is also indicated in the policy that the workplan progress report is prepared in Atlas (the UNFPA enterprise resource planning system) by the implementing partner and submitted for approval by UNFPA on a quarterly basis. That report provides information about the status and progress of the activities or is used to request reimbursements when appropriate, and must be approved by the programme officer.

68. Furthermore, paragraph 7.1.2 of the UNFPA global programming system user guide establishes how the programmatic advance and narrative fields should be completed in the workplan progress report.

69. The Board reviewed a sample of 262 activities contained in workplan progress reports from the country offices in Egypt, the Sudan and the Syrian Arab Republic and identified shortcomings related to the completeness of the requested fields in the global programming system for the reports. As a result of the analysis, the following cases were detected:

(a) There were 37 cases that did not comply with the cumulative programmatic progress during the year, even when the workplan amount was the same each quarter; of these cases, 20 were for the Syrian Arab Republic, 11 for the Sudan and 6 for Egypt;

(b) There were 19 activities in which the “progress implementing activity” field was filled in with a narrative that was not in accordance with the “% programmatic completion” field; of these cases, 12 were for the Syrian Arab Republic and 7 for the Sudan.

70. In addition, the Board observed cases in which the funding authorization and certificate of expenditure forms were approved after the workplan progress reports. The Board identified 8 such forms, of the 71 reviewed, that were approved prior to

the approval and submission of the workplan progress reports. These cases were for Egypt and the Sudan.

71. The Board considers that the approval process carried out by the programme officer for each country office does not guarantee quality or accuracy in representing actual progress achieved by the implementing partners in the reported quarter, which could lead to an inefficient, inappropriate and/or fraudulent use of funds. Furthermore, an inaccurate review of the workplan progress report by the programme officer could result in the incorrect measurement of progress of the planned activities.

72. Finally, the Board deems that approving the workplan progress report after the funding authorization and certificate of expenditure form could lead to the country office considering expenditure that is not in line with actual execution of the agreed workplan, resulting in the inefficient or inappropriate use of UNFPA resources.

73. The Board recommends that the UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic build the capacity of implementing partners on the correct use of the global programming system module in Atlas, in order to have an accurate and good-quality workplan progress report.

74. In addition, the Board recommends that the UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic strengthen, in a timely manner, the reviews carried out by the programme officer prior to the approval of the workplan progress report and the corresponding funding authorization and certificate of expenditure form, so that the workplan progress report represents actual progress in the activities executed by the implementing partner.

75. The UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic agreed with these recommendations.

5. Inventory management

Updating of shipment tracker

76. According to paragraph 9.8 of the Policy and Procedures on Management of Programme Supplies, issued in 2018, under systems overview, the shipment tracker is a tool of the Atlas purchasing module used for tracking, recording and reporting field office inventory. The shipment tracker is intended to capture the flow of programme supplies from the point at which UNFPA gains control over the goods until control is passed to third parties, primarily through handover to implementing partners. The tool is also used as the main depository for supporting documents on receipt and inspection, handover and disposal.

77. It is indicated in paragraph 11.4 (a) that the field office shipment tracker focal point is responsible for the timely and accurate recording of all inventory transactions in the shipment tracker.

78. According to paragraph 285 of the policy, the field office shipment tracker focal point must record the delivery of the goods in the shipment tracker to reflect the transfer of control over the goods to the implementing partners.

79. In addition, it is indicated in paragraph 291 of the policy that the handover of goods consigned to implementing partners is considered to take place at the time at which the goods are shipped, since UNFPA never gains control over such goods. Financial receipts for those goods are uploaded to the shipment tracker, and the goods must be marked as delivered in the shipment tracker on the dates of the financial receipts.

80. It is also stated in the policy that the cost of the supplies is recognized as an expense in the appropriate general ledger accounts at the time at which the accounts

payable vouchers are posted. At the end of the period, the inventory under UNFPA control is recognized by charging inventory accounts and reversing the related expenses previously recorded.

81. According to paragraphs 317 and 318 of the policy, inventories under UNFPA control are recognized as assets on the basis of the shipment tracker accounting process. That process also determines and aggregates the cost of any goods not marked as delivered or disposed of in the shipment tracker at the end of the period.

82. It is indicated in the guidance note on implementing partner management during the COVID-19 pandemic, issued on 1 April 2020, in section E on the management of programme supplies, that all movements of programme supplies, such as physical receipts or deliveries to partners, must be recorded in the shipment tracker within two weeks of the relevant event, even if the corresponding documents are not yet available.

83. Finally, it should be underscored that UNFPA headquarters carried out periodic monitoring of the performance of field offices in keeping the Atlas shipment tracker up to date. In this context, the field offices were informed and requested to review the cases and the importance of updating the shipment tracker, and the Finance Branch organized seven webinars on the use of the shipment tracker and the Policy and Procedures for Management of Programme Supplies.

84. The Board reviewed the global list of 2,054 supplies delivered to implementing partners by UNFPA from 1 January to 28 October 2020. As a result of the analysis, the following cases were identified:

(a) There were 812 cases (40 per cent) in which the shipment tracker was updated with a delay of one to eight months in the handover of supplies to the implementing partners, amounting to \$38,531,125. The regional offices with the highest balances not updated in a timely manner were the East and Southern Africa Regional Office (\$22,124,263, or 57 per cent) and the West and Central Africa Regional Office (\$10,980,870, or 28 per cent);

(b) There were 237 cases (12 per cent) in which the shipment tracker was updated with a delay of 1 to 29 days in the handover of supplies to the implementing partners, between January and March 2020, amounting to \$17,604,320. The regional offices with the highest balances not updated in a timely manner were the East and Southern Africa Regional Office (\$8,216,207, or 47 per cent) and the West and Central Africa Regional Office (\$4,956,081, or 28 per cent);

(c) There were 320 cases (16 per cent) in which the shipment tracker was updated with a delay of 15 to 29 days in the handover of supplies to the implementing partners, between April and October 2020, amounting to \$18,693,384. The regional offices with the highest balances not updated in a timely manner were the East and Southern Africa Regional Office (\$7,352,136, or 39 per cent) and the West and Central Africa Regional Office (\$6,475,514, or 35 per cent).

85. The Board concludes that the field offices did not record the handover of supplies to the implementing partners in the shipment tracker in a timely manner, and therefore the UNFPA monitoring process is not effective on the basis of the current situation and the cases identified.

86. If this situation is not resolved before the closing of the corresponding accounting period and before the inventory accounting process is carried out, it could result in expenses and inventory being recorded in an incorrect period. Such a situation could jeopardize the accrual basis, because Atlas cannot be updated following the handover of supplies, which could lead to the overvaluation of assets and the undervaluation of expenses in the financial statements.

87. The Board also considers that the Atlas system lacks functionalities that make it possible to carry out preventive monitoring of the updated shipment tracker process in terms of the handover of supplies.

88. The Board recommends that UNFPA improve its supply monitoring process at the regional and country governance levels, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to implementing partners.

89. In addition, the Board recommends that UNFPA incorporate preventive controls related to inventory information into the new enterprise resource planning system, in order to provide early alerts at each stage of the supply process.

90. UNFPA agreed with the recommendations and stated that the Finance Branch inventory team had previously identified this issue through its performance reporting process and escalated it to senior management. UNFPA also stated that the inventory certification process managed by the Finance Branch took into account the risk of overvaluation of assets and undervaluation of expenses in the financial statements and ensured that expenses and inventory balances were properly reflected in the corporate accounts as at 31 December of each year.

Management of programme supplies

91. In the Policy and Procedures on Management of Programme Supplies, in paragraph 9 (8) on the systems overview, it is stated that the shipment tracker is a tool of the Atlas purchasing module used for tracking, recording and reporting field office inventory. The tool is also used as the main depository for supporting documents on receipt and inspection, handover and disposal.

92. It is indicated in paragraph 207 of the policy that the receiving and inspection process must be documented in detail on receipt and inspection forms. It is also stated that the field office shipment tracker focal point is responsible for uploading the forms to the shipment tracker.

93. According to paragraph 281 of the policy, the handover of goods must be documented on delivery slips, which must clearly specify, inter alia, the product identification, name and unit of measure of the goods to be delivered and must be in line with the information in Atlas. Finally, the operations manager must review the delivery slips for completeness and accuracy, and the shipment tracker focal point must record the delivery of the goods on the basis of the delivery slips provided by the logistical focal point.

94. The Board reviewed 60 supplies delivered in 2020 to the implementing partner for the UNFPA country offices in the Sudan and the Syrian Arab Republic and verified the process for the receipt and delivery of goods using the supporting documentation. In this context, the Board identified the following cases:

(a) There were 13 cases without receipt and inspection forms uploaded to the shipment tracker;

(b) In 22 cases, there were discrepancies between the delivery slips and the Atlas financial receipts;

(c) In 16 cases, illegible delivery slips were uploaded to the shipment tracker for the country office in the Sudan.

95. The Board considers that the UNFPA country offices in the Sudan and the Syrian Arab Republic do not adjust to the procedures for maintaining supporting documents

in Atlas. This situation could affect the appropriate monitoring of the supply flow in the shipment tracker, preventing the tool from fulfilling one of its main objectives, which is to be a documents depository.

96. In addition, the Board considers that the discrepancies between the delivery slips and the information registered in Atlas indicate a deficiency in the review of the completeness and accuracy of the delivery slips prepared for the handover of inventories to implementing partners, which could have an impact on the effectiveness of programme activities.

97. The Board recommends that the UNFPA country offices in the Sudan and the Syrian Arab Republic enhance actions to manage the receipt and inspection forms in the shipment tracker, with the purpose of maintaining the flow of operations with corresponding legible supporting documentation.

98. The Board also recommends that the UNFPA country offices in the Sudan and the Syrian Arab Republic strengthen the review of the preparation and review of delivery slips, in order to ensure a complete and accurate process that allows the country offices to maintain reliable information on the goods delivered.

99. The UNFPA country offices in the Sudan and the Syrian Arab Republic agreed with these recommendations.

6. Procurement management

6.1 Procurement plan

100. In accordance with section 4.3.1 of the UNFPA Policy and Procedures for Regular Procurement, issued in June 2019, each unit should undertake an extensive exercise in the final two quarters of the calendar year to inform a procurement plan for the following year. The procurement plan includes the type of procurement, items to be procured and the quantities, cost estimates and probability of funding.

101. In this context, it is indicated in the policy that the procurement focal point for each office is required to: (a) enter the procurement plan into the procurement planning tool (for field offices); (b) take action to implement the plans systematically throughout the year; and (c) undertake a quarterly review.

102. In section 4.3.2 of the policy, the steps that all field offices must follow to carry out the procurement plan process are defined, and procurement requirements equal to or greater than \$5,000 must be included as a minimum in the planning.

103. Finally, section 4.3.3 contains timelines for the procurement planning and implementation process and details of the specific tasks to be performed with regard to procurement planning, conducting quarterly reviews, updating the procurement plans and monitoring the implementation status of the procurement plans.

104. The Board reviewed the procurement plan for the UNFPA country offices in the Sudan and the Syrian Arab Republic as at 2 November 2020 and verified that 76 and 118 products, respectively, were included in the procurement planning tool with an individual value greater than \$5,000. As a result of the analysis, the following situations were observed:

(a) At the UNFPA country office in the Syrian Arab Republic, 58 of 76 cases (76.3 per cent) still had “requisition not raised” status, while at the country office in the Sudan, 22 of 118 cases (18.6 per cent) still had that status and 90 of 118 cases (76.2 per cent) still had “requisition raised” status. It should be noted that this is an indicator that products were entered into the planning and were left with an initial status that was not updated during 2020;

(b) The Board analysed and reviewed in both offices 10 cases that had “requisition not raised” status and 10 that had “requisition raised” status in the Atlas procurement module, and verified that those product line examples were purchased and received by the country offices. The quarterly review had therefore not been conducted in accordance with the timeline established in the policy;

(c) The Board reviewed a sample of 10 purchase orders at the UNFPA country office in the Sudan and another 10 at the country office in the Syrian Arab Republic, as at 2 November 2020, and noted that five and three products, respectively, were acquired that were equal to or greater than \$5,000 and were not included in the 2020 procurement plan.

105. The Board considers that efficient and effective implementation of the procurement plan would allow the country offices to enhance their decision-making by using adequate information and issuing requests and purchase orders in a timely manner.

106. In addition, the Board considers that the procurement needs of the country offices are not identified in an accurate or timely manner, and that this lack of planning could have an impact on the ability to achieve the country offices’ programme delivery and operational goals.

107. The Board recommends that the UNFPA country offices in the Sudan and the Syrian Arab Republic strengthen their procurement monitoring process in order to conduct quarterly reviews of the procurement plan in a timely manner.

108. In addition, the Board recommends that the UNFPA country offices in the Sudan and the Syrian Arab Republic use the procurement planning tool in an efficient and timely manner, in order to accurately identify actual procurement needs.

109. The UNFPA country offices in the Sudan and the Syrian Arab Republic agreed with these recommendations.

6.2 Evaluation of long-term agreements

110. According to section 13 of the Policy and Procedures for Regular Procurement, contract management is intended to identify problems and find solutions together with all contracting parties involved.

111. It is stated in section 13.1 of the policy that contract administration is the responsibility of the procuring unit and the individuals in charge of the procurement process (procurement focal points), who manage the relevant programme and administrative functions. The focal points are also responsible for coordinating the entire contract execution process and conducting the performance evaluation of the contractors.

112. In section 13.2.2, it is indicated that it is important to conduct an annual supplier performance appraisal to understand the overall performance of suppliers holding long-term agreements, in order to resolve any performance issues on a timely basis.

113. Finally, according to the policy, UNFPA business units should use the standard long-term agreement performance feedback form to summarize the results of evaluations and provide performance feedback to suppliers holding long-term agreements with UNFPA at least on an annual basis.

114. The Board requested all the long-term agreement evaluations prepared by the Procurement Services Branch in 2020 and was given 17 reports. In this context, the Board announced the following findings:

(a) The long-term agreement evaluation was delayed for more than a year and, in this context, the Procurement Services Branch consolidated the evaluations for 2018 and 2019 into a single report, with 11 of the 17 cases (64.7 per cent); therefore, performance feedback was not given to suppliers on an annual basis;

(b) A total of 12 of the 17 long-term agreement evaluation reports (71 per cent) for 2018 and 2019 were signed in October or November 2020 by the supplier and UNFPA; feedback on the reports was therefore not delivered to the suppliers in a timely manner;

(c) All 17 reports were focused on core commodities centrally procured by the Procurement Services Branch; therefore, the process did not cover long-term agreements related to other categories, such as vehicles or information and communications technology.

115. Finally, the Board verified that UNFPA was still developing the standard long-term agreement performance feedback form. The template is therefore not available to all UNFPA business units to carry out the evaluation process in 2020 in a timely manner.

116. The Board considers that timely submission of the supplier evaluation reports is paramount for UNFPA to detect any deviation that may expose it to delivery risks, supply delays, additional costs and/or legal claims with its supplier.

117. The Board also considers that the long-term agreement evaluation could be enhanced or its scope expanded, by including more than the core commodities and gradually expanding its range to all UNFPA business units, in order to have a wider overview of the possible challenges that UNFPA could face in the use of such agreements and to comply with the policy.

118. The Board recommends that UNFPA strengthen monitoring and internal controls to ensure the timely and accurate submission of all long-term agreement evaluation reports to suppliers.

119. In addition, the Board recommends that UNFPA increase gradually the scope of the long-term agreement evaluation reports to all UNFPA business units, in order to have a wider overview of the use of such agreements in areas beyond core commodities.

120. UNFPA agreed with these recommendations

6.3 Local procurement process

Procurement through long-term agreements and memorandums of agreement

121. In accordance with section 11.4 of the Policy and Procedures for Regular Procurement, a long-term agreement is a written arrangement between UNFPA and a supplier, which allows UNFPA to order specified goods and/or services from the supplier in agreement with a pre-established set of terms and conditions for a definite period of time, but with no legal obligation to order any minimum or maximum quantities.

122. In this context, according to the policy, the contractual and financial obligations against long-term agreements are made by issuing purchase orders subject to the long-term agreement using the Atlas system. Purchase orders must therefore be issued on the basis of the terms and conditions of the long-term agreement and must have been accepted by the suppliers before they can start to deliver the required services and/or goods.

123. Furthermore, receiving services and/or goods covered by long-term agreements without issuing a purchase order pursuant to the respective long-term agreement is an

action taken without a valid specific contractual arrangement between UNFPA and the supplier.

124. UNFPA may contract with a supplier using the long-term agreement of another United Nations system organization, which, in accordance with section 6.3.3, UNFPA carries out by obtaining consent and signing a memorandum of agreement on the long-term agreement between UNFPA and the supplier.

125. It is established in the memorandum of agreement that, to acquire products and services made available by the contractor under the long-term agreement, the acquisitions shall be through individual written or electronic orders by UNFPA for the purchase of the contractor's products and services (purchase order). Such purchase orders will be issued subject to the long-term agreement.

126. The Board reviewed 58 purchase orders at the UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic associated with long-term agreements (28 purchase orders) and memorandums of agreement (30 purchase orders).

127. In this context, it was noted that, in 17 cases, products or services were received by the three country offices before the purchase orders were issued, for a total amount of \$263,334.

128. In addition, in 9 of the 17 cases, the purchase orders were sent after the invoices were issued.

129. This situation reflects the fact that, in those cases, a procurement process was carried out, but, according to the manual, receiving services and/or goods covered by long-term agreements without issuing a purchase order pursuant to the corresponding long-term agreement is an action taken without a valid specific contractual arrangement between UNFPA and the supplier.

130. The Board considers that receiving services and/or goods without having previously issued a purchase order in accordance with the corresponding long-term agreement could result in procurement processes being carried out without the planned resources to pay for those goods and services, because in such cases funds would not be committed for those transactions, which could affect the payments that country offices must make to suppliers.

131. In addition, this kind of situation could expose country offices to delivery risks, additional costs and/or legal claims, since the procurement processes were carried out without a valid specific contractual arrangement between UNFPA and the supplier.

132. The Board recommends that the UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic strengthen the local procurement process in order to receive services or goods after a purchase order has been issued, to ensure that the procurement process is completed under budget-checked criteria.

133. The UNFPA country offices in Egypt, the Sudan and the Syrian Arab Republic agreed with the recommendation.

Procurement through request for quotation

134. In accordance with section 1.3 of the Policy and Procedures for Regular Procurement, the manner in which the procurement process is carried out must give all internal and external stakeholders of the organization the assurance that the process is fair and must ensure that all information on procurement policies, procedures, opportunities and processes is clearly defined and made known simultaneously to all interested parties.

135. If a business unit cannot meet its procurement needs through an existing long-term agreement, it begins a solicitation process. In this context, according to section

6.3 of the policy, there are two solicitation methods: informal and formal. One of the informal methods is a request for quotations with amounts ranging from \$5,000 to \$100,000. UNFPA uses three different request for quotations templates, one of which is the request for quotations template for complex services, for which the proposed evaluation is based on a combined score (technical and financial evaluation), and the award is given to the bidder that obtains the highest total score.

136. In section 11.6 of the policy, the scope of the contract for professional services is defined and it is established that before a contract for professional services can be issued to a supplier a purchase order is raised in Atlas to encumber the funds allocated with respect to the professional services contract.

137. The Board reviewed a sample of requests for quotations (10 purchase orders) in the UNFPA country office in Egypt.

138. In this context, it was noted that, in the case of five purchase orders associated with the country office in Egypt related to contracts for professional services, the mandatory request for quotations template for complex services was not provided to the suppliers, but the evaluation committees pursued the processes anyway without all the transparency standards required in the UNFPA procurement policies. It is worth mentioning that the total amount of the purchase orders was \$190,960. Furthermore, it was detected that, in these cases, the purchase orders were issued after the contracts for professional services had been signed by the country office and the suppliers.

139. The Board considers that, by not providing suppliers with the evaluation criteria at the beginning of the request for quotations process, UNFPA does not promote an appropriate level of competition or allow potential suppliers to prepare and submit quality offers.

140. This could lead to technical and financial offers not being adequately evaluated on the basis of the criteria established in the solicitation documents, resulting in the procurement of goods and services that are not fit to satisfy operational needs or do not provide adequate value for money.

141. Finally, the Board considers that the approval and signing of professional services contracts before a purchase order is raised in the Atlas system could result in liabilities without the funds to pay for the corresponding goods and services.

142. The Board recommends that the UNFPA country office in Egypt strengthen the local procurement process so that purchase orders are raised in Atlas before a contract for professional services is issued to suppliers, in order to ensure that the procurement process is completed under budget-checked criteria.

143. In addition, the Board recommends that the UNFPA country office in Egypt ensure that all transparency standards are used for the local procurement process in an efficient and timely manner, in order to guarantee that all information is clearly defined and made known to all interested parties.

144. The UNFPA country office in Egypt agreed with these recommendations.

7. Travel management

Monitoring of the travel process

145. With regard to travel, UNFPA follows the policies and guidelines of the United Nations Development Programme (UNDP). According to paragraphs 1 and 2 of the guidance on authorizing official business travel, all business trips organized and paid for by the organization must be approved before the trip and before any payment can be made in advance. Approval prior to the trip ensures that the activity is ratified, that

funds are available for the reimbursement of expenses, that travel is allowed with funds and that staff members are covered by compensation insurance.

146. In paragraph 6 of the guidance, the travel request is defined as a formal document to secure approval for incurring travel expenses and undertaking travel status. The request must be submitted for all travel performed by individuals travelling on official business organized and due to be paid by the organization. The request is created electronically in Atlas by means of a travel request in the travel and expenses module.

147. In paragraphs 8 to 10 of the guidance on route, mode of transportation and standard of accommodation, it is indicated that the traveller must make travel arrangements as soon as possible. If, when making flight reservations, the travel request is not yet available, the traveller must inform the travel agency of both the official itinerary and any requested itinerary, after which the travel agency can be guided accordingly to determine the official route, travel time and rest stops, which the travel agency will then review along with the approved travel request. Flight reservations and fares are often subject to ticketing deadlines, so it is important for the travel agency to receive the approved travel request as soon as possible, since late receipt could result in the cancellation of flight reservations and/or the need to pay higher costs for aeroplane tickets.

148. According to paragraph 26 of the guidance, travel itineraries should be confirmed as soon as possible and aeroplane tickets should be purchased, not just reserved, at least 21 days before the travel date when travelling in the class below first class and at least 14 days before the travel date when travelling in economy class. The main objective is to obtain the best opportunity for the lowest rate in accordance with the principles of efficient resource management.

149. Finally, according to paragraphs 1 and 2 of the post-travel guidance, the travel claim is a post-trip report that the traveller must submit to the authorizing unit within two weeks of the end of the trip when UNFPA organizes and pays for the trip. The travel claim provides appropriate documentation that the trip occurred; allows the traveller to claim reimbursement for additional travel expenses; and, in case the advance for the trip exceeded the amount of reimbursable expenses, allows the traveller to reimburse the excess payment amount.

150. The Board requested the travel report as at 30 September 2020, which contained 235 trips and 23 expense reports. For the 235 trips, the Board detected 114 cases (48.4 per cent) in which the travel request was made only 1 to 10 days in advance.

151. For the 23 expense reports, the following findings were detected:

- (a) There were two cases registered in the system prior to the date of the trip;
- (b) There were seven cases registered in the system 15 days or more after the date of travel.

152. The Board verified that UNFPA did not perform annual planning of its trips. Although this is not mandatory in UNDP policies, all units are encouraged under the regulations to carry out this initiative.

153. The Board considers that delays in submitting travel claims affect the effectiveness and efficiency of the reimbursement process, which could lead to the non-reimbursement of expenses, in addition to creating the risk of possible unrecorded liability.

154. The Board also considers that the absence of a travel plan could lead to an impediment regarding the actual approach to the risks that must be mitigated for an

efficient travel process, as well as the resources that the entity may have to allocate for that purpose.

155. Finally, the Board is of the view that, by following up on the UNDP suggestion to submit a travel request at least 14 days in advance, UNFPA could have access to better travel alternatives and better prices.

156. The Board recommends that UNFPA strengthen its travel monitoring process at all governance levels (global, regional and country), in order to guarantee access to timely information for decision-making and increase the possibility for access to better travel alternatives.

157. In addition, the Board recommends that UNFPA improve the post-travel process to ensure the timely recording of travel expenses, in order to avoid potential unrecorded liabilities.

158. UNFPA agreed with the recommendations and indicated that it acknowledged the need for a centralized global monitoring system for travel. It stated that it had been developing a new organization-wide enterprise resource planning system, which includes requirements for a global travel module. It also reported that it was expected that the forthcoming travel module in the new enterprise resource planning solution would include enhanced monitoring and automated reminders to promote the timely submission of travel claims.

8. Internal control framework

Donor reporting

159. In accordance with paragraph 60 of the UNFPA co-financing procedures, issued in March 2010, compliance with the reporting requirements, as set out in signed co-financing agreements, is critical for UNFPA to maintain credibility with its donors to ensure continued outreach for fundraising.

160. The UNFPA Resource Mobilization Branch has a procedure, the narrative reporting overview, in which it is stated that donors should place significant importance on timely and quality progress reporting. The budget holder (the country/subregional/regional office or headquarters unit managing the earmarked co-financed contribution) is responsible for such activities and ensures that progress reports are submitted according to the time frame contained in the agreement.

161. In order to respond to requests from donors, UNFPA developed the donor agreement and report tracking system application, which has been in effect since 2010. The system contains a number of information fields on donor agreements and allows users to review the beginning and end dates of the agreements (by searching the related fund code), track the expiry dates of all agreements relevant to an organizational unit or department and monitor progress reporting to donors.

162. Finally, it is stated in section (e) of the Policy and Procedures for Programme and Financial Monitoring and Reporting that all reports sent to donors must be uploaded to the donor agreement and report tracking system on the reporting dates entered by the Resource Mobilization Branch, in accordance with agreements.

163. The Board reviewed the dashboard report from the donor agreement and report tracking system and verified that, of the 886 reports that should have been uploaded by 2 November 2020, 105 were not hosted in the system and 275 were uploaded after the due date. This demonstrates that 43 per cent (380) of reports were hosted behind schedule and that UNFPA did not take into account their tracking expiry dates.

164. The Board noted that, of the 105 reports that were not hosted in the system, 62 (59 per cent) had a delay of more than three months and 16 (15 per cent) had a delay of between one and three months.

165. Similarly, the Board noted that, of the 275 reports hosted after the due date, 32 (12 per cent) were uploaded with a delay of more than three months and 69 (25 per cent) were uploaded with a delay of between one and three months.

166. The Board verified that there was no monitoring mechanism at the global or regional level that allowed UNFPA to demonstrate that work had been conducted in accordance with established procedures and that performance results had been reported in a timely and accurate manner.

167. The Board considers that the timely submission of quality donor reports is paramount for UNFPA to maintain good relations with its donors and ensure future funding, in order to be able to meet established funding targets and carry out activities related to its mandate.

168. The Board also considers that the credibility and good image of UNFPA are essential to attract new or non-traditional donors and that it is fundamental to have regional and global coordination mechanisms that allow timely reporting to donors.

169. Finally, the Board considers that the absence of regional and global monitoring of the information contained in the donor agreement and report tracking system could generate risks of late and incomplete or inaccurate responses to donor requirements.

170. The Board recommends that UNFPA strengthen monitoring and internal controls to ensure the timely submission of reports to donors in the donor agreement and report tracking system.

171. In addition, the Board recommends that UNFPA strengthen its governance structure to build the capacity to present timely and accurate donor reports, in order to keep the flow of operations updated at the global, regional and country levels.

172. UNFPA agreed with the recommendations and stated that it had been exploring software capabilities with a view to upgrading and moving the donor agreement and report tracking system functionality to Salesforce or the new enterprise resource planning system.

C. Disclosures by management

1. Write-off of cash, receivables and property

173. UNFPA informed the Board that it had formally written off losses of \$266,768 (2019: \$273,951). The write-offs included contributions receivable of \$127,645; inventory of \$59,623; operating fund advances of \$1,433; property, plant and equipment of \$2,858; petrol receivables of \$3,370; cash advance of \$46,126; and a value-added tax reimbursement claim of \$25,713 (see annex II).

2. Ex gratia payments

174. As required in regulation 14.4 of the UNFPA Financial Regulations and Rules, management reported ex gratia payments amounting to \$55,575 for the period under review.

3. Cases of fraud and presumptive fraud

175. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from

fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

176. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

177. In 2020, the Board did not identify any cases of fraud, other than the 11 cases of fraud amounting to \$18,487 that had been reported to the Board by UNFPA.

D. Acknowledgement

178. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the officials and staff of UNFPA during the conduct of the audit.

(Signed) **Jorge Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(Signed) **Kay Scheller**
President of the German Federal Court of Auditors

(Signed) **Hou Kai**
Auditor General of the People's Republic of China

22 July 2021

Annex I

Status of implementation of recommendations up to the year ended 31 December 2019

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2016	A/72/5/Add.8 , chap. II, para. 100	The Board recommends that the United Nations Population Fund (UNFPA) put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.	UNFPA informed the Board that the Information Technology Solutions Office was reviewing all of its policies to create a more consistent model. The resolution of this recommendation has to be postponed until such revision is completed.	The Board acknowledges management's efforts to establish a mechanism to monitor the adoption of software policies. However, the entity has reported a new deadline to implement this recommendation (first quarter of 2021). Therefore, this recommendation remains under implementation.		X		
2	2017	A/73/5/Add.8 , chap. II, para. 16	UNFPA agreed with the Board's recommendation to formalize the enterprise risk management policy to guide staff at country offices and supplement the guidance in place for managing the enterprise risks.	UNFPA informed the Board that the Division for Management Services and the Office of the Executive Director were currently developing an enterprise risk management policy and risk appetite statement to supplement the existing guidance notes and enterprise risk management (enterprise resource planning) framework for effective risk management in UNFPA.	The Board recognizes the efforts achieved by management. It is a work in progress, and UNFPA reported a new deadline to implement this recommendation, which results in delays in its compliance (fourth quarter of 2020). The recommendation is therefore considered to be under implementation. The Board encourages the entity to determine a new deadline to accomplish this recommendation.		X		
3	2017	A/73/5/Add.8 , chap. II, para. 59	The Board recommends that UNFPA monitor the distribution process to ensure that inventory is handed over to the intended beneficiaries by the implementing partners and get assurance on whether inventory has been utilized as intended.	UNFPA informed the Board that the Policy and Procedures on Management of Programme Supplies establishes a framework of procedures and control activities referred to as the last-mile assurance process, which will provide assurance as to the proper utilization of programme supplies, through: (a) development of supply chain maps, demonstrating the flow of products along with the different supply chain levels; (b) implementing partner supply chain management capacity and risk assignments; (c) periodic reporting by	The Board verified that the related actions to support this solution had been completed by UNFPA. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				<p>implementing partners on the management and safeguarding of programme supplies; and (d) regular “last-mile” spot checks and audits, which include, based on extracts from UNFPA delivery records and national logistics management information systems, the tracking of samples of deliveries and distributions as far as the service delivery points at which products are made available to beneficiaries (i.e., the last mile). The design of the last-mile assurance process and the training of close to 100 staff members from 60 offices were completed in October 2019. Guidance notes and templates for all of the above-mentioned processes have been developed and made available to UNFPA staff at all country offices, and webinars to support the roll-out of each tool were presented in the first half of 2020. Finally, the audits and spot checks as part of the last mile assurance process are a recurring activity and are scheduled to take place during 2021, taking into consideration restrictions related to the coronavirus disease (COVID-19) pandemic. The remaining activities in the process have been implemented in accordance with the timeline defined for the process.</p>					
4	2017	A/73/5/Add.8 , chap. II, para. 87	The Board recommends that UNFPA establish an enterprise resource planning solution which will have a global travel and expenses module at all country offices to facilitate the travel management activities and reporting, including reporting of travel data globally in real time.	UNFPA acknowledges the benefits of extending the travel and expenses module functionality to the field. A global travel module is currently included in the requirements for UNFPA enterprise resource planning transformation. Specifications of the new enterprise resource planning travel module and user stories are being developed in order to be sent to the enterprise resource planning team.	The Board verified that the functional requirements had been sent from the business unit (user records) to the enterprise resource planning team, a formal step that demonstrates the incorporation into the new enterprise resource planning system of solutions that will allow UNFPA to strengthen its processes. Therefore, this	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
					recommendation is considered implemented.				
5	2017	A/73/5/Add.8, chap. II, para. 98	The Board recommends that UNFPA: (a) incorporate the requirements for information and communications technology security awareness training in the existing policies; and (b) make it mandatory and establish an enforcement mechanism for all staff members to complete information security awareness training.	UNFPA reported that the Information Technology Solutions Office had developed a training course on information security awareness and deployed it to all UNFPA personnel. In consultation with the Division of Human Resources, the course was made mandatory, and all UNFPA personnel are required to complete it by 30 April 2021. New personnel joining after that date will be required to complete the course in due time after coming on board. The course was introduced in a message to all UNFPA personnel. A global webinar was conducted in February 2021 for all UNFPA personnel to familiarize them with the course.	The Board verified that the related actions in support of this solution had been completed by UNFPA. Therefore, this recommendation is considered implemented.	X			
6	2019	A/75/5/Add.8, chap. II, para. 28	The Board recommends that UNFPA take measures to improve preventive controls, in order to ensure that all UNFPA business units conduct procurement processes in accordance with the thresholds established in the procurement procedures (from the perspective of the solicitation method and procurement authority) and conduct solicitation and contract management using tools based on enterprise resource planning.	UNFPA informed the Board that it had taken action to define the functional requirements that should be incorporated into the new enterprise resource planning system for imposing the procurement process controls based on the thresholds established in the procurement procedures.	The Board verified that the functional requirements had been sent from the business unit (user records) to the enterprise resource planning team, a formal step that demonstrates the incorporation into the new enterprise resource planning system of solutions that will allow UNFPA to strengthen its processes. Therefore, this recommendation is considered implemented.	X			
7	2019	A/75/5/Add.8, chap. II, para. 29	The Board recommends that UNFPA ensure that the Procurement Services Branch coordinates with each procurement process user, in order to make the business analytics team of the Branch aware of the users'	UNFPA informed the Board that the Procurement Services Branch business analytics team had gathered the requirements from different teams within the Branch regarding their planned reporting needs and data-related requests. UNFPA reviewed all of the requirements, performed interviews with teams, finalized	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			requirements, with the main objective of building standardized, timely and useful monitoring tools and reports for the users.	the different requests and segregated them on the basis of the type of requirement. All the projects mentioned in the present report were also captured and tracked in the UNFPA strategic information system as key projects for the team, developed aside from business-as-usual activities.					
8	2019	A/75/5/Add.8, chap. II, para. 38	The Board recommends that UNFPA ensure that information related to purchases is maintained in a reliable and comprehensive corporate electronic system, and that the information is complete and entered in a timely manner, in order to guarantee the effective management and monitoring of the different procurement and solicitation processes conducted by UNFPA.	UNFPA informed the Board that management recognized the importance of reliable information, effective governance and monitoring of the different procurement and solicitation processes. Accordingly, UNFPA has already taken action to define the functional requirements for integrated digitized solicitation and procurement processes that should be incorporated into the new enterprise resource planning system, as the current Atlas enterprise resource planning system could not address such conditions owing to its limitations. This will guarantee effective management and monitoring of the processes, including maintaining procurement logs.	The Board verified that the functional requirements had been sent from the business unit (user records) to the enterprise resource planning team, a formal step that demonstrates the incorporation into the new enterprise resource planning system of solutions that will allow UNFPA to strengthen its processes. Therefore, this recommendation is considered implemented.	X			
9	2019	A/75/5/Add.8, chap. II, para. 53	The Board recommends that the UNFPA country office in Mozambique improve the assessment of the annual procurement plan in order to identify recurrent local acquisitions and undertake processes for the award of long-term agreements or requests for quotations, to avoid the risk of splitting procurements and increase the efficiency and effectiveness of this kind of procurement process.	UNFPA reported that its country office in Mozambique had taken action and begun to use a new tool for procurement planning, case identification and tracking to enable the country office to monitor progress along each step of the procurement process. Through the operations management team, the country office is also piggybacking and participating in joint long-term agreements with other United Nations organizations. For small-value services, the country office will continue to apply the procurement methods mandated in the relevant procurement policy, based on the thresholds and nature of purchases undertaken.	The Board verified that the UNFPA country office in Mozambique had carried out action to strengthen its procurement processes. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
10	2019	A/75/5/Add.8 , chap. II, para. 54	The Board recommends that the UNFPA country office in Myanmar comply with procurement procedures and monitor the financial thresholds for the different solicitation methods with the utmost accuracy.	UNFPA informed the Board that at the country office in Myanmar all procurement, including local procurement, was covered under standard procurement procedures. In future, the country office will ensure compliance with the recommendation. An international procurement consultant has been hired to strengthen the internal control process for procurements (uploaded monitoring sheet for accumulated procurement amounts from each large supplier for programme activities in 2020).	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
11	2019	A/75/5/Add.8 , chap. II, para. 55	The Board recommends that the UNFPA country office in Myanmar create, approve and budget-check purchase orders before the suppliers provide the goods or services.	UNFPA informed the Board that its country office in Myanmar was ensuring full compliance with the established procurement procedures. Purchase orders are properly processed before receiving goods or services, based on the thresholds and types of procurement.	The Board verified that the related actions reported by the UNFPA country office in Myanmar had been completed. Therefore, this recommendation is considered implemented.	X			
12	2019	A/75/5/Add.8 , chap. II, para. 64	The Board recommends that UNFPA recognize the inventories under the control of field offices each quarter, as established in the Policy and Procedures on Management of Programme Supplies.	UNFPA reported that, commencing in the first quarter of 2020, management was running the system processes required to reflect inventory balances in the general ledger quarterly, instead of upon completion of inventory balance certifications by field offices. Management reiterates that, regardless of the frequency of execution of the general ledger inventory processes, controls and reporting on inventory balances are conducted on an ongoing basis, using data and reports in the Atlas shipment tracker (inventory control system).	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
13	2019	A/75/5/Add.8 , chap. II, para. 65	The Board recommends that UNFPA comply with the preparation of the quarterly reports of conditions indicative of potential problems related to operating effectiveness in the	UNFPA decided to prepare reports on conditions indicative of potential operating effectiveness issues in the programme supplies management process at a reduced frequency owing to limitations imposed by the existing enterprise resource planning	Given the update of the Policy and Procedures on Management of Programme Supplies in March 2021, the Board considers this recommendation to have been overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			order sourcing, fulfilment and delivery processes.	system and the extensive manual efforts required to prepare each report. The Policy and Procedures on Management of Programme Supplies has been updated to reflect this decision, taking effect on 1 March 2021. The reporting frequency has been aligned with that considered appropriate in the circumstances, under conditions indicative of supply chain management operating effectiveness problems.					
14	2019	A/75/5/Add.8 , chap. II, para. 76	The Board recommends that UNFPA and its Mozambique and Myanmar country offices update inventory transactions in a timely manner and accurately record them, in order to avoid inaccurate financial reporting for management decision-making.	UNFPA informed the Board that the country offices in Mozambique and Myanmar had implemented additional managerial and oversight controls under the UNFPA representatives in each country to ensure that inventory transactions were recorded in the Atlas shipment tracker as they occurred. The UNFPA Finance Branch in the Division for Management Services presented a series of global webinars focused on the proper use of the shipment tracker and provided individual coaching sessions in both country offices.	The Board recognizes management's efforts on this matter, but has verified that the country offices in Mozambique and Myanmar did not update inventory transactions in a timely manner, since there were delays in the number of deliveries. Therefore, this recommendation is considered to be under implementation.		X		
15	2019	A/75/5/Add.8 , chap. II, para. 77	The Board recommends that UNFPA and its Ethiopia and Mozambique country offices carry out all procedures established in the Policy and Procedures on Management of Programme Supplies in a timely manner, keeping the flow of operations updated and with the respective documentation in the shipment tracker.	The UNFPA country offices in Ethiopia and Mozambique have implemented additional managerial oversight resources and controls under the responsibility of the UNFPA representatives to ensure that all procedures mandated by the Policy and Procedures on Management of Programme Supplies are performed in a consistent and timely manner. The UNFPA Finance Branch in the Division for Management Services has presented a series of global webinars to provide refresher training on the shipment tracker, periodic inventory certifications and key requirements of the policy. It also held individual coaching sessions with both country offices.	The Board verified that the country offices in Ethiopia and Mozambique had carried out the activities reported. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
16	2019	A/75/5/Add.8, chap. II, para. 84	The Board recommends that the UNFPA country offices in Ethiopia and Mozambique improve the standard operating procedure for customs clearance by incorporating the missing minimum activities established in the policy.	Management has taken note of the recommendation. In this regard, the country offices in Ethiopia and Mozambique will revise their standard operating procedures on customs clearance for the commodities for which UNFPA is the consignee, based on the Policy and Procedures on Management of Programme Supplies. However, in the case of Mozambique, the consignee for sexual and reproductive health commodities is the Ministry of Health. The country office will therefore continue to use the standard operating procedure already designed and implemented by the Ministry. Management made an updated and approved version of the standard operating procedure.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
17	2019	A/75/5/Add.8, chap. II, para. 94	The Board recommends that the UNFPA country office in Ethiopia put in order the supplies stored in the warehouse, with the purpose of complying with the storage conditions established in the policy.	UNFPA reported that supplies at the country office in Ethiopia had already been put in order to ensure compliance with the storage conditions established in the Policy and Procedures on Management of Programme Supplies.	The Board verified that the UNFPA country office in Ethiopia had carried out the activities reported. Therefore, this recommendation is considered implemented.	X			
18	2019	A/75/5/Add.8, chap. II, para. 95	The Board recommends that the UNFPA country office in Ethiopia monitor on a daily basis the temperature and humidity of the warehouse, and keep respective logs.	The UNFPA country office in Ethiopia, in consultation with the World Food Programme, manager of the warehouse, is exploring modalities and mechanisms to monitor and maintain daily logs of temperature and humidity at the warehouse.	The Board recognizes management's efforts on this matter; however, this recommendation is considered to be under implementation.		X		
19	2019	A/75/5/Add.8, chap. II, para. 96	The Board recommends that the UNFPA country office in Ethiopia evaluate the condition of the products, in order to identify damaged or unusable supplies.	UNFPA informed the Board that its country office in Ethiopia had already undertaken an exercise to evaluate the condition of products and did not encounter any damaged products. In instances in which external cardboard boxes were discovered to be bent, the	The Board verified that the country office in Ethiopia had carried out the activities reported. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
20	2019	A/75/5/Add.8 , chap. II, para. 110	The Board recommends that UNFPA country offices recognize correctly the expenditures incurred by implementing partners, in order to avoid expenditures that are not eligible or not aligned with the workplan or agreements signed between the parties.	country office found that the goods inside were not damaged. UNFPA reported that the policies and procedures for the preparation, management and monitoring of workplans and for the management of cash transfers to implementing partners both clearly contained requirements regarding expense eligibility and the related review and approval processes. To better build capacity and train UNFPA personnel, UNFPA management presented a global webinar (organized by the Policy and Strategy Division and the Finance Branch) to support improved policy compliance and refresh knowledge on eligible expenditure, workplan design and approval, and criteria for reviewing expense reports and accepting expenditure. The webinar also touched on other key areas affecting workplan management and cash transfer processes, as identified through the annual workplan review, the performance management reporting process and internal audit reports.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
21	2019	A/75/5/Add.8 , chap. II, para. 111	The Board recommends that UNFPA headquarters build capacity and provide training to country office staff, in order to ensure that the criteria for accepting expenditure are respected, in accordance with the policies and the applicable regulations.	UNFPA reported that it had held a webinar to train and build the capacity of its personnel at the global, regional and country levels. The webinar was conducted jointly by the Division for Management Services and the Policy and Strategy Division. Entitled "From workplan design to expense review", it provided a refresher on the workplan policy and management of cash transfers and included a section on eligible expenditure and information on strengthening the criteria for accepting expenditure in accordance with applicable policies and procedures.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
22	2019	A/75/5/Add.8, chap. II, para. 124	The Board recommends that the UNFPA country offices in Ethiopia, Mozambique and Myanmar take measures to improve and strengthen the monitoring and correct use of the global programming system to promote effective and efficient management of the use of the system among implementing partners.	UNFPA informed the Board that the country office in Ethiopia had planned capacity-building sessions in the second semester of 2020 for staff and implementing partners to improve and strengthen monitoring and correct use of the global programming system in order to promote effective and efficient management of its use among implementing partners. Some restrictions linked to the COVID-19 pandemic remained in effect in October and November 2020. As a result, physical group sessions were not yet possible. Follow-up and technical assistance for implementing partners on Atlas and the global programming system are being carried out remotely by telephone. UNFPA also reported that the country office in Myanmar will improve and strengthen the monitoring and correct use of the global programming system to promote effective and efficient management of its use among implementing partners. The country office will continue to support and encourage implementing partners to submit e-funding authorization and certificate of expenditure forms on time. In addition, UNFPA reported that the country office in Mozambique had received training from the headquarters global programming system team. The country office was provided with additional internal training for the system from 3 to 5 November 2020. Implementing partners also received training on the system to enable them to improve e-funding authorization and certificate of expenditure submissions.	The Board acknowledges management's efforts in the matter; however, this recommendation is considered to be under implementation.		X		
23	2019	A/75/5/Add.8, chap. II, para. 125	The Board recommends that the UNFPA country offices in Ethiopia and Mozambique	UNFPA reported that the country office in Ethiopia had updated all bank accounts. All implementing partner agreements were	The Board verified that the related actions reported by UNFPA had been completed.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			update all the bank accounts for each implementing partner agreement.	revised to ensure that relevant bank accounts stated in the implementing partner agreements matched those in the vendor portal. Management reported that the Mozambique country office had verified the bank accounts and incorporated the revision of the accounts against the implementing partner agreement uploaded in the implementing partner assurance system as part of the payment checklist for e-funding authorization and certificate of expenditure advances and that this would be carried out continually.	Therefore, this recommendation is considered implemented.				
24	2019	A/75/5/Add.8, chap. II, para. 134	The Board recommends that the UNFPA country office in Myanmar perform spot checks in a timely manner and make efforts to improve the proactive and effective review of financial monitoring and control of the implementing partners.	UNFPA reported that the country office in Myanmar would continue to plan and conduct spot checks within the approved time frame. In 9 of the 10 cases, the planned spot checks are ongoing. One implementing partner will undergo spot checks jointly with the Asia- Pacific Regional Office.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
25		A/75/5/Add.8, chap. II, para. 152	The Board recommends that UNFPA and the Ethiopia, Mozambique and Myanmar country offices make efforts to ensure that travel requests and security authorizations are submitted in a timely manner, in order to ensure that the Organization's resources are utilized efficiently and effectively.	UNFPA reported that it was encouraging country offices to confirm travel itineraries and purchases as early as possible. The organization acknowledges that it is not always possible to comply with such a timeline, given humanitarian response requests or timelines linked to partners' responses. It nevertheless expects offices to plan as early as possible, taking into account the constraints. The policy mandates that all travel be approved prior to the start of the trip. UNFPA strongly encourages travellers to obtain security clearance before travel. Webinars were held in the fourth quarter of 2020 to provide a refresher on travel policies. The need to submit travel requests and obtain timely security clearance was emphasized. Specific actions in the country offices	The Board verified that the UNFPA country offices in Ethiopia, Mozambique and Myanmar had carried out the reported actions. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				include the following: (a) the country office in Ethiopia is now enforcing the rule that staff must submit travel requests on time, failing which the representative will not approve travel; (b) the country office in Myanmar will continue to approve purchase orders before travel once travel authorization and security clearance are granted – most trips are domestic, and all domestic airfares are fixed, so there are no savings related to whether tickets are purchased earlier or closer to the travel date; and (c) the country office in Mozambique will improve oversight of the timely submission and processing of travel requests and security clearance using a travel dashboard. Finally, management states that there are instances in which requests at short notice are being approved, mainly emergency and humanitarian response requests or requests from donors and main partners linked to strategic events.					
26	2019	A/75/5/Add.8, chap. II, para. 153	The Board recommends that UNFPA monitor compliance with the deadlines established in the guidance on the authorization of official business travel, with the purpose of managing such travel in an effective, efficient and timely manner.	UNFPA informed the Board that, at the corporate level, it tracks the timeliness of travel requests for travel originating at headquarters. UNFPA headquarters conducted a training webinar with the Arab States Regional Office in April 2021, and more webinars are planned for other regions.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
27	2019	A/75/5/Add.8, chap. II, para. 154	The Board further recommends that UNFPA make travellers and managers aware of their duties and roles as envisaged in the travel guidance and policies.	UNFPA reported that the induction materials include an introduction to travel, which covers roles and responsibilities. UNFPA regularly holds travel information sessions and training for all staff (travellers, travel arrangers and travel approvers), which always cover such topics. A series of webinars was held in October and November to give a refresher	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				on travel policies and requirements to all UNFPA staff. Webinars were scheduled at various times to accommodate different time zones. In addition, the presentation, as well as the recording of one of the sessions, were made available on the Travel Community web page for staff members who were not able to attend.					
28	2019	A/75/5/Add.8 , chap. II, para. 165	The Board recommends that the UNFPA country offices in Ethiopia, Mozambique and Myanmar incorporate into the information system strengthened tools related to the travel management process, in order to increase the effectiveness and efficiency of that process.	UNFPA informed the Board that it had acknowledged the need for strengthening information and communications technology tools to improve the travel management process in order to increase its effectiveness and efficiency. UNFPA is already implementing a new corporate enterprise resource planning solution, and the travel module of the new enterprise resource planning, with all the related monitoring mechanisms, will be rolled out to all country offices.	The Board acknowledges management's efforts on this matter; however, this recommendation is considered to be under implementation.			X	
29	2019	A/75/5/Add.8 , chap. II, para. 166	The Board recommends that UNFPA improve the travel process to ensure timely payment of the daily subsistence allowance, in order to avoid possible unregistered liabilities.	UNFPA informed the Board that it had acknowledged the need for timely payment of the daily subsistence allowance. The new system will streamline processing of the disbursement of the allowance for field offices. The forthcoming global travel module as part of the UNFPA enterprise resource planning transformation will result in the streamlining of the payment process. User stories are being created and sent to the enterprise resource planning team.	The Board verified that the functional requirements had been sent from the business unit (user records) to the enterprise resource planning team, a formal step that demonstrates the incorporation into the new enterprise resource planning system of solutions that will allow UNFPA to strengthen its processes. Therefore, this recommendation is considered implemented.	X			
30	2019	A/75/5/Add.8 , chap. II, para. 173	The Board recommends that UNFPA perform disaster recovery plan testing and then release an approved disaster recovery plan for its data centre at headquarters, taking into consideration the enhancements made as a result of the disaster	UNFPA reported that the Information Technology Solutions Office had conducted a disaster recovery plan test of its New York-based headquarters data centre infrastructure on 6 January 2021. The following three scenarios were used: (a) internet service provider failure (test 1); (b) network switch in user stack failure	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			recovery exercise and any important additional information.	(test 2); and (c) Wi-Fi access point failure (test 3). All three tests produced the expected results and proved that the headquarters data centre infrastructure had built-in redundancy that was capable of providing uninterrupted services to headquarters users with minimal impact.					
31	2019	A/75/5/Add.8 , chap. II, para. 181	The Board recommends that UNFPA take measures to ensure that conflicts between Atlas system user profiles are resolved in a timely manner, in accordance with the established policy and workplan.	UNFPA reported that it continued to focus attention on the resolution of Atlas user profile conflicts. A concerted effort is under way to eliminate conflicts and track exceptions granted by means of an exceptions report, which is periodically reviewed by the Division for Management Services to determine whether an exemption granted to an office is still required. A report, developed by the Information Technology Solutions Office, outlines exceptions and is reviewed on a semi-annual basis for follow-up with the business unit.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			
32	2019	A/75/5/Add.8 , chap. II, para. 190	The Board recommends that UNFPA undertake a documented review and revision of its policies and procedures in a timely manner in order to comply with the Policy for Development, Approval and Issuance of Policies, Procedures, Tools and Guidance Notes, in order to keep all procedures properly updated.	UNFPA informed the Board that it had initiated its annual review of policies and guidance notes in July 2020. As part of the review, it added a column to better document discussions between the secretariat responsible for the policies and procedures manual and the various divisions. In late 2019, UNFPA changed the policy template to remove a mandatory revision date (replacing it with a compulsory review) and issued the revised Policy for Development, Approval and Issuance of Policies and Procedures to clarify the language on mandatory revision (during the first quarter of 2020). According to the updated policy, "a mandatory review of policy content every three years to determine whether or not a revision should be initiated" should be undertaken.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management/administration response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
33	2019	A/75/5/Add.8, chap. II, para. 198	The Board recommends that UNFPA establish updated procedures and measures for the review, maintenance and updating of the global directory, and an oversight mechanism to ensure that the information contained in the directory and the separation list is updated.	UNFPA informed the Board that it had updated the directory guidelines, and that they had been uploaded to the policies and procedures manual. All staff communication from the senior management has been sent.	The Board verified that the related actions reported by UNFPA had been completed. Therefore, this recommendation is considered implemented.	X				
Total						33	26	6	0	1
Total percentage						100	79	18	0	3

Annex II

Summary of assets written off

(United States dollars)

<i>Category (assets, inventory and cash)</i>	<i>Current year</i>	<i>Previous year</i>	<i>Increase/(decrease)</i>
Contributions receivable	127 645	131 664	(4 018)
Inventory	59 623	14 428	45 195
Operating fund advances	1 433	67 922	(66 489)
Property, plant and equipment	2 858	6 034	(3 176)
Staff receivables	0	31 290	(31 290)
Petrol receivables	3 370	0	3 370
Cash advance	46 126	0	46 126
Value-added tax reimbursement claim	25 713	22 613	3 100
Total	266 768	273 951	(176 564)

Source: Board of Auditors (data provided by the United Nations Population Fund).

Chapter III

Certification of the financial statements

Letter dated 27 April 2021 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly reflected in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management of the United Nations Population Fund (UNFPA) is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Office of Audit and Investigation Services continually reviews the accounting and control systems;

UNFPA management provided the Office of Audit and Investigation Services with full and free access to all accounting and financial records and related supporting documents;

The recommendations of the United Nations Board of Auditors and the Office of Audit and Investigation Services are reviewed by UNFPA management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(Signed) Andrew **Saberton**
Director
Division for Management Services

Chapter IV

Financial report for the year ended 31 December 2020

Introduction

1. The present report summarizes and further explains the information provided in the UNFPA financial statements for the year ended 31 December 2020 and highlights significant matters and trends related to the Fund's financial position and performance.

Impact of the coronavirus disease (COVID-19) pandemic

2. The outbreak of the coronavirus disease (COVID-19) pandemic in mid-March 2020 had a profound impact on UNFPA programme delivery and operations.

3. UNFPA responded to the pandemic in an agile and effective manner. Efforts were focused on ensuring continued access to essential services, especially in countries with the highest need and lowest ability to finance their interventions, working in close collaboration with programme partners; mobilizing and/or reprogramming the required resources; mitigating the challenges and risks created by the pandemic, such as access and mobility restrictions, high financial market volatility and supply chain disruptions; leveraging opportunities for innovation and efficiency, such as the deployment of applications to support remote working arrangements; and incorporating flexibility into key policy areas to allow a more agile response. UNFPA was able to cope with the new challenges and risks and absorb the additional workload created by the response to the pandemic, through the adaptation of business processes, effective risk mitigation strategies and the hard work and commitment of its personnel.

4. Accounting and reporting systems are not designed for the reporting of revenues, expenses and balances on the basis of specific external events, such as a pandemic. It is therefore challenging to identify and quantify the full impact of the pandemic and the UNFPA response on each specific component of the financial statements. Despite this limitation, key elements of the impact of the pandemic and the response thereto on the UNFPA financial position and performance have been identified and summarized in the present chapter of the report, as well as in the relevant financial statement notes.

Summary of financial results

5. The main financial results for 2020 are summarized as follows:

(a) Despite strong resource mobilization performance, which allowed UNFPA to mitigate the financial impact of the pandemic and mobilize resources in excess of \$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: \$1,370.1 million);

(b) Unearmarked contributions increased by 11.6 per cent to \$416.8 million, the highest level since 2014, as a result of increased support from several Member States. Gross earmarked contributions decreased by 14.6 per cent to \$850.9 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 funding source for the third year in a row;

(c) In 2021, a major donor Government communicated its decision to reduce significantly future unearmarked and earmarked contributions to UNFPA. The reduction in funding will also affect the collection of contributions receivable from this donor under existing contribution agreements. On the date of signing of the financial statements, UNFPA was not in a position to measure the impact of these funding reductions on its future revenue flows and on the recoverability of contributions receivable; therefore, no adjustments to the 2020 financial statements were made as a result of this event;

(d) Total expenses increased by 8.7 per cent to \$1,228.1 million, mainly as a result of the implementation of programme activities designed to maintain access to life-saving sexual and reproductive health services disrupted by the pandemic and to address gender-based violence, especially in countries with the highest need and lowest ability to finance their interventions;

(e) Total assets increased by 7.5 per cent to \$2,116.0 million, mainly owing to increases in cash and cash equivalents, contributions receivable and inventories. Total liabilities increased by 11.4 per cent to \$595.9 million, mainly owing to higher employee benefits;

(f) Reserves and fund balances increased by 6.1 per cent to \$1,520.1 million, mainly owing to higher undesignated unearmarked fund balances. Unearmarked resources available for programming in future years increased by 52.5 per cent to \$161.3 million, mainly as a result of additional contributions received in the final part of the year, prudent financial management aimed at ensuring the continuity of UNFPA operations in the case of potential funding shortages in future years, and challenges to planned programme and operations delivery caused by the pandemic. Earmarked resources fund balances increased by 0.8 per cent to \$1,214.0 million, including contributions of \$416.9 million not yet collected and thus not available for spending (2019: \$384.3 million).

Financial performance

Trends in contribution revenue

6. UNFPA is funded primarily from voluntary contributions that are either unrestricted as to use (referred to as “unearmarked”, “core” or “regular” resources) or restricted by the donors for a specific purpose, programme or activity (referred to as “earmarked”, “non-core” or “other” resources).

7. Throughout the present 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 the amounts of refunds to donors, cost-recovery charges and allowances for doubtful contributions receivable.

8. Despite strong resource mobilization performance, which allowed UNFPA to mobilize resources above \$1 billion for the fourth year in a row, total gross contributions decreased by 7.5 per cent in 2020 to \$1,267.8 million (2019: \$1,370.1 million). Net contribution revenue amounted to \$1,203.5 million (2019: \$1,303.7 million).

9. Unearmarked contributions increased by 11.6 per cent to \$416.8 million (2019: \$373.5 million), mainly as a result of increased support from several Member States, including a one-time contribution from one key donor in the second half of 2020 to support the UNFPA response to the COVID-19 pandemic, partly offset by the effect of adverse changes in exchange rates affecting two key contribution currencies.

10. The early collection of more than 80 per cent of unearmarked contributions pledged at the start of the year within the first five months provided increased flexibility for COVID-19 response activities and for managing the heightened foreign exchange risk faced in the first months of 2020, preventing losses that could have affected the amount of unearmarked resources available for programming.

11. Gross earmarked contributions decreased by 14.6 per cent to \$850.9 million (2019: \$996.7 million), but still surpassed the target of \$650.0 million in the strategic plan, 2018–2021, by 30.9 per cent. Net earmarked contributions amounted to \$786.7 million (2019: \$930.3 million).

12. The decrease in earmarked contributions primarily affected revenue under bilateral agreements with countries of the Development Assistance Committee of the Organisation for Economic Co-operation and Development and agreements with programme Governments and thematic funds, mainly as a result of the financial impact of the pandemic and changing donor priorities. Contributions received through the United Nations pooled funds and inter-agency transfers increased by \$9.4 million, remaining the top funding source for the third year in a row.

13. While the proportion of earmarked contributions in the total gross contribution revenue decreased by 5.6 percentage points to 67.1 per cent (2019: 72.7 per cent) as a result of the above trends, UNFPA continues to rely significantly on earmarked resources. In addition, and as discussed below, UNFPA continued to rely on contributions from a small number of traditional donors.

14. In 2020, 96 donors³ contributed to UNFPA unearmarked resources (2019: 106 donors), with 10 donors accounting for 90.9 per cent of the total unearmarked contribution revenue (2019: 90.0 per cent). Similarly, 10 donors accounted for 79.0 per cent of gross earmarked contribution revenue (2019: 82.7 per cent). UNFPA continues its efforts to broaden its donor base by engaging middle-income and emerging economy countries, as well as private sector donors.

15. In 2020, 95.5 per cent of contributions to unearmarked resources and 47.5 per cent of contributions to earmarked resources from the top 10 donors for each funding source were made in currencies other than United States dollars (2019: 88.2 per cent and 57.9 per cent, respectively).

16. Refunds to donors decreased by 21.1 per cent to \$6.2 million in 2020 (2019: \$7.9 million), the larger amount in 2019 being an outcome of refunds for large-scale population data projects. Refunds represented only 0.7 per cent of gross earmarked contribution revenue (2019: 0.8 per cent), reflecting the high implementation rate for programme activities.

17. In 2021, a major donor Government communicated a significant reduction in its future contributions to UNFPA, due to changes in its development assistance levels and priorities. In 2020, UNFPA recognized unearmarked and earmarked contribution revenue of \$26.4 million and \$111.5 million, respectively, from this donor, of which \$97.8 million was due for payment in future years. In addition, as at 31 December 2020, the donor had committed earmarked contributions of \$452.2 million for future years, disclosed as contingent assets in the financial statements.

18. On the date of signing of the financial statements, UNFPA was not yet in a position to accurately determine the impact of the funding cuts on its future revenues and on the recoverability of its outstanding contributions receivable. Risks derived from this situation are mitigated through the controls in place that ensure that financial commitments are made only at the time when the contributions are collected.

³ Excluding private contributions.

19. The impact of the above-mentioned situation may be partly mitigated by the resumption in funding from another Member State, which had not contributed any resources to UNFPA since 2017. UNFPA will continue to monitor the situation and adjust its ongoing programmatic and operational activities accordingly.

20. More details are provided in note 22 of the financial statements.

Other revenue

21. Other revenue increased by 7.6 per cent in 2020 to \$113.4 million (2019: \$105.5 million), mostly owing to a \$15.3 million increase in foreign currency exchange gains on contributions receivable and a \$6.1 million increase in cost-recovery charges and fees for support services, partly reduced by a \$7.4 million decrease in revenue generated by the working capital investment portfolio.

Donor contribution commitments

22. As at 31 December 2020, UNFPA had multi-year unearmarked contribution pledges from donor and country programme Governments for \$210.9 million (2019: \$281.0 million). In addition, donors had committed \$615.9 million under earmarked contribution agreements (2019: \$130.1 million), of which \$452.2 million corresponded to agreements with the major donor that, as stated above, decided to reduce its future funding to UNFPA. Revenue under these contribution agreements will be recognized in future periods when revenue recognition criteria are met.

Expenses: overview

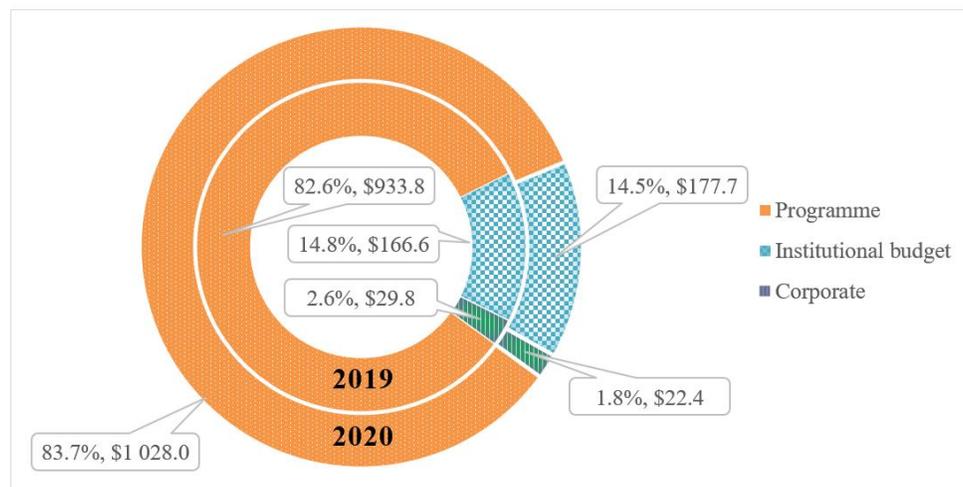
23. Total expenses increased by 8.7 per cent to \$1,228.1 million in 2020 (2019: \$1,130.2 million), with most of the increase, or \$85.7 million, attributable to earmarked resources, even though unearmarked resources expenses also increased by \$12.2 million.

24. Figure IV.I provides an overview of expenses by purpose for both 2020 and 2019.

Figure IV.I

Total expenses by purpose

(Millions of United States dollars)



25. Programme expenses (country programmes, global and regional interventions and other programme activities) increased by 10.1 per cent to \$1,028.0 million in 2020 (2019: \$933.8 million), mainly as a result of the implementation of 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.

26. Institutional budget expenses increased by 6.7 per cent in 2020 to \$177.7 million (2019: \$166.6 million), owing mainly to higher staff costs and increased spending on information and communications technology (ICT) transformation initiatives, including the update of the corporate enterprise resource planning platform.

27. Corporate expenses, representing costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific outcomes of the strategic plan, decreased by 24.7 per cent to \$22.4 million in 2020 (2019: \$29.8 million), mainly owing to the larger proportion of after-service health insurance costs charged to programme and institutional budgets, rather than to corporate resources, through increased payroll charges, in line with the midterm review of the UNFPA integrated budget for 2018–2021 approved by the Executive Board.

Expenses: overview by region and nature

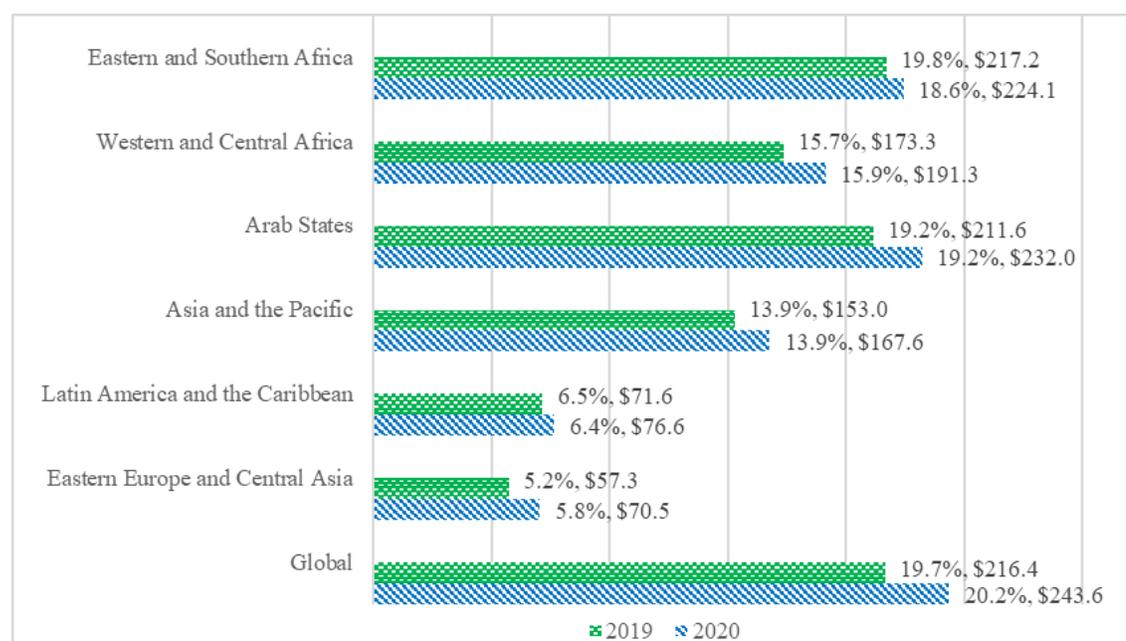
28. As in previous years, and in line with the role of UNFPA as a field-based organization, the majority of the Fund's programme and institutional budget expenses were incurred in the field (\$962.1 million, or 79.8 per cent, in 2020 and \$884.0 million, or 80.3 per cent, in 2019). Furthermore, expenses reported as "global" include reproductive health commodities worth \$107.9 million delivered to 46 priority countries with the highest needs in this area (2019: \$82.7 million).

29. Figure IV.II presents the breakdown of programme and institutional budget expenses by region.

Figure IV.II

Programme and institutional budget expenses by region

(Millions of United States dollars)



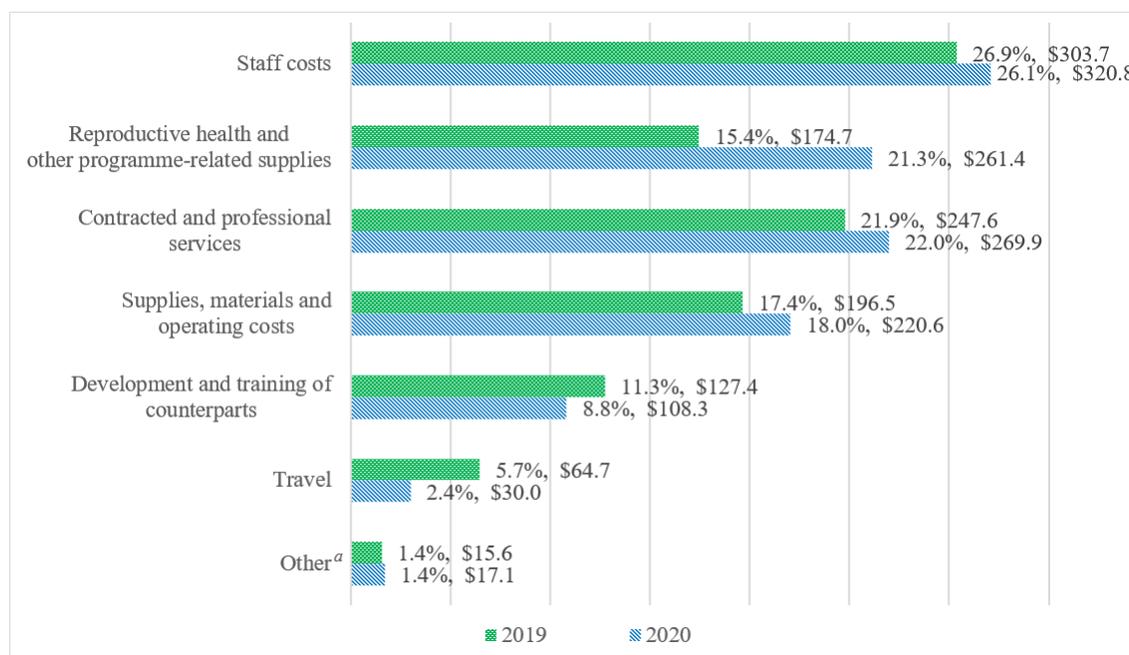
30. All regions showed higher expenses in 2020 compared with 2019. The Arab States and the Western and Central Africa regions had the largest increases, of \$20.4 million and \$18.0 million, respectively. Expenses in the Arab States region increased mostly because of scaled-up programme activities in the Sudan and Yemen, including providing 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 the Sudan. The increase in expenses in the Western and Central Africa region is mostly due to the expansion of activities for prevention and care in relation to gender-based violence in Mali and the delivery of equipment for the population and housing census in Côte d'Ivoire.

31. Global activities expenses amounted to \$243.6 million, or 20.2 per cent of total programme and institutional budget expenses (2019: \$216.4 million, or 19.7 per cent). Of that amount, \$124.8 million, or 51.2 per cent, corresponded to expenses of the UNFPA Supplies⁴ programme, which increased by \$26.0 million in 2020 (2019: \$98.8 million).

32. The breakdown of UNFPA total expenses by nature is summarized in figure IV.III.

Figure IV.III
Total expenses, by nature

(Millions of United States dollars)



^a "Other" includes finance costs, depreciation and amortization, impairment charges and other expenses.

33. The success of UNFPA in delivering its mandate is dependent on its skilled and competent national and international staff. In 2020, UNFPA spent \$320.8 million on

⁴ UNFPA Supplies is the United Nations Population Fund (UNFPA) flagship programme designed to support 46 priority countries with significant needs with regard to increasing access to family planning services and modern contraception methods.

staff costs,⁵ or 26.1 per cent of its total expenses for the year (2019: \$303.7 million, or 26.9 per cent). At the end of 2020, 85.0 per cent of UNFPA staff were based in field offices (2019: 84.8 per cent).

34. The delivery of programme supplies played a central role in the UNFPA programmatic response to the COVID-19 pandemic. Total 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 of access for beneficiaries), increased by 49.7 per cent to \$261.4 million (2019: \$174.7 million), of which \$22.1 million corresponded to personal protective equipment. This increase is attributable to both larger-volume deliveries and higher prices for some goods affected by supply limitations and high demand.

35. Expenses for contracted and professional services increased by 9.0 per cent to \$269.9 million (2019: 247.6 million), mainly owing to increased expenses for personnel engaged by UNFPA implementing partners for the provision of sexual and reproductive health services and gender-based violence prevention and care services.

36. Supplies, materials and operating costs increased by 12.3 per cent to \$220.6 million (2019: \$196.5 million), mainly owing to increased expenses for ICT equipment and services and logistics costs.

37. Expenses for the development and training of counterparts decreased by 15.0 per cent to \$108.3 million (2019: \$127.4 million), mainly owing to COVID-19-related restrictions on in-person events, including training and capacity-building activities.

38. Expenses for travel decreased by 53.7 per cent to \$30.0 million in 2020 (2019: \$64.7 million), as a result of travel restrictions and the cancellation or postponement of duty travel.

39. Savings achieved in the development and training of counterparts and travel were reprogrammed in support of increased service delivery activities.

40. Other expenses increased by 9.8 per cent to \$17.1 million in 2020 (2019: \$15.6 million), mainly owing to exchange losses on foreign currency bank account balances (recognized in 2020 as part of other expenses), as compared with foreign currency exchange gains on these assets in 2019 (recognized as part of other revenue).

Expenses: overview by contribution to strategic results

41. The UNFPA strategic plan, 2018–2021, articulates a set of results at the impact, outcome and output levels that UNFPA plans to achieve during the strategic plan cycle. Overall, there are 14 development outputs, contributing to four development outcomes, all enabled by four organizational effectiveness and efficiency outputs.⁶

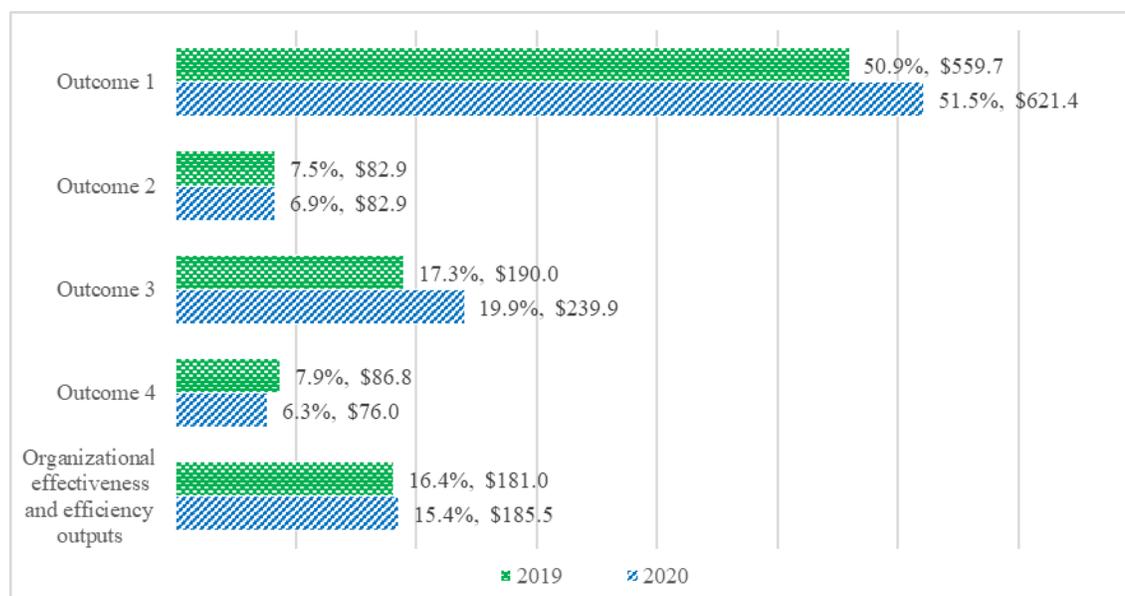
42. A complete analysis of the progress made by UNFPA in implementing its strategic plan, 2018–2021, is available in the report of the Executive Director on the implementation of the UNFPA strategic plan, 2018–2021 ([DP/FPA/2021/4 Part.1](#)). Expenses incurred to achieve those results are summarized in figure IV.IV.

⁵ The term “staff” includes all personnel holding letters of appointment from the Executive Director of UNFPA issued on the basis of the authority delegated by the Secretary-General. It includes all staff members holding continuing, fixed-term and temporary contracts.

⁶ See UNFPA, “Annex 1: Integrated results and resources framework”, UNFPA strategic plan, 2018–2021. Available at www.unfpa.org/strategic-plan-2018-2021.

Figure IV.IV
Programme and institutional budget expenses by contribution to strategic results

(Millions of United States dollars)



Note: Outcome 1: Every woman, adolescent and youth has utilized integrated sexual and reproductive health services; outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered; outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced; outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development.

43. Expenses for most outcomes and outputs were affected in 2020 by the UNFPA response to the COVID-19 pandemic, which involved reprogramming interventions, repurposing available unearmarked and flexible earmarked resources and mobilizing additional funding for pandemic-related activities.

44. The increase in expenses related to outcomes 1 and 3, of \$61.7 million and \$49.9 million, respectively, is a result of the 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 4 is mostly attributable to the postponement of previously scheduled large-scale population data projects, such as national population and housing censuses.

Expenses: overview by implementation modality, gender marker, type of assistance and relevance to the response to the pandemic

45. UNFPA works closely with the country programme Governments and national and international non-governmental organizations (NGOs) to implement its programme activities. Programme expenses incurred by those partners increased in 2020, in both absolute and relative terms, to \$385.4 million, or 37.5 per cent of total programme expenses (2019: \$348.3 million, or 37.3 per cent). Expenses incurred by other United Nations organizations implementing UNFPA activities also increased, to \$10.0 million (2019: \$6.3 million). The increased level of partner implementation was made possible by the reprogramming of funds to enable a more effective delivery in the context of the pandemic, and by flexibilities built into the processes followed to manage workplans and provide funding to the partners.

46. In addition, UNFPA provided its partners with non-cash transfers of reproductive health commodities and other programme-related goods of \$239.8 million in 2020 (2019: \$160.1 million).

47. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2020, \$705.0 million, or 68.6 per cent of all programme expenses, was incurred for activities that either had gender equality/empowerment of women as their primary objective or alternatively made a significant contribution to gender equality (2019: \$634.9 million, or 68.0 per cent).

48. The response to the pandemic contributed to a significant increase in the 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 providing integrated sexual and reproductive health services and information and for preventing and addressing gender-based violence. Humanitarian response activities amounting to \$8.1 million were funded from the Emergency Fund,⁷ which received a \$10.0 million resource allocation in 2020 (2019: expenses of \$6.3 million funded from a \$7.0 million allocation).

49. While many UNFPA programme activities contributed moderately or indirectly to the response to the pandemic, 11.9 per cent of programme expenses for 2020 were incurred primarily for the response or contributed significantly to it.

Net results for the year

50. The UNFPA surplus for the year decreased by 68.2 per cent to \$88.8 million (2019: \$279.0 million) on account of lower revenues and higher programme expenses in 2020, as compared with 2019.

51. In 2020, UNFPA implemented 92.5 per cent of its adjusted unearmarked resources ceilings/budget, 4.5 percentage points lower than in 2019, when the implementation rate reached 97.0 per cent, mainly owing to challenges to planned programme and operations delivery caused by the pandemic.

52. The implementation rates by cost classification categories approved by the UNFPA Executive Board are summarized in the table below.

<i>Cost classification category</i>	<i>2020</i>	<i>2019</i>
Development activities	94.5	98.6
United Nations development coordination	100.0	100.0
Management activities	88.0	93.8
Special purposes	99.6	95.0
Total	92.5	97.0

53. Statement V provides more details about budgetary performance for institutional budget and programme activities funded with unearmarked resources during 2020 and the final three years of the UNFPA strategic plan cycle for 2018–2021. Note 23 provides a reconciliation between statement V prepared on a budget comparable basis and cash flow, revenue and expenses presented on a full accrual basis.

⁷ A funding vehicle established by the decision of the Executive Board to provide UNFPA field offices with the initial funding required to jump-start humanitarian activities before earmarked resources become available.

Financial position

Assets and liabilities

54. As at 31 December 2020, UNFPA total assets and liabilities amounted to \$2,116.0 million and \$595.9 million, respectively (2019: \$1,967.6 million and \$534.8 million).

55. As at 31 December 2020, total current assets and current liabilities amounted to \$1,240.9 million and \$210.1 million, respectively (2019: \$1,170.6 million and \$183.5 million). As at that date, the current ratio was equal to 5.9 (2019: 6.4), indicating that UNFPA has sufficient liquid resources to meet its current obligations. The lower ratio in 2020, as compared with 2019, is mainly a result of higher current liabilities and deferred revenue.

Cash, cash equivalents and investments

56. Total cash, cash equivalents and investments held by UNFPA increased by 5.3 per cent to \$1,513.8 million as at 31 December 2020 (2019: \$1,438.1 million), owing mainly to the surplus for the year 2020. The increased funds were allocated primarily to cash and cash equivalents, owing to the low yield rates for both short-term and long-term investments at the end of 2020.

57. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet the Fund's working capital needs, 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 1.3 per cent throughout the year (2019: 2.4 per cent).

58. 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 the investments held by the United Nations Joint Staff Pension Fund, mainly fixed-income securities and equities. Since its inception, UNFPA has 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 of 12.14 per cent and 14.67 per cent for the portfolio components managed by the two investment managers appointed (2019: 18.65 per cent and 19.33 per cent).

59. Detailed information about UNFPA investments is disclosed in notes 4 and 25 to the financial statements.

Inventories

60. The total value of reproductive health commodities and other programme-related supplies held for distribution to programme countries or sale to third parties as at 31 December 2020 increased for the third year in a row, this time by 31.3 per cent to \$92.3 million (2019: \$70.3 million). The increase was primarily a result of the combined impact of 45.6 per cent growth in the value of programme supplies procured in 2020, as compared with 2019, and global supply chain disruptions that caused delays in certain shipments.

Contributions receivable

61. Net contributions receivable increased by 8.5 per cent 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. Only \$16.7 million, or 4.0 per cent of gross contributions receivable, was due for payment as at 31 December 2020 (2019: \$13.1 million, or 3.4 per cent), and the remaining 96.0 per cent is due to be collected in future years.

62. Contributions receivable are presented net of an allowance for doubtful contributions receivable of \$6.0 million as at 31 December 2020 (2019: \$6.5 million), reflecting unearmarked contributions receivable of \$0.3 million that were either outstanding for more than three years or due from countries with a prior history of non-payment, and earmarked contributions receivable of \$5.7 million, provided for on the basis of evidence that associated future cash flows could be below the amounts originally recognized.

63. The previously mentioned reduction in funding communicated by a key donor will also significantly affect the collection of contributions receivable from this donor of \$97.8 million as at 31 December 2020, including \$68.1 million committed to the UNFPA Supplies programme. No allowance was recognized for these receivables, given that, on the date of signing of the financial statements, UNFPA was not in a position to determine the amounts that would not be collected. UNFPA continues its consultations with the donor and other partners with the goal of minimizing the impact of the funding cuts on the recoverability of the contributions receivable.

Operating fund advances

64. Balances of operating fund advances increased by 182.8 per cent to \$17.8 million as at 31 December 2020 (2019: \$6.3 million), mainly owing to the flexibility granted to implementing partners to roll over advances outstanding at the end of the year for activities for the following year, and the increased engagement of United Nations organizations for the implementation of multi-year activities on behalf of UNFPA.

65. The allowance for doubtful operating fund advances amounted to \$0.5 million as at 31 December 2020 (2019: \$0.5 million), reflecting advances to governmental and non-governmental partners, including as part of sector-wide approach basket funds, whose recovery, through either refunds or the submission of satisfactory expense reports, was deemed doubtful.

Property, plant and equipment and intangible assets

66. As at 31 December 2020, UNFPA held property, plant and equipment of \$34.1 million (2019: \$33.9 million), of which the largest classes were vehicles, with a net book value of \$11.7 million, or 34.5 per cent of the total (2019: \$10.6 million, or 31.2 per cent), and buildings, with a net book value of \$9.6 million, or 28.3 per cent of the total (2019: \$10.0 million, or 29.6 per cent).

67. The net book value of intangible assets as at 31 December 2020 increased by 162.7 per cent to \$2.4 million (2019: \$0.9 million), mainly owing to the capitalization of qualifying development costs of several internally developed applications. The year-end net book value is presented net of an impairment adjustment of \$0.6 million recognized in prior years for the population development application under development.

68. In accordance with its strategic plan, 2018–2021, UNFPA is implementing several ICT transformation initiatives, including the adoption of new, functionally

integrated, cloud-based enterprise resource planning and customer relationship management solutions. In 2020, UNPFA capitalized \$0.6 million in qualifying development costs incurred for the implementation of these solutions. Additional costs of \$6.4 million that did not meet the capitalization criteria were expensed as incurred (2019: \$2.8 million).

Other receivables, prepayments and other assets

69. Other receivables increased by 5.6 per cent to \$22.1 million as at 31 December 2020 (2019: \$20.9 million), mainly owing to a year-end receivable inter-fund balance with UNDP and higher pre-financing of certain programme activities.

70. Other receivables are presented net of an allowance for doubtful amounts of \$1.5 million (2019: \$1.3 million), comprising mostly aged value added tax reimbursement claims, the collection of which was assessed as doubtful.

71. Prepayments and other assets increased by 30.1 per cent to \$16.7 million as at 31 December 2020 (2019: \$12.8 million), owing mainly to advances required by vendors for the procurement of personal protective equipment and prepayments to other United Nations organizations for services to be delivered in 2021.

Accounts payable

72. Accounts payable decreased by 4.2 per cent 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 a receivable inter-fund balance with UNDP, payable in 2019, presented as other receivables in 2020.

Employee benefits

73. Employee benefits liabilities increased by 15.3 per cent to \$426.9 million as at 31 December 2020 (2019: \$370.3 million), reflecting higher annual and home leave and increases in post-employment employee benefits liabilities.

74. Annual and home leave liabilities increased by 31.0 per cent and 34.8 per cent, to \$33.1 million and \$3.7 million, respectively, as at 31 December 2020 (2019: \$25.3 million and \$2.7 million). This increase is attributable to lower leave uptake levels in 2020 as a result of the pandemic and the flexibility provided to staff members to accumulate and carry forward larger leave balances.

75. Post-employment and other long-term employee benefits liabilities increased by 14.0 per cent to \$390.1 million as at 31 December 2020 (2019: \$342.3 million). This increase is mainly due to a \$24.4 million actuarial loss on the after-service health insurance liability, originating primarily from a decrease in the discount rate used to estimate the liability amount, from 3.61 per cent in 2019 to 3.13 per cent in 2020, and recognition of the \$28.1 million annual service and interest costs accrued in 2020.

76. Cumulative resources set aside for funding employee benefits liabilities increased by \$58.5 million to \$364.5 million, covering 85.4 per cent of the total liabilities balances as at 31 December 2020 (2019: \$306.0 million, or 82.6 per cent). This high funding ratio is attributable to an increase in payroll charges for after-service health insurance benefits, following approval of the integrated budget midterm review by the Executive Board and the strong performance of the after-service health insurance investment portfolio.

Other liabilities and deferred revenue

77. Other liabilities and deferred revenue increased by 47.0 per cent to \$32.9 million as at 31 December 2020 (2019: \$22.4 million), owing mainly to the increase in

contributions received in advance and deferred earmarked resources revenue not yet meeting the revenue recognition criteria.

Fund balances and reserves

78. Reserves and fund balances increased by 6.1 per cent to \$1,520.1 million as at 31 December 2020 (2019: \$1,432.9 million).

79. Reserves increased by 10.6 per cent to \$93.7 million as at 31 December 2020 (2019: \$84.7 million). The operational reserve, set at 20.0 per cent of the annual unearmarked contribution revenue, was increased to \$83.2 million (2019: \$74.2 million) on account of the higher unearmarked contribution revenue in 2020.

80. The humanitarian response reserve, which operates as a revolving fund and was used to provide prefinancing of \$9.8 million for humanitarian activities in 2020, remained at the same level as in 2019, namely \$5.5 million. The reserve for field accommodation was replenished by \$0.6 million in 2020 (2019: \$1.6 million) to cover the qualifying expenses incurred during the year, bringing the reserve balance back to \$5.0 million, as established by the Executive Board.

81. Designated unearmarked fund balances, which represent funds set aside by management for special purposes and not available for programming, increased by 4.3 per cent to \$73.2 million as at 31 December 2020 (2019: \$70.1 million). This net increase is due to a \$7.5 million increase in cost recoveries over budgeted levels, set aside for a separate fund, partly offset by a \$3.0 million (net) transfer from procurement services funds to unearmarked programmable resources and a \$1.1 million net excess of expenses over revenues in the private endowment fund.

82. Undesignated unearmarked fund balances increased by 90.0 per cent to \$139.2 million as at 31 December 2020 (2019: \$73.3 million). This net increase is due to the combined effect of the \$77.1 million annual surplus and the \$23.7 million unrealized gain in the after-service health insurance investment portfolio, partly offset by the actuarial losses on post-employment benefits liabilities of \$25.2 million, and \$9.7 million in transfers to increase or replenish the above-mentioned reserves.

83. Unearmarked resources available for programming in future years increased by 52.5 per cent to \$161.3 million (2019: \$105.8 million), owing mostly to additional contributions received in the final part of the year, prudent financial management aimed at ensuring the continuity of UNFPA operations in the case of potential funding shortages in future years and challenges to planned programme and operations delivery caused by the pandemic.

84. Undesignated earmarked fund balances increased insignificantly by 0.8 per cent to \$1,214.0 million (2019: \$1,204.7 million). They included the resources received for the 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).

Risk management and continuity of operations

85. The COVID-19 pandemic has exposed UNFPA to new programme, operational and financial risks and challenges to which UNFPA responded through effective risk mitigating actions, including the following:

(a) Reprogramming of workplan activities and budgets in response to implementation challenges and to allocate the resources required for the provision of continued access to essential services affected by the pandemic, ensuring an adequate

balance between the additional flexibility required in the circumstances and the adequate discharge of UNFPA fiduciary duties;

(b) Pooled procurement of personal protective equipment with other United Nations organizations and NGOs to allow for the economies of scale required to secure an adequate supply in a period of unprecedented demand;

(c) Continued adaptation of logistics processes, including collaboration with other programme partners for the transportation of personal protective equipment; prepositioning of male condoms in more locations to reduce country dependencies; prioritization of deliveries to countries at risk of stockouts; remote quality assurance inspections; and increased flexibility for local procurement of programme supplies;

(d) Engagement of local audit firms to complete year-end stock counts at certain UNFPA field offices and implementing partners, on account of the higher risk created by logistical challenges;

(e) Flexibilities built into several UNFPA policies and business practices to reduce the administrative workload;

(f) Increased monitoring of outstanding operating fund advances balances on account of the higher level of reprogramming and challenges affecting implementing partners;

(g) Expanded use of remote implementing partner monitoring and assurance activities;

(h) Continued monitoring of contributions receivable, owing to the higher risk of non-collection on account of challenges in implementing programme activities and changes in donor priorities and fiscal constraints;

(i) Continued monitoring of foreign currency bank balances, on account of the increased foreign currency exchange risk in the first half of 2020. Efforts in this area allowed UNFPA to minimize foreign currency exchange losses, despite the negative trends for several key contribution currencies;

(j) Close monitoring of the after-service health insurance investment portfolio, through its investment committee and in close collaboration and communication with the investment managers, and implementation of a risk mitigation strategy to protect the value of the investments held;

(k) Increased monitoring of staff receivables, given the significant increase in advances issued to staff to help them to cope with the impact of the pandemic;

(l) Introduction of electronic signatures and roll-out of automated workflow applications for various business processes, such as payment authorizations; review, certification and submission of donor reports; and review, approval and signature of agreements with other United Nations organizations. The revised processes will remain in use after the pandemic, as they have proven to significantly improve efficiency and audit trails in several areas.

Emphasis of matter

86. The report of the Board of Auditors on the UNFPA financial statements for the year ended 31 December 2019 included an emphasis of matter paragraph concerning the lower level of assurance over implementing partner expenses (64.7 per cent) achieved at the time of completion of the audit, owing to travel restrictions and other challenges related to the COVID-19 pandemic. Throughout 2020, UNFPA undertook several initiatives, such as remote spot checks and audits, and increased the involvement of local audit firms, to complete planned assurance activities, increasing

its coverage of 2019 implementing partner expenses to 86.2 per cent. These additional assurance activities did not result in the detection of any material unsupported or ineligible expenses.

87. At the time of completion of the audit of the financial statements for the year ended 31 December 2020, UNFPA had achieved assurance coverage of 76.3 per cent of implementing partner expenses for the year. This coverage level is expected to increase in future months and reach a level similar to that achieved at the end of 2020 with regard to implementing partner expenses reported in 2019.

Conclusion

88. UNFPA was able to respond to the challenges created by the COVID-19 pandemic in an agile and effective manner, mobilizing and reprogramming resources as required; increasing collaboration with programme partners; leveraging opportunities for innovation and efficiency; and incorporating flexibility into key policy areas. With the continued support of its donors and sound financial and risk management practices, including processes and controls designed to keep expenses within the available financial resources, UNFPA closed 2020 in good financial health. However, the outlook for 2021 and beyond remains difficult to predict, with future revenue flows highly dependent on global progress in fighting the pandemic and the extent of the resulting economic downturn.

Chapter V

Financial statements for the year ended 31 December 2020

United Nations Population Fund

I. Statement of financial position as at 31 December 2020^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3	278 246	189 481
Investments maturing within one year	Note 4	605 131	668 617
Contributions receivable	Note 5 (a)	208 840	202 296
Other receivables	Note 5 (b)	22 050	20 888
Operating fund advances	Note 6 (a)	17 758	6 280
Prepayments and other assets	Note 6 (b)	16 665	12 800
Inventories	Note 7	92 256	70 267
Total		1 240 946	1 170 629
Non-current assets			
Investments maturing after one year	Note 4	630 405	579 975
Contributions receivable	Note 5 (a)	208 175	182 179
Other non-current assets	Note 6 (b)	18	23
Property, plant and equipment	Note 8	34 085	33 901
Intangible assets	Note 9	2 412	918
Total		875 095	796 996
Total assets		2 116 041	1 967 625
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	136 153	142 124
Employee benefits	Note 12	44 724	35 936
Other current liabilities and deferred revenue	Note 13	29 215	5 402
Total		210 092	183 462
Non-current liabilities			
Employee benefits	Note 12	382 153	334 356
Other non-current liabilities and deferred revenue	Note 13	3 652	16 951
Total		385 805	351 307
Total liabilities		595 897	534 769
Net assets		1 520 144	1 432 856
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	83 235	74 225
Humanitarian response reserve	Note 14	5 500	5 500
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		93 735	84 725

	<i>Reference</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Fund balances			
Designated unearmarked fund balances	Note 14	73 173	70 128
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	139 231	73 280
Earmarked resources	Schedule B	1 214 005	1 204 723
Total fund balances		1 426 409	1 348 131
Total reserves and fund balances		1 520 144	1 432 856

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2020^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Contribution revenue			
Unearmarked contributions	Schedule A	416 830	373 465
Subtotal	Note 15	416 830	373 465
Earmarked contributions	Note 15	792 467	943 741
Less: refunds to donors	Note 15	(6 200)	(7 863)
Less: allowance for doubtful contributions receivable	Note 15	388	(5 598)
Subtotal	Note 15	786 655	930 280
Total contribution revenue	Note 15	1 203 485	1 303 745
Other revenue	Note 16	113 429	105 459
Total revenue		1 316 914	1 409 204
Expenses			
Staff costs	Note 18	320 774	303 676
Reproductive health and other programme-related supplies	Note 18	261 450	174 687
Development and training of counterparts	Note 18	108 293	127 436
Supplies, materials and operating costs	Note 18	220 630	196 544
Contracted and professional services	Note 18	269 892	247 619
Finance costs	Note 18	1 433	1 028
Travel	Note 18	29 971	64 670
Depreciation and amortization	Notes 8, 9, 18	7 061	6 901
Impairment	Note 18	68	796
Other expenses	Note 18	8 531	6 846
Total expenses	Notes 17, 18	1 228 103	1 130 203
Surplus for the year	Statements III and IV	88 811	279 001

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2020^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>Fund balances</i>	<i>Reserves</i>	<i>Total net assets</i>
Balance as at 31 December 2018		992 347	87 976	1 080 323
Movements in fund balances and reserves in 2019				
Transfers to/from operational reserve		1 251	(1 251)	–
Actuarial gain on employee benefits liabilities		45 599	–	45 599
Gain in fair value of investments recognized in net assets		27 933	–	27 933
Transfers within UNFPA resources				
Reserve for field accommodation		(1 625)	1 625	–
Humanitarian response reserve		2 000	(2 000)	–
Surplus/(deficit) for the year	Statement II	280 626	(1 625)	279 001
Total movements during the year		355 784	(3 251)	352 533
Balance as at 31 December 2019	Statement I	1 348 131	84 725	1 432 856
Movements in fund balances and reserves in 2020				
Transfers to/from operational reserve	Note 14	(9 010)	9 010	–
Actuarial (loss) on employee benefits liabilities	Note 14	(25 213)	–	(25 213)
Gain in fair value of investments recognized in net assets	Note 14	23 690	–	23 690
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(609)	609	–
Surplus/(deficit) for the year	Note 14, statement II	89 420	(609)	88 811
Total movements during the year		78 278	9 010	87 288
Balance as at 31 December 2020		1 426 409	93 735	1 520 144

^a The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2020^a

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Cash flows from operating activities			
Surplus for the year	Statement II	88 811	279 001
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized (gain) on foreign exchange translation		(17 967)	(4 101)
Unrealized (gain)/loss on investments recognized in surplus	Note 4	(1 316)	99
Investment revenue presented as investing activities	Note 16	(26 450)	(33 821)
Depreciation and amortization	Notes 8, 9, 18	7 061	6 901
Impairment and write-off of property, plant and equipment		30	582
Loss on disposal of property, plant and equipment and intangible assets	Note 18	85	601
Changes in assets			
(Increase) in contributions receivable		(15 165)	(50 649)
(Increase) in other receivables		(4 885)	(5 088)
(Increase)/decrease in operating fund advances		(11 515)	838
(Increase)/decrease in prepayments and other assets	Note 6 (b)	(3 862)	416
(Increase) in inventories	Note 7	(21 899)	(19 440)
(Decrease)/increase in provisions/allowance for doubtful accounts	Notes 5 (a), 5 (b), 6 (a), 6 (b), 7	(349)	5 458
Changes in liabilities and net assets			
(Decrease)/increase in accounts payable and accruals		(6 106)	28 146
Increase/(decrease) in employee benefits liabilities	Note 12	56 585	(16 969)
Actuarial (loss)/gain on employee benefits liabilities	Statement III	(25 213)	45 599
Increase/(decrease) in other liabilities and deferred revenue		10 107	(4 588)
Net cash flows from operating activities		27 952	232 985
Cash flows from investing activities			
Purchases of investments	Note 4	(1 423 288)	(1 262 150)
Maturities and sales of investments	Note 4	1 463 421	1 044 466
Interest received	Notes 4, 5 (b), 16	18 801	21 195
Dividend received	Notes 5 (b), 16	2 092	2 436
Gain on sale of investments	Note 16	6 758	6 978
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(9 177)	(7 836)
Proceeds from sale of property, plant and equipment		604	515
Net cash flows from investing activities		59 211	(194 396)
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		87 163	38 589

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Cash and cash equivalents at the beginning of the year	Note 3	189 481	150 877
Effect of exchange rate changes on cash and cash equivalents		1 602	15
Cash and cash equivalents end of the year	Note 3	278 246	189 481

^a The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the “indirect method”.

United Nations Population Fund

V (a). Statement of comparison of budget with actual amounts for the year ended 31 December 2020^a

(Thousands of United States dollars)

2020				
<i>Budget line</i>	<i>Original budget</i>	<i>Final budget</i>	<i>Budget utilization</i>	<i>Variance/ balance of resources</i>
Development activities				
Development effectiveness	36 528	38 767	37 791	976
Programmes	228 000	260 100	244 600	15 500
United Nations development coordination	4 838	4 607	4 607	–
Management activities				
Recurring costs	139 399	143 714	127 204	16 510
Non-recurring costs	1 800	1 800	792	1 008
Special purposes				
ICT transformation	404	7 240	7 212	28
Total	410 969	456 228	422 206	34 022

^a The accompanying notes are an integral part of the financial statements.

V (b). Statement of comparison of budget with actual amounts for the period 2018–2020 of the strategic plan cycle for 2018–2021^a

(Thousands of United States dollars)

2018–2020				
<i>Budget line</i>	<i>Original budget</i>	<i>Final budget^b</i>	<i>Budget utilization</i>	<i>Variance/ balance of resources</i>
Development activities				
Development effectiveness	105 361	106 478	105 096	1 382
Programmes	671 100	708 600	680 762	27 838
United Nations development coordination	11 749	11 518	11 518	–
Management activities				
Recurring costs	397 498	402 979	375 571	27 408
Non-recurring costs	5 400	5 400	2 809	2 591
Special purposes				
ICT transformation	19 579	11 456	11 421	35
Total	1 210 687	1 246 431	1 187 177	59 254

^a The accompanying notes are an integral part of the financial statements.

^b Reflects an adjustment of \$0.138 million to the final budget for ICT transformation disclosed in the financial statements for the year ended 31 December 2019.

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxv) to the financial statements.

**United Nations Population Fund
Notes to the financial statements****Note 1****Mission statement, organizational objectives and reporting entity****Mission statement**

The United Nations Population Fund (UNFPA) is the United Nations sexual and reproductive health agency. Its mission is to deliver a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled. UNFPA helps Governments integrate population issues into the global development agenda to improve societies' well-being and resilience, and promote sustained inclusive economic growth and sustainable development. UNFPA supports countries in promoting and protecting the human rights of all persons to sexual and reproductive health, and in building their capacity to collect, analyse and use population data to eliminate poverty and effectively monitor their progress.

Organizational objectives

UNFPA works to advance the right to sexual and reproductive health for all by accelerating progress towards achieving the goals of the Programme of Action of the International Conference on Population and Development and the 2030 Agenda for Sustainable Development. It seeks to achieve three transformative results: zero unmet need for family planning, zero preventable maternal deaths and zero gender-based violence and harmful practices by 2030. With that focus, UNFPA aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries.

UNFPA work is guided by its expertise in population dynamics, human rights and gender equality, and driven by the specific needs of countries. UNFPA is a catalyst for action and advocacy, partnering with Governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, UNFPA helps countries use population data to anticipate tomorrow's challenges through providing technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves, in addition to being critical to achieving inclusive and transformational sustainable development.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated – they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the transformational 2030 Agenda for Sustainable Development, with a powerful field presence, under the leadership of a strengthened resident coordinator system. UNFPA plays an active and leading role in inter-agency processes to facilitate

progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries under the Programme of Action of the International Conference on Population and Development as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action of the International Conference on Population and Development is also essential for achieving the 2030 Agenda for Sustainable Development. Both have the overarching aim of ending extreme poverty, ensuring that all persons enjoy human rights and protect the environment for current and future generations. The focus of the two interlinked agendas on the demographic dividend, youth and women's empowerment and gender equality, resilience and data for development makes the special expertise of UNFPA in reproductive health and reproductive rights and population and development issues even more relevant to the worldwide collaborative effort of achieving the Sustainable Development Goals. UNFPA, working in multiple partnerships, supports gender-responsive policies and programmes to achieve the Sustainable Development Goals.

Those partnerships are customized to national and local circumstances.

Reporting entity

UNFPA receives overall policy guidance from the General Assembly and the Economic and Social Council. It reports to its governing body, the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services, on administrative, financial, budgetary and programme matters.

UNFPA has its headquarters in New York and operates through a network of more than 150 regional, subregional, country and liaison offices around the world.

The financial statements include only the operations of UNFPA, which does not control and is not controlled by any other entity.

Note 2

Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2020.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies (henceforth referred to as “foreign currencies”), the equivalent in United States dollars is normally established using the appropriate United Nations operational rate of exchange.

Units of currency, assets giving right to units of currency and liabilities to be paid in units of currency are classified as monetary items. All other items are classified as non-monetary items.

All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at the reporting date or, in the case of foreign currency investments maintained in the after-service health insurance investment portfolio, a close approximation thereof.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up as a result of rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

UNFPA classifies financial assets into four categories, as shown below.

<i>IPSAS classification</i>	<i>Financial asset</i>
Held-to-maturity	Working capital investments
Available-for-sale	After-service health insurance funding investments
Loans and receivables	Cash and cash equivalents, contributions receivable and other receivables
Fair value through surplus or deficit	Derivative assets

The classification of financial assets depends on the purpose for which the financial instruments are acquired, as determined at initial recognition and re-evaluated at each reporting date. Loans and receivables are recognized on the date they originate, while all other financial assets are recognized on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus

transaction costs, and are subsequently carried at amortized cost, calculated using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and are subsequently measured at fair value at the reporting date, with any resultant gains or losses recognized directly in net assets/equity, except for foreign exchange-related gains or losses on monetary items, which are recognized in surplus or deficit in the statement of financial performance. Fair values used for subsequent measurements are based on quoted market prices in an active market. When an available-for-sale financial asset is derecognized (e.g., through sale or maturity), the related gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Interest on available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, if applicable. Their market value is disclosed in the notes to the financial statements. Interest revenue is recognized on a time-proportion basis using the effective interest rate method.

Contributions receivable and other receivables are stated at nominal amounts less any allowance for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are financial assets either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

Impairment of financial assets

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance in the year in which they arise and reduce the amounts of relevant financial assets either directly or through the use of allowance accounts.

An analysis of contributions receivable is performed at the reporting date to determine whether there is any evidence that estimated future cash flows from these contributions receivable would be below their carrying amounts.

Contributions receivable relating to regular resources are presumed to be impaired, and an allowance for their value is made, if they are outstanding for more than three years or are due from donors with a prior history of non-payment.

Contributions receivable relating to other resources are individually reviewed with a special focus on receivables past their payment due dates and/or upon expiration of correspondent contribution agreements. Should evidence of impairment be present and the effect quantifiable, an allowance, and corresponding contribution revenue reduction, are recorded.

(vi) Inventories

UNFPA inventories consist primarily of reproductive health commodities and other programme-related supplies controlled by UNFPA, located at identifiable premises or in transit to their destination locations, procured for distribution to beneficiaries, typically through implementing partners, or for sale to third parties. Inventories are measured at the lower of cost and current replacement cost, less any impairment losses, and are expensed when control over them is transferred from UNFPA to implementing partners or other third parties.

Inventories procured with funding from the Global Contraceptive Commodity Programme revolving fund (set up to pre-position stocks of reproductive health kits primarily for use in humanitarian response activities) and the AccessRH revolving fund (set up to pre-position stocks of contraceptives in order to reduce supply lead times) are measured using the weighted average cost method. Inventories procured for direct delivery to field office locations are measured at actual cost.

The cost of inventories includes their purchase price, conversion costs (e.g., kit assembly services) and other costs incurred in bringing the goods to their intended location and condition (e.g., freight costs). For inventories under the control of field offices, the amount of other costs is determined on the basis of standard costs. For inventories acquired through a non-exchange transaction (e.g., contributions in kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment en route to implementing partners as at the reporting date are recorded as property, plant and equipment-like inventories in transit.

(vii) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises each asset's purchase price plus any other costs directly attributable to bringing it to its intended location and condition suitable for use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value as at the date of acquisition by UNFPA is deemed to be its cost.

The capitalization threshold for property, plant and equipment is \$1,000. For asset classes subject to depreciation, a full month's depreciation is charged in the month in which the assets become available for use. No depreciation is charged in the month of the asset's disposal.

Leasehold improvements are recognized as property, plant and equipment at their cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is \$5,000.

Depreciation is provided over the estimated useful lives of the assets using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are set out below.

<i>Property, plant and equipment class</i>	<i>Estimated useful life</i>
Vehicles	7 years
Furniture and fixtures	6–10 years
ICT equipment	5–11 years
Leasehold improvements	5 years
Buildings	30 years

(viii) Intangible assets

Intangible assets are capitalized if their cost exceeds the \$5,000 threshold, except for internally developed software, for which the capitalization threshold is \$100,000. UNFPA classifies all activities associated with the internal development of intangible assets as pertaining to either a research phase or a development phase. Costs incurred for research phase activities are expensed when incurred. Costs attributable to development phase activities for intangible assets that have met the recognition criteria are capitalized. These costs include personnel costs, contractual services, supplies and materials consumed in generating the assets. Development costs that do not meet the capitalization criteria are expensed as incurred.

Amortization is provided over the estimated useful life of the assets using the straight line method. The estimated useful life ranges for the different classes of intangible assets are set out below.

<i>Intangible asset class</i>	<i>Estimated useful life</i>
Software acquired separately	3–10 years
Software developed internally	3–10 years
Licences and rights	The shorter of the agreement term and useful life in a range of 2–6 years
Intangible assets under development	Not amortized

(ix) Impairment of property, plant and equipment and intangible assets

UNFPA property, plant and equipment and intangible assets are not held for the primary objective of generating a commercial return and are considered “non-cash-generating” for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment and intangible assets at least annually and before each reporting date. If any indication of impairment exists, UNFPA estimates the recoverable service amount for each affected asset and recognizes an impairment loss when such amount is below the asset’s carrying amount.

(x) Financial liabilities

Financial liabilities due for settlement within one year of the reporting date are classified as current liabilities. All other liabilities are classified as non-current liabilities.

UNFPA classifies financial liabilities into the following categories:

<i>IPSAS classification</i>	<i>Financial liability</i>
Other financial liabilities	Accounts payable, accruals and other liabilities
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

Other financial liabilities are contractual obligations to deliver cash or another financial asset to another entity. Current financial liabilities are recognized at their nominal value. Non-current other financial liabilities are recognized at fair value and may be subsequently remeasured at amortized cost using the effective interest rate method if application of this method will result in carrying amounts materially different from the amounts initially recognized.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are those either designated in this category on initial recognition or held for trading. They are initially recognized at fair value, and any related transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial liabilities at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. They include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. Their fair value is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities are classified as current if they are expected to be settled within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

(xi) Employee benefit liabilities

UNFPA recognizes employee benefits liabilities for benefits to which its employees are entitled.

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment, subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

UNFPA employee benefits are classified into short-term, post-employment and other long-term benefits.

Short-term employee benefits

Short-term employee benefits include annual and home leave entitlements.

Annual leave is an accumulating compensated absence. UNFPA recognizes a liability for the value of accumulated leave days, up to a maximum of 82.5 days as at the reporting date, exceptionally increased to 112.5 days in 2020 following the outbreak of the coronavirus disease (COVID-19) pandemic, with up to 60 days commutable to cash upon separation from service.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The home leave liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, short-term employee benefits liabilities are not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits, payable upon separation from UNFPA, include:

(a) After-service health insurance, which provides worldwide coverage for medical expenses of eligible former staff members and their eligible dependants. The after-service health insurance liability represents the present value of the UNFPA share of medical insurance costs for present and future retirees and their eligible dependants;

(b) End-of-service entitlements, which comprise repatriation grants and reimbursement of shipping costs and travel expenses.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligations, calculated by independent actuaries, using the projected unit credit method. Changes from the remeasurement of the net defined benefit liability are recognized in net assets. All other changes, such as service costs and net interest, are recognized in the statement of financial performance in the period in which they occur.

The discount rate used to determine the present value of the liability is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of its Regulations, membership in the Pension Fund is open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan

assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

Other long-term employee benefits include workers' compensation provided under Appendix D to the United Nations Staff Rules in the event of death, disability, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Obligations for this benefit are measured similarly to those for defined benefit plans, with all changes resulting from remeasurement recognized in the statement of financial performance.

(xii) Revenue

UNFPA revenue comprises non-exchange and exchange transactions. Non-exchange transactions are those in which UNFPA receives resources from third parties to be applied towards advancing its mission, without directly giving equal value in return. UNFPA contributions revenue is classified as non-exchange transactions.

Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, procurement activities on behalf of third parties are currently the only exchange transactions.

UNFPA contributions revenue falls into two distinct categories:

(a) Unearmarked contributions (also referred to as "regular", "core" or "unrestricted" contributions), which represent resources that are unrestricted as to their use;

(b) Earmarked contributions (also referred to as "other", "non-core" or "restricted" contributions), which represent resources that are earmarked as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services and other funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

A revenue reduction is recognized when mutual understanding is reached between UNFPA and a donor, subsequent to signing a binding agreement, to reduce previously recognized earmarked contribution revenue.

UNFPA participates in joint funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of those pooled contributions is recognized at the time when resource allocations are approved through the appropriate programme governance mechanisms.

Contributions of goods in kind are recognized as revenue at their fair value on the date of signing of enforceable agreements. Valuation is determined by reference

to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting and personnel services received free of charge.

Revenue from the sale of UNFPA-controlled goods to external parties is recognized upon transfer of the goods; revenue from performing procurement services is recognized when procurement services are rendered.

(xiii) Refunds to donors

Refunds of unspent fund balances at expiration or termination of agreements are recorded upon receipt of relevant requests from donors or when contract language or prior experience indicate that a refund is likely. All refunds to donors are shown as a reduction in contributions revenue.

(xiv) Expenses

A significant percentage of programme activities is implemented by Governments, intergovernmental organizations, NGOs and other United Nations organizations engaged by UNFPA on the basis of signed workplans or other appropriate agreements.

Advances of funds to implementing partners, made on the basis of approved workplans or other programme documents, are initially recorded as operating fund advances. The advances are subsequently liquidated, and expenses are recognized, on the basis of the reports submitted by the implementing partners prepared in accordance with their own accounting frameworks detailing the costs incurred. Outstanding advances reprogrammed for the implementation of programme activities in the following year are classified as “operating fund advances”, and those due to be refunded to UNFPA are classified as “other receivables” in the statement of financial position.

(xv) Indirect costs

“Indirect costs” mean the expenses incurred by UNFPA as a function of and in support of its activities and programmes, which cannot be unequivocally traced to those activities and programmes. They are funded through cost-recovery charges levied on disbursements (other than operating fund advances) from earmarked resources using the following rates:

(Percentage)

<i>Agreement type</i>	<i>Rate</i>
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Programme Governments, South-South and triangular cooperation contributions	5
Umbrella agreements	0–8
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

Indirect costs recovered are deducted from earmarked contributions revenue and presented under other revenue for regular resources. The amount of cost-recovery

charges is shown as an expense in schedule B to demonstrate total charges to individual trust and special funds.

(xvi) Foreign currency exchange gains and losses

All foreign currency exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within “other revenue” and “other expenses” in the statement of financial performance, apart from unrealized gains and losses on non-monetary assets classified as available-for-sale, such as equity instruments, which are recognized directly in net assets.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term for non-cancellable agreements is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use granted by the host Governments. Based on their length (or “lease term”) and the termination clauses, the donated rights to use can be similar to operating or finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease-similar rights to use (principally short-term), expense and revenue are recognized in the statement of financial performance for amounts equal to the annual market rent of similar premises. In the case of finance lease-similar rights to use (principally long-term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises, unless the property is transferred to UNFPA with specific conditions. In those situations, deferred revenue is recognized for an amount equal to the fair market value of the property. This liability is progressively recognized as revenue over the shorter of the useful life of the property and the right-to-use term in the amount equal to the property’s depreciation expense for the same period.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation amount.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized, but are disclosed if material.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA. Contingent assets are not recognized, but are disclosed if an inflow of economic benefits or service potential is probable.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office, the Chief of the Procurement Services Branch and the Director of the Information Technology and Solutions Office and their close family members, as well as any other individuals acting in one of these roles as officer-in-charge for three months or more in a calendar year. UNFPA discloses the value of transactions with these parties, including salaries and any loans obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions with the Executive Board to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as UNDP does not have the power to influence the financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future liabilities to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

UNFPA procures supplies, equipment and services on behalf and at the request of Governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and NGOs. UNFPA receives a handling fee in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2020, recorded as part of other revenue.

Amounts prepaid on orders not fulfilled as at the reporting date are reported as “accounts payable and accruals” in the statement of financial position. Receivables for orders fulfilled ahead of the receipt of funds as at the reporting date are reported as “other receivables” in the statement of financial position.

The cost of goods sold under orders fulfilled from UNFPA stock is recognized as other revenue and expense in the statement of financial performance, in addition to the corresponding handling fee, which is recognized as other revenue. For orders fulfilled from suppliers’ stock, only the handling fee is recognized in the statement of financial performance.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to, fair value of assets, impairment losses, useful lives, accrued charges, after-service health insurance and other employee benefits liabilities and contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2019 financial statements.

(xxiv) Transitional provisions

UNFPA did not apply transitional provisions from any IPSAS for the year ended 31 December 2020.

(xxv) Comparison of budget with actual amounts

UNFPA prepares its budget on a modified cash basis.

A comparison between budget and actual amounts on a budget comparable basis is presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization’s institutional budget was prepared on a quadrennial basis for the period 2018–2021 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

(xxvi) Adoption of new accounting standards

In 2020, UNFPA did not adopt any new accounting standards.

IPSAS 40: Public sector combinations, which establishes the requirements for classifying, recognizing and measuring public sector combinations, became effective on 1 January 2020, but is not applicable to UNFPA.

In 2020, the IPSAS Board deferred the effective dates for two previously issued standards, IPSAS 41: Financial instruments, and IPSAS 42: Social benefits, from 1 January 2022 to 1 January 2023 to allow sufficient preparatory time for entities that had been affected by the spread of the COVID-19 pandemic. Of these two standards, only IPSAS 41 is applicable to UNFPA, as it establishes the new requirements for classifying, recognizing and measuring financial instruments, superseding those in

IPSAS 29: Financial instruments: recognition and measurement. UNFPA will be adopting IPSAS 41, as required, effective as from 1 January 2023.

(xxvii) Changes in accounting policies, accounting estimates or presentation

The presentation of the statement of financial position was enhanced by listing current assets in their order of liquidity and separating amounts receivable (i.e., financial assets) from prepayments (i.e., non-financial assets). This revised presentation required the sequencing and numbering of the notes to be updated as follows:

<i>Note name</i>	<i>Pre-2020</i>	<i>2020</i>
Contributions receivable	Note 6 (a)	Note 5 (a)
Other receivables	Note 6 (b)	Note 5 (b)
Operating fund advances	Note 7	Note 6 (a)
Prepayments and other assets	Note 6 (b)	Note 6 (b)
Inventories	Note 5	Note 7

In addition, presentation of the cashflow statement was updated by combining sales and maturities of investments in a single line. Sales and maturities within each investment portfolio are disclosed separately from each other in note 4.

(xxviii) Future accounting changes

The IPSAS Board continues its work on amending existing standards and developing new ones. In February 2020, it issued a suite of exposure drafts on subjects of relevance to UNFPA, as summarized below:

(a) Exposure draft 70: Revenue with performance obligations, is intended to supersede IPSAS 9: Revenue from exchange transactions, and IPSAS 11: Construction contracts. It is aligned with International Financial Reporting Standard 15: Revenue from contracts with customers, and extends its income recognition model to public sector transactions with performance obligations, including those where the ultimate beneficiary is a third party;

(b) Exposure draft 71: Revenue without performance obligations, is an update of IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). Main changes proposed in the exposure draft include the elimination of the classification of revenue as exchange and non-exchange and the introduction of a revenue recognition model based on the fulfilment of present obligations;

(c) Exposure draft 72: Transfer expenses, aims to provide guidance on accounting for expenses, where a transfer provider provides resources to another entity without receiving anything directly in return. In accordance with the new model, transfer expenses with performance obligations will be recognized once performance obligations are satisfied, while transfer expenses without performance obligations will be recognized upon the earlier of occurrence of obligation to transfer resources or when control over these resources ceases.

Accounting standards issued on the basis of these three exposure drafts are likely to have a significant impact on UNFPA revenue recognition practices and accounting relating to transfers to its implementing partners. While their effective dates are not yet known, the approval date is currently estimated for the end of 2021.

Note 3
Cash and cash equivalents

Cash and cash equivalents held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Cash		
Cash on hand	70	6
Cash at banks	39 184	27 390
Cash held in investment portfolios	10 141	10 532
Cash equivalents		
Money market funds	89 868	61 814
Time deposits	138 983	79 721
Bonds	–	10 018
Total	278 246	189 481

Cash required for immediate disbursements is maintained on hand and at banks, in United States dollars and in foreign currencies, as shown in note 25.

Cash held in investment portfolios represents cash held within the after-service health insurance investment portfolio, in overnight sweep accounts, pending reinvestment into long-term financial instruments or for rebalancing purposes. Note 4 provides more details on the purpose and composition of UNFPA investment portfolios.

Cash equivalents are highly liquid financial instruments, such as money market funds, time deposits and bonds, with a maturity of three months or less from the date of acquisition, that are held in the UNFPA working capital investment portfolio.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

UNFPA maintains two separate investment portfolios.

The working capital investment portfolio, managed by UNDP on behalf of UNFPA, following UNDP investment guidelines and its governance framework, is limited to high-quality, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. Investments are registered in the name of UNFPA and are held by a custodian appointed by UNDP. Throughout 2020, this portfolio was classified as held-to-maturity, carried at amortized cost, and measured using the effective interest method.

Financial instruments with maturity periods of more than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020		31 December 2019	
	Market value	Amortized cost	Market value	Amortized cost
Bonds	557 863	549 873	655 245	651 179
Commercial paper	352 355	352 172	79 521	79 520
Time deposits	60 000	60 000	280 000	280 000
Total	970 218	962 045	1 014 766	1 010 699
Of which:				
Maturing within one year	603 341	602 097	666 177	665 816
Maturing after one year	366 877	359 948	348 589	344 883
Total	970 218	962 045	1 014 766	1 010 699

In addition, the working capital investment portfolio included \$228.9 million in financial instruments with maturities of three months or less (2019: \$151.6 million), reported under cash and cash equivalents (see note 3).

Bonds held in the working capital investment portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

Bond types	31 December 2020		31 December 2019	
	Market value	Amortized cost	Market value	Amortized cost
Commercial banks	–	–	19 781	19 729
Non-United States sovereign obligations	291 876	285 868	531 754	528 238
Supranational organizations	213 625	212 021	63 721	63 232
United States Government and agencies	22 042	22 000	24 991	24 984
Corporate	30 320	29 984	14 998	14 996
Total	557 863	549 873	655 245	651 179

In 2020, the average yield on the working capital investment portfolio decreased to 1.3 per cent (2019: 2.4 per cent) owing to the continuous decrease in interest rates attributable to the impacts of the COVID-19 pandemic on financial markets.

A separate portfolio was established in 2016, jointly with some other United Nations organizations, to invest resources allocated to fund after-service health insurance liabilities. This portfolio is managed by two independent external investment managers and is governed by after-service health insurance investment guidelines and a joint governance mechanism. Consistent with its purpose, this portfolio consists of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Investments are classified as available-for-sale and carried at fair market value.

Financial instruments with maturity periods of longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020		31 December 2019	
	Market value	Base cost	Market value	Base cost
Fixed-income securities	95 817	89 467	86 715	84 527
Equities	177 674	137 613	151 178	131 960
Total	273 491	227 080	237 893	216 487
Of which:				
Fixed-income securities maturing within one year	3 034	2 799	2 801	2 802
Fixed-income securities maturing after one year and equities	270 457	224 281	235 092	213 685
Total	273 491	227 080	237 893	216 487

In addition, the after-service health insurance investment portfolio included \$10.1 million in cash and financial instruments with maturities of three months or less (2019: \$10.5 million), reported under cash and cash equivalents (see note 3). The portfolio generated annual rates of return of 12.14 per cent and 14.67 per cent for the portfolio components managed by the two investment managers appointed (2019: 18.65 per cent and 19.33 per cent).

UNFPA did not have any investment impairments during the year. The organization's exposure to credit, liquidity and market risks and the related risk management activities are discussed in note 25.

Of the total cash and investments held as at 31 December 2020, \$524.8 million were restricted in use as follows (2019: \$455.1 million):

	Reference	Amount
Funds held by UNFPA on behalf of joint programmes in the capacity of administrative agent	Note 10	\$33.0 million
Funding for employee benefits liabilities ^a	Note 12	\$364.4 million
Operational reserve	Note 14	\$83.2 million
Humanitarian response reserve	Note 14	\$5.5 million
Reserve for field accommodation	Note 14	\$5.0 million
Principal amount of the private endowment trust	Note 14 (g)	\$33.7 million

^a Including the investments held in the after-service health insurance investment portfolio.

The movements of investments within the working capital investment portfolio were as follows:

(Thousands of United States dollars)

	Time deposits		Commercial paper		Bonds		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	280 000	115 000	79 520	–	651 179	696 544	1 010 699	811 544
Add: purchases	210 000	580 000	779 869	174 676	335 502	424 038	1 325 371	1 178 714
Less: maturities	(430 000)	(415 000)	(510 000)	(96 000)	(436 359)	(470 681)	(1 376 359)	(981 681)

	<i>Time deposits</i>		<i>Commercial paper</i>		<i>Bonds</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Amortization	–	–	2 783	844	(449)	1 278	2 334	2 122
Closing balance	60 000	280 000	352 172	79 520	549 873	651 179	962 045	1 010 699

The movements of investments within the after-service health insurance investment portfolio were as follows:

(Thousands of United States dollars)

	<i>Fixed-income securities</i>		<i>Equities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Opening balance	86 715	74 822	151 178	114 781	237 893	189 603
Add: purchases	27 943	20 302	69 974	63 134	97 917	83 436
Less: maturities	(1 992)	(520)	–	–	(1 992)	(520)
Less: sales	(20 748)	(11 426)	(64 322)	(50 839)	(85 070)	(62 265)
Amortization	(263)	(195)	–	–	(263)	(195)
Gain/(loss) in fair value recognized in:						
Surplus/(deficit)	1 316	(99)	–	–	1 316	(99)
Net assets	2 846	3 831	20 844	24 102	23 690	27 933
Closing balance	95 817	86 715	177 674	151 178	273 491	237 893

Note 5

Contributions receivable and other receivables

(a) Contributions receivable

Contributions receivable as at the reporting date, presented net of allowance for doubtful accounts, were as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Non-exchange transactions		
Contributions receivable (current)	208 693	201 776
Unearmarked resources	105	176
Earmarked resources	208 588	201 600
Contributions receivable (non-current)	208 175	182 179
Earmarked resources	208 175	182 179
Exchange transactions		
Contributions receivable (current)	147	520
Total	417 015	384 475

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources relate to amounts to be collected in future years, mainly in relation to multi-year donor agreements.

The distinction between current and non-current receivables is based on their due date. Current contributions receivable are expected to be collected within 12 months of the reporting date, and non-current receivables are expected to be collected after that date.

Ageing analysis

The ageing of contributions receivable as at the reporting date was as follows:

(Thousands of United States dollars)

	31 December 2020		31 December 2019	
	Unearmarked	Earmarked	Unearmarked	Earmarked
2016 and prior	–	529	128	529
2017	142	–	155	–
2018	43	–	57	418
2019	71	1 213	165	11 657
2020	87	14 657	–	–
Contributions receivable as at 31 December	343	16 399	505	12 604
Contributions receivable not yet due as at 31 December	–	406 250	–	377 822
Allowance for doubtful contributions receivable	(238)	(5 739)	(329)	(6 127)
Total	105	416 910	176	384 299

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is provided in schedule A (excluding the allowance for doubtful contributions receivable) and schedule B, respectively.

Allowance for doubtful contributions receivable

The movements in the allowance for doubtful contributions receivable were as follows:

(Thousands of United States dollars)

	2020	2019
Allowance at 1 January	(6 456)	(879)
Contributions receivable for which collection is now considered doubtful	(353)	(5 709)
Contributions receivable written off	128	132
Recoveries and reversals for contributions receivable for which collection was previously considered doubtful	704	–
Allowance at 31 December	(5 977)	(6 456)

(b) Other receivables

Other receivables as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Accrued dividends	83	77
Accrued interest	3 273	6 551
Advances to staff	542	495
Receivables from procurement activities	964	5
Recoverable value added/sales taxes	5 369	3 993
Refunds due from implementing partners	3 580	5 887
Miscellaneous accounts receivable	9 720	5 191
Less: allowance for doubtful other receivables	(1 481)	(1 311)
Total other receivables	22 050	20 888

The movements in the allowance for doubtful other receivables were as follows:

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Allowance at 1 January	(1 311)	(1 277)
Other receivables for which collection is now considered doubtful	(338)	(225)
Other receivables written off	57	54
Recoveries and reversals of other receivables for which collection was previously considered doubtful	111	137
Allowance at 31 December	(1 481)	(1 311)

Note 6**(a) Operating fund advances**

Outstanding operating fund advances by implementing partner category as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Governments	5 317	2 919
Intergovernmental institutions and NGOs	5 476	2 317
United Nations organizations	7 506	1 537
Less: allowance for doubtful advances	(541)	(493)
Total	17 758	6 280

The movements in the allowance for doubtful operating fund advances were as follows:

(Thousands of United States dollars)

	2020	2019
Allowance at 1 January	(493)	(646)
Advances for which collection is now considered doubtful	(50)	(27)
Advances written off	1	68
Recoveries and reversals for advances for which collection was previously considered doubtful	1	112
Allowance at 31 December	(541)	(493)

(b) Prepayments and other assets

Prepayments and other assets as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Current		
Deferred programme costs	1 552	1 198
Unamortized education grant benefits	3 500	3 465
Prepayments of contributions to the resident coordinator system	4 607	4 607
Other prepayments	7 006	3 530
Total current	16 665	12 800
Non-current		
Other assets	18	23
Total non-current	18	23
Total prepayments and other assets	16 683	12 823

Note 7

Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Reproductive health and other programme-related supplies, of which:	86 598	67 615
In transit	54 859	38 010
In stock	31 739	29 605
Property, plant and equipment-like inventories in transit	5 658	2 742
Provisions for impairment losses	–	(90)
Total	92 256	70 267

Inventory movements were as follows:

(Thousands of United States dollars)

	2020	2019
Inventories held as at 1 January	70 267	50 827
Additions	262 242	180 053
Issues	(239 822)	(160 141)
Inventory adjustments and write-downs	(431)	(472)
Inventories held as at 31 December	92 256	70 267

Note 8 Property, plant and equipment

Property, plant and equipment (or fixed assets) movements and balances were as follows:

(Thousands of United States dollars)

	<i>Land</i>		<i>Buildings</i>		<i>Furniture and fixtures</i>		<i>ICT equipment</i>		<i>Vehicles</i>		<i>Leasehold improvements</i>		<i>Assets under construction and not yet available for use</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost																
As at 1 January	227	227	13 417	12 463	4 933	4 864	20 291	19 826	32 972	32 623	8 140	8 292	2 003	2 156	81 983	80 451
Additions	–	–	80	–	217	493	2 587	2 366	2 720	3 063	496	497	1 482	1 253	7 582	7 672
Disposals	–	–	–	(34)	(432)	(418)	(1 382)	(1 986)	(1 523)	(2 952)	(43)	(588)	–	–	(3 380)	(5 978)
Impairment	–	–	–	–	–	–	–	–	(27)	(1)	–	–	–	–	(27)	(1)
Adjustments/reclassifications	–	–	(5)	988	(49)	(6)	244	85	1 442	239	204	(61)	(1 959)	(1 406)	(123)	(161)
As at 31 December	227	227	13 492	13 417	4 669	4 933	21 740	20 291	35 584	32 972	8 797	8 140	1 526	2 003	86 035	81 983
Accumulated depreciation																
As at 1 January	–	–	3 392	2 944	3 306	3 231	13 369	12 821	22 403	21 556	5 612	5 463	–	–	48 082	46 015
Depreciation charges	–	–	452	417	350	387	2 262	2 260	2 866	2 927	907	707	–	–	6 837	6 698
Disposals	–	–	–	(6)	(264)	(294)	(1 250)	(1 712)	(1 432)	(2 080)	(20)	(521)	–	–	(2 966)	(4 613)
Adjustments/reclassifications	–	–	–	37	–	(18)	(3)	–	–	–	–	(37)	–	–	(3)	(18)
As at 31 December	–	–	3 844	3 392	3 392	3 306	14 378	13 369	23 837	22 403	6 499	5 612	–	–	51 950	48 082
Net book value as at 1 January	227	227	10 025	9 519	1 627	1 633	6 922	7 005	10 569	11 067	2 528	2 829	2 003	2 156	33 901	34 436
Net book value as at 31 December	227	227	9 648	10 025	1 277	1 627	7 362	6 922	11 747	10 569	2 298	2 528	1 526	2 003	34 085	33 901

Assets under construction and not yet available for use pertain primarily to property, plant and equipment items in transit as at the reporting date. Most fixed assets under construction and not yet available as at the end of 2019 were placed in service in 2020 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2020 was \$0.5 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2020 was \$0.5 million (2019: \$0.4 million). As at 31 December 2020, the cost of fully depreciated property, plant and equipment items which were still in use amounted to \$29.3 million (2019: \$25.5 million).

Note 9 Intangibles

Intangible assets movements and balances were as follows:

(Thousands of United States dollars)

	<i>Software acquired separately</i>		<i>Software developed internally</i>		<i>Intangible assets under development</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019	2020	2019
Cost								
As at 1 January	642	689	857	857	724	980	2 223	2 526
Additions	142	6	331	–	1 245	319	1 718	325
Disposals	(38)	(53)	–	–	–	–	(38)	(53)
Impairment	–	–	–	–	–	(575)	–	(575)
Adjustments/reclassifications	–	–	77	–	(77)	–	–	–
As at 31 December	746	642	1 265	857	1 892	724	3 903	2 223
Accumulated amortization								
As at 1 January	632	655	673	489	–	–	1 305	1 144
Amortization charges	33	19	191	184	–	–	224	203
Disposals	(38)	(42)	–	–	–	–	(38)	(42)
As at 31 December	627	632	864	673	–	–	1 491	1 305
Net book value as at 1 January	10	34	184	368	724	980	918	1 382
Net book value as at 31 December	119	10	401	184	1 892	724	2 412	918

In addition to recognized intangible assets, UNFPA uses other intangible items under its control that do not meet the recognition criteria of IPSAS 31: Intangible assets, and UNFPA accounting policies. These items include: (a) the business intelligence and analytics platform for financial, programme and other management data analysis and reporting; (b) the messaging and collaboration platform providing access to various applications such as email, calendar, file storage and other functionalities; and (c) the document management system. Use of these items will be discontinued upon completion of the relevant ICT transformation initiatives, which are currently under way.

UNFPA is in the process of implementing new, functionally integrated, cloud-based enterprise resource planning and customer relationship management solutions.

In 2020, UNFPA incurred \$0.6 million in development costs for these initiatives, capitalized as intangible assets under development, and \$6.4 million in other costs that did not meet the capitalization criteria and were expensed during the year (2019: \$2.8 million). An additional \$0.1 million in research costs was incurred for other projects and expensed in 2020 (2019: \$0.3 million).

As at 31 December 2020, UNFPA did not have any material commitments for purchases of intangible assets. The cost of fully amortized intangible assets, still in use by the end of 2020, amounted to \$1.5 million (2019: \$0.62 million), corresponding primarily to the licence for a suite of office productivity applications and internally generated applications.

Note 10
Accounts payable and accruals

Accounts payable and accruals as at the reporting date were as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Accounts payable	23 483	20 361
Accrued liabilities	30 879	26 217
Advances for procurement activities	17 933	32 729
Inter-fund balance payable to United Nations organizations	94	6 363
Funds held on behalf of joint programmes	33 047	30 689
Reimbursements due to implementing partners and payables on their behalf	22 282	16 291
Payables for purchases of investment portfolio securities	1 420	–
Refunds due to donors	7 015	9 474
Total	136 153	142 124

Funds held on behalf of joint programmes reflect contributions received and administered by UNFPA in the capacity of administrative agent for programme activities to be implemented in conjunction with other United Nations organizations and to be distributed based on an agreed programme of work.

Reimbursements due to implementing partners and payables on their behalf primarily reflect costs incurred for the implementation of programme activities not yet disbursed by UNFPA, or payables for new operating fund advances.

Note 11
Finance leases

As at 31 December 2020, UNFPA had one finance lease agreement for an office building in one programme country. In 2020, UNFPA did not make any leasing payments for those premises, as its obligations under the agreement were fulfilled in previous years.

Note 12
Employee benefits

Employee benefits liabilities as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Current		
Short-term employee benefits		
Accumulated annual leave	33 113	25 284
Accumulated home leave	3 681	2 731
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff) ^a	768	575
Repatriation benefits (active staff)	3 029	3 737
After-service health insurance	4 111	3 588
Workers' compensation	22	21
Total current	44 724	35 936
Non-current		
Post-employment and other long-term employee benefits		
Repatriation benefits (active staff)	32 886	30 023
After-service health insurance	348 733	303 855
Workers' compensation	534	478
Total non-current	382 153	334 356
Total employee benefits liabilities	426 877	370 292

^a Inactive staff are those who had already separated from UNFPA as at the reporting date.

Short-term employee benefits

Short-term employment benefits provided by UNFPA to its staff in line with the United Nations Staff Regulations and Rules include annual and home leave.

Accumulated annual leave

This liability represents the amount of annual leave days accrued by staff members as at the reporting date, which can be utilized as compensated time in future periods. The liability is accrued as service is rendered based on effective daily salary rates, without discounting. The maximum of 82.5 days that can normally be accumulated by a staff member as at 31 December of any calendar year was increased to 112.5 days in 2020, in recognition of the negative impact of the COVID-19 pandemic on the ability of staff to take leave.

Accumulated home leave

This liability represents the accumulated amount of anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service. In 2020, UNFPA increased the maximum number of home leave points that can be carried forward from 40 points to 72 points, in recognition of the negative impact of the COVID-19 pandemic on the ability of staff to take leave.

Post-employment and other long-term employee benefits

In line with the United Nations Staff Regulations and Rules, UNFPA staff members are provided with repatriation, after-service health insurance and workers' compensation benefits.

Repatriation benefits

Internationally recruited staff members meeting certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grants, which are based upon length of service, travel and removal expenses.

Repatriation benefits are classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

A separate liability is established in the actual amounts due to be paid to inactive staff members already separated from UNFPA who have not claimed their entitlements as at the reporting date.

After-service health insurance

Staff members, and their eligible dependants, may elect to participate in a UNFPA-subsidized health insurance plan upon the end of service, provided they have met certain eligibility requirements, including 10 years of participation in a contributory health insurance plan of the United Nations for staff members recruited after 1 July 2007 and 5 years for those recruited prior to this date.

This benefit is referred to as after-service health insurance and is provided primarily through the United States-based insurance plans and the worldwide health insurance plan, both administered by the United Nations, and the Medical Insurance Plan administered by UNDP.

After-service health insurance is classified as a defined benefit plan. The liability is recognized for all staff members meeting minimum eligibility criteria, from the date of hire, even if the benefits are not yet vested.

Workers' compensation

In accordance with Appendix D to the United Nations Staff Rules, UNFPA staff members are entitled to receive compensation in the event of death, disability, injury or illness attributable to the performance of official duties.

This benefit, classified as "other long-term employee benefit" and accounted similarly to a defined benefit plan, is only recognized as a liability upon occurrence of events that will result in compensation payments.

Measurement of post-employment and other long-term employee benefits

Net defined benefit liabilities for post-employment and other long-term employee benefits obligations are measured by independent actuaries using the projected unit credit method.

The liability amounts are estimated by discounting future cash flows required to settle the obligation, based on census data of employees meeting minimum eligibility criteria, using certain financial, demographic and behavioural assumptions, including discount and health-care cost trend rates, annual salary increases, travel cost increases, cost-of-living adjustments, retiree payments, mortality, withdrawal and retirement projections, scheme enrolment assumptions and probability of marriage at retirement.

UNFPA normally performs full actuarial valuation every two years. In the year when a full valuation is not performed, liability amounts are established through the roll-forward of the previous year census data, including the review and update of key assumptions.

Resources set aside by UNFPA for funding the employee benefits liabilities (see the section on funding below for more details) do not qualify as plan assets under IPSAS 39: Employee benefits, because such funds are not held in a trust that is legally separate from UNFPA and which was set up solely to pay or fund the employee benefits. Therefore, liabilities for post-employment and other long-term employee benefits are equal to the present value of the related defined benefit obligations.

2020 actuarial valuation

Summary of main assumptions

The post-employment employee benefits liabilities as at 31 December 2020 were established on the basis of the roll-forward of the previous year census data and most actuarial assumptions. Consistent with this approach, the valuation relied on data obtained for the purposes of the 2019 valuation, except for discount and health-care cost trend rates, which were updated in 2020. Workers' compensation benefits liabilities were established on the basis of a full valuation.

Key assumptions used for the valuation purposes were as follows:

(Percentage)

	<i>After-service health insurance</i>		<i>Repatriation benefits (active staff)</i>		<i>Workers' compensation</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Single equivalent discount rate	3.13	3.61	2.12	3.02	2.42	3.22
Annual salary increase			3.47–9.27	3.47–9.27		
Travel cost increase			2.20	2.20		
Cost-of-living adjustment					2.00	2.20

The discount rates were set on the basis of the market yields on high-quality corporate bonds with maturity dates approximating the terms of future payments. Annual salary increase and cost-of-living adjustment assumptions were consistent with those used by the United Nations Joint Staff Pension Fund for the actuarial valuation of pension benefits. Travel cost increases were projected based on a United States long-term inflation assumption.

The health-care cost trend rates used for measurement of the after-service health insurance liability were as follows:

<i>Plan</i>	<i>2020</i>			<i>2019</i>		
	<i>Initial (percentage)</i>	<i>Final (percentage)</i>	<i>Grade down (years)</i>	<i>Initial (percentage)</i>	<i>Final (percentage)</i>	<i>Grade down (years)</i>
United States, non-Medicare	5.31	3.65	14	5.44	3.85	13
United States, Medicare	5.15	3.65	14	5.26	3.85	13
United States, dental	4.59	3.65	14	4.66	3.85	13
Non-United States – Switzerland	3.64	2.75	8	3.76	2.85	8
Non-United States – Eurozone	3.73	3.25	6	3.83	3.65	3

Per capita medical claims costs were estimated on the basis of actual claims and enrolment experience for the period 2016–2019 provided by the third-party administrators.

Estimated payments of plan participants towards after-service health insurance costs were deducted from the net liability amount by applying the following cost-sharing ratios approved by the General Assembly:

(Percentage)

<i>Plan</i>	<i>By retiree</i>	<i>By organization</i>
United States-based plans	33.00	67.00
Worldwide health insurance plan	50.00	50.00
Medical Insurance Plan	25.00	75.00

Mortality, withdrawal and retirement projections used for measurement of the after-service health insurance liability were consistent with those used by the United Nations Joint Staff Pension Fund for actuarial valuation of pension benefits. Scheme enrolment, probability of marriage at retirement and age difference between spouses were estimated based on historic trends.

2020 actuarial valuation results

The reconciliation of opening and closing balances for post-employment and other long-term employee benefits liabilities is provided in the table below.

(Thousands of United States dollars)

	<i>After-service health insurance (net)</i>	<i>Repatriation benefits (active staff)</i>	<i>Workers' compensation</i>	<i>2020</i>	<i>2019</i>
As at 31 December 2019	307 443	33 760	499	341 702	360 623
Current service cost	13 836	2 259	50	16 145	15 250
Net interest	11 034	961	2	11 997	16 403
Benefits paid	(3 889)	(1 858)	(20)	(5 767)	(5 012)
Actuarial losses/(gains) arising from:					
Changes in financial assumptions	24 249	2 785	34	27 068	(33 391)
Changes in demographic assumptions	–	–	6	6	(277)
Experience adjustments	171	(1 992)	(15)	(1 836)	(11 894)
As at 31 December 2020	352 844	35 915	556	389 315	341 702

The current service cost for after-service health insurance and repatriation benefits is the increase in liability resulting from employee service in the current period. The current service cost for workers' compensation reflects the addition of current accident year liabilities and changes to the compensation plan.

Net interest reflects the increase in liability resulting from future employee benefits being closer to settlement. Both current service costs and net interest are recognized in surplus or deficit for the year.

Benefits paid reflect the employer share of health insurance premiums and the repatriation benefits and workers' compensation benefits paid by UNFPA during the

year. They are recorded as reductions to the liability. Differences between actual and actuarially estimated benefits paid are classified as a remeasurement of the net defined benefit liability arising from experience adjustments and are recognized in net assets.

Based on actuarial estimates, benefits to be paid by UNFPA during the next reporting period will amount to \$4.3 million for after-service health insurance, \$3.1 million for repatriation benefits and \$0.02 million for workers' compensation benefits.

Actuarial gains and losses represent the changes in the present value of the defined benefit obligation amounts due to experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and changes in financial and demographic assumptions.

Actuarial gains and losses on post-employment benefits are recognized in net assets. In 2020, an actuarial loss was recorded owing to the decrease in discount rates used, offset in part by a gain from decreased health-care cost trend rates and positive experience adjustments for repatriation benefits. Changes in the accumulated actuarial gains and losses were as follows:

(Thousands of United States dollars)

	<i>After-service health insurance (net)</i>	<i>Repatriation benefits (active staff)</i>	<i>Total</i>
As at 31 December 2019	31 400	15 495	46 895
Current period	24 420	793	25 213
As at 31 December 2020	55 820	16 288	72 108

Actuarial gains and losses on workers' compensation are recognized in surplus or deficit for the year. The actuarial loss recorded in 2020 originated primarily from the decrease in the discount rate used.

The present value of the after-service health insurance liability as at the reporting date, both gross and net of payments by plan participants, was as follows:

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Gross liability	542 736	472 901
Offset from payments made by plan participants	(189 892)	(165 458)
Net liability	352 844	307 443

The weighted average duration of the defined benefit obligations as at 31 December 2020 was 23 years for after-service health insurance, 9 years for repatriation benefits and 15 years for workers' compensation (2019: 23 years, 8 years and 16 years, respectively).

Sensitivity analysis

The valuation of post-employment and other long-term employee liabilities is sensitive to variations in key assumptions such as the discount and health-care cost trend rates. The table below demonstrates the impact that a 0.50 per cent change in

the single equivalent discount rate or health-care cost trend rate would have on the net defined benefit liability amounts and combined annual service and net interest costs (all other assumptions remaining constant).

(Thousands of United States dollars)

	<i>After-service health insurance</i>		<i>Repatriation benefits liability (active staff)</i>	<i>Workers' compensation liability</i>
	<i>Year-end liability</i>	<i>Sum of service and net interest costs</i>		
Single equivalent discount rate				
0.50 per cent increase	(36 419)		(1 256)	(34)
0.50 per cent decrease	42 325		1 346	37
Health-care cost trend rate				
0.50 per cent increase	40 858	4 163		
0.50 per cent decrease	(35 571)	(3 545)		
Cost-of-living adjustment rate				
0.50 per cent increase				26
0.50 per cent decrease				(24)

Funding for employee benefits liabilities

Funding allocated for employee benefits liabilities in 2020 amounted to \$58.5 million (2019: \$49.1 million), as detailed below:

(a) Net investment revenue and gains of \$34.2 million generated by funds set aside for the funding of employee benefits liabilities (2019: \$39.5 million);

(b) Payroll charges for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave of \$24.3 million (2019: \$9.6 million). In 2020, UNFPA increased the payroll charges rate for after-service health insurance from 4.0 per cent to 8.0 per cent of payroll costs, following the approval of the budget midterm review by the Executive Board, to ensure better alignment between the after-service health insurance annual costs and funding allocated during the year.

As at 31 December 2020, the unfunded portion of after-service health insurance and other employee benefits liabilities amounted to \$62.4 million (2019: \$64.3 million), as detailed below.

(Thousands of United States dollars)

<i>Employee benefits liabilities</i>	<i>Accrued liability</i>	<i>Funded liability</i>	<i>Unfunded liability</i>
After-service health insurance	352 844	308 468	44 376
Repatriation benefits	36 683	19 256	17 427
Annual leave	33 113	33 113	–
Home leave	3 681	3 681	–
Workers' compensation	556	(71)	627
Total	426 877	364 447	62 430

Changes in the unfunded liabilities were as follows:

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>Increase/ (decrease) in liability</i>	<i>Net increase/ (decrease) in funding</i>	<i>31 December 2020</i>
	<i>Unfunded liability</i>			<i>Unfunded liability</i>
After-service health insurance	42 889	45 401	43 914	44 376
Repatriation benefits	20 909	2 348	5 830	17 427
Annual leave	–	7 829	7 829	–
Home leave	–	950	950	–
Workers' compensation	538	57	(32)	627
Total	64 336	56 585	58 491	62 430

Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of its Regulations, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations. UNFPA and other participants in the Pension Fund are not in a position to identify their proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFPA has treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 39: Employee benefits. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UNFPA to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly, currently at 7.9 per cent for participants and 15.8 per cent for participating organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date.

The latest actuarial valuation for the Pension Fund was completed as at 31 December 2019, and a roll-forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Pension Fund for its 2020 financial statements.

The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (2017: 139.2 per cent). The funded ratio was 107.1 per cent (2017: 102.7 per cent) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, the deficiency payments required from participating organizations would be proportionate to their contributions paid during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2017, 2018 and 2019) amounted to \$7,546.92 million, of which \$110.8 million (1.5 per cent) was contributed by UNFPA.

During 2020, contributions paid to the Pension Fund by UNFPA amounted to \$40.0 million (2019: \$37.0 million). Estimated contributions to be paid in 2021 are not expected to be materially different from these amounts.

Membership in the Pension Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Pension Fund at the date of termination shall be paid to the former participating organizations for the exclusive benefit of their staff who were participants in the Pension Fund at that date, pursuant to arrangements mutually reached between the organizations and the Pension Fund. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets that are in excess of the liabilities will be included in the amount.

The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, which are available at www.unjspf.org.

Note 13

Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Current		
Other current liabilities	15 827	1 127
Deferred revenue	13 231	4 215
Derivative liabilities	157	60
Total current	29 215	5 402

	<i>31 December 2020</i>	<i>31 December 2019</i>
Non-current		
Other non-current liabilities	–	13 106
Deferred revenue	3 652	3 845
Total non-current	3 652	16 951
Total other liabilities and deferred revenue	32 867	22 353

Other current liabilities comprise bridge funding provided by one donor for the procurement of reproductive health commodities ahead of the receipt of the contributions earmarked for that purpose. Its amount of \$13.5 million was reclassified from non-current to current liabilities in 2020, as the associated agreement is due to come to an end in the next 12 months. Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) (\$3.8 million), and contributions to regular and other resources received in advance (\$13.1 million).

Note 14**Unearmarked resources – movements in reserves and fund balances**

Movements in unearmarked resources reserves and fund balances were as follows:

(Thousands of United States dollars)

	<i>Undesignated funds</i>		<i>Designated funds</i>					<i>Total fund balances</i>	<i>Reserves</i>			<i>2020</i>	<i>2019</i>	
	<i>Programmable fund balance</i>	<i>After-service health insurance and employee benefits fund</i>	<i>Procurement services</i>	<i>Excess cost-recovery</i>	<i>Comprehensive resources review</i>	<i>Programme continuity fund</i>	<i>Private endowment trust</i>		<i>Operational reserve</i>	<i>Humanitarian response reserve</i>	<i>Reserve for field accommodation</i>		<i>Total reserves and fund balances</i>	<i>Total reserves and fund balances</i>
	<i>(Note 14 (a))</i>	<i>(Note 14 (b))</i>	<i>(Note 14 (c))</i>	<i>(Note 14 (d))</i>	<i>(Note 14 (e))</i>	<i>(Note 14 (f))</i>	<i>(Note 14 (g))</i>	<i>(Note 14 (h))</i>	<i>(Note 14 (i))</i>	<i>(Note 14 (j))</i>				
Balance as at 1 January	137 616	(64 336)	8 958	18 698	669	5 000	36 803	143 408	74 225	5 500	5 000	228 133	106 777	
Net excess/(shortfall) of revenue over expenses	73 729	3 429	–	–	(397)	–	(1 067)	75 694	–	–	(609)	75 085	45 566	
Resource allocations and transfers														
Operational reserve	(9 010)	–	–	–	–	–	–	(9 010)	9 010	–	–	–	–	
Reserve for field accommodation	(609)	–	–	–	–	–	–	(609)	–	–	609	–	–	
Other transfers	(65)	–	(2 959)	7 468	–	–	–	4 444	–	–	–	4 444	2 258	
Adjustments to resource balances														
Gain in fair value of investments recognized in net assets	–	23 690	–	–	–	–	–	23 690	–	–	–	23 690	27 933	
Actuarial (loss)/gain on employee benefits liabilities	–	(25 213)	–	–	–	–	–	(25 213)	–	–	–	(25 213)	45 599	
Balance as at 31 December	201 661	(62 430)	5 999	26 166	272	5 000	35 736	212 404	83 235	5 500	5 000	306 139	228 133	
Net total		139 231						73 173				93 735		

Undesignated funds

Undesignated regular resources funds comprise the programmable fund balance and the after-service health insurance and employee benefits fund.

(a) Programmable fund balance

The programmable fund balance reflects regular resources available for spending on country programmes, the institutional budget, global and regional interventions, the emergency fund and other programme activities, following UNFPA resource allocation and distribution models.

As at 31 December 2020, the programmable fund balance amounted to \$201.7 million, of which \$161.3 million was available for programming in future years, after adjustments made to reflect funds required to cover future property, plant and equipment depreciation charges; expensing of inventory balances and outstanding sector-wide approach modality advances; and other internally restricted amounts.

The emergency fund was approved by the Executive Board to provide UNFPA field offices with the initial funding required to jump-start humanitarian activities before the other resources become available. The fund was allocated \$10.0 million in regular resources in 2020, \$3.0 million more than in 2019. Of this amount, \$8.1 million was spent in 2020 (2019: \$6.3 million).

(b) After-service health insurance and employee benefits fund

This fund reflects the unfunded balance of after-service health insurance and other employee benefits liabilities as at the reporting date (see note 12).

Designated funds

Designated funds are regular resources internally earmarked by management for special purposes and thus not available for programming. They include the following:

(c) Procurement services fund

The procurement services fund reflects the surplus set aside to cover the cost of procurement activities undertaken by the Procurement Services Branch of UNFPA, on behalf of field offices, headquarters units and third-party clients. The balance has been set aside by management to ensure adequate funding of future procurement activities. In 2020, \$4.5 million procurement services charges in excess of actual costs incurred were transferred to this fund, and \$7.5 million was transferred out of the fund to programmable regular resources, as referenced in note 14 (a).

(d) Excess cost-recovery

Cost-recoveries in excess of budgeted amounts are retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of costs that are associated with the implementation of projects. In 2020, cost recoveries in excess of budget amounted to \$12.5 million, of which \$5.0 million was transferred to the programmable fund balance.

(e) Comprehensive resources review

The comprehensive resources review designated fund was established in 2017 to enable the continued implementation of the change management initiative launched by UNFPA management to ensure optimal alignment between the strategic plan, resource allocation and organizational structures. The fund is a continuation of a provision approved by the Executive Board (see DP/2017/2, decision 2016/10) at the

midterm review of the integrated budget (see [DP/FPA/2016/3](#)). In 2020, expenses for comprehensive resources review activities amounted to \$0.4 million, reducing the fund balance to \$0.3 million as at 31 December 2020.

(f) Programme continuity fund

In 2018, UNFPA allocated \$5.0 million to a designated fund, operating on a revolving basis, to pre-finance development programme activities ahead of the receipt of funds committed in signed co-financing agreements. The fund balance remained unchanged as at 31 December 2020.

(g) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of \$35.7 million comprises the principal of \$33.7 million plus cumulative interest earned of \$9.8 million, less cumulative eligible expenses of \$7.8 million from the date the fund was created. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or the trustee's heirs for any potential liability in the event of a valid claim against the estate.

Reserves

The following reserves were established either in accordance with UNFPA Financial Regulations and Rules or based on Executive Board decisions:

(h) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. In accordance with the UNFPA Financial Regulations and Rules, the reserve balance is set at 20 per cent of annual unearmarked resources contribution revenue (excluding government contributions to local office costs and adjusted for foreign currency exchange gains/losses for associated contributions receivable).

The amount of the reserve was increased by \$9.0 million in 2020 to adjust it to 20 per cent of regular resources contribution revenue in that year.

(i) Humanitarian response reserve

The humanitarian response reserve was established by the Executive Board to pre-finance programme activities before the funding committed in signed donor agreements is received. Throughout 2020, it was used to provide pre-financing of humanitarian activities for a total amount of \$9.8 million, all of which has been reimbursed.

(j) Reserve for field accommodation

This reserve was established by the Executive Board for the purpose of financing the UNFPA share of construction costs for common premises. Qualifying expenses of \$0.6 million were charged to the reserve and the same amount was replenished in 2020, bringing its balance back to the \$5.0 million level approved by the Executive Board.

Note 15

Contribution revenue

Contribution revenue for the reporting period was as follows:

(Thousands of United States dollars)

	2020	2019
Unearmarked (core) contributions	416 830	373 465
Subtotal	416 830	373 465
Contributions earmarked for:		
Co-financing	785 768	938 148
Junior Professional Officers	6 122	6 206
Contributions in kind	577	(613)
Less: refunds to donors	(6 200)	(7 863)
Less: allowance for doubtful contributions receivable	388	(5 598)
Subtotal	786 655	930 280
Total	1 203 485	1 303 745

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA cost-recovery charges of \$58.5 million (2019: \$52.9 million), which are shown in note 16, under cost-recovery charges and fees for support services.

Note 16 Other revenue

Other revenue for the reporting period was as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Cost-recovery charges and fees for support services	58 145	52 287	3 264	3 044	61 409	55 331
Investment revenue	23 880	29 554	2 570	4 267	26 450	33 821
(Losses)/gains on foreign currency exchange – contributions receivable	(152)	(2 055)	15 963	2 536	15 811	481
(Losses)/gains on foreign currency exchange – others	(212)	3 487	1 048	1 589	836	5 076
Premises occupied based on donated rights to use	6 250	6 056	–	–	6 250	6 056
Revenue from sale of UNFPA inventories	–	–	963	2 742	963	2 742
Miscellaneous revenue	914	1 111	796	841	1 710	1 952
Total	88 825	90 440	24 604	15 019	113 429	105 459

Cost-recovery charges and fees for support services include indirect cost-recovery charges on disbursements funded from earmarked resources, fees earned by UNFPA for performing administrative agent functions and procurement services handling fees.

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Interest revenue	15 024	20 179	2 570	4 267	17 594	24 446
Dividend revenue	2 098	2 397	–	–	2 098	2 397
Realized gain on sale of investments	6 758	6 978	–	–	6 758	6 978
Total	23 880	29 554	2 570	4 267	26 450	33 821

Revenue and expense in the amount of \$6.3 million were recognized in 2020 (2019: \$6.1 million) for donated right-to-use arrangements equivalent to the annual rental value for similar premises (for operating lease-similar arrangements) or annual depreciation charges (for finance lease-similar arrangements).

Note 17

Expenses by implementing agent

Total expenses incurred during the reporting period, broken down on the basis of the implementation modality used, were as follows:

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Activities implemented by:	395 741	354 605
Governments	100 446	99 721
NGOs	285 268	248 539
United Nations organizations	10 027	6 345
Activities implemented by UNFPA	832 362	775 598
Total expenses	1 228 103	1 130 203

In 2020, 37.5 per cent of programme activities were implemented by Governments and NGOs (2019: 37.3 per cent). Total expenses for programme activities are disclosed in schedule D.

Expenses incurred by UNFPA implementing partners can be further broken down on the basis of their nature as follows:

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Reproductive health and other programme-related supplies	30 001	15 772
Development and training of counterparts	97 680	107 684
Supplies, materials and operating costs	88 420	72 965
Staff costs and contracted services	162 193	139 734
Finance costs	441	324
Travel	16 952	18 100
Other expenses	54	26
Total expenses	395 741	354 605

Note 18
Expenses by nature

Total expenses incurred during the reporting period, broken down on the basis of their nature, were as follows:

(Thousands of United States dollars)

	2020	2019
Staff costs		
Staff salaries	189 621	176 637
Pension contributions	40 008	36 987
Other employee benefit costs	91 145	90 052
Subtotal, staff costs	320 774	303 676
Reproductive health and other programme-related supplies		
Reproductive health supplies	213 221	146 326
Other programme-related supplies	48 229	28 361
Subtotal, reproductive health and other programme-related supplies	261 450	174 687
Development and training of counterparts	108 293	127 436
Subtotal, development and training of counterparts	108 293	127 436
Supplies, materials and operating costs		
Supplies and materials	34 965	22 504
Rent, repairs and maintenance	50 636	51 309
Printing, publications and media	33 568	28 871
Transportation and distribution	45 507	40 414
Other operating costs	55 954	53 446
Subtotal, supplies, materials and operating costs	220 630	196 544
Contracted and professional services		
Contracted and professional services with individuals	204 647	185 551
Contracted and professional services with companies	59 274	56 563
United Nations Volunteers expenses	5 971	5 505
Subtotal, contracted and professional services	269 892	247 619
Finance costs (mainly bank charges)	1 433	1 028
Subtotal, finance costs	1 433	1 028
Travel	29 971	64 670
Subtotal, travel	29 971	64 670
Depreciation and amortization		
Depreciation	6 837	6 698
Amortization	224	203
Subtotal, depreciation and amortization	7 061	6 901

	2020	2019
Impairment and reversals of impairment losses		
Impairment losses	68	796
Subtotal, impairment and reversals of impairment losses	68	796
Other expenses		
Premises occupied based on donated right to use	6 069	5 875
Transfers and losses on disposal of property, plant and equipment and intangible assets	85	601
Losses on foreign currency exchange – others ^a	1 108	–
Doubtful accounts expenses and write-offs	723	369
Other	546	1
Subtotal, other expenses	8 531	6 846
Total expenses	1 228 103	1 130 203

^a Foreign currency exchange losses for 2020 correspond to losses on revaluation of bank account balances. In 2019, UNFPA had foreign currency exchange gains on these assets, disclosed as other revenue in note 16.

Note 19

Programme activities and institutional budget expenses, by region and country/territory

Programme activities and institutional budget expenses incurred during the reporting period at the country, regional and global levels were as follows:

(Thousands of United States dollars)

	<i>Programme activities</i>		<i>Institutional budget</i>	<i>Total</i>	
	<i>Unearmarked</i>	<i>Earmarked</i>		<i>2020</i>	<i>2019</i>
Eastern and Southern Africa					
Country/territory activities					
Angola	2 055	341	971	3 367	3 549
Botswana	637	357	258	1 252	1 152
Burundi	1 616	2 895	822	5 333	5 506
Comoros	747	23	130	900	1 034
Democratic Republic of the Congo	6 107	22 302	1 121	29 530	31 801
Eritrea	882	226	606	1 714	1 664
Eswatini	720	570	317	1 607	1 391
Ethiopia	4 226	13 219	989	18 434	19 694
Kenya	3 430	6 043	1 051	10 524	9 868
Lesotho	624	1 031	452	2 107	1 879
Madagascar	3 648	2 891	720	7 259	5 810
Malawi	2 703	17 132	886	20 721	14 586
Mauritius	133	4	–	137	167
Mozambique	3 772	15 597	1 036	20 405	24 456
Namibia	1 048	908	563	2 519	1 646
Rwanda	1 541	2 133	665	4 339	2 873

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2020	2019
Seychelles	39	–	–	39	53
South Africa	1 205	1 455	560	3 220	2 896
South Sudan	2 926	14 878	2 078	19 882	21 670
Uganda	3 426	15 122	738	19 286	16 150
United Republic of Tanzania	3 253	9 045	989	13 287	13 395
Zambia	1 910	6 078	716	8 704	8 744
Zimbabwe	2 041	15 888	1 102	19 031	15 497
Subtotal	48 689	148 138	16 770	213 597	205 481
Regional activities	2 995	3 544	3 909	10 448	11 752
Total	51 684	151 682	20 679	224 045	217 233
Western and Central Africa					
Country/territory activities					
Benin	1 556	3 377	727	5 660	5 974
Burkina Faso	2 831	7 992	797	11 620	15 381
Cabo Verde	523	374	250	1 147	932
Cameroon	2 669	7 711	768	11 148	12 360
Central African Republic	1 783	1 903	1 161	4 847	5 012
Chad	2 519	4 378	697	7 594	6 423
Congo	1 159	1 704	788	3 651	3 471
Côte d'Ivoire	2 871	10 505	1 105	14 481	7 219
Equatorial Guinea	533	932	496	1 961	3 659
Gabon	433	551	646	1 630	1 120
Gambia	1 047	1 706	320	3 073	3 275
Ghana	2 805	5 302	1 018	9 125	7 654
Guinea	2 563	2 581	846	5 990	7 375
Guinea-Bissau	844	844	596	2 284	2 353
Liberia	1 366	6 342	907	8 615	7 301
Mali	2 934	12 127	1 109	16 170	9 043
Mauritania	1 244	1 750	675	3 669	2 279
Niger	3 105	13 264	837	17 206	11 478
Nigeria	5 700	18 147	1 025	24 872	24 850
Sao Tome and Principe	399	311	215	925	802
Senegal	1 904	7 356	655	9 915	9 784
Sierra Leone	1 772	6 696	748	9 216	9 402
Togo	1 804	1 831	732	4 367	3 330
Subtotal	44 364	117 684	17 118	179 166	160 477
Regional activities	3 597	5 262	3 306	12 165	12 853
Total	47 961	122 946	20 424	191 331	173 330

	<i>Programme activities</i>		<i>Institutional budget</i>	<i>Total</i>	
	<i>Unearmarked</i>	<i>Earmarked</i>		<i>2020</i>	<i>2019</i>
Arab States					
Country/territory activities					
Algeria	491	38	199	728	716
Djibouti	584	905	209	1 698	1 371
Egypt	1 513	10 061	486	12 060	11 337
Iraq	2 021	20 755	1 286	24 062	20 749
Jordan	868	10 344	146	11 358	12 377
Lebanon	535	5 385	541	6 461	4 062
Libya	1 026	3 336	635	4 997	4 373
Morocco	1 172	1 848	595	3 615	2 268
Oman	79	1 157	388	1 624	1 452
Somalia	2 699	17 964	1 164	21 827	25 667
State of Palestine	1 218	4 386	897	6 501	6 523
Sudan	3 246	16 778	1 324	21 348	13 229
Syrian Arab Republic	1 720	31 258	1 184	34 162	35 003
Tunisia	618	638	90	1 346	1 124
Yemen	2 882	68 804	788	72 474	63 054
Subtotal	20 672	193 657	9 932	224 261	203 305
Regional activities	2 875	1 774	3 131	7 780	8 341
Total	23 547	195 431	13 063	232 041	211 646
Asia and the Pacific					
Country/territory activities					
Afghanistan	3 604	9 362	1 641	14 607	13 736
Bangladesh	4 401	32 794	967	38 162	34 229
Bhutan	717	253	74	1 044	616
Cambodia	1 731	580	543	2 854	2 392
China	1 936	521	1 118	3 575	3 066
Democratic People's Republic of Korea	649	383	426	1 458	1 948
India	5 833	2 294	599	8 726	7 570
Indonesia	2 651	3 913	641	7 205	8 430
Iran (Islamic Republic of)	891	312	662	1 865	1 813
Lao People's Democratic Republic	1 279	1 671	832	3 782	2 994
Malaysia	264	605	–	869	559
Maldives	328	95	106	529	423
Mongolia	710	1 995	518	3 223	4 444
Myanmar	2 570	9 992	898	13 460	12 580
Nepal	2 634	5 837	805	9 276	8 340
Pacific Islands (multi-country) ^a	2 365	7 073	971	10 409	8 867
Pakistan	4 791	5 277	960	11 028	10 418
Papua New Guinea	1 192	2 037	934	4 163	4 917
Philippines	4 267	3 455	651	8 373	5 236

	<i>Programme activities</i>		<i>Institutional budget</i>	<i>Total</i>	
	<i>Unearmarked</i>	<i>Earmarked</i>		<i>2020</i>	<i>2019</i>
Sri Lanka	1 021	641	428	2 090	1 694
Thailand	750	70	421	1 241	1 192
Timor-Leste	1 131	680	720	2 531	2 326
Viet Nam	2 740	1 909	672	5 321	3 629
Subtotal	48 455	91 749	15 587	155 791	141 419
Regional activities	4 380	3 020	4 409	11 809	11 534
Total	52 835	94 769	19 996	167 600	152 953
Latin America and the Caribbean					
Country/territory activities					
Argentina	216	633	–	849	701
Bolivia (Plurinational State of)	1 091	2 534	652	4 277	4 649
Brazil	1 812	991	691	3 494	3 752
Caribbean (multi-country) ^b	2 279	1 292	929	4 500	3 266
Chile	156	–	–	156	151
Colombia	1 620	1 868	555	4 043	3 123
Costa Rica	576	155	155	886	877
Cuba	582	143	304	1 029	1 004
Dominican Republic	817	371	240	1 428	1 255
Ecuador	1 101	741	511	2 353	2 054
El Salvador	997	2 551	477	4 025	2 481
Guatemala	1 733	2 097	635	4 465	8 807
Haiti	1 741	10 364	1 195	13 300	9 801
Honduras	1 214	2 856	715	4 785	5 869
Mexico	1 304	2 407	611	4 322	4 195
Nicaragua	1 123	298	590	2 011	1 600
Panama	795	238	202	1 235	933
Paraguay	919	162	273	1 354	1 796
Peru	1 870	699	713	3 282	2 742
Uruguay	698	288	336	1 322	1 622
Venezuela (Bolivarian Republic of)	1 015	2 978	420	4 413	2 550
Subtotal	23 659	33 666	10 204	67 529	63 228
Regional activities	3 807	1 719	3 511	9 037	8 333
Total	27 466	35 385	13 715	76 566	71 561
Eastern Europe and Central Asia					
Country/territory activities					
Albania	773	511	176	1 460	1 225
Armenia	792	756	163	1 711	897
Azerbaijan	756	229	247	1 232	970
Belarus	487	423	123	1 033	851
Bosnia and Herzegovina	811	1 018	529	2 358	1 478

	Programme activities		Institutional budget	Total	
	Unearmarked	Earmarked		2020	2019
Georgia	792	652	167	1 611	1 299
Kazakhstan	606	847	504	1 957	1 378
Kosovo	759	80	161	1 000	796
Kyrgyzstan	875	1 515	156	2 546	2 360
North Macedonia	293	99	113	505	482
Republic of Moldova	863	1 470	569	2 902	1 995
Serbia	552	24	114	690	619
Tajikistan	1 120	1 262	102	2 484	1 583
Turkey	1 945	31 363	518	33 826	27 087
Turkmenistan	563	515	264	1 342	869
Ukraine	1 180	3 184	606	4 970	5 130
Uzbekistan	817	549	514	1 880	1 502
Subtotal	13 984	44 497	5 026	63 507	50 521
Regional activities	3 192	1 123	2 628	6 943	6 756
Total	17 176	45 620	7 654	70 450	57 277
Global programme and other headquarters activities	16 706	144 756	82 157	243 619	216 387
Total programme and institutional budget	237 375	790 589	177 688	1 205 652	1 100 387

^a The Pacific Islands multi-country programme implements programme activities in the following countries and territories: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

^b The Caribbean multi-country programme, English- and Dutch-speaking, implements programme activities in the following countries and territories: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Netherlands Antilles (Aruba, Curaçao and Saint Maarten), Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos Islands.

Corporate expenses amounting to \$22.5 million are excluded from the table above because, owing to their nature, they cannot be assigned to any specific country or region. Schedule D provides a breakdown by nature of total programme activities and institutional budget expenses referenced above.

Note 20

Provisions, contingent assets and contingent liabilities

As at 31 December 2020, UNFPA did not have any material provisions.

Contingent assets include contributions under signed donor agreements that do not meet the revenue recognition criteria as at the reporting date. As at 31 December 2020, these contingent assets amounted to \$826.8 million (2019: \$411.1 million), of which \$615.9 million related to earmarked resources (2019: \$130.1 million). Those contributions will be recognized in future periods when revenue recognition criteria are met.

Contingent assets include \$452.2 million in earmarked contributions committed by a major donor that, in 2021, announced its decision to reduce its future funding to UNFPA. More details are provided in note 22.

As at 31 December 2020, UNFPA had a limited number of contingent liabilities that represented ongoing legal and administrative law claims. The total potential outflow for such claims as at 31 December 2020 was estimated at \$2.1 million (2019: \$3.0 million). Owing to the uncertainty of their outcomes, neither a liability nor a provision was recorded as at the reporting date, as the occurrence and timing of outflows is not certain. UNFPA does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Note 21

Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	<i>Key management personnel</i>				
	<i>Number of individuals</i>	<i>Compensation and post adjustment</i>	<i>Other entitlements</i>	<i>Pension plan and health benefits</i>	<i>Total remuneration</i>
2020	24	4 847	1 482	1 023	7 352
2019	23	4 816	981	1 031	6 828

The aggregate remuneration paid to key management personnel includes salaries, post adjustment, entitlements such as representation and other allowances, assignment and other grants, rental subsidies, shipment costs and employer pension and current health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees and are ordinary members of the United Nations Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2020 was estimated at \$8.6 million (2019: \$7.6 million).

There were no loans or advances granted to key management personnel and their close family members that were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22

Events after the reporting date

The UNFPA reporting date is 31 December 2020. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director by 30 April 2021.

The impact of the COVID-19 pandemic on UNFPA assets, liabilities, revenue and expenses during the reporting period and as at the reporting date are reflected in these financial statements. While the impact of the pandemic on future periods cannot be reliably measured or assessed, potential volatility in financial markets and foreign exchange rates for key contribution currencies, disruptions in supply chains, reductions in resources allocated by key donors to development and humanitarian assistance or changes in their priorities may significantly affect future UNFPA revenues and the value of its financial assets and liabilities.

In 2021, it became known that a major donor Government will reduce its unearmarked and earmarked contributions to UNFPA owing to a reduction in its development assistance levels and changes in its assistance priorities. In 2020, UNFPA recognized unearmarked and earmarked contribution revenue of \$26.4 million and

\$111.5 million, respectively, from this donor. In addition, as at 31 December 2020, the donor had committed earmarked contributions of \$452.2 million for future years, disclosed as contingent assets in note 20 to the financial statements as they did not meet the criteria for revenue recognition as at the reporting date.

On the date of signing of the financial statements, UNFPA was not yet in a position to determine the future impact of the funding cuts over the different programmes and functions funded with resources provided by the donor.

The reduction in funding will also significantly affect the collection of contributions receivable from this donor of \$97.8 million as at 31 December 2020, including \$68.1 committed to the UNFPA Supplies partnership programme. On the date of signing of the financial statements, UNFPA was not in a position to determine which part of the contributions receivable would not be collected. The amount will only become known in the future, upon completion of consultations between UNFPA, the donor and the parties to an agreement under which bridge funding and cash and cash equivalent guarantees were provided for the above-mentioned \$68.1 million contribution to the UNFPA Supplies partnership.

UNFPA will continue to monitor the situation and its impact and will adjust its ongoing programmatic and operational activities funded with resources provided by the donor once more information becomes available.

The impact of the above-mentioned situation may be partly mitigated by the resumption in funding from another Member State, which had not contributed any resources to UNFPA since 2017 and has committed unearmarked contributions of \$30.8 million for 2021.

UNFPA continues to actively manage the above and other risks to which it is now exposed, and has no reasons to believe it will not continue operating as a going concern.

There were no other material events, favourable or unfavourable, that occurred between the reporting date and the date on which the financial statements were authorized for issuance that would have affected the financial statements.

Note 23

Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2020, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior-year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

The reconciliation between the amount of actual expenses for the year 2020 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2020) and in statement IV (cash flow statement for the year ended 31 December 2020) is shown below. Differences are due to “basis” differences and scope (or “entity”) differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	<i>Operating activities</i>	<i>Investing activities</i>	<i>Financing activities</i>	<i>Total</i>
Total actual expenses on budget comparable basis (statement V)	(417 292)	(4 914)	–	(422 206)
Basis differences	15 784	268	–	16 052
Entity differences	429 460	63 857	–	493 317
Net increase/(decrease) in cash and cash equivalents (statement IV)	27 952	59 211	–	87 163

The reconciliation between the actual surplus or deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventories.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	34 022
Difference between revenue on accrual basis and final budgetary allocations	16 080
Difference between expenses on budgetary basis and an accrual basis	7 142
Actual net surplus on a financial reporting comparable basis for activities included in the scope of the budget	57 244

Note 24**Segment reporting**

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2020

UNFPA considers, for the purposes of segment reporting, cash, cash equivalents and investments as “joint assets” between segments, and selected accounts payable (e.g., inter-fund accounts) and employee benefits as “joint liabilities” between segments. Revenue and expenses related to these joint items are reflected in the appropriate segments in the normal course of operations. Cash, cash equivalents and investments are attributed to segments on the basis of the respective fund balances of the segments, while accounts payable and employee benefits liabilities are attributed to the segments based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Assets						
Current assets						
Cash and cash equivalents	109 078	63 910	169 168	125 571	278 246	189 481
Investments maturing within one year	237 223	225 515	367 908	443 102	605 131	668 617
Contributions receivable	105	176	208 735	202 120	208 840	202 296
Other receivables	14 556	5 946	7 494	14 942	22 050	20 888
Operating fund advances	1 974	928	15 784	5 352	17 758	6 280
Prepayments and other assets	10 803	9 120	5 862	3 680	16 665	12 800
Inventories	7 500	1 673	84 756	68 594	92 256	70 267
Total	381 239	307 268	859 707	863 361	1 240 946	1 170 629
Non-current assets						
Investments maturing after one year	247 131	195 617	383 274	384 358	630 405	579 975
Contributions receivable	–	–	208 175	182 179	208 175	182 179
Other non-current assets	18	23	–	–	18	23
Property, plant and equipment	29 788	29 592	4 297	4 309	34 085	33 901
Intangible assets	2 412	918	–	–	2 412	918
Total	279 349	226 150	595 746	570 846	875 095	796 996
Total assets	660 588	533 418	1 455 453	1 434 207	2 116 041	1 967 625
Liabilities						
Current liabilities						
Accounts payable and accruals	25 271	19 516	110 882	122 608	136 153	142 124
Employee benefits	33 275	27 240	11 449	8 696	44 724	35 936
Other current liabilities and deferred revenue	7 929	1 243	21 286	4 159	29 215	5 402
Total	66 475	47 999	143 617	135 463	210 092	183 462
Non-current liabilities						
Employee benefits	284 322	253 441	97 831	80 915	382 153	334 356
Other non-current liabilities and deferred revenue	3 652	3 845	–	13 106	3 652	16 951
Total	287 974	257 286	97 831	94 021	385 805	351 307
Total liabilities	354 449	305 285	241 448	229 484	595 897	534 769
Net assets	306 139	228 133	1 214 005	1 204 723	1 520 144	1 432 856
Reserves and fund balances						
Reserves						
Operational reserve	83 235	74 225	–	–	83 235	74 225
Humanitarian response reserve	5 500	5 500	–	–	5 500	5 500
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	93 735	84 725	–	–	93 735	84 725

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Fund balances						
Designated unearmarked fund balances	73 173	70 128	–	–	73 173	70 128
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	139 231	73 280	–	–	139 231	73 280
Earmarked resources	–	–	1 214 005	1 204 723	1 214 005	1 204 723
Total fund balances	212 404	143 408	1 214 005	1 204 723	1 426 409	1 348 131
Total reserves and fund balances	306 139	228 133	1 214 005	1 204 723	1 520 144	1 432 856

Acquisitions of fixed and intangible assets from both unearmarked and earmarked resources were as follows:

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Total</i>	
	<i>2020</i>	<i>2019^a</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019^a</i>
Property, plant and equipment	5 294	4 654	2 288	3 018	7 582	7 672
Intangible assets	1 718	325	–	–	1 718	325
Total	7 012	4 979	2 288	3 018	9 300	7 997

^a Reflects an adjustment of \$(0.336) million to the amount of fixed assets acquisitions disclosed in the financial statements for the year ended 31 December 2019.

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Elimination^a</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Contribution revenue								
Unearmarked contributions	416 830	373 465	–	–	–	–	416 830	373 465
Subtotal	416 830	373 465	–	–	–	–	416 830	373 465
Earmarked contributions	–	–	850 945	996 660	(58 478)	(52 919)	792 467	943 741
Less: refunds to donors	–	–	(6 200)	(7 863)	–	–	(6 200)	(7 863)
Less: allowance for doubtful contributions receivable	–	–	388	(5 598)	–	–	388	(5 598)
Subtotal	–	–	845 133	983 199	(58 478)	(52 919)	786 655	930 280
Total contribution revenue	416 830	373 465	845 133	983 199	(58 478)	(52 919)	1 203 485	1 303 745
Other revenue	88 825	90 440	24 604	15 019	–	–	113 429	105 459
Total revenue	505 655	463 905	869 737	998 218	(58 478)	(52 919)	1 316 914	1 409 204

	<i>Unearmarked resources</i>		<i>Earmarked resources</i>		<i>Elimination^a</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Expenses								
Staff costs	229 848	230 200	90 926	73 476	–	–	320 774	303 676
Reproductive health and other programme-related supplies	24 918	4 396	236 532	170 291	–	–	261 450	174 687
Development and training of counterparts	17 895	23 526	90 398	103 910	–	–	108 293	127 436
Supplies, materials and operating costs	74 457	71 317	204 651	178 146	(58 478)	(52 919)	220 630	196 544
Contracted and professional services	61 317	52 100	208 575	195 519	–	–	269 892	247 619
Finance costs	576	281	857	747	–	–	1 433	1 028
Travel	8 309	25 253	21 662	39 417	–	–	29 971	64 670
Depreciation and amortization	6 349	6 246	712	655	–	–	7 061	6 901
Impairment	30	499	38	297	–	–	68	796
Other expenses	6 871	4 521	1 660	2 325	–	–	8 531	6 846
Total expenses	430 570	418 339	856 011	764 783	(58 478)	(52 919)	1 228 103	1 130 203
Surplus for the year	75 085	45 566	13 726	233 435	–	–	88 811	279 001

^a The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. The amounts in the elimination column represent the \$58.5 million in cost-recovery charges.

Note 25 Financial risk management

Valuation

Financial assets

UNFPA financial assets held as at the reporting date, broken down on the basis of the IPSAS classification adopted by UNFPA, were as follows:

(Thousands of United States dollars)

<i>2020</i>	<i>Held-to-maturity</i>	<i>Available-for-sale</i>	<i>At fair value through surplus or deficit</i>	<i>Loans and receivables</i>	<i>Total</i>
Cash and cash equivalents	228 851	10 141	–	39 254	278 246
Investments	962 045	273 491	–	–	1 235 536
Contributions receivable	–	–	–	417 015	417 015
Other receivables	–	–	–	22 068	22 068
Total financial assets	1 190 896	283 632	–	478 337	1 952 865

(Thousands of United States dollars)

2019	Held-to-maturity	Available-for-sale	At fair value through surplus or deficit	Loans and receivables	Total
Cash and cash equivalents	151 553	10 532	–	27 396	189 481
Investments	1 010 699	237 893	–	–	1 248 592
Contributions receivable	–	–	–	384 475	384 475
Other receivables	–	–	–	20 911	20 911
Total financial assets	1 162 252	248 425	–	432 782	1 843 459

Held-to-maturity financial assets are carried at amortized cost; as at the reporting date, the market value of these assets exceeded their book value by \$8.2 million (2019: \$4.1 million).

Available-for-sale financial assets are carried at fair market value. IPSAS 30: Financial instruments: disclosures, defines a three-tier fair value measurement hierarchy, based on the significance of the inputs used in the valuation, with level 1 using the most reliable inputs (unadjusted quoted prices in active markets for identical assets or liabilities), and level 3 using the least reliable (inputs not based on observable market data). Measurement for all UNFPA investments carried at fair value was determined at level 1 of the IPSAS hierarchy.

As at the reporting date, UNFPA had no financial assets recorded at fair value through surplus or deficit (2019: nil).

The carrying values of loans and receivables are a reasonable approximation of their fair value.

Financial liabilities

UNFPA financial liabilities as at the reporting date, broken down on the basis of the IPSAS classification adopted by UNFPA, were as follows:

(Thousands of United States dollars)

2020	At fair value through surplus or deficit	Other financial liabilities	Total
Accounts payable and accruals	–	136 153	136 153
Other liabilities (current and non-current)	157	15 827	15 984
Total financial liabilities	157	151 980	152 137

(Thousands of United States dollars)

2019	At fair value through surplus or deficit	Other financial liabilities	Total
Accounts payable and accruals	–	142 124	142 124
Other liabilities (current and non-current)	60	14 233	14 293
Total financial liabilities	60	156 357	156 417

As at the reporting date, UNFPA had \$0.2 million in financial liabilities classified at fair value through surplus or deficit (2019: \$0.1 million), arising from foreign currencies exchange contracts held as part of the after-service health insurance investment portfolio. Net exchange losses of \$1.4 million, both realized and unrealized, generated by such contracts during the year (2019: gains of \$0.7 million) were recognized in surplus for the year in the statement of financial performance.

Financial liabilities amounting to \$152.0 million as at 31 December 2020 were classified as other financial liabilities (2019: \$156.4 million) and carried at their nominal amounts, without discounting, as they are primarily due for settlement within 12 months from the reporting date.

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

- (a) Credit risk: the risk that financial losses may arise from the failure of third parties to meet their financial/contractual obligations to UNFPA;
- (b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;
- (c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets is the maximum exposure to credit risk.

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the working capital and after-service health insurance investment portfolios, and limit the extent of credit exposure to any single counterparty, by setting minimum credit quality requirements and limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. The working capital investment portfolio (77.9 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

Ratings from the three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, are used to evaluate the credit risk of financial instruments. As at the reporting date, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using S&P Global Ratings' rating convention).

Concentration of fixed-income investments by credit rating, working capital investment portfolio^a

(Thousands of United States dollars)

2020	AAA	AA+	AA	AA-	A+	A	A-	Total
Bonds	352 227	104 839	24 447	50 574	17 786	–	–	549 873
Time deposits	–	–	–	10 000	25 000	–	25 000	60 000
Commercial paper	147 347	64 948	114 892	24 985	–	–	–	352 172
Total	499 574	169 787	139 339	85 559	42 786	–	25 000	962 045

(Thousands of United States dollars)

2019	AAA	AA+	AA	AA-	A+	A	A-	Total
Bonds	326 981	88 649	49 579	90 474	95 496	–	–	651 179
Time deposits	–	–	–	215 000	40 000	–	25 000	280 000
Commercial paper	54 520	–	–	–	25 000	–	–	79 520
Total	381 501	88 649	49 579	305 474	160 496	–	25 000	1 010 699

^a Excludes investments classified as cash and cash equivalents.**Concentration of fixed-income investments by credit rating, after-service health insurance investment portfolio^a**

(Thousands of United States dollars)

2020	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	BBB-	United States Treasury	Not rated	Total
Fixed-income securities	3 642	635	1 787	1 181	985	969	2 497	2 132	–	11 698	70 291	95 817
Total	3 642	635	1 787	1 181	985	969	2 497	2 132	–	11 698	70 291	95 817

(Thousands of United States dollars)

2019	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	BBB-	United States Treasury	Not rated	Total
Fixed-income securities	876	616	1 944	1 830	294	1 311	1 036	2 080	–	10 898	65 830	86 715
Total	876	616	1 944	1 830	294	1 311	1 036	2 080	–	10 898	65 830	86 715

^a Excludes investments classified as cash and cash equivalents.

Of the \$70.3 million in fixed-income securities held as at 31 December 2020 and not rated by S&P Global Ratings (2019: \$65.8 million), instruments valued at \$9.6 million were rated by Moody's (2019: \$10.8 million), with assigned ratings ranging from Aaa to Aa3. The majority of other non-rated fixed-income securities represent investments in exchange-traded funds and mutual funds, comprising multiple instruments, which may be rated individually, but the overall funds are not rated.

A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations organizations, which have historically had very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities do not in general commence until cash is received. The UNFPA approach to assessing outstanding contributions receivable for recoverability is described in note 2. An analysis of the age of contributions receivable that are past due as at 31 December 2020 and movements in allowance for doubtful accounts is provided in note 5 (a).

Analysis of liquidity risk

UNFPA uses investments in the working capital investment portfolio to meet its regular cash flow needs. UNDP makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Therefore, UNFPA maintains a significant part of its investments in cash equivalents and short-term instruments, sufficient to cover its commitments as and when they fall due, as shown in the following table:

(Thousands of United States dollars)

	31 December 2020	Percentage	31 December 2019	Percentage
Cash equivalents	228 851	19	151 553	13
Subtotal	228 851	19	151 553	13
Current investments	602 097	51	665 816	57
Non-current investments	359 948	30	344 883	30
Subtotal	962 045	81	1 010 699	87
Total investments, cash and cash equivalents	1 190 896	100	1 162 252	100

Analysis of market risk

Market risk is the risk of financial losses due to unfavourable movements in the market prices of financial instruments, including movements in interest rates, foreign exchange rates and price risk.

(a) *Interest rate risk*

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets, liabilities and future cash flows of interest revenue. UNFPA is exposed to interest rate risk on its interest-bearing assets.

UNFPA investments in the working capital investment portfolio (77.9 per cent of the total investments), which is classified as held-to-maturity, are not marked to market and their carrying amounts are not affected by changes in interest rates (2019: 80.9 per cent).

UNFPA investments in the after-service health insurance portfolio (22.1 per cent of the total investments), which are classified as available-for-sale, are carried at fair value (2019: 19.1 per cent). As at 31 December 2020, this portfolio included interest-bearing instruments valued at \$95.8 million (7.8 per cent of the total investments), thus creating exposure to interest rate risk (2019: \$86.7 million, 6.9 per cent of the total investments). The table below demonstrates the interest rate sensitivity of these investments, based on their maturity period:

(Thousands of United States dollars)

Sensitivity variation	2020		2019	
	Net assets	Surplus/deficit ^a	Net assets	Surplus/deficit ^a
100 basis point increase	(2 259)	–	(1 648)	–
50 basis point decrease	1 129	–	824	–

^a Since the after-service health insurance investment portfolio is classified as available-for-sale, changes in the fair value are recognized in the net assets, and volatility in the interest rate has no impact on surplus/deficit for the year.

As at 31 December 2020, UNFPA maintained investments of \$24.9 million in United States dollar-denominated floating rate fixed-income securities (2019: \$74.9 million), as part of its working capital portfolio, all classified as current assets. These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest revenue.

(b) *Foreign exchange risk*

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. Year-end positions of UNFPA financial assets and liabilities by major currency, were as follows:

(Thousands of United States dollars)

2020	United States dollar	Pound sterling	Canadian dollar	Euro	Swedish krona	Other currencies	At 31 December 2020
Cash and cash equivalents	245 720	10 645	7 808	3 896	23	10 154	278 246
Investments	1 164 011	10 349	3 748	33 994	1 466	21 968	1 235 536
Contributions receivable	131 132	97 765	66 855	23 742	49 921	47 600	417 015
Accounts payable and accruals	(110 814)	(16)	–	(1 639)	–	(23 684)	(136 153)
Other liabilities (including derivative liabilities)	(2 429)	(13 514)	(10)	(5)	–	(26)	(15 984)
Net exposure	1 427 620	105 229	78 401	59 988	51 410	56 012	1 778 660

(Thousands of United States dollars)

2019	United States dollar	Pound sterling	Canadian dollar	Euro	Swedish krona	Other currencies	At 31 December 2019
Cash and cash equivalents	166 098	658	97	2 736	46	19 846	189 481
Investments	1 183 562	7 709	1 546	32 674	1 290	21 811	1 248 592
Contributions receivable	111 274	32 859	105 033	15 518	54 896	64 895	384 475
Accounts payable and accruals	(125 088)	(13)	(29)	(504)	–	(16 490)	(142 124)
Other liabilities (including derivative liabilities)	(1 106)	(13 106)	(10)	(16)	–	(55)	(14 293)
Net exposure	1 334 740	28 107	106 637	50 408	56 232	90 007	1 666 131

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. During 2020, contribution receivables in eight different currencies were hedged.

The table below provides a sensitivity analysis of UNFPA net assets and surplus/deficit for the year to movements of key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus/deficit and net assets for the year and vice versa.

(Thousands of United States dollars)

2020	<i>Strengthening of United States dollar by 10 per cent</i>		<i>Weakening of United States dollar by 10 per cent</i>	
	<i>Surplus/deficit</i>	<i>Net assets</i>	<i>Surplus/deficit</i>	<i>Net assets</i>
Pound sterling	(8 986)	(580)	10 983	709
Canadian dollar	(7 009)	(118)	8 566	145
Euro	(3 543)	(1 910)	4 330	2 335
Swedish krona	(4 540)	(133)	5 549	163

(Thousands of United States dollars)

2019	<i>Strengthening of United States dollar by 10 per cent</i>		<i>Weakening of United States dollar by 10 per cent</i>	
	<i>Surplus/deficit</i>	<i>Net assets</i>	<i>Surplus/deficit</i>	<i>Net assets</i>
Pound sterling	(1 854)	(701)	2 267	857
Canadian dollar	(9 554)	(141)	11 677	172
Euro	(1 612)	(2 970)	1 970	3 630
Swedish krona	(4 995)	(117)	6 105	143

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) *Equity price risk*

About 65.0 per cent of the UNFPA after-service health insurance investment portfolio is composed of equities (2019: 63.5 per cent). The table below presents an analysis of the price sensitivity of these investments to a 5 per cent change in fair value. The sensitivity pertains to equities classified as available-for-sale, which are marked to market through net assets/equity. Therefore, changes in prices do not have any impact on surplus/deficit for the year.

(Thousands of United States dollars)

<i>Fair values of equities as at 31 December 2020</i>	<i>Percentage change</i>	<i>Impact on the financial statements</i>	
		<i>Surplus/deficit</i>	<i>Net assets</i>
177 674	5 per cent increase	–	8 884
177 674	5 per cent decrease	–	(8 884)

(Thousands of United States dollars)

<i>Fair values of equities as at 31 December 2019</i>	<i>Percentage change</i>	<i>Impact on the financial statements</i>	
		<i>Surplus/deficit</i>	<i>Net assets</i>
151 178	5 per cent increase	–	7 559
151 178	5 per cent decrease	–	(7 559)

Note 26
Commitments

As at 31 December 2020, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to \$129.9 million (2019: \$112.6 million).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedules

Schedule A

Unearmarked resources – status of contributions for the year ended 31 December 2020

(Thousands of United States dollars)

<i>Donor</i>	<i>Balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Contributions received in advance</i>	<i>Exchange gains/(losses)</i>	<i>Payments received and movements in contributions received in advance</i>	<i>Balance due to UNFPA as at 31 December</i>
Afghanistan	–	–	1	2	–	3	–
Algeria	10	–	10	–	–	20	–
Antigua and Barbuda	–	–	5	–	–	5	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	6 443	5 176	–	11 619	–
Austria	–	–	236	–	2	238	–
Bahamas	–	–	1	–	–	1	–
Bangladesh	4	–	34	–	–	35	3
Barbados	–	–	5	–	–	5	–
Belgium	–	–	10 045	–	482	10 527	–
Bhutan	–	–	6	–	–	6	–
Botswana	5	–	5	14	2	26	–
Burkina Faso	–	–	13	–	–	13	–
Cambodia	15	–	–	–	–	–	15
Cameroon	32	(16)	–	–	–	–	16
Canada	–	–	11 917	–	(751)	11 166	–
Central African Republic	17	–	–	–	–	–	17
Chad	50	(25)	–	–	–	–	25
Chile	–	–	9	–	–	9	–
China	–	–	1 600	–	–	1 600	–
Comoros	2	(1)	–	–	–	–	1
Cook Islands	–	–	1	–	–	1	–
Costa Rica	–	–	5	–	–	5	–
Cuba	–	–	5	–	–	5	–
Cyprus	–	–	12	–	–	12	–
Democratic People's Republic of Korea	7	(7)	–	–	–	–	–
Denmark	–	–	34 070	–	(801)	33 269	–
Djibouti	1	(1)	–	–	–	–	–
Dominican Republic	–	–	15	–	–	15	–
Egypt	–	–	24	–	–	24	–
Equatorial Guinea	20	(10)	–	–	–	–	10
Eritrea	5	–	5	–	–	5	5
Estonia	–	–	66	71	–	137	–
Eswatini	20	(10)	–	–	–	10	–
Ethiopia	–	–	2	–	–	2	–

<i>Donor</i>	<i>Balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Contributions received in advance</i>	<i>Exchange gains/(losses)</i>	<i>Payments received and movements in contributions received in advance</i>	<i>Balance due to UNFPA as at 31 December</i>
Finland	–	–	36 424	–	(398)	36 026	–
France	–	–	1 251	–	–	1 251	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	78 815	–	1 700	80 515	–
Ghana	18	(18)	132	30	–	162	–
Guinea Bissau	–	–	2	2	–	4	–
Guyana	1	–	10	–	–	10	1
Iceland	–	–	219	–	–	219	–
India	–	–	510	–	–	510	–
Indonesia	–	–	13	–	–	13	–
Iran (Islamic Republic of)	–	–	10	–	–	10	–
Iraq	–	–	50	–	–	–	50
Ireland	–	–	3 821	–	(21)	3 800	–
Israel	–	–	10	–	–	10	–
Italy	–	–	2 941	–	21	2 962	–
Japan	–	–	17 055	–	–	17 055	–
Jordan	50	–	50	–	–	100	–
Kenya	10	–	10	–	–	20	–
Kiribati	15	–	–	–	–	–	15
Kuwait	–	–	10	–	–	10	–
Lao People's Democratic Republic	3	–	3	–	–	–	6
Lesotho	5	(2)	–	–	–	–	3
Liechtenstein	–	–	27	–	–	27	–
Luxembourg	–	–	3 275	–	–	3 275	–
Malaysia	–	–	15	–	–	15	–
Maldives	–	–	5	–	–	–	5
Mali	–	–	25	–	–	25	–
Mauritania	–	–	3	3	–	6	–
Mauritius	–	–	3	–	–	3	–
Mexico	–	–	52	–	–	52	–
Micronesia (Federated States of)	–	–	3	–	–	3	–
Mongolia	4	(4)	4	–	–	4	–
Morocco	–	–	13	–	–	13	–
Myanmar	3	–	–	–	–	3	–
Nepal	4	–	4	–	–	8	–
Netherlands	–	–	36 830	–	(406)	36 424	–
New Zealand	–	–	4 019	–	(197)	3 822	–
Nicaragua	–	–	3	–	–	3	–
North Macedonia	3	–	–	–	–	–	3
Norway	–	–	55 088	–	–	55 088	–
Panama	–	–	10	–	–	10	–

<i>Donor</i>	<i>Balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Contributions received in advance</i>	<i>Exchange gains/(losses)</i>	<i>Payments received and movements in contributions received in advance</i>	<i>Balance due to UNFPA as at 31 December</i>
Papua New Guinea	4	(4)	–	–	–	–	–
Peru	–	–	1	–	–	1	–
Philippines	–	–	43	–	–	43	–
Portugal	–	–	166	–	(3)	163	–
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	177	–	–	177	–
Republic of Moldova	–	–	6	–	–	6	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	1	–	5	–	–	1	5
Samoa	–	–	6	–	–	6	–
Sao Tome and Principe	13	–	9	–	–	–	22
Saudi Arabia	–	–	250	–	–	250	–
Senegal	–	–	11	36	–	47	–
Serbia	–	–	5	–	–	5	–
Sierra Leone	60	(30)	–	–	–	–	30
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	5	–	–	5	–
South Africa	–	–	40	–	–	40	–
Spain	–	–	592	–	(6)	586	–
Sri Lanka	–	–	18	–	–	18	–
Sudan	90	–	–	–	–	–	90
Suriname	1	–	–	–	–	–	1
Sweden	–	–	65 853	–	1 019	66 872	–
Switzerland	–	–	16 410	–	85	16 495	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	150	–	–	150	–
Tonga	–	–	1	1	–	2	–
Trinidad and Tobago	–	–	5	–	–	5	–
Tunisia	–	–	19	–	–	19	–
Turkmenistan	–	–	6	–	–	6	–
Uganda	32	–	–	–	–	22	10
United Arab Emirates	–	–	10	–	–	–	10
United Kingdom of Great Britain and Northern Ireland	–	–	26 359	–	(880)	25 479	–
Zambia	–	–	10	5	–	15	–
Zimbabwe	–	–	30	–	–	30	–
Private contributions	–	–	518	–	–	518	–
Contributions equal to or less than \$500 ^a	–	–	1	–	–	1	–
Subtotal	505	(128)	416 325	5 340	(152)	421 547	343

<i>Donor</i>	<i>Balance due to UNFPA as at 1 January</i>	<i>Prior-year adjustments</i>	<i>Current-year commitments (contribution revenue)</i>	<i>Contributions received in advance</i>	<i>Exchange gains/(losses)</i>	<i>Payments received and movements in contributions received in advance</i>	<i>Balance due to UNFPA as at 31 December</i>
Government contributions to local office costs	–	–	505	–	–	505	–
Total	505	(128)	416 830	5 340^b	(152)	422 052	343^c

^a Includes Albania, Comoros and Guyana.

^b This amount is part of the deferred revenue presented in note 13.

^c This amount is presented gross of the allowance for doubtful accounts of \$0.2 million.

Schedule B
Earmarked resources – revenue, expenses and fund balances for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Trust funds									
ABT Associates Inc.	162	420	4	–	–	586	81	505	–
African Development Bank	1	–	–	–	(1)	–	–	–	–
African Union-United Nations Hybrid Operation in Darfur	1 049	2 233	12	–	–	3 294	2 509	785	68
Albania	2	–	–	–	–	2	–	2	–
Algeria	162	(125)	–	–	–	37	17	20	–
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Angola	–	2 497	–	–	–	2 497	–	2 497	2 497
Anonymous	–	5 263	–	–	–	5 263	–	5 263	–
Argentina	274	59	–	–	–	333	78	255	–
Australia	33 332	14 106	1 416	(87)	–	48 767	20 775	27 992	15 093
Austria	5 420	–	190	(12)	–	5 598	2 235	3 363	1 764
Azerbaijan	192	219	–	–	–	411	100	311	–
Azim Premji Philanthropic Initiatives Private Limited	125	152	1	–	–	278	185	93	–
Bangladesh	16 177	–	(2)	–	–	16 175	3 880	12 295	4 782
Bayer AG	–	164	11	–	–	175	–	175	–
Beifang International Education Group	497	–	–	–	–	497	96	401	350
Belgium	1 805	–	30	(44)	–	1 791	974	817	477
Benin	6 900	–	(2)	–	–	6 898	467	6 431	5 520
Bill & Melinda Gates Foundation	4 211	–	1	–	–	4 212	3 009	1 203	–
Botswana	80	–	–	–	–	80	50	30	–
Brazil	6 161	(86)	257	–	–	6 332	93	6 239	–
Bulgaria	56	22	1	–	–	79	77	2	–
Burkina Faso	3 657	–	(66)	–	–	3 591	1 759	1 832	411
Cameroon	10 428	–	(70)	(3)	–	10 355	4 609	5 746	–
Canada	149 736	35 153	1 622	–	(6)	186 505	59 226	127 279	62 947

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Central African Republic	2	–	–	–	–	2	–	2	–
Chad	1 336	(694)	(5)	–	–	637	176	461	–
Children's Investment Fund Foundation	2	–	–	–	–	2	–	2	–
China	4 300	2 040	–	–	–	6 340	1 528	4 812	660
Colombia	5	101	–	–	4	110	101	9	–
Columbia University	–	4 757	–	–	–	4 757	207	4 550	2 626
Congo	604	(162)	(1)	(58)	1	384	348	36	–
Costa Rica	100	10	–	–	–	110	92	18	–
Côte d'Ivoire	1 817	11 047	458	–	–	13 322	7 599	5 723	3 269
Cuba	–	100	–	–	–	100	–	100	–
Democratic Republic of the Congo	3 934	1 515	–	–	–	5 449	5 514	(65)	–
Denmark	34 512	10 113	1 094	218	–	45 937	20 917	25 020	11 946
Dominican Republic	–	404	2	–	–	406	–	406	406
Ecuador	195	4 322	2	–	–	4 519	153	4 366	4 322
El Salvador	6 426	–	–	–	–	6 426	654	5 772	5 013
Equatorial Guinea	357	–	–	–	–	357	91	266	–
Estonia	–	109	–	–	–	109	–	109	–
Eswatini	(1)	–	–	–	1	–	–	–	–
European Commission	15 584	49 858	621	(32)	(621)	65 410	49 903	15 507	630
Finland	4 261	4 461	71	–	3	8 796	5 941	2 855	1 533
Fiotec	1 708	1 215	(24)	–	–	2 899	1 587	1 312	589
Flowminder Foundation	–	101	–	–	–	101	–	101	61
Food and Agriculture Organization	214	–	–	–	–	214	182	32	–
Ford Foundation	4	–	–	–	–	4	–	4	–
Foundation Axian	–	60	(1)	–	–	59	–	59	–
France	1 414	5 745	17	(18)	–	7 158	3 084	4 074	–
Friends of UNFPA	1 948	2 102	(3)	45	(97)	3 995	2 152	1 843	–
Fundación Unidos por un México Vivo A.C.	–	35	–	–	–	35	–	35	–
Germany	200	3 181	49	–	–	3 430	98	3 332	1 822
Gobi Oyu Development Support Fund	1 125	–	(2)	–	–	1 123	482	641	409

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Good Neighbours Dominican Republic	185	–	–	–	–	185	144	41	–
Good Neighbours Laos	100	–	(1)	–	–	99	98	1	–
Guatemala	9 247	–	(68)	63	–	9 242	1 750	7 492	6 696
Guinea	–	2 321	–	–	–	2 321	–	2 321	2 321
Haiti	14 933	–	(30)	–	–	14 903	1 081	13 822	–
Honduras	932	–	–	–	–	932	922	10	–
Iceland	2 605	935	–	–	–	3 540	1 363	2 177	1 000
India	–	3 256	(67)	–	–	3 189	150	3 039	2 391
Individual Giving Programme	54	187	–	–	–	241	191	50	–
Indonesia	5 175	–	(58)	–	–	5 117	2 503	2 614	2 162
International Fund for Agricultural Development	138	50	–	–	–	188	150	38	–
International Organization for Migration	–	283	8	–	–	291	284	7	–
Ireland	1 409	2 028	13	(72)	–	3 378	1 852	1 526	–
Itaipu Binacional	1 143	–	–	(943)	–	200	200	–	–
Italy	14 062	2 178	364	–	13	16 617	7 108	9 509	3 498
Japan	9 019	13 547	114	(29)	–	22 651	11 823	10 828	–
Joint Programme-UNFPA: participating agent	36 653	33 990	(52)	(1 721)	–	68 870	41 368	27 502	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	1 862	5 824	2	(334)	–	7 354	5 729	1 625	–
Kazakhstan	168	566	(4)	–	1	731	568	163	–
Korea Foundation for International Healthcare	499	–	(32)	–	–	467	–	467	–
Kuwait	26	–	–	–	–	26	–	26	–
La Société Filatex	13	–	–	–	–	13	12	1	–
Lebanon	28	–	–	–	–	28	7	21	–
Liberia	824	–	–	–	–	824	92	732	–
Luxembourg	11 394	2 304	348	76	(57)	14 065	5 233	8 832	3 497
MacArthur Foundation	–	–	–	2	–	2	2	–	–
Malawi	7 103	17	–	–	–	7 120	2 712	4 408	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Malaysia	620	600	(5)	–	–	1 215	635	580	–
Mali	2 270	–	(4)	–	–	2 266	1 512	754	–
Mauritania	579	–	–	–	–	579	461	118	–
Mauritius	153	–	–	–	–	153	5	148	50
Meiji Holdings	–	10	–	–	–	10	–	10	–
Merck Sharp & Dohme (Asia) Ltd.	377	–	–	–	–	377	29	348	60
Mexico	96	2 016	129	–	–	2 241	157	2 084	–
Morocco	–	208	(2)	–	–	206	35	171	–
MTN Foundation	361	–	(5)	–	–	356	289	67	–
Multi-donor	17 130	24 198	606	11	130	42 075	9 677	32 398	15 678
Netherlands	56 483	26 558	(16)	(58)	1	82 968	18 313	64 655	37 181
New Zealand	2 536	1 548	5	–	–	4 089	2 425	1 664	1 281
Niger	8 540	–	(11)	–	–	8 529	2 203	6 326	1 070
Nigeria	4 285	1 452	(1)	–	–	5 736	2 660	3 076	153
Noble Energy	1 436	–	–	–	–	1 436	746	690	–
Norway	41 236	13 062	(20)	(138)	–	54 140	27 778	26 362	4 571
Nutrition International	756	–	(4)	–	–	752	497	255	–
Office for the Coordination of Humanitarian Affairs	29 040	65 767	123	(626)	–	94 304	73 273	21 031	–
Office of the Secretary-General's Envoy on Youth	–	127	–	–	–	127	–	127	127
Olympic Refuge Foundation	–	1 498	–	–	–	1 498	–	1 498	1 012
Oman	392	(135)	–	–	–	257	30	227	–
Oman, basic terms cooperation agreement	1 529	810	–	–	–	2 339	987	1 352	–
Oyu Tolgoi	200	–	(2)	–	2	200	112	88	–
Panama	304	–	–	–	–	304	226	78	–
Papua New Guinea	1 286	–	–	–	–	1 286	301	985	–
Paraguay	417	–	–	–	–	417	–	417	–
Portugal	22	–	–	–	–	22	–	22	–
Private individuals	64	–	–	–	–	64	54	10	–
Productora de Pulpas Soledad	14	–	–	–	–	14	14	–	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Qatar	143	5 000	–	–	–	5 143	46	5 097	3 200
REC Foundation	106	1 762	5	–	–	1 873	940	933	–
Reckitt Benckiser	–	1 218	22	–	–	1 240	223	1 017	–
Rehabilitation International	–	99	–	–	–	99	18	81	–
Republic of Korea	11 439	23 492	171	–	(30)	35 072	7 227	27 845	21 690
Republic of Moldova	671	206	–	–	–	877	408	469	–
Rio Tinto Mongolia LLC	–	602	–	–	–	602	24	578	–
Russian Federation	13 055	–	1	–	–	13 056	1 278	11 778	3 512
Sabancı Foundation	–	80	(1)	–	–	79	1	78	30
Saudi Arabia	16	2 415	–	–	–	2 431	1 531	900	–
SBI Foundation	1	–	–	–	–	1	–	1	–
Sierra Leone	168	–	–	–	–	168	168	–	–
Small contributions	1 608	2 736	26	(13)	–	4 357	2 507	1 850	102
Social Development Center	169	–	–	–	–	169	61	108	–
Spain	2 286	1 606	90	–	–	3 982	1 867	2 115	114
Sweden	51 803	38 484	3 745	(90)	5	93 947	39 400	54 547	31 581
Switzerland	16 016	6 562	48	(379)	–	22 247	8 002	14 245	9 089
Tajikistan	–	755	–	–	–	755	–	755	755
The Resource Foundation	239	–	2	–	–	241	238	3	–
Thematic Trust Fund – multi-donor	300 401	187 733	7 729	–	103	495 966	191 594	304 372	109 201
Timor-Leste	3	–	–	–	4	7	–	7	–
Togo	–	265	(2)	–	–	263	3	260	–
Turkmenistan	727	–	–	–	–	727	373	354	16
UNDP – Multi-Partner Trust Fund	47 072	90 534	64	(69)	–	137 601	67 239	70 362	31
United Kingdom of Great Britain and Northern Ireland	80 489	27 932	1 532	(1 619)	–	108 334	43 362	64 972	29 713
United Nations Children’s Fund	15 701	43 064	4	–	–	58 769	25 896	32 873	–
United Nations Development Programme	1 766	18 153	(29)	(20)	–	19 870	7 663	12 207	627
United Nations Educational, Scientific and Cultural Organization	379	–	2	–	–	381	349	32	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	1 066	499	(2)	(6)	–	1 557	843	714	63
United Nations Fund for International Partnerships	404	494	(1)	32	(32)	897	256	641	173
United Nations Human Settlements Programme (UN-Habitat)	(1)	100	(1)	–	–	98	78	20	–
United Nations Interim Administration Mission in Kosovo	1	–	–	–	–	1	–	1	–
United Nations Office for Project Services	2 808	2 252	18	(190)	–	4 888	3 038	1 850	798
United Nations Office for South-South Cooperation	2 453	–	7	–	–	2 460	1 041	1 419	785
United Nations Resident Coordinator Office	28	–	–	–	–	28	11	17	–
United Nations System Chief Executives Board for Coordination	–	–	–	(2)	–	(2)	(2)	–	–
United Nations trust fund for human security	22	–	–	(1)	–	21	21	–	–
Uruguay	208	332	–	–	–	540	200	340	–
Women Deliver	25	–	–	(23)	–	2	2	–	–
Women's Refugee Commission	176	81	–	(11)	–	246	246	–	–
World Bank	5	12 942	(6)	–	–	12 941	5 520	7 421	–
World Food Programme	3 012	3 314	(22)	(34)	–	6 270	1 648	4 622	–
World Health Organization	3 014	4 000	–	–	–	7 014	6 187	827	–
Zimbabwe	3	506	–	–	–	509	435	74	–
Zonta International Foundation	–	990	–	–	–	990	–	990	500
Subtotal, trust funds	1 165 655	843 910	20 415	(6 185)	(576)	2 023 219	848 732	1 174 487	421 923
Special funds									
Bridge funding liability foreign currency exchange adjustments	1 018	–	(407)	–	–	611	–	611	–
Contribution in kind – earmarked (goods)	7	577	–	–	–	584	97	487	–
Cuba-Caribbean Community	–	–	2	–	–	2	–	2	–

	<i>Fund balances as at 1 January</i>	<i>Contributions</i>	<i>Other revenue</i>	<i>Refunds</i>	<i>Transfers and adjustments</i>	<i>Total funds available</i>	<i>Expenses</i>	<i>Fund balances as at 31 December</i>	<i>Contributions receivable as at 31 December</i>
Donor reporting resources	1 741	–	789	–	–	2 530	892	1 638	–
European Union finance specialist post	162	–	–	–	–	162	–	162	–
Global Contraceptive Commodity Programme	5 000	–	–	–	37	5 037	37	5 000	–
Inventories/items in transit – other resources	10 837	–	–	–	–	10 837	1 075	9 762	–
Junior Professional Officers programme	7 948	6 458	302	–	–	14 708	6 288	8 420	50
Pooled foreign exchange gains/losses for other resources	1 850	–	–	–	620	2 470	–	2 470	–
Population award	1 763	–	22	–	–	1 785	–	1 785	–
Procurement services – non-third party services-related	13 234	–	3 468	–	(4 525)	12 177	(1 112)	13 289	147
Rafael M. Salas endowment fund	1 098	–	13	–	–	1 111	1	1 110	–
United Nations Care Global Coordinator	8	–	–	–	–	8	1	7	–
Valuation adjustments for contributions receivable	(5 598)	388	–	(15)	–	(5 225)	–	(5 225)	(5 210)
Subtotal, special funds	39 068	7 423	4 189	(15)	(3 868)	46 797	7 279	39 518	(5 013)
Total	1 204 723	851 333	24 604	(6 200)	(4 444)	2 070 016	856 011	1 214 005	416 910

Note: Contributions and expenses as disclosed in this schedule include cost-recovery charges of \$58.5 million. With the exception of this schedule, expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C

Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (Governments, intergovernmental organizations, NGOs or United Nations entities, including the funds and programmes of the United Nations system and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract, which includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	<i>Fund balances as at 31 December 2019 reclassified as liabilities</i>	<i>Receipts for procurement services</i>	<i>Adjustments and transfers</i>	<i>Total funds available</i>	<i>Cost of procurement services</i>	<i>Net advances as at 31 December 2020</i>
Institutions						
Governments and intergovernmental institutions	28 038	21 030	256	49 324	35 800	13 524
UNDP and other United Nations organizations	911	1 711	106	2 728	3 420	(692)
NGOs	3 775	5 705	81	9 561	5 424	4 137
Total	32 724	28 446	443	61 613	44 644	16 969

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Programme activities</i>				<i>Institutional budget</i>		<i>Corporate</i>				<i>Total</i>			
	<i>Unearmarked</i>		<i>Earmarked</i>		<i>Unearmarked</i>		<i>Unearmarked</i>		<i>Earmarked</i>		<i>Unearmarked</i>		<i>Earmarked</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Staff costs	84 627	82 183	78 786	62 587	135 680	125 809	9 541	22 208	12 140	10 889	229 848	230 200	90 926	73 476
Reproductive health and other programme-related supplies	24 788	4 145	235 191	175 371	51	(48)	79	299	1 341	(5 080)	24 918	4 396	236 532	170 291
Development and training of counterparts	17 768	23 359	90 398	103 870	95	66	32	101	–	40	17 895	23 526	90 398	103 910
Supplies, materials and operating costs	51 449	44 943	153 360	131 097	27 128	27 321	(4 120)	(947)	(7 187)	(5 870)	74 457	71 317	146 173	125 227
Contracted and professional services	48 416	43 674	208 199	195 201	12 160	8 002	741	424	376	318	61 317	52 100	208 575	195 519
Finance costs	133	109	857	747	10	6	433	166	–	–	576	281	857	747
Travel	7 546	21 761	21 646	39 315	823	3 699	(60)	(207)	16	102	8 309	25 253	21 662	39 417
Depreciation and amortization	2 312	2 394	692	640	1 670	1 772	2 367	2 080	20	15	6 349	6 246	712	655
Impairment	27	(12)	–	–	–	–	3	511	38	297	30	499	38	297
Other expenses	309	130	1 460	2 285	71	(39)	6 491	4 430	200	40	6 871	4 521	1 660	2 325
Total expenses	237 375	222 686	790 589	711 113	177 688	166 588	15 507	29 065	6 944	751	430 570	418 339	797 533	711 864