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Programme, the United Nations
Population Fund and the United
Nations Office for Project
Services**

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Structured funding dialogue

Annual review of the financial situation, 2018
Report of the Administrator

Summary

This report provides an overview of the financial position of UNDP at the end of 2018. In 2018, UNDP balanced the institutional budget for the second year in a row and continued to maintain a positive net asset position on its balance sheet. Net assets increased by \$736 million and UNDP achieved regular (core) resources year-end liquidity above the threshold requested by the Executive Board.

The \$4.6 billion in delivery in 2018 includes programme delivery achieved with over 900 government partners. This was the highest delivery in five years. Total revenue for the year increased by 5 per cent to \$5.517 billion, and expenses reached \$5.097 billion. UNDP achieved increased efficiency and spent 87 per cent of total expenses on programme activities to achieve development results, the highest level in the past five years.

Total contributions were 6 per cent higher, at \$5.203 billion (2017: \$4.915 billion) with the support of 134 governments. These contributions are channelled through regular resources and other resources. The ratio between regular and other resources in 2018 remained the same as in 2017, at 12 per cent and 88 per cent, respectively. A mere 12 per cent is for UNDP regular resources. This low percentage impacts the ability of UNDP to be agile and responsive, accelerate and course correct, as needed to achieve the results set out in the Strategic Plan, 2018-2021, noting the opportunities and risks of United Nations reform.

Contributions to regular resources increased by 2 per cent, to \$0.624 billion (2017: \$0.612 billion). This includes \$0.014 billion from programme country governments (2017: \$0.017 billion). Government contributions to local office costs (GLOC) increased to \$33 million (2017: \$27 million), a strong demonstration of Member States' support to UNDP programmes and offices. Regular resources expenses fell by 4 per cent, to \$0.664 billion (2017: \$0.695 billion).

Other (non-core) resources contributions grew by 6 per cent, to \$4.579 billion (2017: \$4.303 billion). Contributions to other resources by programme country governments slightly increased to \$1.083 billion (2017: \$1.068 billion). The ratio of regular to other resources remains the same as in



2017, at 12 and 88 per cent, respectively. Other resources expenses increased by 1 per cent, to \$4.433 billion (2017: \$4.400 billion).

In 2018, UNDP became more efficient as it made further progress focusing on institutional efficiency and effectiveness. For the second year in a row, institutional expenditure remained below the level of its revenue and resulted in a net positive balance of \$44 million. This will be judiciously invested in key capacities to address innovation, programme and oversight matters. In 2018, the UNDP management efficiency ratio improved to 6.69 per cent (2017: 6.93 per cent), below the target of 6.90 per cent.

UNDP made strong progress against its commitment in the strategic plan to work more closely with international financial institutions. In 2018, for example, the World Bank increased its contributions by \$41 million to \$153 million, from \$112 million in 2017. UNDP will continue to enhance and diversify its financing capacities and instruments to engage with more partners, given the importance of leveraging public and private finance to meet the Sustainable Development Goals.

UNDP ended the year in a sound financial position, with a 15 per cent increase in net assets. UNDP continues to monitor fully its liabilities to ensure adequate funding.

Elements of a decision

The Executive Board may wish to:

- (a) take note of documents DP/2019/26, DP/2019/26/Add.1, and DP/2019/27;
- (b) note the importance of sufficient and predictable regular resources, which is critical for UNDP to offer the cross-cutting and integrated development solutions that the 2030 Agenda for Sustainable Development requires;
- (c) urge Member States to prioritize regular resources and multi-year pledges for 2019 and future years, given that reductions in regular resources risk jeopardizing the ability of UNDP to achieve the results of the Strategic Plan, 2018-2021;
- (d) recognize the importance of the private sector in Sustainable Development Goals financing and encourage the development of new and innovative financial instruments to access private sector financing; and
- (e) urge Member States to continue their dialogue with UNDP, through the structured funding dialogues, on shifting from highly earmarked to regular resources, or flexible other resources, and to adhere to the mutually reinforcing commitments of the Funding Compact.

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I. Introduction

1. This report provides an overview of the financial position of UNDP at the end of 2018, including the United Nations Volunteers (UNV) and the United Nations Office for South-South Cooperation (UNOSSC).
2. Annexes I to V are available on the Executive Board web page. Tables 1 to 10, in document DP/2019/26/Add.1, provide further details of the activities undertaken by UNDP.
3. In accordance with Executive Board decision 2013/28, this report includes a comparative overview of actual 2018 utilization compared to the resource planning figures in the UNDP integrated resources plan, 2018-2021 (DP/2017/39), and the corresponding annex II. It includes annexes III.A and III.B in the format of the UNDP integrated resources plan. Annex III.C provides the resources allocated to posts, by location.

II. Overview

4. Overall, the inaugural year of the UNDP Strategic Plan, 2018-2021, was successful though tumultuous, as UNDP effectively supported the repositioning of the United Nations development system. While UNDP was the entity most directly impacted by reforms, building on its role as the operational backbone of the United Nations development system, UNDP seamlessly enabled the successful transition to a new resident coordinator system and played a central role in the implementation of key aspects of the reforms.
5. Despite having to handle a major shift in its functions as a result of United Nations reform and the associated delinking of the resident coordinator system, UNDP re-established the financial viability of the organization in 2018 and achieved the following:
 - (a) UNDP continued to maintain a positive net asset position on its balance sheet. Net assets increased by \$736 million, and UNDP achieved the year-end core liquidity position above the minimum threshold requested by the Executive Board.
 - (b) Total revenue for the year increased by 5 per cent to \$5.517 billion, and expenses reached \$5.097 billion. Expenses on programme activities, at 87 per cent of total expenses, were at the highest level in the past five years.
 - (c) UNDP made further progress in focusing on institutional efficiency and economy. Institutional expenditure remained below the level of its revenue and resulted in a net positive balance of \$44 million. This is the outcome of deliberate UNDP decisions to reduce expenditure and incentivize delivery, and it will be reinvested in strengthening capacities to increase the efficiency and effectiveness of UNDP. In 2018, the UNDP management efficiency ratio improved to 6.69 per cent (2017: 6.93 per cent), below the integrated results and resources framework target of 6.90 per cent for 2018-2021.
 - (d) Despite unpredictable core resources and the burden of providing additional financial and other resources to United Nations reform, UNDP ended the year in a sound financial position, with a 15 per cent increase in net assets due to a number of measures taken by UNDP to strengthen the organization. UNDP continues to monitor fully its liabilities, in particular for employee benefits, which decreased

in 2018 by \$292 million. UNDP is committed to ensuring adequate funding in the future, in accordance with its fifteen-year funding plan for employee benefits.

Figure 1a. UNDP total revenue trend

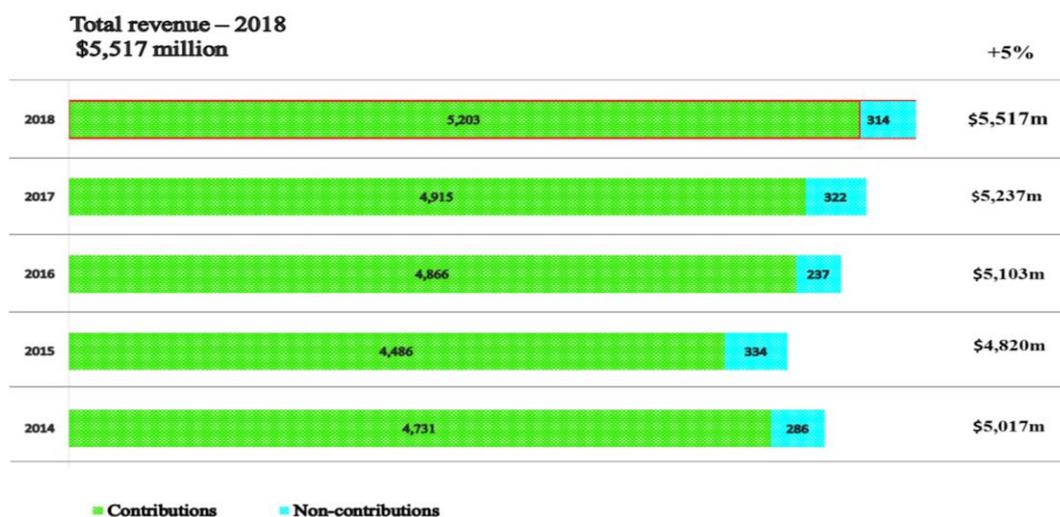
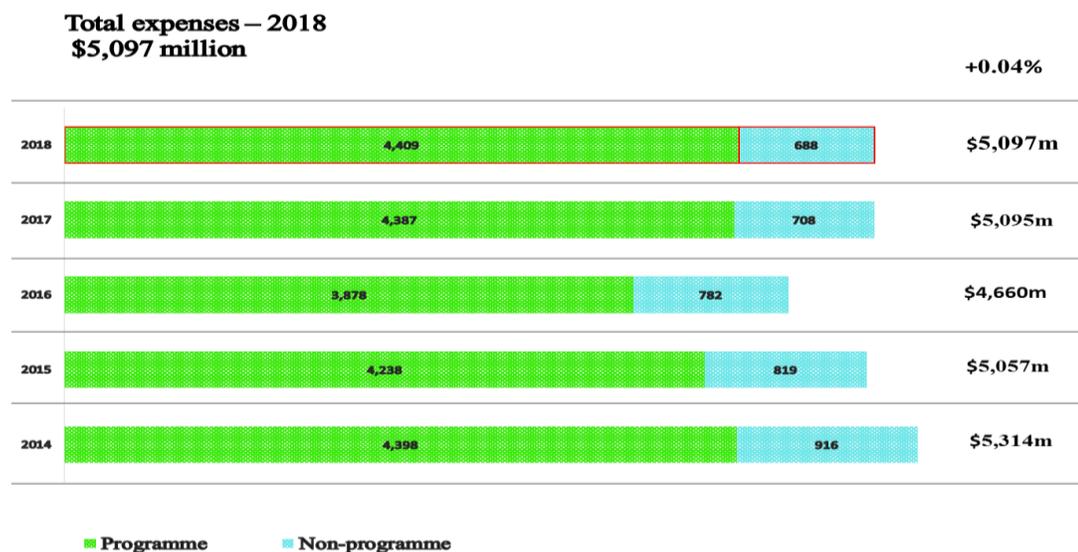


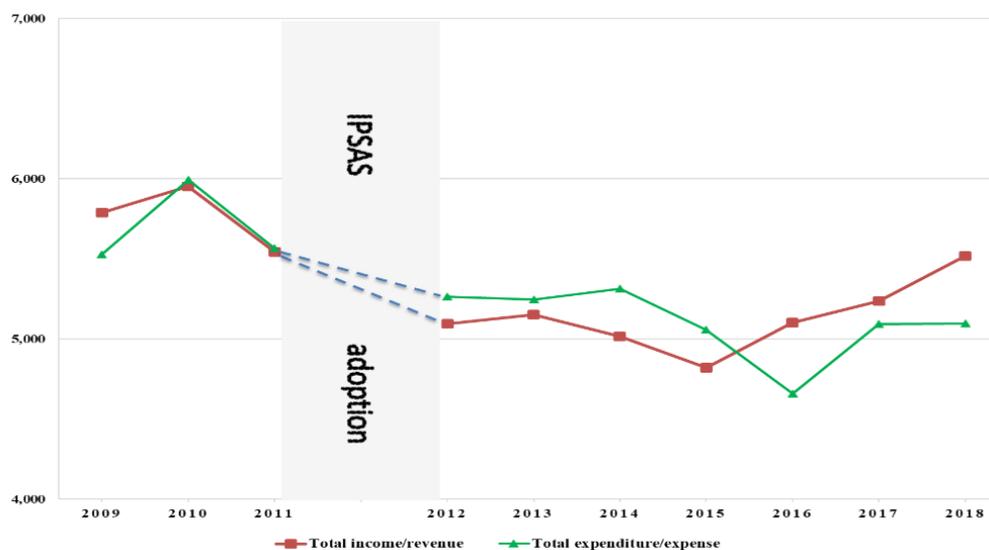
Figure 1b. UNDP total expenses trend



Note: Non-program Note: Non-programme expenses consist of development effectiveness, United Nations development coordination, management and special purpose classifications.

6. Figure 1c illustrates the trend of total revenue and total expenses.

Figure 1c. Total revenue and expenses trend, 2009-2018
(in millions of United States dollars)



Note: IPSAS=International Public Sector Accounting Standards

III. Financial highlights for 2018

A. Summary of UNDP financial situation

Table 1. UNDP financial situation, 2017-2018

(Millions of United States dollars)	2018	2017	Increase/ (decrease)	Percentage change
Revenue^a	5,517	5,237	280	5%
Expenses^a	5,097	5,095	2	0%
Net revenue	420	142	278	196%
Assets	12,111	10,662	1,449	14%
Liabilities	6,733	6,021	712	12%
Net assets	5,378	4,641	737	16%
<u>Composed of:</u>				
Accumulated balance	5,086	4,340	746	17%
Reserves	292	302	(10)	(3%)
	5,378	4,642	736	16%

^a Revenue and expense amounts are after elimination of \$258 million in 2018 and \$243 million in 2017.

Before elimination: Total revenue - \$5,775 million in 2018; \$5,480 million in 2017;
Total expense - \$5,355 million in 2018; \$5,338 million in 2017.

B. Revenue

7. Total revenue, after elimination, grew by 5 per cent, to \$5,517 million (2017: \$5,237 million).

Table 2a. UNDP revenue, 2018
(in millions of United States dollars)

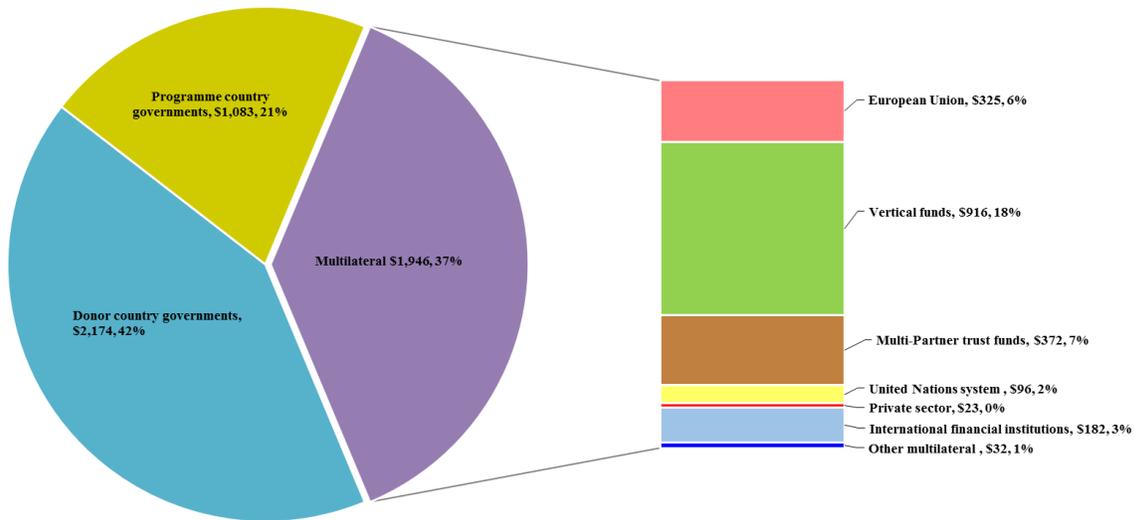
Resources	2018	2017	Increase/ (decrease)	Percentage change
REVENUE				
Contributions	5,203	4,915	288	6%
Less transfer to GLOC	-	(1)	1	(100%)
GLOC	25	19	6	32%
Net contributor countries (NCC) contributions	10	12	(2)	(17%)
Upper middle income countries (MIC) contributions	7	9	(2)	(22%)
Contributions in-kind	15	16	(1)	(6%)
Transfer of funds and refunds to donors	(75)	(78)	3	(4%)
Contributions, net	5,185	4,892	293	6%
Hedging	-	4	(4)	(100%)
Investment revenue	134	89	45	51%
Other revenue	456	495	(39)	(8%)
Total revenue before elimination	5,775	5,480	295	5%
Elimination¹ – internal UNDP cost recovery	(258)	(243)	(15)	6%
Total revenue after elimination	5,517	5,237	280	5%

8. Contributions of \$5,203 million (2017: \$4,915 million) represent 94 per cent of the total revenue, with the remaining 6 per cent largely consisting of other revenue and investment revenue, as set out in table 2a above. These contributions are provided funding partners per table 2b below.

Table 2b. UNDP contributions by funding partners, 2017-2018
(in millions of United States dollars)

	Donor country governments	Programme country governments	Multilateral partners	Total
2018:				
Regular resources	610	14	-	624
Other resources	1,564	1,069	1,946	4,579
2018 total UNDP	2,174	1,083	1,946	5,203
2017:				
Regular resources	594	17	1	612
Other resources	1,464	1,051	1,788	4,303
2017 total UNDP	2,058	1,068	1,789	4,915
Total increase	116	15	157	288
Percentage change	6%	1%	9%	6%

Figure 2. Contributions by funding partners, 2018



9. Reflecting the confidence of funding partners and programme governments, contributions grew across all categories of funding partners, consisting of programme country governments, whose contributions are primarily in support of their national development priorities and South-South cooperation; donor country governments; and multilateral partners (see figure 2 above).

10. Many government partners increased their overall contributions in 2018, notably Austria, Brazil, Egypt, Germany, Japan, the Netherlands, the Philippines, Sweden, Saudi Arabia and Ukraine, as well as multilateral donors, including the European Union, the Global Environment Facility Fund, the Green Climate Fund, the World Bank and multi-partner trust funds.

11. These contributions are channelled through regular resources and other resources. UNDP appreciates the increased contributions to regular resources from the Governments of Sweden, Norway, Japan, Germany, Netherlands, the Republic of Korea, and Luxembourg, as well as the continued strong commitment of 35 Member States that maintained their steadfast contribution, led by the United States, the United Kingdom, and Canada from the top 10 contributors. The ratio between regular and other resources in 2018 remained the same as in 2017, at 12 per cent and 88 per cent, respectively. This stabilization of the ratio of regular to other resources is welcome, given the previous periods of reduction in core resources.

Figure 3. Regular and other resources ratio, 2018
(in millions of United States dollars)



12. Total contributions to regular resources grew by 2 per cent, to \$624 million (2017: \$612 million). This small increase in regular resources, the first since 2013, reverses the downward trend, which had put at risk the ability of UNDP to achieve planned strategic results. However, further increase in regular resources will be necessary to enable UNDP to achieve its objectives as outlined in the Strategic Plan, 2018-2021, and to meet the aspirations of United Nations reform.

13. Total other resources contributions increased by 6 per cent, to \$4,579 million (2017: \$4,303 million), including \$198 million in receivables. Other resources are 'earmarked' for individual programmes or projects and are important complements to the 'un-earmarked' regular resources base. It consists of cost-sharing, trust funds and reimbursable support services and miscellaneous activities. UNDP is committed to working with Member States to improve the flexibility of this funding.

Investment revenue

14. Total investment revenue rose in 2018 to \$134 million (2017: \$89 million). This increase of \$45 million (51 per cent) is due to a higher rate of return on investments and increases in interest rates, in line with overall market interest rate increases for 2018.

Other revenue

15. Other revenue totalled \$456 million (2017: \$495 million), mainly consisting of: cost recovery revenue of \$365 million; \$58 million revenue for implementation activities related to staff security on behalf of the United Nations system; and miscellaneous revenue, such as foreign exchange gains.

Cost-recovery

16. UNDP made every effort to recover the general management support and implementation costs associated with the delivery of other resources-funded programmes and projects and with United Nations entities.

17. UNDP recovered \$239 million through general management support service fees, \$5 million higher than in 2017, suggesting that incentives to help country offices improve revenue management were effective. Total cost recovery revenue increased to \$365 million by 6 per cent, (2017: \$343 million), reflecting a change in mix of resources, including growth in programme delivery derived from funding sources with higher cost recovery rates. Table 3 shows the breakdown of these revenues.

Table 3. Cost recovery, 2018
(in millions of United States dollars)

	Programme and project delivery	Reimbursable support services	Total
<i>Revenue</i>			
General management support services	239	-	239
United Nations organizations – reimbursable services	23	30	53
Administrative agent fees	8	-	8
NCC contributions	10	-	10
Upper MIC contributions	7	-	7
Interest	9	-	9
Other	39	-	39
Total revenue	335	30	365
<i>Expenditure</i>			
Total expenditure	302	39	341

18. UNDP made every effort to attain full compliance with the cost recovery rate and seeks to further reduce the number of waivers. While infrequent, general management support waivers continue to be requested by funding partners. UNDP considers carefully all such requests by funding partners for waivers, and has agreed to proceed only in exceptional cases where the project funding would otherwise be at risk, negatively impacting the ability of UNDP to help programme countries achieve development results. Five new waivers on the general management support fee were granted in 2018 (DP/2019/10, annex V). The financial impact of these five waivers was estimated at \$1.2 million in total.

Hedging programme

19. The volatility in foreign exchange markets affected the UNDP hedging strategy in 2018, which resulted in a foreign exchange loss of \$18 million (2017: \$4 million gain). Volatility is caused by changes in investment and foreign exchange prices over a period of time. UNDP mitigates fluctuations in these prices over time by entering into transactions to preserve principal capital and by protecting the United States dollar equivalent value of non-United States dollar contributions from adverse market events. This \$18 million loss was offset by interest revenue generated by the internal UNDP treasury portfolio of \$18 million. Strengthened multi-year partnership frameworks would help to better align inflows and outflows in foreign currencies and contribute to the reduction of currency risk exposure.

C. Expenses

20. Total expenses, after elimination, increased slightly by \$2 million, to \$5,097 million (2017: \$5,095 million), remaining below the level of revenue for the year.

21. Out of this total of \$5,097 million, \$4,409 million was for programme expenses, which represents 87 per cent, the highest level of programme expenses achieved in the past five years.

22. The amount of \$5,355 million, before elimination, is composed of \$664 million for regular resources and \$4,691 million for other resources.

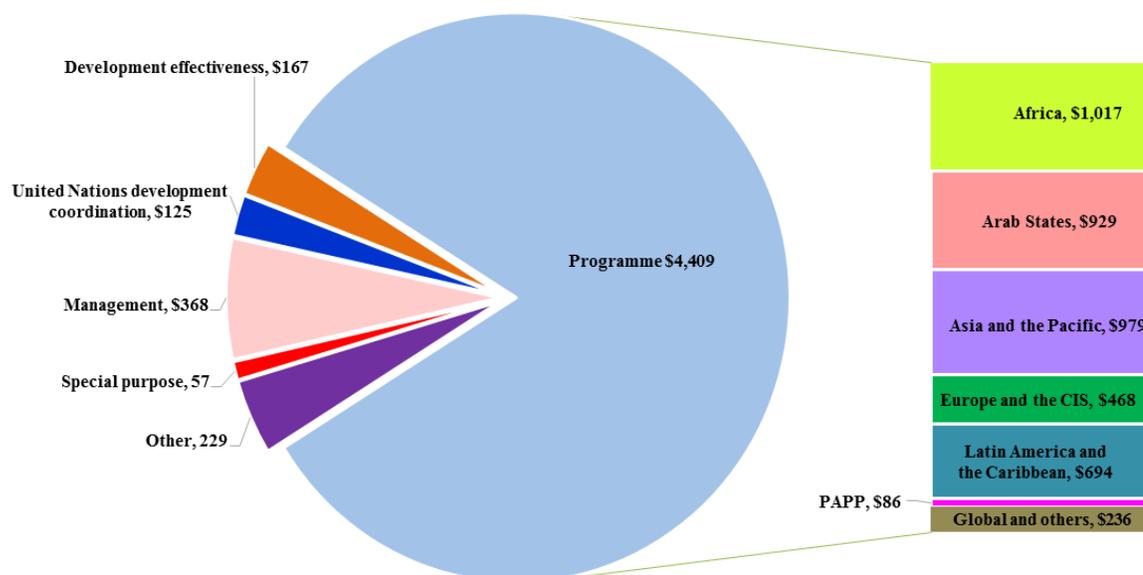
Table 4. UNDP overall expenses, 2018
(in millions of United States dollars)

Resources	2018	2017	increase/ (decrease)	Percentage change
Expenses				
Development activities				
Programme	4,409	4,387	22	1%
Development effectiveness	167	172	(5)	(3%)
Subtotal – development activities	4,576	4,559	17	0%
United Nations development coordination activities	125	130	(5)	(4%)
Management activities	368	359	9	3%
Special purpose activities	57	64	(7)	(11%)
Other activities	229	226	3	1%
Total expenses before elimination	5,355	5,338	17	0%
Elimination	(258)	(243)		
Total expenses	5,097	5,095	2	0%

23. Pursuant to Board decision 2010/32, expenditures are reported in four harmonized cost-classification categories: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. Expenditures outside those classifications are reported under ‘other activities’ and are included as part of overall expenditure.

24. The composition of total expenses and harmonized cost classification activities is shown in figure 4a; comparison of programme expenses by region between 2017 and 2018 is shown in figure 4b.

Figure 4a. Total expenses by cost classification and programme expenses by region, 2018
(in millions of United States dollars)



Development expenses

25. Development expenses consist of: programme expenses of \$4,409 million and development effectiveness of \$167 million.

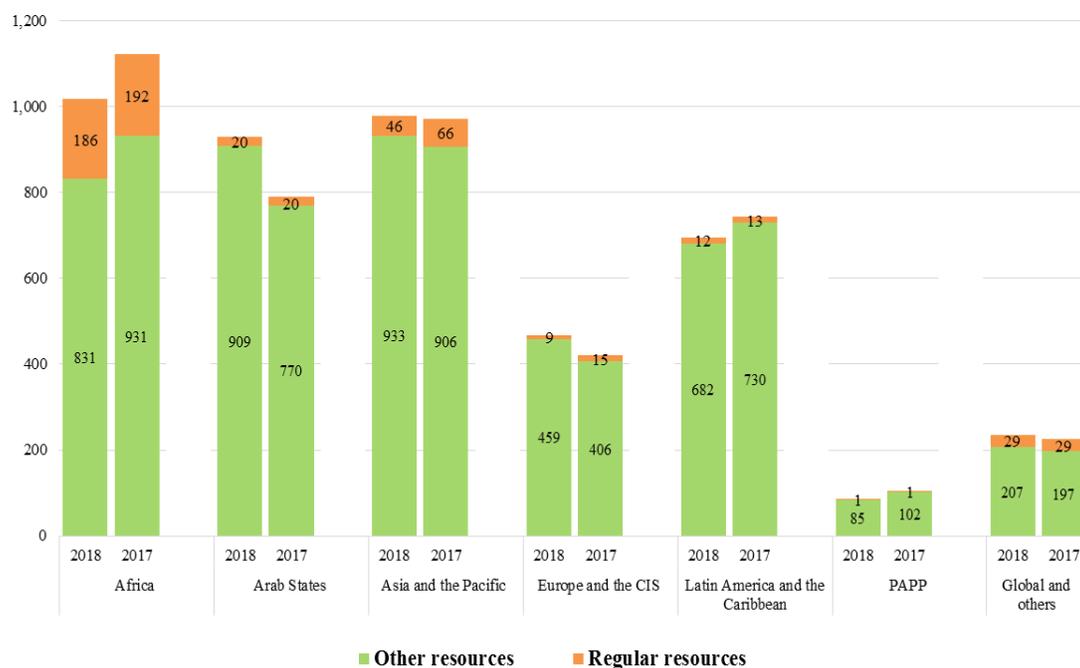
Programme expenses

26. Total programme expense increased slightly by 1 per cent, to \$4,409 million from \$4,387 million in 2017.

27. UNDP took measures to curtail expenses, reflecting its focus on efficiency while shielding programme components, such as target for resource assignment from the core (TRAC)-1, TRAC-2, TRAC-3, South-South cooperation, and the Human Development Report Office. Multi-year allocations from TRAC-2 were issued largely in 2019 and will be spent in 2019.

28. This \$4,409 million programme expense includes \$1,983 million related to donor cost-sharing, \$1,009 million related to government cost-sharing, \$766 million related to vertical funds (the Global Fund to Fight AIDS, Tuberculosis and Malaria (\$279 million), the Global Environment Facility (\$412 million), the Green Climate Fund (\$29 million) and the Montreal Protocol (\$46 million)), and \$217 million relating to the Law and Order Trust Fund for Afghanistan.

Figure 4b. Programme expenses by region, 2017-2018
(in millions of United States dollars)



Comparison of programme expenses by region, 2017-2018

29. Overall programme delivery in the Africa region decreased by 9 per cent. The top three countries with the largest programme delivery in 2018 were Zimbabwe (\$167 million), the Democratic Republic of the Congo (\$97 million) and South Sudan (\$87 million). The delivery in Zimbabwe decreased by 26 per cent to \$167 million, of

which \$132 million (79 per cent) was funded by the Global Fund. The decrease is partly due to the efficient procurement of health products. Burundi, the Central African Republic, the Democratic Republic of the Congo, Ethiopia and the United Republic of Tanzania have increased their delivery, each within a range of \$7 million to \$15 million.

30. Overall programme delivery in the Arab States region increased by 18 per cent. Iraq and Yemen have the second and third largest programme delivery in UNDP. Iraq delivered a total of \$291 million, an increase of 42 per cent from the 2017 delivery of \$205 million. Of that amount, 87 per cent was funded by donor country governments under third-party cost-sharing arrangements. Yemen was also one of the top five countries, with total programme delivery of \$199 million (2017: \$104 million), 79 per cent of which was funded by the World Bank.

31. In the Asia and the Pacific region, Afghanistan delivered the highest level of programme expenses in UNDP at \$473 million, including \$217 million (2017: \$330 million) for the Law and Order Trust Fund for Afghanistan, and \$245 million (2017: \$167 million) under cost-sharing agreements. China, Indonesia and the Philippines had the highest increase in programme delivery, at \$14 million, \$11 million and \$10 million, respectively.

32. Overall programme delivery in the Europe and the Commonwealth of Independent States (CIS) region increased by 11 per cent. The highest increase in programme delivery was in Ukraine, which increased to \$166 million from \$102 million in 2017, funded by government cost-sharing for the procurement of health products.

33. In the Latin America and the Caribbean region, overall programme delivery decreased by 7 per cent, mainly due to the currency depreciation in Argentina, the shifting of national priorities to address natural disaster, and the political situation in certain countries. Argentina has the highest programme delivery, at \$151 million. Colombia increased its programme delivery to \$97 million (2017: \$90 million). Of this amount, 90 per cent was funded under the government cost-sharing arrangement.

United Nations development coordination expenses

34. In its final year of responsibility for coordination, following General Assembly resolution 72/279 on United Nations repositioning, UNDP support to the resident coordinator system was \$125¹ million, remaining at 2 per cent of UNDP total expenses, and, furthermore, within the parameters of the integrated resources plan, 2018-2021.

Management expenses

35. Management expenses rose slightly by 3 per cent, to \$368 million (2017: \$359 million), remaining within the parameters of the integrated resources plan, 2018-2021, and included increased spending for the Independent Evaluation Office and the Office of Audit and Investigations, and non-discretionary inflationary increases on staff costs. The expenses in 2018 also covered transition costs related to the selection and deployment of senior staff, including through an assessment process to identify new UNDP leadership at the country level and ‘surge’ staff to manage the administrative, financial and human resources transition.

¹ This amount excludes the \$10.3 million payment made by UNDP of its share of the cost-shared portion for 2019 of the United Nations development coordination system, at the request of the Executive Board, which has doubled from the 2018 level of \$5.15 million.

Special purpose expenses

36. Special purpose expenses totalled \$57 million (2017: \$64 million). This amount includes expenses of \$40 million for reimbursable support services, \$5 million related to capital investments, \$9 million related to UNV and \$3 million related to UNCDF.

Other expenses

37. Other expenses totalled \$229 million, of which \$46 million (2017: \$32 million) related to after-service health insurance (due to an increase in service and interest costs), \$28 million (2017: \$17 million) to currency revaluation and exchange rate fluctuations, \$35 million to common services (2017: \$22 million), \$88 million (2017: \$95 million) to security-related activities, \$17 million (2017: \$16 million) to the junior professional officer programme, and \$15 million expenses (2017: \$17 million) to office premises.

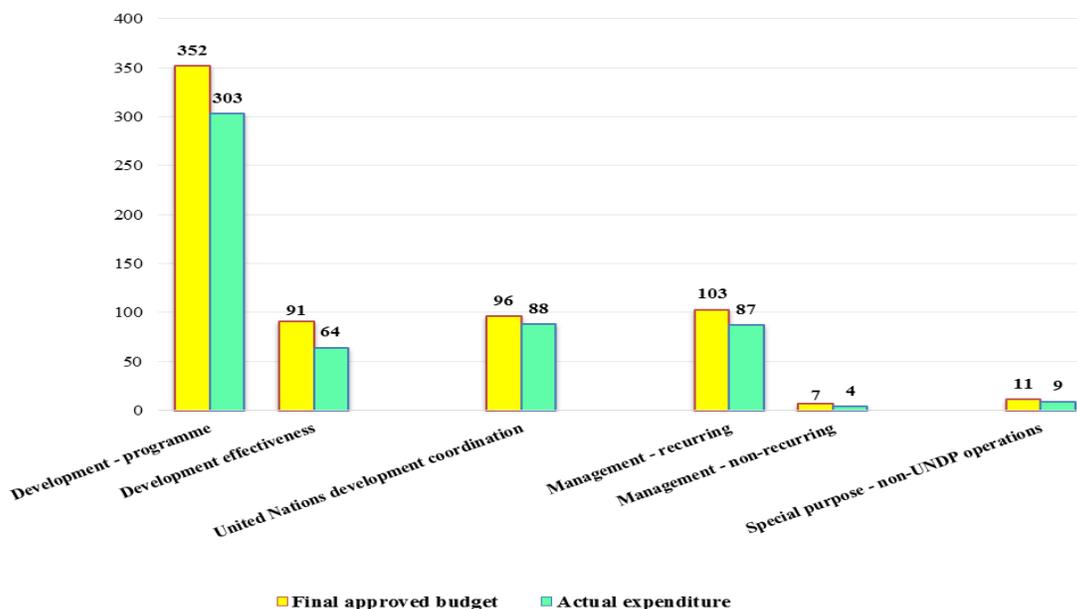
Regular resources and integrated budget expenditure

38. For activities reported in 2018, UNDP operates within the integrated budget, 2018-2021, as approved by the Executive Board in decision 2017/31, for regular resources-financed activities: (a) programmatic components; and (b) institutional components.

39. During 2018, UNDP revised the annual spending limits downwards, given the uncertainty of voluntary contributions towards regular resources. This resulted in a lower overall integrated budget expenditure compared to 2017. In particular, regular resources for programmatic and institutional components, not protected by Executive Board decisions 2013/4, 2013/28 and 2017/31, were reduced.

40. Annex II and figure 5 compare the final approved budget, covering both programmatic and institutional components, with the actual expenditure amounts, calculated on the same basis as the corresponding budget for regular resources (modified accruals basis).

Figure 5. Regular resources, comparison of budget to actual expenditure, 2018
(in millions of United States dollars)



41. Table 5 compares actual expenditures for 2017 and 2018. In 2018, the share of regular resources spent for institutional activities was \$216 million, which was \$16 million or 7.1 per cent less compared to \$233 million in 2017. The share of regular resources spent for programmatic activities was \$344 million, which was \$34 million or 8.9 per cent less compared to \$377 million in 2017.

Table 5. Integrated budget expenditure, by cost classification category, 2017-2018
(in millions of United States dollars)

Regular resources	2018 actual expenditures	2017 actual expenditures
Programmatic component	344	377
Institutional component	216	233
Total	560	610

Cost classification category	2018 actual expenditures	2017 actual expenditures
Development activities	372	416
United Nations coordination activities	88	92
Management activities	91	92
Special purpose activities	9	10
Total	560	610

42. Annex III.A presents the integrated resources plan that covers regular and other resources for 2018-2021 and compares the plan with 2018 actuals. This comparison shows that:

- (a) activities reported in 2018 remain within the integrated resources plan;
- (b) at the end of 2018, the expenditure ratio for management activities (core and non-core) to total activities (i.e., management efficiency ratio) was 6.69 per cent (2017: 6.93 per cent) below the ratio of 6.90 per cent outlined in the Strategic Plan, 2018-2021;
- (c) the overall expenditure level of programmatic activities in 2018 increased, reaching 90.3 per cent (in 2014-2017: 88.6 per cent).

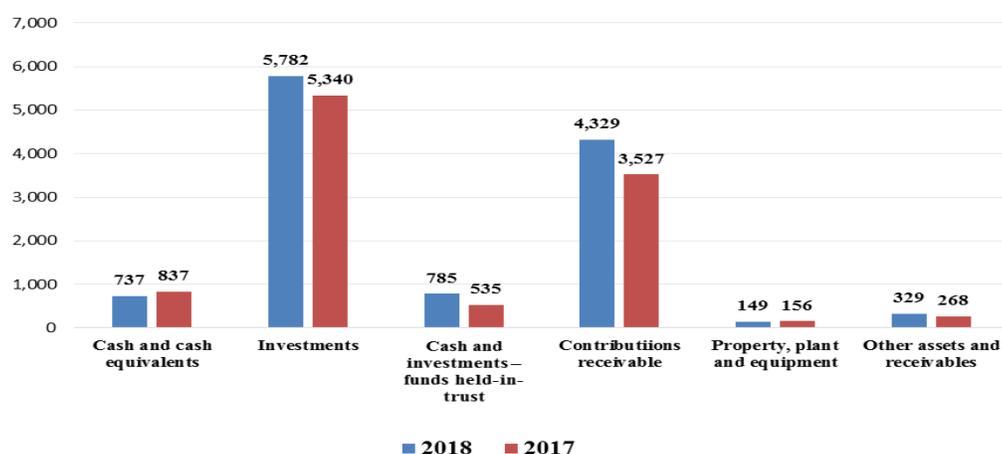
43. Annex III.B presents 2018 actuals versus estimates of the institutional components of the integrated resources plan by category of expenditures, while annex III.C presents information on resources allocated to posts by location.

IV. Financial position

A. Assets

44. Total assets registered \$12,111 million (2017 restated: \$10,663 million), representing an increase of 14 per cent. UNDP assets consist mainly of investments to fund known liabilities, as well as contributions receivable, as set out below.

Figure 6. UNDP assets, 2017-2018
(in millions of United States dollars)



Cash and investments

45. Total cash and cash equivalents and investments amounted to \$737 million and \$5,782 million, respectively.

46. The majority of investments and cash and cash equivalents in other resources are earmarked for programme activities funded through cost-sharing and trust fund agreements with donors. The investments and cash equivalents in regular resources and other resources also include \$626 million for after-service health insurance and the amount invested for the Executive Board mandated operational reserves of \$289 million and the Programme of Assistance to the Palestinian People (PAPP) Endowment Fund of \$3 million.

47. The total cash and investments for funds held in trust of \$785 million (cash and cash equivalents of \$330 million and investments of \$455 million) represent funds provided to UNDP by donors to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments.

Contributions receivable

48. Contributions receivable from donors registered \$4,329 million, an increase of \$802 million (23 per cent) from the 2017 restated amount of \$3,527 million. Of that amount, the increase of \$741 million (table 6) was due to a change in accounting policy.

49. In 2018, UNDP refined its accounting policy for contributions receivable. Under the new policy, contributions receivable amounts are recognized in full, including for multi-year contributions, at the time the agreement is signed, except for programme government contribution agreements and agreements that have performance conditions beyond the control of UNDP. The contributions associated with receivables expected to be received in future periods is deferred (refer to paragraph 52) until conditions in contribution agreements, if any, are met or when funds are to be transferred to UNDP for utilization. As these funds are not yet received, they are not available for utilization.

50. Contributions receivable of \$4,329 million include \$4,131 million committed to UNDP by donors in future years, as set out in the payment schedule in signed agreements. This amount is programmed accordingly for delivery in future years and consists of \$316 million receivable for regular resources and \$3,815 million for other resources.

Table 6. Contributions receivable, 2017-2018
(in millions of United States dollars)

Contributions receivable	2018	2017 (restated)	increase/ (decrease)
Contributions past due	198	137	61
Contributions due in future periods	4,131	3,390	741
Total contributions receivables	4,329	3,527	802

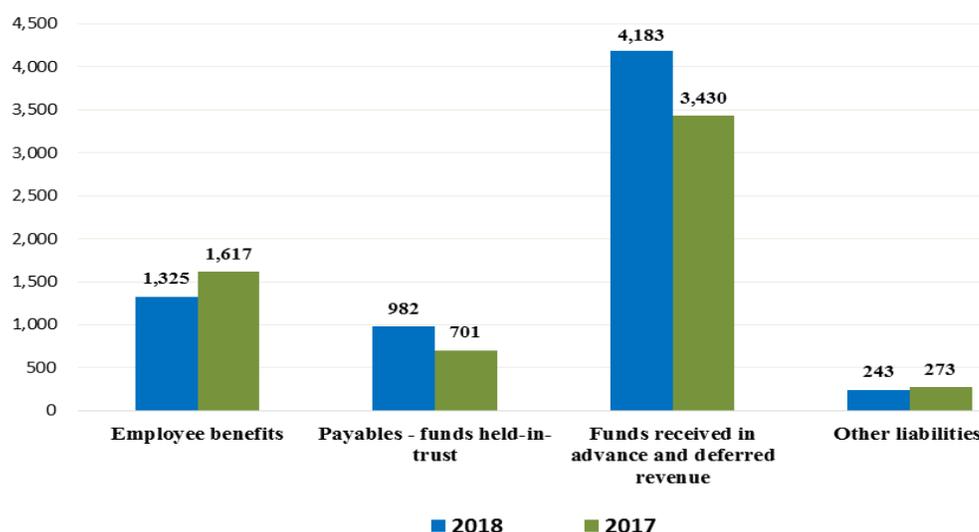
B. Liabilities

51. Total liabilities amounted to \$6,733 million, an increase of 12 per cent over the 2017 restated amount of \$6,021 million. The most significant increase was in funds received in advance and deferred revenue, which increased by \$753 million or 22 per cent, inclusive of a \$741 million increase due to multi-year agreements signed with funding partners in 2018.

52. Funds received in advance and deferred revenue of \$4,183 million comprises \$32 million contributions received in advance, which relates to future periods specified in donor contribution agreements, and \$4,151 million deferred revenue. The contributions of \$32 million relate to future periods specified in donor contribution agreements; hence, they will be recognized as revenue at the beginning of the specified future period and applied to the earmarked activities.

53. Out of the total deferred revenue of \$4,151 million, \$4,131 million arise from recognizing contributions' receivables, which relate to future years specified in donor contribution agreements. Under the refined accounting policy on revenue recognition, the revenue associated with receivables (refer to paragraph 48), expected to be received in future periods, is deferred until the year when payments are made as per the payment plan due dates included in the donor contribution agreements. That revenue comprises current liabilities of \$1,980 million (short-term) and non-current liabilities of \$2,171 million (long-term).

Figure 7. UNDP liabilities, 2017-2018
(in millions of United States dollars)



54. UNDP liabilities include \$1,325 million (2017: \$1,617 million) liabilities for employee benefits, of which \$1,037 million is for after-service health insurance (ASHI). In 2018, ASHI liabilities decreased by \$279 million (21 per cent) from \$1,316 million, resulting in an increase in the proportion of the liability funded fully by UNDP from 50 per cent in 2017 to 63 per cent in 2018. UNDP participates in the United Nations system-wide valuation of post-retirement benefits, performed by an independent actuary. The latest valuation was carried out as at 31 December 2018 and resulted in a \$279 million (21 per cent) decrease in the liability, which was largely due to the increase in discount rates derived from improved yield curves during the year and a decrease in UNDP head count (net decrease of 157 participants since 2017).

55. UNDP continued to have a 15-year plan to fund its ASHI liability, which will be reviewed after completing an asset-liability study in 2019. Of the \$1,037 million, \$653 million had been funded as of 31 December 2018. The investment management of this portfolio is fully outsourced to external managers in order to ensure an adequate level of investment return given the longer-term nature of the liabilities. UNDP, UNFPA, UNCDF, the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) collaborate in this arrangement.

56. Payables (funds held in trust) represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. The amount of \$982 million in figure 7 includes \$784 million for multi-partner trust funds that UNDP administers, \$123 million for clearing accounts with United Nations entities, and \$75 million for common services.

C. Accumulated balance

57. The financial regulations and rules of UNDP require it to operate on a fully funded basis for activities funded by other resources. In accordance with partnership agreements, all project balances are segregated for accounting and reporting purposes, with no commingling of balances between projects. Appropriate cash balances are held for settling liabilities.

58. In line with Board decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditures. UNDP maintained the year-end core liquidity position at 7.61 months of working capital, above the minimum threshold.

59. At 31 December 2018, the accumulated balance, excluding reserves, increased by 17 per cent, to \$5,086 million (2017: \$4,340 million). This increase is largely attributable to: the overall balance for the year of \$420 million (2017: \$142 million), as total expenses were contained and remained below total revenue; a \$370 million increase due to an accounting adjustment for an unrealized gain on after-service health insurance; and a \$10 million release to the accumulated balance from the operational reserve, in accordance with the formula approved in decision 1999/9. These increases were offset by a reduction in the fair value of certain available-for-sale investments of \$63 million.

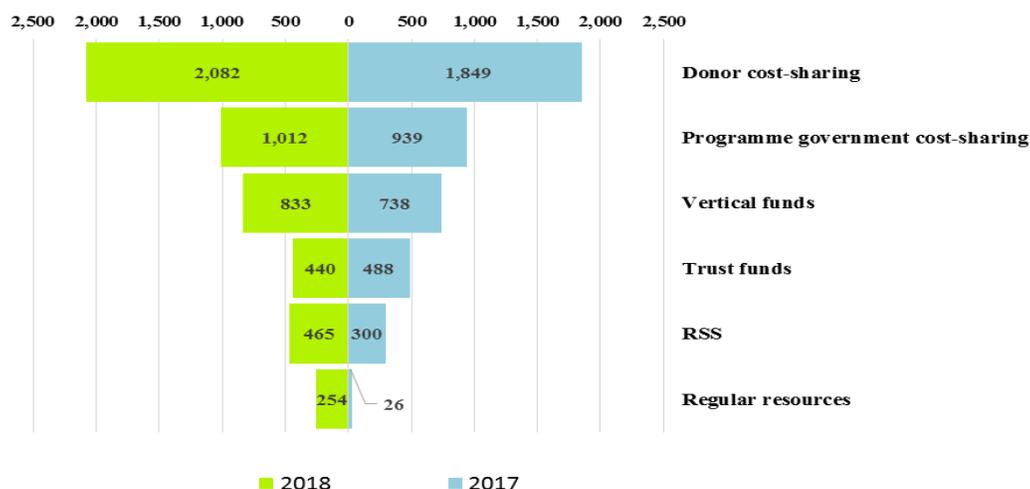
Figure 8a. Accumulated balance, regular resources and other resources
(in millions of United States dollars)



60. UNDP continued to seek opportunities to accelerate the delivery of development results and further draw down its accumulated balance, taking into account the increase in revenue and the late receipt of funds in 2018. Contributions received in the last quarter, at 32 per cent (2017: 39 per cent) of total contributions were too late for delivery in the same year and will have to be budgeted in the following year. This will result in decreased programme delivery and increased accumulated balance since programme activities can only be budgeted in the following year. Early payments of contributions by funding partners aid the timely delivery of development results.

61. The attribution of the accumulated balance to the various funding sources, which is for future delivery, is set out in figure 8b.

Figure 8b. Accumulated balance by funding source, 2017-2018
(in millions of United States dollars)



V. Partnerships

62. UNDP can only achieve the shared goals to eradicate extreme poverty, reduce inequalities and achieve sustainable development, with the generous support of its funding partners. UNDP continues to maintain strong partnerships with the governments of donor countries, programme countries and multilateral partners. The 6 per cent increase in total contributions, from \$4,915 billion in 2017 to \$5,203 billion in 2018, is confirmation that UNDP is a trusted partner in delivering results to achieve the Sustainable Development Goals.

63. UNDP is actively seeking to expand its network of partners, further diversify its funding base across and beyond traditional partners, and reduce reliance on the concentration of funding from its most generous funding partners.

64. Table 7 below shows the details of contributions by all categories of funding partners and resources. Further details of partners and their contributions can be found in table 7 of the addendum DP/ 2019/26/Add.1.

Table 7. Contributions by funding partners and type of resources, 2018
(in millions of United States dollars)

Contributions source	Regular resources	Other resources					Total UNDP
		Cost-sharing	Trust funds	Funding windows	RSS	Total other resources	
Donor governments	610	1,252	194	66	52	1,564	2,174
Programme governments	14	1,042	17		10	1,069	1,083
Multilateral partners:							
Vertical funds		424	490		2	916	916
Multi-partner trust funds		357			15	372	372
European Union		325				325	325
International financial institutions		182				182	182
United Nations system		69	1		26	96	96
Private sector		22			1	23	23
Other multilateral		26	3		3	32	32
	624	3,699	705	66	109	4,579	5,203

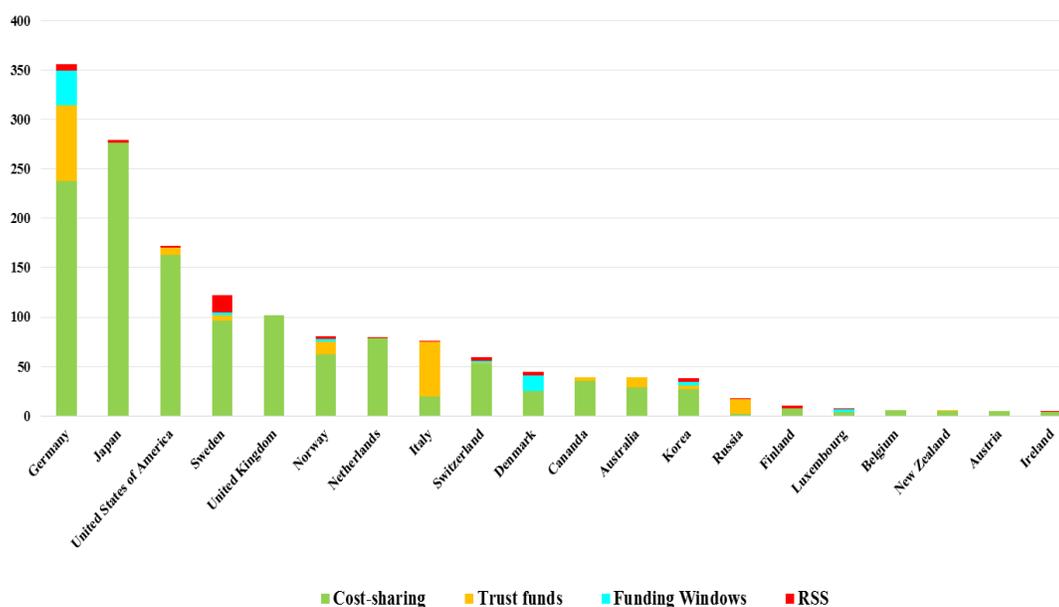
Note: RSS – Reimbursable support services and miscellaneous activities.

65. These contributions are channelled through regular resources and other resources. The following sections provide further information on both channels of funding.

Donor country governments

66. Contributions to other resources from donor country governments rose by 7 per cent, to \$1,564 million, from \$1,464 million in 2017. Figure 9 shows contributions from the top 20 donor country governments, which totalled \$1,546 million (2017: \$1,451 million), representing 34 per cent of total other resources contributions (2017: 34 per cent).

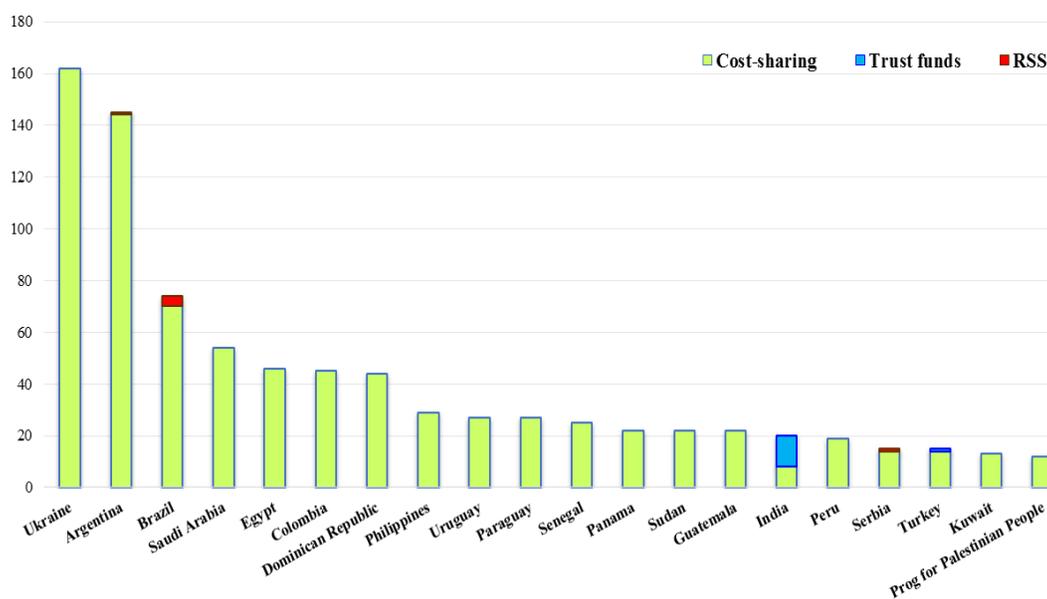
Figure 9. Other resources contributions, top 20 donor country governments, 2018
(in millions of United States dollars)



Programme country governments

67. Contributions channelled through UNDP other resources by programme country governments increased by 2 per cent, to \$1,069 million (2017: \$1,051 million), representing 23 per cent of total contributions (2017: 24 per cent), inclusive of \$13 million for South-South cooperation.

Figure 10. Other resources contributions: top 20 programme country governments, 2018
(in millions of United States dollars)



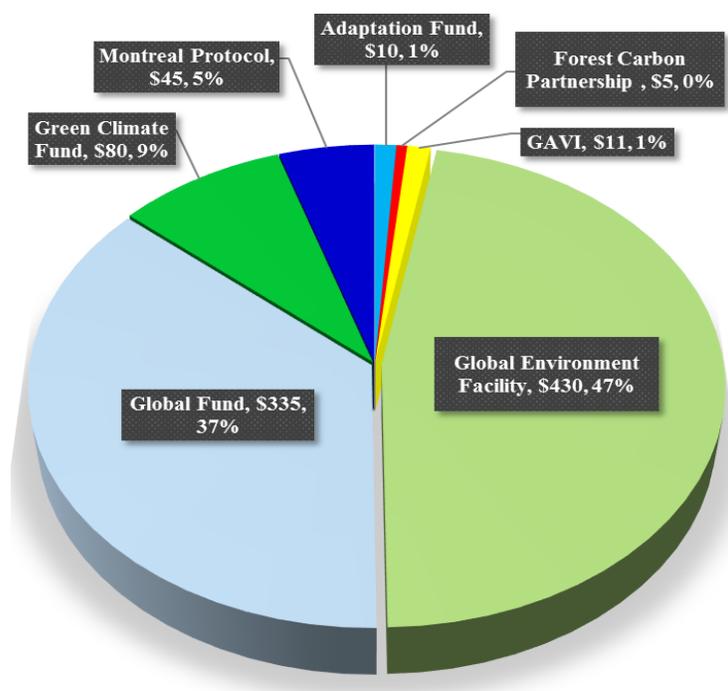
68. Of the contributions from programme country governments, 78 per cent (2017: 79 per cent) came from the governments of 20 programme countries.

Multilateral resources

69. Table 7 (page 20) shows the breakdown of donor groups included in multilateral resources. Other multilateral resources in table 7 consist of foundations, non-governmental organizations (NGOs) and non-profit organizations.

70. Contributions from vertical funds totalled \$916 million (2017: \$860 million), the largest within multilateral sources. The contribution of \$335 million (2017: \$363 million) from the Global Fund excludes \$16 million received for future programming (2017: \$21 million), which will be recognized as contributions in 2019.

Figure 11. Other resources, vertical funds, 2018
(in millions of United States dollars)



71. UNDP has built a trusted partnership with the European Union over two decades, with contributions increasing in 2018 to \$325 million from \$269 million in 2017. UNDP has also developed successful partnerships with vertical funds in the thematic area of environment, namely the Global Environment Facility, the Montreal Protocol, the Adaptation Fund, the Green Climate Fund and the Forest Carbon Partnership Facility. In 2018, total contributions from these donors amounted to \$570 million (2017: \$488 million). The UNDP partnership with the Green Climate Fund is one of the latest partnerships to support the efforts of developing countries to respond to the challenge of climate change.

72. UNDP work with the international financial institutions is also growing. In 2018, the World Bank increased its contributions by \$41 million to \$153 million, from \$112 million in 2017. The Islamic Development Bank has almost doubled its contributions in 2018 to \$25 million, from \$14 million in 2017. Contributions from other multilateral and other organizations decreased by 19 per cent, to \$151 million (2017:

\$189 million), and include \$23 million from the private sector, \$32 million from foundations, NGOs and other funding agencies, and \$96 million from the United Nations system. UNDP will continue to enhance and diversify its financing capacities and instruments, noting the importance of leveraging public and private finance to meet the Sustainable Development Goals.

Regular resources

73. Contributions to regular resources increased by 2 per cent (\$12 million) to \$624 million (2017: \$612 million). The increase was in contributions from donor country governments, by \$16 million. In 2018, UNDP regular resources received \$176,000 through the UNDP Digital Good public platform, which enables new avenues of public support and funding.

Table 8. Regular resources contributions, 2017-2018
(in millions of United States dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2018	610	14	-	624
2017	594	17	1	612
<i>Increase/(decrease)</i>	16	(3)	(1)	12
Percentage change	3%	(18%)	(100%)	2%

74. Fifty-two Member States contributed to regular resources (2017: 53), including 21 programme countries (2017: 22). Details of these contributions are presented in table 4 of document DP/2019/26/Add.1.

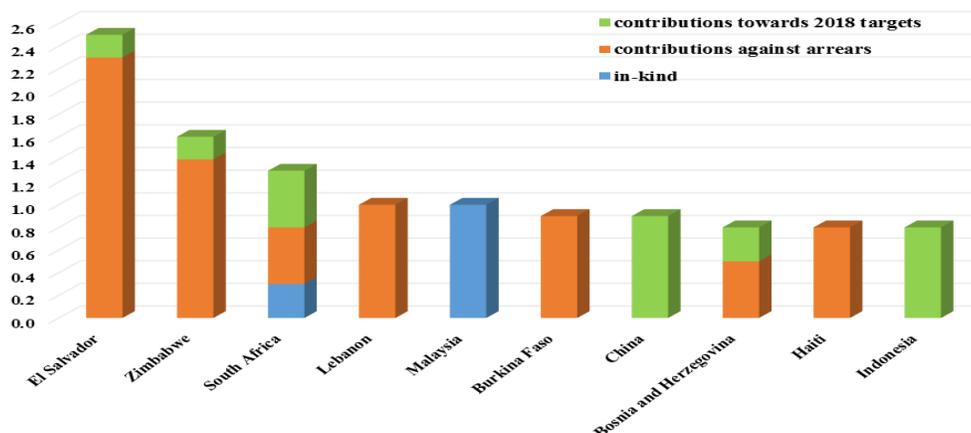
75. Contributions from the top 10 partners amounted to \$540 million, representing 87 per cent of total contributions of \$624 million (2017: \$527 million; 86 per cent of total contributions).

76. The decline in regular resources revenue since 2013 poses serious challenges. It is hoped that the 2 per cent increase in 2018 is the start of a reversal in this downward trend, which places at risk the ability of UNDP to achieve planned strategic results by ensuring global development effectiveness and making strategic choices and investments. If regular resources decrease again in 2019 and in the future, it will not be possible for UNDP to maintain the protections for the programme budget now in place. Reduced support for development effectiveness and management could adversely affect quality assurance, monitoring, accountability and oversight capacity.

Government contributions to local office costs

77. Government contributions to local office costs are an important source of revenue and can take the form of in-kind or cash contributions by host governments. In countries in the low and middle-income categories, \$33 million was received in 2018, a \$6 million increase (2017: \$27 million), consisting of cash contributions of \$25 million (\$13 million for 2018 targets and \$12 million against arrears) and in-kind contributions of \$8 million for premises and utilities. UNDP appreciates improvements made by host governments toward meeting their obligations in cash or in-kind with respect to government contributions to local office costs. The top 10 contributors are shown in shown in figure 12.

Figure 12. GLOC contributions by top 10 host governments, 2018
(in millions of United States dollars)



78. Tables 8(a), 8(b) and 8(c) in document DP/2019/26/Add.1 provide information on 2018 government cash contributions to local office costs in regular resources by countries in the low and middle-income categories, cumulative arrears, and contributions towards arrears.

Net contributor country contributions

79. Net contributor programme country governments provided \$10 million, a decrease of 17 per cent (2017: \$12 million), mainly due to the closure of UNDP office in the United Arab Emirates in 2018 (see details in document DP/2019/26/Add.1).

Upper-middle income country contributions

80. Middle-income programme countries with gross national income (GNI) per capita above \$6,660 contributed \$7 million, a decrease of 22 per cent (2017: \$9 million). This decrease reflects the graduation of Chile and Uruguay to full-pledged NCC status starting in 2018 and a decreased settlement of several years of contributions by host governments (see details provided in document DP/2019/26/Add.1).

VI. Others

Management service agreements

81. Management service agreement contributions totalled \$8 million (2017: \$1 million); investment and other revenue, \$0.5 million (2017: \$3 million); and refunds to donors and transfers, \$0.5 million (2017: \$7 million). Total expenses registered \$6 million (2017: \$8 million), and the accumulated balance increased to \$39 million (2017: \$37 million). Details are provided in document DP/2019/26/Add.1.

United Nations Volunteers

82. In 2018, the first year of the implementation of the UNV Strategic Framework, 2018-2021, the total financial volume amounted to \$199.6 million, of which \$183.9 million consisted of programme resources – including funds from United Nations entities for the recruitment of UN-Volunteers – and 3 per cent of programme resources financed from the Special Voluntary Fund. Of this, programme regular resources expenses made directly by UNV through the Special Voluntary Fund, cost sharing, trust funds and full funding arrangements totalled \$21.5 million (12 per cent). The remaining financial value was attributable to direct charges to United Nations organizations.

83. In 2018, the Special Voluntary Fund received contributions (including multi-year) amounting to \$5.2 million, a 41 per cent increase compared to \$3.7 million in 2017 and the highest level since 2009. At the same time, contributions (including multi-year contributions) received for fully funded UN-Volunteers, including contributions for United Nations Youth Volunteers and United Nations University Volunteers, increased from \$13.2 million in 2017 to \$15.6 million in 2018.

84. UNV received funding for institutional activities through UNDP regular resources. In 2018, this amounted to \$8.8 million, the same level as in 2017. UNV notes that it needs a stable and predictable level of UNDP regular resources to fulfil its mandate and provide high quality volunteers and innovative, cost-effective solutions to UNDP and other United Nations entities.

United Nations Office of South-South Cooperation

85. The overarching goal of the United Nations Office of South-South Cooperation (UNOSSC) Strategic Framework, 2018-2021, is to bring South-South and triangular cooperation to bear in support of the efforts of Member States to eradicate poverty in all its forms and dimensions and to secure peace and prosperity, while promoting gender equality and women's empowerment on a healthy planet.

86. UNDP provided UNOSSC an institutional budget of \$2.3 million and a programme budget of \$3.8 million, which were fully utilized. Non-core mobilized contributions amounted to \$18 million, \$16 million for the United Nations Fund for South-South Cooperation, \$2 million for the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (India and South Africa: \$1 million each), and small funding contributions under the Perez-Guerrero Trust Fund. The \$16 million contributions for the United Nations Fund for South-South Cooperation includes \$11 million from India for the India-United Nations Development Partnership Fund, \$1 million from China, \$0.7 million from the Republic of Korea, \$0.6 million from Qatar, and \$1 million from the World Green Economy Organization in Dubai, United Arab Emirates. This represents a 64 per cent increase in non-core contributions compared to 2017, owing mostly to additional funding from the Government of India to the India-United Nations Development Partnership Fund. Non-core expenditures amounted to \$10 million, a 43 per cent increase from 2017.

Junior professional officers

87. At 31 December 2018, UNDP administered 220 junior professional officers (89 of whom were working with UNDP and affiliated funds and programmes), 22 special assistants to resident coordinators, and five specialist development programmes. Thirty governments have agreements for the provision of junior professional officers, five have agreements for the provision of special assistants to resident coordinators, and four have agreements for the provision of specialist development programmes.

88. In 2018, total contributions amounted to \$21 million, while expenses, including support costs, were \$17 million. The accumulated balance at the end of 2018 was \$18 million. UNDP received \$16 million from United Nations organizations and partners to administer 131 junior professional officers on their behalf as of end 2018, of which \$16 million was delivered, including support costs.

VII. United Nations reform and support to United Nations organizations

89. UNDP undertakes many activities in partnership with and support to the United Nations system at large. Available data indicates that the value of joint programming, fund flows to multi-donor trust funds, and support to United Nations organizations increased by 17 per cent to \$2,010 million, from \$1,715 million in 2017.

A. UNDP administrative agent function

90. UNDP supports joint programming, including through its role in fund design and administration of joint programmes and multi-donor trust funds on behalf of the United Nations system and national governments, and through its programme implementation role as a participating United Nations organization. In 2018, contributions received for multi-donor trust funds increased by 30 per cent, to \$1,057 million (2017: \$814 million). This growth can be attributed to the positive policy environment for United Nations pooled funding and the strong performance of a broad range of global and country-level funds, including the Peacebuilding Fund, the Spotlight Initiative, the Joint Sustainable Development Goals Fund, the Somalia Multi-Partner Trust Fund and the ongoing humanitarian portfolio. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was \$808 million (2017: \$605 million), including \$369 million transferred to UNDP for UNDP programmes (2017: \$381 million).

B. Support to United Nations organizations

91. UNDP provides services, on a cost-recovery basis, to United Nations organizations, including peacekeeping missions. The value of funds received from those organizations totalled \$950 million, a 6 per cent increase from \$896 million in 2017.

C. United Nations development coordination activities

92. In 2018, the UNDP role ended to coordinate support to the United Nations development system and country-level coordination in support of national development, as UNDP effectively supported the repositioning of the United Nations development system. Combined expenses totalled \$125 million (\$86 million from regular resources and \$39 million from reimbursable support services and miscellaneous activities).

D. United Nations-mandated security costs

93. In its decision 2017/31, the Executive Board approved the UNDP integrated budget, 2018-2021. In document DP/2017/39 on the UNDP integrated budget, 2018-2021, and following prior practice, UNDP sought exceptional authority during 2018-2021 to disburse up to \$30 million in regular resources for security measures, in addition to the approved appropriation from regular resources for the institutional component of the integrated budget of \$1,094 million, the use of which would be limited to new and emerging security mandates as defined in United Nations Department of Safety and Security directives. UNDP will report on these as and when they may occur. During 2018, no amount was drawn down from the \$30 million.

94. The \$30 million forms part of a total estimated requirement of \$61.7 million in 2017-2018. UNDP spent \$31.2 million (2017: \$30.6 million), of which \$21.2 million (2017: \$20.2 million) was associated with the UNDP share of the United Nations field security coordination programme; and \$10.0 million (2017: \$10.4 million) with security assessments and compliance, improvement of premises security, blast and seismic assessments, and office relocations.

VIII. 'Greening' UNDP

95. UNDP reported its organization-wide carbon footprint as part of the 2018 edition of *Greening the Blue* report. With the new UNDP environmental management tool, released in 2018, UNDP has established one of the most comprehensive environmental data collection and management systems in the United Nations system, yielding a 2018 global carbon footprint of 77,424 tonnes CO₂e. UNDP is offsetting its 2018 carbon footprint by purchasing certified emission reductions from the Adaptation Fund established under the Kyoto Protocol of the United Nations Framework Convention on Climate Change. As such, UNDP continues to be climate neutral in its global operations.
