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**Structured funding dialogue**

**Annual review of the financial situation of the United  
Capital Development Fund, 2019**

**Report of the Managing Director\***

*Summary*

This report provides an overview of the financial position of the United Nations Capital Development Fund (UNCDF) at the end of 2019 and of the financial performance of UNCDF for 2019. In 2019, UNCDF maintained a positive financial position and liquidity, with an increase of 38 per cent in net assets. The recorded increase in total revenue and expenses indicates the resonance of the UNCDF capital mandate and its contribution to accelerating financing for the 2030 Agenda for Sustainable Development.

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\* As stated in General Assembly resolution 2321 (XXII), the UNDP Administrator performs the functions of the Managing Director of UNCDF.



## I. Introduction and overview

1. This report provides an overview of the financial position of UNCDF at the end of 2019 and of the financial performance of UNCDF for 2019. In 2019, UNCDF maintained a positive financial position and liquidity, with an increase of 38 per cent in net assets. The recorded increase in total revenue and expenses indicates the resonance of the UNCDF capital mandate and its contribution to accelerating financing for the 2030 Agenda for Sustainable Development.

2. In 2019, UNCDF implemented programmes in 31 of the 47 least developed countries, leveraging its capital mandate to help them pursue inclusive growth. With its capital mandate and instruments, UNCDF offers “last-mile” finance models through financial inclusion and localized investments that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

## II. Financial highlights for 2019

### A. Summary of the UNCDF financial situation

**Table 1. UNCDF financial situation, 2018-2019**

*(In millions of United States dollars)*

	2019	2018 (restated)	Increase/ (decrease)	% change
Revenue	148	94	54	57%
Expense	74	61	13	21%
Surplus	74	33	41	124%
Assets	295	222	73	33%
Liabilities	21	24	(3)	(13%)
Net assets	274	198	76	38%
<u>Composed of:</u>				
Accumulated surplus	268	192	76	40%
Reserves	6	6	-	-
	274	198	76	38%

### B. Revenue

3. Total revenue grew by 57 per cent, to \$148 million (2018 restated: \$94 million). Contributions of \$144 million (2018 restated: \$91 million) represent 97 per cent of the total revenue, with the remaining 3 per cent largely consisting of investment revenue and other miscellaneous revenue.

4. In 2019, UNCDF refined its accounting policy for recognizing revenue from voluntary contributions (non-exchange transactions); and as a result of the change, the full value of the contributions agreements signed (including multi-year agreements) is recognized as revenue in the year an agreement is signed.

5. While the refined policy allows UNCDF to present the full value of contributions agreements (including multi-year agreements) signed, under the UNCDF Financial Regulations and Rules, UNCDF is permitted to spend only up to the amount of cash received. Hence, in the following sections of this document, where applicable, “annual contributions” are presented to align to the past revenue recognition policies for contributions (i.e., cash

received in a reporting year, plus receivables due in a reporting year), and the comparative figures of the 2018 financial statement (audited) will also be presented where applicable.

**Table2. UNCDF revenue, 2018-2019**  
(In millions of United States dollars)

	2019	2018 (restated)	Increase/ (decrease)	% change
Voluntary contributions <sup>a</sup>				
Annual contributions	104	66	38	58%
Future due contributions <sup>b</sup>	77	53	24	45%
IPSAS 23 adjustment <sup>c</sup>	(37)	(28)	(9)	32%
<b>Subtotal, voluntary contributions</b>	<b>144</b>	<b>91</b>	<b>53</b>	<b>58%</b>
Other revenue	4	3	1	33%
<b>Total revenue</b>	<b>148</b>	<b>94</b>	<b>54</b>	<b>57%</b>

IPSAS = International Public Sector Accounting Standards

<sup>a</sup> The amounts shown include returns to donors and transfers to other funds of unused contributions.

<sup>b</sup> Future due contributions are calculated to show the cash to be received after the reporting year based on the multi-year agreement signed in a reporting year.

<sup>c</sup> Based on the change in revenue recognition policy, this adjustment was made for agreements signed prior to 2019 for all contributions not received by the end of 2018.

6. UNCDF contributions are channelled through regular (core) resources and other (non-core) resources. In 2019, annual contributions to regular resources of \$9.9 million remained constant compared to 2018, while annual contributions to other resources increased to \$94.4 million (2018: \$56 million). The increase in other resources comes mainly from bilateral and multilateral development partners and United Nations joint funds and programmes. The ratio between regular and other resources as a percentage of total resources in 2019 are at 10 per cent and 90 per cent, respectively.

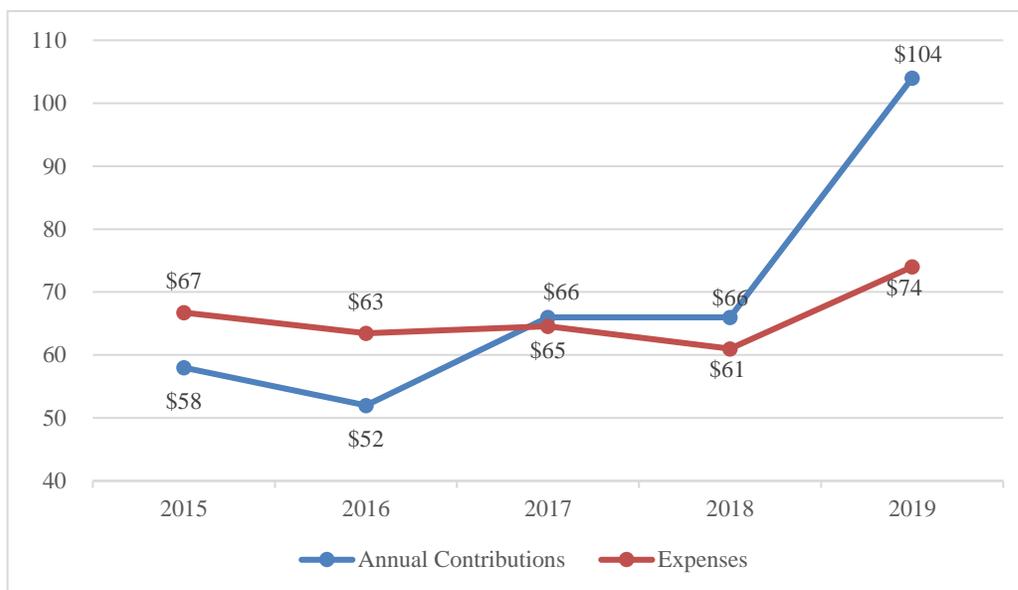
### C. Expenses

7. Total expenses increased by \$13 million, to \$74 million (2018: \$61 million). The increase is due mainly to the impact of programme cycles, as several large programmes especially related to the local development finance practice started implementation in 2019.

8. The other capital investment portion of programme delivery includes grants and other transfers amounting to \$26 million (2018: \$15 million).

9. In 2019, of total expenses of \$78 million (excluding the effect of the elimination of internal cost recovery of \$4 million), \$69 million (88 per cent) was spent on programme activities, \$4.4 million (6 per cent) on development effectiveness and \$4.6 million (6 per cent) on management activities.

**Figure 1. Trends in total annual contributions and expenses, 2015-2019<sup>a</sup>**  
(In millions of United States dollars)



<sup>a</sup> The in-year deficit for 2015 and 2016 drew down on surplus other resources accumulated from previous years.

#### D. Others

10. In addition, UNCDF received \$2.7 million (2018: \$2.7 million) from the UNDP institutional budget and \$1.1 million (2018: \$0.7 million) from UNDP programme support to cover management and technical expenditures, respectively. These amounts were expended by UNCDF and reported by UNDP.

11. At the end of 2019, UNCDF held assets of \$295 million (2018 restated: \$222 million). The increase is comprised largely of an increase in contributions receivables of \$44.6 million (61 per cent), and an increase in cash and investments of \$30.3 million (42 per cent).

12. At the end of 2019, UNCDF held liabilities of \$21 million (2018 restated: \$24 million), including \$12.6 million (2018 restated: \$13.1 million) in after-service health insurance (ASHI) liabilities. The UNCDF ASHI liabilities continue to be fully funded.

13. Net assets/equity of \$274 million in 2019 included \$261 million in accumulated surplus, \$6 million for operational reserve and \$7 million for actuarial gains with respect to ASHI etc. Of the \$261 million accumulated surplus, \$143 million represents contributions yet to be received from the donors as at 31 December 2019; \$68 million represents contributions to other resources received but earmarked for multi-year activities; \$22 million represents contributions to other resources received in the last quarter of the year and hence only budgeted in 2020; and \$28 million represents general accumulated balances.

14. UNCDF continued to apply the UNDP cost-recovery policy and minimized the number of waivers. Only two new waivers in the general management support fee were granted during 2019. The financial impact of these waivers was minimal and estimated at \$0.05 million.

15. The new generation of UNCDF concessional loans and guarantees has benefited from a strengthened process for due diligence, financial modelling and credit scoring. Based on this new process, UNCDF approved and disbursed 13 concessional loans totalling \$1.7 million as at 31 December 2019. The investments were made in the areas of agribusiness, clean

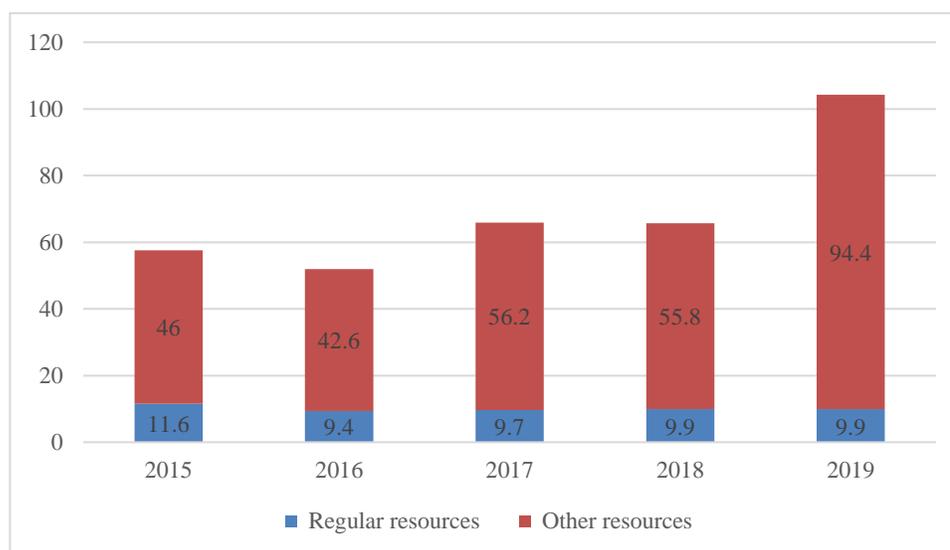
energy, financial inclusion and women’s empowerment in Myanmar, Papua New Guinea, Uganda and the United Republic of Tanzania. UNCDF has also tested an innovative methodology for combining assessments of development impact returns and risks alongside its financial return and credit risk which the organization hopes to scale up in the future.

### III. Partnerships

16. UNCDF continues to maintain strong partnerships with the Governments of donor countries and multilateral partners. Figure 2 shows the trend in total annual contributions from 2015 to 2019 by type of resources.

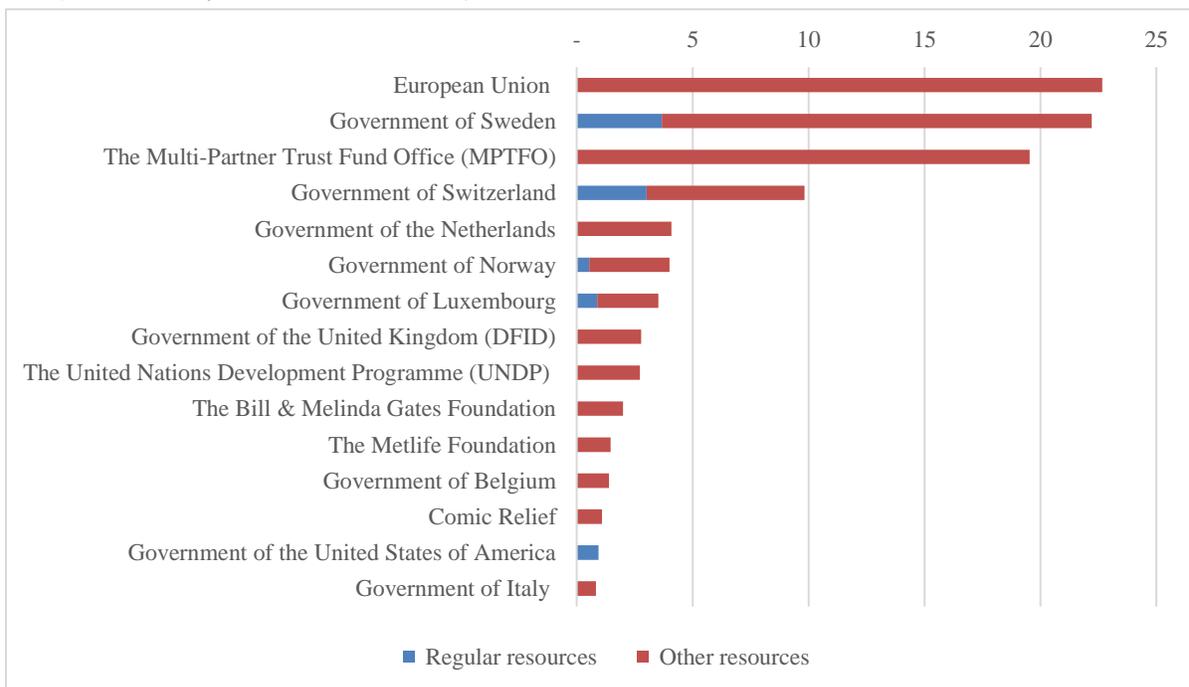
**Figure 2. Total annual contributions, 2015 – 2019**

*(In millions of United States dollars)*



17. UNCDF received contributions from 41 development partners in 2019 (2018: 45 partners). Figure 3 shows annual contributions from the top 15 funding partners to UNCDF, which totalled \$99.1 million, representing 95 per cent of total annual contributions (2018: \$60.6 million, 92 per cent).

**Figure 3. Total annual contributions, top 15 funding partners, 2019**  
*(In millions of United States dollars)*



18. Annual contributions to UNCDF regular resources from funding partners remained constant at \$9.9 million. Despite increased funding partner diversification in recent years, UNCDF continues to be dependent on a limited number of funding partners for contributions to regular resources. Regular resources contributions remain short of the \$25 million annual target required to extend UNCDF operations to 40 of the 47 least developed countries (against 31 in 2019), as envisaged in the UNCDF Strategic Framework, 2018-2021. Furthermore, this shortfall strains the ability of the Fund to innovate and to bring its financing expertise in support of the wider United Nations development system and United Nations reform.

19. UNCDF has met its resource mobilization target (per the Strategic Framework 2018-2021) for other resources, reaching \$94.4 million in 2019. This reflects continued commitment to UNCDF from its partners, particularly from major donors such as the European Union and the Government of Sweden, which have increased their contributions in recent years as cooperation expands. These trends provide a solid foundation on which to build scale for the more ambitious targets sought in the Strategic Framework period and beyond.

20. Drawing on its investment instruments and expertise, UNCDF continued to expand its partnership with UNDP and the wider United Nations development system in devising joint innovative financing solutions for the Sustainable Development Goals. Annual contributions from United Nations joint funds and programmes increased 120 per cent, from \$11.2 million in 2018 to \$24.6 million in 2019.