United Nations

United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-fifth Session
Supplement No. 5H

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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.

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Contents

Letters of transmittal

Letter dated 30 April 2020 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 31 December 2019, which I hereby approve.

(*Signed*) Natalia **Kanem**
Executive Director

Letter dated 21 July 2020 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 on the financial statements of the United Nations Population Fund for the year ended 31 December 2019.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
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 2019 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 accompanying financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2019 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 136 to 139 of the long-form report, which describe the effects of the coronavirus pandemic on the assurance activities planned for the expenses incurred in 2019 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 2019, 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:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

- 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 with regard to, 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes 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; 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.

In November 2019, the Nairobi Summit was held to mark the twenty-fifth anniversary of the International Conference on Population and Development. The Summit was the first large global meeting heralding the decade of action for the Sustainable Development Goals.

Between October 2019 and January 2020, the audit of UNFPA by the Board of Auditors included field visits to UNFPA headquarters in New York and the UNFPA Procurement Services Branch in Copenhagen, and visits to the country offices in Ethiopia, Mozambique and Myanmar.

From 27 April 2020, because of the coronavirus disease pandemic, the Board conducted the audit, including the final audit of the financial statements, remotely.

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, in all material respects, the financial position of UNFPA as at 31 December 2019 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 United Nations financial regulation 7.5, 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. The report also includes a brief commentary on the status of implementation of previous recommendations.

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 2019 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 deficiencies in the area of operation and financial management. 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:

(a) *Management of procurement activities*

The Board detected that Atlas, the enterprise resource planning system of UNFPA, had weaknesses that hindered the procurement process and compliance with the internal regulations; inter alia, the different thresholds established in the Procurement Procedures had not been set as parameters in the system, the system could not automatically generate purchase requests and such requests were not associated with a specific country office. With respect to third-party procurement, the Board found that the Procurement Services Branch could generate a purchase order in the system on behalf of a third party without a preventive control, either manual or automatic, to verify that the third party had made the advance payment for the total amount of the acquisition.

Moreover, regarding the traceability of each procurement process, the Board noted that the Atlas system did not automatically associate the purchase order with the respective long-term agreement. The Board also detected that the Procurement Services Branch used Excel spreadsheets as a monitoring tool to support procurement focal points in performing their tasks. The spreadsheets existed in several versions and copies, and were not centrally managed.

Lastly, it was observed that the Atlas system lacked functionalities to allow preventive monitoring of the procurement process in terms of transactions.

(b) *Approval of expenditure from prior periods*

In reviewing programme management at the Ethiopia, Mozambique and Myanmar country offices, the Board noted that the country offices had approved, through the funding authorization and certificate of expenditures form, expenditures from periods prior to the date of signature of the respective workplans. In addition, a number of invoices paid on behalf of implementing partners corresponded to years prior to the signature of the agreement between UNFPA and the implementing partner.

In addition, advance and reported expenses had been authorized, although no activities were planned for the period in the workplan.

(c) *Non-updated shipment tracker*

During the audit process, the Board noted that the Mozambique and Myanmar country offices had not maintained the shipment tracker of the purchasing module of Atlas updated with regard to the handover of supplies to implementing partners. The Board is of the view that not updating the shipment tracker in this way could result in expenses and inventories being recorded in the wrong period in the financial statement, affecting management decision-making. In addition, the Board noted a lack of supporting documentation in the shipment tracker, inter alia, lack of evidence of physical inspections, absence of bills of lading or air waybills, and non-provision of receiving and inspection forms.

Main recommendations

With regard to the above findings, the Board recommends that UNFPA:

(a) *Management of procurement activities*

(i) **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;**

(ii) **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' requirements, with the main objective of building standardized, timely and useful monitoring tools and reports for the users;**

(b) *Approval of expenditure from prior periods*

(iii) **In coordination with its 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;**

(iv) **In coordination with 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;**

(c) *Non-updated shipment tracker*

(v) **In coordination with 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;**

(vi) **In coordination with 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.**

Key facts

$402.21 million	UNFPA budget for development and management, United Nations development coordination and special purpose activities
$1,409.20 million	Revenue reported
$1,130.20 million	Total expenses
155	Number of countries served by UNFPA
1,462	Number of implementing partners working with UNFPA
2,172	UNFPA local staff
763	UNFPA international staff
$354.61 million	Total amount spent by implementing agents in 2019 for delivery of programme activities on behalf of UNFPA
$775.60 million	Expenses spent directly by UNFPA in 2019

A. Mandate, scope and methodology

1. The Board of Auditors audited the financial statements of the United Nations Population Fund (UNFPA) and has reviewed its activities for the year ended 31 December 2019, 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.

2. 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 2019 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.

3. 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.

4. 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.

5. 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

6. The Board noted that there were 27 outstanding recommendations up to the year ended 31 December 2018, of which 22 (81 per cent) have been fully implemented and 5 (19 per cent) are under implementation. Details of the status of implementation of the recommendations from prior years are set out in annex I. UNFPA continues to work on the implementation of outstanding recommendations, enhance policies and establish strategies in order to strengthen its operations.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	22	5	0	0
Percentage	81	19	0	0

Source: Board of Auditors.

2. Financial overview

Financial position

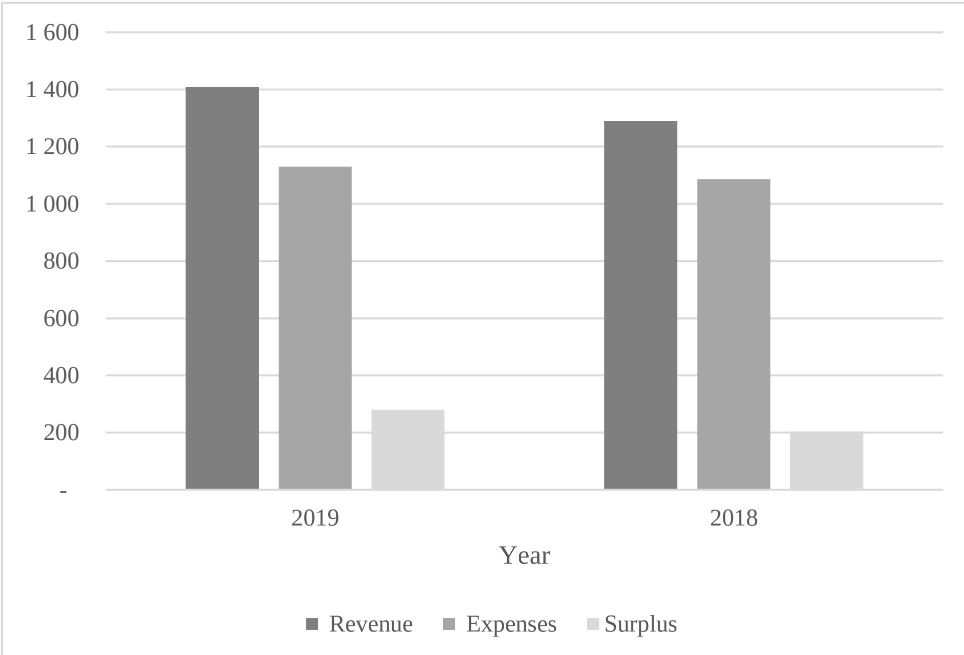
7. The total assets of UNFPA increased by $358.14 million (22.3 per cent), from $1,609.48 million in 2018 to $1,967.62 million as at 31 December 2019. The growth was primarily a result of the increase in contributions recognized over expenses paid. Total liabilities increased by $5.61 million (1.1 per cent), from $529.16 million in 2018 to $534.77 million in 2019. The growth in liabilities is due mainly to an increase in accounts payable and accruals. Reserves and fund balances increased by 32.6 per cent to $1,432.9 million as at 31 December 2019 (2018: $1,080.3 million).

Operating results

8. In 2019, UNFPA reported total revenues of $1,409.2 million (2018: $1,290.32 million) and total expenses of $1,130.2 million (2018: $1,086.02 million), representing a surplus of $279 million (2018: surplus of $204.3 million), as shown in figure II.I. The surplus is attributable to the increase in earmarked contributions, owing mainly to increased funding from United Nations inter-agency transfers and contributions to thematic trust funds.

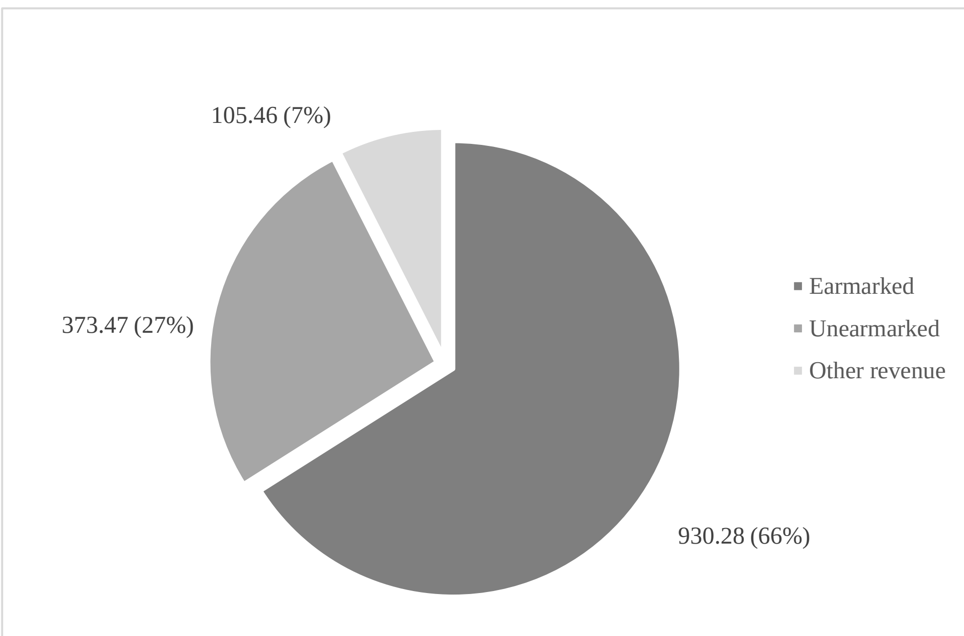
9. Of the total revenues, earmarked contributions corresponded to $930.28 million (2018: $824.26 million), unearmarked contributions corresponded to $373.46 million (2018: $378.8 million) and other sources of revenue reached $105.46 million (2018: $87.26 million), as shown in figure II.II. Total revenue increased by $118.88 million (9.21 per cent), owing to an increase of $106.02 million (12.86 per cent) in earmarked contributions, attributable to funding from United Nations inter-agency transfers and contributions to thematic trust funds. Unearmarked contributions decreased by $5.34 million (1.41 per cent), mainly as a result of the strengthening of the United States dollar against the UNFPA main contribution currencies. The decrease was offset in part by increased contributions from two major donors. It continues the trend observed in four of the last five years for unearmarked contributions to be lower each year than in the previous year.

Figure II.I
Revenue, expenses and surplus of the United Nations Population Fund for 2019 and 2018
(Millions of United States dollars)



Source: UNFPA financial statements for 2019.

Figure II.II
Revenue of the United Nations Population Fund, 2019
(Millions of United States dollars)



Source: UNFPA financial statements for 2019.

Ratio analysis

10. The analysis of the main financial ratios (see table II.2) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Similarly, the sound financial position is exhibited by all ratios, with the current ratio increasing from 5.3 to 6.4 owing to an increase of $271.2 million in respect of cash, cash equivalents and current investments. This increase resulted mainly from the excess of contributions collected over expenses paid.

Table II.2
Ratio analysis

Description of ratio	*31 December 2019*	*31 December 2018*
Current ratio[a]		
Current assets: current liabilities	6.4	5.3
Total assets: total liabilities[b]	3.7	3.0
Cash ratio[c]		
Cash plus current investments: current liabilities	4.7	3.7
Quick ratio[d]		
Cash plus current investments plus current contributions receivable: current liabilities	5.8	4.8

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2019.
[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. Procurement management

Management of procurement activities

11. UNFPA is the lead agency within the United Nations system for the procurement of reproductive health commodities. Procurement at UNFPA is driven by key principles that are embedded in the Fund's Financial Regulations and Rules and based on ethical considerations, best value for money, fairness, integrity, transparency, effective international competition and the interest of the Fund. Procurement for UNFPA-funded projects is undertaken by UNFPA country office or headquarters personnel. In 2019, the Procurement Services Branch carried out 68 per cent of total procurement. Procurement on behalf of external entities, such as other United Nations entities, Governments and non-governmental organizations, is the sole responsibility of the Branch.

12. UNFPA personnel must conduct procurement processes with full adherence to the requirements of the internal control framework of UNFPA. In this context, the Procurement Services Branch uses Atlas, the enterprise resource planning system of UNFPA, to carry out its global procurement monitoring functions. The Board noted that the different thresholds established for each solicitation method had not been set as parameters in the Atlas system.[1] That situation involves the risk that a procurement

[1] United Nations Population Fund (UNFPA), Procurement Procedures, 15 June 2019, sect. 6.3.

process could be initiated above the threshold established for particular solicitation methods and that the controls established for those methods could not apply.

13. Moreover, when the procurement focal point issues a purchase order, the Atlas system does not automatically generate a purchase request, and purchase requests are not associated with the respective specific country office. The situation entails a risk in terms of the traceability of each acquisition process.

14. In addition, the Board verified that the Atlas system does not automatically associate the purchase order with the respective long-term agreement. Currently, each Atlas user can manually enter general comments related to each procurement process. The procedure is an impediment to parameterizing the data so that they can be used to issue reports and perform analysis, follow-up and monitoring of the long-term agreement, since the information is entered at the discretion of each user.

15. In cases of third-party procurement, according to the UNFPA procurement procedure, the funds must be received in the UNFPA bank account before procurement activities are initiated,[2] unless the third party is a United Nations entity. Nevertheless, the Board verified that the Procurement Services Branch could generate purchase orders in the Atlas system without a preventive control to verify that the respective third party had made the advance payment for the amount of the acquisition.

16. Moreover, it was noted that the Branch used Excel spreadsheets as a monitoring tool to support the procurement focal points in performing their tasks. The spreadsheets contained purchase order monitoring and related requests, purchase orders with a date in the order tracking system, a purchase order approval helper and ad hoc verifications, among other things.

17. The data are obtained on a daily basis by extracting information from the Atlas database to the database of the Branch. Later on, personalized reports are generated to deliver support to the different work teams. The reports contain the status of procurement processes – for instance, orders, requests, vouchers and billing – that must be managed in the Atlas system. In addition, the reports allow monitoring of the data and the user can correct inconsistencies related to, inter alia, the code of the field office that placed the order, the funds used and the types of cargo.

18. The reports, which are used mainly to facilitate operational controls at the Branch, do not help to detect, among other things, operations that exceeded the thresholds for each purchase type; early alerts related to contract compliance dates; automatic alerts about changes associated with sellers, or the status of purchase orders or other documents; or a lack of mandatory documentation.

19. During the audit process, the Board detected that several versions and copies of the Excel spreadsheets existed, owing to modifications that the Branch work teams had requested from a business analyst. It was observed that, for each information requirement presented to the business analyst, a solution had been provided, with specific macros for or modifications to the existing Excel spreadsheets. In fact, the Board detected 17 versions of the spreadsheets, containing macros with different functionalities. Moreover, there was no management of the various versions of the spreadsheets.

20. Notwithstanding the foregoing, the Branch operations team periodically executes the unapplied contributions report, which provides updated information

[2] The requirement that payment for third-party procurement be received in advance is established in regulation 15.3 of the UNFPA Financial Regulations and Rules, which, in accordance with sect. 14.2.1 of the Procurement Procedures, provides the guiding principles for the conduct of third-party procurement at UNFPA.

from the Atlas system. The rest of the Branch work teams develop their reports when deemed appropriate.

21. The aforementioned tools were designed to overcome weaknesses related to the monitoring of purchasing processes in the Atlas system, which does not contain reports or functionalities that would allow users to establish preventive controls or information that would help to maintain management and operational controls at an appropriate level.

22. In addition, procurement documents related to key activities were recorded in Excel files (the documents were invitations to bid, requests for proposals, direct contracting documents, long-term agreements, memorandums of agreement and requests for quotations). At the reporting date, the information provided in the files had not been updated, and the files contained empty fields and, in some cases, no specific information regarding the status of each application.

23. Lastly, the Board observed that the Atlas system lacked functionalities related to preventive monitoring of the procurement process in terms of transactions. For instance, there were purchase orders that were pending in the system while the products had been received by the entity, a situation that affects the accuracy of the accounting information and generates the risk of non-registered liabilities.

24. The Board is of the view that the weaknesses detected in terms of reporting and the absence of automatic controls in the Atlas system have a direct impact on the different procurement processes carried out by the Procurement Services Branch. Although the Branch has in place alternative controls, the use of Excel spreadsheets to obtain useful reports entails inefficient use of human resources.

25. In addition, the Excel tools that the Branch has implemented to address the weaknesses of the Atlas system do not provide complete and reliable information that would allow the entity to supervise global purchases in an efficient and timely manner. Although the aim of the reports is to substantiate the status of the procurement processes and deliver subsequent alerts, such manual tools give no assurance for that purpose.

26. The Board also holds that, because of the current control weaknesses of the Atlas system, the Branch cannot maintain preventive monitoring of its procurement activities. Therefore, the system does not allow unusual transactions to be identified in a timely manner.

27. The Board is also of the view that UNFPA should implement more efficient tools to generate standard reports that are accessible to any manager or team leader and allow them to verify the current status of any procurement process in order to ensure the control and overview of any document that is part of the acquisition process. In addition, the various reports created to mitigate the weaknesses of the Atlas system are not an efficient tool for ensuring the optimal administration of the different solicitation methods, since they were not developed in accordance with minimum standards of quality assurance.

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.**

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' requirements, with the**

main objective of building standardized, timely and useful monitoring tools and reports for the users.

30. UNFPA agreed with these recommendations. The entity informed the Board that such requirements have been included in the new enterprise resource planning system, which is scheduled for the end of 2021. Moreover, UNFPA affirmed that it would define the scope of the business analytics team of the Branch, with the purpose of standardizing the reporting mechanism.

Procurement focal point responsibilities

31. Section 2.2 of the UNFPA Procurement Procedures, issued in 2019, which establishes the key responsibilities of the Fund's various organizational units, indicates that it is the specific responsibility of the Procurement Services Branch to issue purchase orders for field offices, third-party procurement customers and headquarters business units, and, through the effective management of Atlas requisitions and purchase orders, ensure the optimum use and utilization of financial resources.

32. Moreover, in accordance with section 1.2 of the policy, procurement focal points must meet the following requirements:

(a) Conduct solicitation processes, both informal and formal, on behalf of the entire office, satisfying procedural requirements and maintaining complete records of procurement processes;

(b) Keep all procurement files complete and up-to-date with all documents related to procurement processes;

(c) Maintain procurement logs to ensure better management of: (i) solicitation processes; (ii) contracts for professional services and long-term agreements; (iii) piggybacking on long-term agreements established by other United Nations entities; and (iv) direct contracting without the conduct of requests for quotations or the collection of three quotations for every procurement process;

(d) Coordinate the process of providing procurement-related documents to the internal and external auditors and other process reviewers;

(e) Keep all procurement-related applications and systems up to date.

33. The Branch was requested by the Board to provide, for the purpose of analysis, information related to the following procurement processes: requests for quotations, requests for proposals and invitations to bid.

34. The Board observed that reports on requests for quotations, requests for proposals and invitations to bid were completed manually in an Excel file on a shared drive. From the analysis carried out by the Board, the following weaknesses were detected: the data did not include the vendors that had been contacted to request the quotation; fields for the selection of vendors were empty or the status was "pending", although the request for quotation had already been completed; fields did not contain the deadline date, the bid issue date, the bid receipt date or the bid opening date; and the fields' status had not been completed.

35. The Board is of the view that the situation described above affects the reliability, integrity and availability of the information related to different purchase methods carried out by the Branch.

36. The Board is also of the view that not having all the relevant information affects the monitoring and reporting of the different solicitation methods carried out by the Branch.

37. Lastly, the Board considers that these weaknesses affect the effective fulfilment of the tasks and responsibilities assigned to the procurement focal point in section 1.2 of the policy.

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.**

39. UNFPA agreed with the recommendation.

Local procurement management

40. Section 11.4 of the Procurement Procedures, issued in 2019, defines a long-term agreement as a written arrangement between UNFPA and a supplier, an agreement that allows UNFPA to order specified goods and/or services from the supplier in accordance 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.

41. Long-term agreements increase the efficiency of procurement by decreasing bidding time for frequently purchased items or services. Thus, once a long-term agreement is awarded, and during its validity period, purchases of goods and/or services do not require further approval by any awarding authority.

42. It is also stated in the policy that recurrent needs for goods and services that would qualify for long-term agreements with longer periods are typically related to catering, cleaning management, hotel and event management, travel, printing and publishing services, among others.

43. Paragraph 4.4 of the policy states that all requests for the procurement of goods and/or services equal to and above $5,000 require the requesting unit to raise a requisition in the Atlas system and subsequently issue a purchase order. Nonetheless, a requisition is not required for goods and services worth less than $5,000; instead, a non-purchase-order voucher is used for such goods and/or services, and for services whose amount cannot be reliably estimated at the time of the request (for example, mobile phone and utilities services) and for which the lead time between request and payment is short.

44. In addition, it is stated in the policy that deliberately conducting multiple tender processes or splitting requisitions in order to circumvent established rules and procedures runs counter to the procurement principle of open and effective international competition and increases the costs of UNFPA, as such actions may result in the mismanagement of public funds and wastage of resources.

45. It is also established in the policy that the purchase order must be approved by an officer holding appropriate procurement authority. Then, once the purchase order is approved and the budget checked, the purchase order must be dispatched and shared with the supplier within three working days of the time of the contract award. This step is necessary before the supplier can start the delivery of the goods and/or services described in the purchase order.

46. The Board analysed the list of procurements made through shopping and non-purchase-order vouchers in an amount of less than $5,000 by the UNFPA country offices in Ethiopia, Mozambique and Myanmar in 2019. Although individually the procurements were below the amount of $5,000, the Board noted that they were recurrent and for the same vendor, and that the annual amount as a whole was above the threshold of $5,000.

47. The cases identified are the following: at the Mozambique country office, 411 acquisitions below $5,000 were made, in a total amount of $338,289, in relation to travel, hotel accommodation, stationery and printing, maintenance and the rental of vehicles, among other things. Given the occurrence of these procurements and the matters to which they related, they were identified as recurrent procurements, for which long-term agreements need to be established, ideally jointly with other United Nations agencies.

48. The Board also analysed the local procurement procedures performed by the UNFPA country office in Myanmar in 2019, and identified two acquisitions in a total amount of $12,045, which exceeded the threshold established for such procurement in the policy. Moreover, the Board identified five purchase orders, in a total amount of $1,575, that were issued for each vendor after the services had been provided.

49. Regarding the UNFPA country office in Mozambique, the Board is of the opinion that the procurement cases detected were of a recurrent nature, and that, therefore, a long-term agreement should have been signed with the vendors, in accordance with UNFPA policy, as regular procurement procedures increase the efficiency of the procurement process and decrease the award time for frequently purchased items or services.

50. Moreover, the Board is of the view that the total amount of the procurement per vendor was above the threshold for the use of shopping or non-purchase-order vouchers. Therefore, in the absence of signed long-term agreements, the country office should have made requests for quotations for those procurements, in order to cover the risk of splitting them.

51. The Board is also of the view that the UNFPA country office in Myanmar has selected an inadequate solicitation method that does not comply with internal regulations. The regulations indicate particular solicitation methods to be used for specific procurement cases, on the basis of thresholds and the complexity of the requirements.

52. Moreover, the Board is of the opinion that procurements for which purchase orders were issued after the services had been provided denote weaknesses and lack of control in purchases of goods and services, and could result in unauthorized purchases or in acquisitions that do not have the encumbrances required to honour the financial commitments.

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.**

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.**

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.**

56. The UNFPA country offices in Mozambique and Myanmar agreed with these recommendations.

4. Inventory management

Lack of accounting and reporting in inventory management

57. In the UNFPA Policy and Procedures on Management of Programme Supplies, issued in 2018, inventory in stock is defined as the inventory controlled by UNFPA and comprises the stock of reproductive health commodities and humanitarian supplies controlled by the Procurement Services Branch, typically stored at suppliers' facilities, and inventory held in warehouses by field offices.

58. Paragraph 317 of the policy establishes that the inventories of programme supplies maintained under the control of UNFPA field offices are recognized as assets on the basis of the shipment tracker accounting process, which is run by the Finance Branch at the end of each quarter. In addition, paragraph 350 establishes the following:

> The Finance Branch must produce quarterly reports on conditions indicative of potential operating effectiveness problems in the order sourcing, fulfilment and delivery processes, including:
>
> (a) Programme supplies requisitions not sourced within three months of their approval;
>
> (b) Programme supplies purchase orders not dispatched within two weeks of their approval;
>
> (c) Exceptions and gaps in order tracking system milestone data relevant for inventory tracking purposes that could indicate delays in shipping, customs clearance and receiving and inspection activities;
>
> (d) Aged, slow-moving and/or expired or about to expire static inventory;
>
> (e) Aged in-transit inventory;
>
> (f) Unreconciled inventory differences;
>
> (g) Physical and other inventory adjustments;
>
> (h) Inventory write-offs;
>
> (i) Supporting documents not uploaded in the Shipment Tracker.

59. The Board reviewed the inventory accounts as at 30 June 2019 and noted that the Finance Branch had not recognized in the trial balance, on a quarterly basis, the inventories under the control of UNFPA field offices. The detail of the adjustments was an amount of $43,569,077 as at 31 March 2019 and an amount of $56,245,730 as at 30 June 2019.

60. Similarly, the Board requested the quarterly reports on conditions indicative of potential problems related to operating effectiveness in the order sourcing, fulfilment and delivery processes.

61. The Finance Branch explained that, since the issuance of the policy on programme supplies, it has issued semi-annual (rather than quarterly) performance reports that include various performance metrics considered to be most relevant to the effective management of programme supplies. Those reports, as indicated by the Branch, could provide the Board with a calculation of the capacities of Atlas, the existing enterprise resource planning system of UNFPA. The indicators include inventory ageing, timeliness in updating the shipment tracker, and goods lost, written off or soon to expire, all supplemented by qualitative information based on the results of periodic inventory certifications. In addition, the Branch issues a report in which two indicators of efficiency in its downstream supply chain management processes

are measured: the time lag between the financial and physical receipt of the goods, and the time lag between physical receipt and delivery.

62. Notwithstanding the explanation given by the Finance Branch, the Board identified that the report provided by the entity for the fiscal year 2018 had been issued in June 2019.

63. The Board holds that, in the first semester of 2019, UNFPA did not comply with the frequency for recognizing the inventories. In addition, the failure to issue quarterly reports in a timely fashion could generate weaknesses in the proactive detection of inefficiencies in the sourcing, fulfilment and delivery of inventories.

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.**

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 order sourcing, fulfilment and delivery processes.**

66. UNFPA agreed with the first recommendation and stated that not recognizing field office inventories in the trial balance as at the end of each interim quarter did not affect statutory reports.

67. Regarding the second recommendation, UNFPA agreed to comply with the preparation of quarterly reports but stated that it would only be in a position to do so upon the adoption of the new enterprise resource planning system, which is scheduled for the end of 2021.

Non-updated shipment tracker

68. In the policy on programme supplies, it is stated that the shipment tracker is a tool of the purchasing module of the Atlas system and is 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 that control is passed to third parties, primarily through handover to implementing partners. The tool is also used as the main repository of supporting documents on receipt and inspection, handover and disposal. Furthermore, paragraph 281 of the policy states that the handover of goods must be documented through delivery slips.

69. It is also stated in the policy that the shipment tracker focal point at the field office is responsible for uploading receiving and inspection forms in the tool to reflect the transfer of control over the goods to the implementing partners; providing and uploading the documents and notifications, and accurately updating the order tracking system, should suppliers and freight forwarders omit to do so; and updating the "customs cleared" date in the order tracking system within two business days of the completion of customs clearance for internationally procured goods.

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

71. The cost of the supplies is recognized as an expense in the appropriate general ledger accounts at the time when the accounts payable vouchers are posted. Then, at the end of the period, the inventory under the control of UNFPA is recognized by charging account No. 14601 or account No. 14605 and reversing the related expenses previously recorded.

72. Finally, the inventory under the control of UNFPA should, in accordance with the policy, be recognized as assets on the basis of the shipment tracker accounting process, which also determines and aggregates the cost of any goods not marked as delivered or disposed in the tracker at the end of the period.

73. The Board detected that the Mozambique and Myanmar country offices had updated the shipment tracker with the handover of supplies to implementing partners in the amounts of $799,610.69 and $84,364, respectively, with several month-long delays.

74. In addition, the Board reviewed the list of supplies delivered in 2019 to the implementing partners of the UNFPA country offices in Ethiopia and Mozambique. The Board identified the following cases in which procedures indicated in the policy had not been carried out:

(a) Cases in which bills of lading or air waybills had not been uploaded in the shipment tracker;

(b) Cases in which receiving and inspection forms had not been provided;

(c) Cases in which the order tracking system had not been updated with the physical receipt;

(d) Cases in which receiving and inspection forms had not been uploaded in the shipment tracker by the Mozambique country office;

(e) Cases in which visual inspection sample documents had not been provided by the Ethiopia country office;

(f) Cases in which delivery slips had not been uploaded in the shipment tracker by the Ethiopia country office.

75. The Board is of the view that the shipment tracker is not always updated before the closure of the corresponding accounting period and the running of the inventory accounting process. That situation could result in expenses being recorded in the wrong period, and could lead to the overvaluation of assets and the undervaluation of expenses in the financial statements.

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.**

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.**

78. UNFPA agreed with the first recommendation and will ensure that the Mozambique and Myanmar country offices record inventory transactions in the shipment tracker.

79. UNFPA accepted the second recommendation and will ensure that the Mozambique and Ethiopia country offices maintain regular monitoring.

Standard operating procedures

80. In paragraph 174 of the policy on programme supplies, it is stated that customs clearance activities must be completed on the basis of country-specific standard operating procedures, to be developed by the logistics focal points. In addition, that

paragraph indicates the minimum requirements regarding the content of the standard operating procedures.

81. Regarding the UNFPA country office in Mozambique, the Board verified that UNFPA had developed no standard operating procedure to regulate customs clearance. The operating procedure currently used by the country office was issued by a local implementing partner and does not comply with all the requirements established in the policy on programme supplies.

82. Moreover, the Board reviewed the standard operating procedure used at the UNFPA country office in Ethiopia for customs clearance in the importing of goods. The Board identified that the procedure did not include the following activities required in paragraph 174 of the policy:

> "(c) Establish the timeline of the activities and the associated responsibilities;
>
> …
>
> "(e) Identify any differential or supplementary requirements that may apply to different ports of entry (e.g., seaports or airports);
>
> "(f) Include customs clearance checklists that can be used to guide and track all customs clearance activities; …
>
> "(g) Clearly document any additional or alternative processes to be followed for customs clearance of goods procured in the context of humanitarian emergencies."

83. The Board considers that the operational procedure used for customs clearance at the UNFPA country offices in Ethiopia and Mozambique does not establish all the minimum standards that the field offices must meet in accordance with the policy on programme supplies, a situation that could affect the proper execution of customs clearance activities.

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.**

85. The UNFPA country offices in Ethiopia and Mozambique agreed with the recommendation.

Storage conditions at the Ethiopia country office

86. The processes, procedures and internal controls for the effective management of UNFPA programme supplies are established in the policy on such supplies.

87. It is stated in the policy that, upon receiving the goods, warehouse focal points must review the storage requirements of the manufacturer and ensure that the goods are stored in adjacent areas, in order to facilitate access, movement and distribution, and prevent errors in their handling; shelves and pallets should be arranged in a stack no more than 2.5 metres high; products must not be stored in direct sunlight and must be kept at the required temperature at all times, as specified on the product labels and in the storage requirements of the manufacturer.

88. By way of general guidance, it is also stated in the policy that the requirement for goods to be stored at room temperature means that they must be stored in dry, clean and well-ventilated areas at temperatures of between 15°C and 25°C; temperature and humidity levels must be monitored at least on a daily basis. Temperature and humidity logs must be kept, with notations of the temperature and

humidity levels measured and actions taken to address any deviations from the required storage requirements.

89. In addition, under the policy, all goods must be stored in an organized and systematic manner to allow their delivery following the first-to-expire, first-out approach. Batches with different expiration dates must not be mixed, and the goods with the shortest remaining shelf lives must be stored in the most visible and accessible positions, to ensure that they can be distributed first. In addition, product conditions must be monitored regularly, and defects or damage reported promptly, to allow timely and appropriate remedial actions for the issues identified.

90. On 23 January 2020, the Board visited the warehouse of the Adama branch of the Ethiopia country office and noted that the country office had not taken all measures to store the programme supplies in appropriate conditions. The Board detected the following situations:

(a) Pallets were arranged in stacks more than 2.5 metres high;

(b) Goods that should have been stored at room temperature were stored in the warehouse, in which temperatures could exceed 25°C. Boxes containing reproductive health kit 6, part B, which, according to the manufacturer, must not be stored at more than 25°C, were stored in the warehouse. In addition, the temperature and humidity levels were not monitored on a regular basis;

(c) Goods were not stored in a systematic manner that would have allowed delivery following the first-to-expire, first-out approach;

(d) The same product was stored at different locations in the warehouse;

(e) Boxes were damaged boxes, stacked upside down or sideways, open or stacked leaning on one side.

91. The Board is of the view that the goods controlled by the UNFPA country office in Ethiopia are not stored suitably in accordance with the Policy and Procedures on Management of Programme Supplies, since general disorganization was verified in the storage of goods.

92. In addition, the Board is of the opinion that the warehouse does not have the minimum controls to ensure an adequate temperature for the medical products that are stored there.

93. Lastly, the Board is of the opinion that the storage of supplies in damaged or open boxes could damage the supplies or render them unusable and, consequently, result in their being disposed of and generate impairment losses.

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.**

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.**

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.**

97. The UNFPA country office in Ethiopia accepted the recommendations.

5. Programme management

Expenditure approved from prior periods

98. In the Policy and Procedures for Preparation, Management and Monitoring of Workplans, issued in 2018, workplans are defined as the main tools for the planning, budgeting and monitoring of activities that contribute to programme outputs as outlined in the relevant country programme documents, the global or regional interventions or other planning instruments.

99. The workplan is one of the formal documents signed by the implementing partner and UNFPA. It captures the expected programme outputs, with indicators, baselines and annual targets, the activities to be carried out for the achievement of those outputs, the costed inputs (budgets) to be provided for each activity (for example, supplies, contracts, travel and personnel), the associated resources and the time frame for undertaking the planned activities. Workplans are the basis for requisitioning, committing and disbursing funds for planned activities, and for their monitoring and reporting.

100. The workplan is the sole mechanism for budgeting and releasing programme funds. Therefore, all activities must be included in a workplan and no funds can be spent without a valid, signed workplan. No funds are to be committed or disbursed to an implementing partner before a workplan has been signed, for the implementing partner, by the authorized officer identified in the implementing partner agreement and, for UNFPA, by the head of unit.

101. In accordance with step 2 (a) of section III.A, "Design of the workplan", of the policy on workplans, workplans should contain the following elements: a cover page with a narrative summary of how the workplan will contribute to the achievement of the programme outputs, the estimated total workplan budget, the source of funds, the agreed support cost rate (if any), the annual budget breakdown, the dates of the start and end of the implementation of the activities, and the signatures.

102. Lastly, section III.C, "Agreements with implementing partners", of the Policy and Procedures for Selection, Registration and Assessment of Implementing Partners, revised in 2016, states that UNFPA must enter into an agreement with the implementing partner prior to commencing any activities.

103. The Board analysed a sample of workplans signed between implementing partners and the Mozambique country office, and noted that the country office had approved, through the funding authorization and certificate of expenditures form, expenditure from periods prior to the signature of the workplans and their uploading to the global programming system, for a total of $63,434.

104. The Board also detected that, in September 2019, the Mozambique country office had directly paid invoices from prior years (from 2013 to 2017) for a total of $911,982.23, although the agreement had been signed in February 2017.

105. Moreover, the Board detected that the Ethiopia country office had approved a funding authorization and certificate of expenditures form and a cash transfer in an amount of $53,188.54, before the workplan had been signed and uploaded to the global programming system.

106. Similarly, the Board detected that the Myanmar country office had authorized an advance totalling $31,235 for the implementing partner for the fourth quarter (and reported expenses of $28,289 for the same period), although no activities had been planned for that quarter in the workplan.

107. The Board considers that the cases detected are not in harmony with the procedures for the preparation, management and monitoring of workplans, and denote

weaknesses in the effective monitoring and control of the expenditure of the implementing partners. In addition, the Board considers that the payment of expenses prior to those included in the respective workplans is not aligned with the main objective of workplans, namely, to plan, budget and monitor the activities that contribute to programme results.

108. The Board also considers that these situations could result in workplan activities taking place outside the agreed-upon workplan, the expenditure exceeding the workplan budget, the activities carried out not being programmatic in nature and the activities not being implemented in a timely manner.

109. Moreover, the Board is of the view that the cost of workplan activities may not be based on a detailed budget calculation and may not include, or may underestimate, all the costs required for the implementation of the activities.

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.**

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.**

112. UNFPA accepted these recommendations and mentioned that it would facilitate compliance therewith, which is a field office responsibility. It also pointed out that UNFPA headquarters would present a series of global webinars to refresh staff’s knowledge of the requirements for key policy areas.

Use of the global programming system

113. In the UNFPA user guide on the global programming system, issued in 2018, the system is defined as the software solution of UNFPA for the management of workplans, workplan progress reports and requests for cash transfers to implementing partners.

114. The global programming system works as a dedicated module in the Atlas system and is used to manage programme cycles and project identifications; workplan snapshots, including the activities in the workplans and their programmatic and financial attributes; cash transfer requests; workplan progress reports; programme cycle output progress reports; and workplan and commitment control revisions.

115. Through the global programming system, implementing partners and UNFPA users can upload documents (with appropriate descriptions) that are part of procedures for the management of cash transfers to implementing partners.

116. In addition, the UNFPA Policy and Procedures for Management of Cash Transfers to Implementing Partners contain the following key control actions to mitigate potential risks related to the process:

(a) Implementing partners must submit reimbursement authorization requests and obtain written authorization from UNFPA prior to incurring any programme implementation expenses under the reimbursement modality;

(b) Cash advance and reimbursement authorization requests must be supported by detailed itemized cost estimates or by workplan budgets providing a similar level of breakdown of inputs, by quarter;

(c) Cash advances and reimbursements must be paid only to the bank accounts specified in the implementing partner agreements;

(d) Funding authorization and certificate of expenditures forms must be submitted through the global programming system module intended for that purpose.

117. In the policy on cash transfers to implementing partners, the main roles and responsibilities of the staff of implementing partners and UNFPA are set out. Implementing partner users are responsible for the preparation and submission of funding authorization and certificate of expenditures forms for review and approval by UNFPA.

118. UNFPA programme associates, for their part, are responsible for the detailed review of funding authorization and certificate of expenditures forms, direct payment request and reimbursement authorization request forms, and other information and documents submitted by implementing partners.

119. The Board reviewed, at the Ethiopia, Mozambique and Myanmar country offices, the use of the global programming system, a sample of the workplans and all the supporting documentation and information uploaded in the global programming system, such as workplans, funding authorization and certificate of expenditures forms, expense reports, budget revisions and workplan progress reports, and detected the following weaknesses:

(a) At the Ethiopia and Mozambique country offices, the Board found uploaded files that could not be opened, duplicate files, and uploaded documents with inappropriate or unclear descriptions;

(b) At the Mozambique country office, the implementing partners had not uploaded reimbursement and direct payment authorization requests to obtain written authorization from the country office;

(c) At the Ethiopia and Mozambique country offices, the bank account numbers of the implementing partners specified in the agreements were different from the numbers involved in the transfers reported in the vendor information section of the funding authorization and certificate of expenditures module, or the bank accounts were not in the global programming system;

(d) At the Ethiopia country office, in one case, the funding authorization and certificate of expenditures form had been approved before the workplan progress reports;

(e) At the Myanmar country office, funding authorization and certificate of expenditures forms had been submitted and approved more than 15 days after the end of each quarter.

120. The Board considers that there are weaknesses in the monitoring and revision by UNFPA country office staff of processes and of the documentation uploaded by each implementing partner in the global programming system.

121. The Board also considers that timely revision during the execution and implementation of activities ensures and improves the effective and efficient use of the global programming system.

122. In addition, the Board is of the view that differences between the bank accounts in the implementing partner agreement and those in the Atlas system could lead to the incorrect use of such accounts and a possible risk of fraud for the Ethiopia and Mozambique country offices.

123. The Board also considers that approving the workplan progress reports after approving the funding authorization and certificate of expenditures form runs counter to the purposes of this tool, namely, to review and approve the form, and to ascertain that the expenses reported in it are in accordance with actual programme implementation.

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.**

125. **The Board recommends that the UNFPA country offices in Ethiopia and Mozambique update all the bank accounts for each implementing partner agreement.**

126. The UNFPA country offices in Ethiopia, Mozambique and Myanmar agreed with these recommendations.

6. Harmonized approach to cash transfer framework

Delay in conducting spot checks at the Myanmar country office

127. In accordance with paragraph 9.17 of the harmonized approach to cash transfer framework of the United Nations Development Group, issued in 2014, periodic on-site reviews, or spot checks, are performed to assess the accuracy of the financial records for cash transfers to the implementing partner and the status of programme implementation (through a review of financial information), and to determine whether there have been any significant changes to internal controls.

128. In addition, in section III.C (4) of the UNFPA Policy and Procedures for Preparation, Management and Monitoring of Workplans, issued in 2018, it is stated that all expenses incurred by implementing partners for agreed workplan activities are subject to periodic assurance activities – spot checks and audits – carried out or commissioned by UNFPA with a scope and frequency determined on a risk basis.

129. The spot checks are a tool for proactive financial monitoring to assess the accuracy of financial records for cash transfers to the implementing partners, identify gaps and address them throughout implementation, and determine whether there have been any significant changes to internal controls.

130. On 3 May 2019, the Division for Management Services issued guidance on that year's assurance planning for the harmonized approach to cash transfer framework. The Division stated that the threshold for spot checks was $50,000 and provided the following instructions:

(a) Audits and spot checks should be scheduled on the basis of expected expenditures, in accordance with the criteria and thresholds established. Spot checks should be scheduled in 2019 to ensure proactive assurance;

(b) Assurance activities should be performed as planned. Spot checks should be performed early in the calendar year and implementing partners with a higher volume of expenses should be given high priority.

131. The Board analysed the assurance plan activities and verified that the UNFPA country office in Myanmar had not carried out spot checks of the five implementing partners, despite the high volume of expenses (a total of $1,550,300.12) maintained in 2019. The Board also detected that the spot check reports for 2018 had been issued in March, April and June 2019.

132. The Board considers that the lack of timely spot checks impedes the proactive financial monitoring and control of implementing partners. In addition, the delayed spot checks run counter to the 2019 assurance planning for the harmonized approach to cash transfer framework, issued by the Division for Management Services, and denote weaknesses in the internal controls and in the Fund's compliance with the

proactive assurance defined in the Policy and Procedures for Preparation, Management and Monitoring of Workplans.

133. Moreover, the Board is of the view that sustained efforts are needed to complete the targeted assurance activities, which are critical to mitigating the inherent financial and programmatic risks involved in the cash transfer activities carried out by the UNFPA country office in Myanmar.

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.**

135. The UNFPA country office in Myanmar agreed with the recommendation.

Expenses incurred by implementing partners

136. All expenses incurred by implementing partners in respect of agreed workplan activities are subject to periodic assurance activities (spot checks and audits). UNFPA selects its implementing partners on the basis of a risk assessment and established thresholds with the purpose of performing these assurance activities, based on the level of risk of the microassessment (high, significant, moderate or low). Subsequently, third-party auditors are commissioned to carry out audits and/or spot checks, or UNFPA staff are assigned to perform spot checks.

137. In 2019, UNFPA implemented a share of its projects through 1,462 implementing partners (compared with 1,351 in 2018), for total expenses amounting to $354.61 million (compared with $315.05 million in 2018), which represents 31.4 per cent of total expenses in 2019 (compared with 29 per cent in 2018). For 2020, UNFPA management planned expenditure in an amount of $329.22 million subject to assurance activities.

138. As at 26 June 2020, UNFPA had performed 445 spot checks (69.2 per cent of those planned) and 163 audits (54.7 per cent of those planned), for total expenses of $213.03 million, which represents 64.7 per cent of the planned assurance activity coverage. Under normal circumstances, the audits and spot checks would have been carried out between mid-February and the end of April 2020. However, owing to the effects of the coronavirus pandemic, there were delays and reductions in the coverage, and a large number of activities could not be completed. It should be noted that, under normal conditions, in previous years, UNFPA had a high level of coverage, namely, 96 per cent in 2018 and 94 per cent in 2017.

139. To complete each assurance activity related to implementing partners, UNFPA management has determined several options, such as remote audit, hire of a local audit firm or a possible combination of the 2019 and 2020 audit schedules.

140. Given the information provided above and the experience of past years' audits, the Board concludes that sufficient appropriate audit evidence can be obtained under the current exceptional circumstances of the coronavirus pandemic.

7. Travel management

Monitoring and authorization of travel management

141. In matters related to human resources, UNFPA follows the policies and procedures of the United Nations Development Programme (UNDP).

142. Paragraph 8 of the UNDP guidance entitled "Route, mode of transportation, and standard of accommodation" indicates that the traveller should make travel arrangements as early as possible.

143. As soon as the mission is approved, and even before the travel request is actually created in the Atlas system, flight reservations should be made with the travel agency in order to obtain the official itinerary and the most economical fare for the trip. Stopovers are identified in the booked itinerary, which is used to determine the estimated mission cost, including terminal expenses, daily subsistence allowance and transportation, all of which are required in order to prepare the travel request.

144. Paragraph 26 of the guidance contains strong encouragement for travel itineraries to be confirmed as early as possible and for airline tickets to be not only booked but purchased at least 21 days in advance, for travel in the class below first class, and at least 14 days in advance, for travel in economy class, in order to provide the best opportunity to confirm the lowest fare in accordance with principles related to efficiency in resource management.

145. In accordance with the United Nations Security Management Security Policy Manual, issued by the Department of Safety and Security, chapter V, section A, paragraph 5, and the UNDP guidance on security clearance for duty travel, paragraph 1, it is mandatory for United Nations system personnel and eligible family members to obtain security clearance for all official travel, regardless of location. They cannot commence official travel without obtaining clearance, except for the purpose of immediate evacuation or in other situations of risk.

146. Moreover, in accordance with the information regarding the malicious acts insurance policy (administered by the Department of Safety and Security) contained in annex IX to the report of the cross-functional task force on duty of care for personnel in high-risk environments, submitted at the thirty-fifth session of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, chapter III, paragraph 1, and the UNDP guidance on the policy, paragraph 3, the purpose of the policy is to cover eligible individuals in the event of death or permanent disability (total or partial) caused directly or indirectly by war or a malicious act. Under section III, paragraph 4, of the annex, in order to make use of the insurance, it is a condition precedent under the policy that a claimant must be in compliance with the prevailing United Nations security guidelines and procedures (established by the Department of Safety and Security).

147. Paragraph 7 of section A, "Security clearance procedures and the travel request information process", of chapter V of the Security Policy Manual of the Department of Safety and Security establishes the following:

> It is critical that all travellers understand their responsibility for their security while on official travel, such as obtaining a security clearance prior to all official travel, obtaining destination-specific security information and advice prior to travelling and obtaining a security briefing from the appropriate security official upon arrival at their destination.

148. Paragraph 8 of the manual states that "official travel includes official home leave or other entitlement travel where the cost of travel is borne by organizations of the United Nations system. This applies regardless of whether official travel is undertaken by air, sea, land or any combination thereof".

149. The Board reviewed a sample of 122 cases of official travel for headquarters and the Ethiopia, Mozambique and Myanmar country offices, and noted the following situations:

(a) In 7 per cent of cases (9 of 122), tickets in the class below first class were registered, approved and purchased less than 21 days in advance. All these cases were at headquarters;

(b) In 45 per cent of cases (55 out of 122), tickets in economy class were registered, approved and purchased less than 14 days in advance;

(c) In 33 per cent of cases (40 out of 122), the traveller did not have security clearance.

150. The Board is of the view that the untimely registration, approval and purchase of travel requests could cause inefficiencies in the use of UNFPA resources.

151. In addition, in the absence of security authorization, timely information on the location of staff on official travel may not be available in the event of a crisis or an emergency. Moreover, the malicious acts insurance policy does not apply if the security clearance is not submitted and approved.

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.**

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.**

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.**

155. UNFPA agreed with these recommendations.

Reportability, control and review of travel management

156. In accordance with the UNFPA internal control framework, there are three internal lines of defence in the application of internal controls. Pursuant to section III of the framework, the first line of defence concerns functions that own and manage risks and controls (front-line operating management). All organizational personnel at field, regional and headquarters offices should carry out those functions by applying existing policies and procedures in their daily work to ensure that objectives are met and that resources entrusted to UNFPA are properly managed. In addition, under section VI of the framework, internal controls need to be present and functioning at every level of the organization and across all business processes.

157. Paragraph 11 of the UNDP guidance entitled "Other travel allowance and expenses" establishes that staff members travelling on official business are entitled to receive a travel advance for the estimated reimbursable expenses. The advance comprises 100 per cent of the daily subsistence allowance for the business destination, the daily subsistence allowance for authorized rest stopovers and necessary connections, the terminal expenses and the excess baggage allowance, among other things.

158. Lastly, paragraph 1 of the UNDP guidance entitled "Post travel" states that the travel claim is a post-travel report that the traveller is required to submit to the authorizing unit within two weeks of completion of travel that is organized and paid for by UNDP.

159. In order to verify compliance with that guidance, the Board requested a report on official travel for the UNFPA country offices in Ethiopia, Mozambique and Myanmar; it was noted that the data had been entered manually in Microsoft files, a situation that carried a high level of risk linked to errors in reportability, control and review. The Board noted that, with the data provided, appropriate control of the travel process management was impossible.

160. During the analysis of the report, the following weaknesses were detected:

(a) The report did not provide important information related to the details of the expenses (daily subsistence allowance, terminal expenses and travel ticket) and approvers for the Mozambique and Myanmar country offices;

(b) The report did not provide information, in four cases at the Mozambique country office and three cases at the Myanmar country office, on the status of travel;

(c) The report showed cases of errors in the start and end dates of each trip. The date of the start of the trip was after the end date in five cases at the Myanmar country office and one case at the Ethiopia country office;

(d) With regard to the Mozambique country office, it was stated in the report that two trips had been approved; however, according to information provided by the procurement area, both trips had been cancelled;

(e) At the Mozambique country office, the Board detected seven cases in which the procurement area had indicated that the daily subsistence allowance did not apply because the travel was for one day; however, it was stated in the report that the travel had been for two more days;

(f) At the Ethiopia country office, there was no numerical control for each trip, a situation that led to duplication errors. In the review of the country office, 40 records containing duplication in terms of the person's name and the date of commencement of the trip were detected. The administration and finance associate indicated that:

(i) A total of 10 records corresponded to different trips to the same destination, but on different dates. The country office had manually corrected the date of the trips;

(ii) A total of 30 records corresponded to trips to the same destination but were presented separately in the report, since they corresponded to payments related to the daily subsistence allowance or terminal expenses, or reimbursements of other expenses (such as air tickets and visas). In the report, it was not possible to identify the expense to which each amount corresponded.

161. With regard to the sample, 92 cases were selected and reviewed. The findings were as follows:

(a) The daily subsistence allowance was paid 30 or more days after the trip in nine cases at the Mozambique country office and eight cases at the Myanmar country office. In addition, at the Mozambique country office, in four cases, the voucher and the payment were processed during the audit revision and after the sample was requested;

(b) The trip start and end dates indicated in the report did not coincide with the travel authorization in 11 cases at the Ethiopia country office and 7 cases at the Myanmar country office.

162. The Board is of the view that these weaknesses could hinder the effective fulfilment of the tasks and responsibilities assigned to the first line of defence of the UNFPA internal control framework.

163. Moreover, the audited entities should follow and strengthen the procedures indicated by UNDP in the guidance entitled "Other travel allowance and expenses", since staff members travelling on official business are entitled to receive a travel advance for the daily subsistence allowance, but, in some cases, the payment was made after the travel, generating the risk of a possible unrecorded liability.

164. Lastly, the Board is of the opinion that the situations mentioned above affect the reliability, integrity, monitoring and availability of the information related to the travel management process, and would affect reporting if any review or control of the information is required.

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.**

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.**

167. UNFPA agreed with these recommendations.

8. Internal control framework

Disaster recovery exercise

168. Section 4 of the United Nations Secretariat information and communications technology (ICT) technical procedure on disaster recovery planning (SEC.08.PROC) states that ICT service providers must develop, document and implement a disaster recovery plan and related procedures and guidelines regarding ICT resources and data.

169. In the UNFPA disaster recovery plan, the ability of UNFPA to withstand a disaster and the processes that must be followed to recover from such an event are described. UNFPA states in the disaster recovery plan that, over time, its disaster recovery needs will change. The plan must therefore be tested periodically to reveal errors and omissions, and must be maintained to address them.

170. In the section of the disaster recovery plan on plan testing and maintenance, it is specified as a mandatory activity that the plan must be reviewed and updated annually or whenever a major system update or upgrade is performed. It is also specified that the ICT disaster recovery lead is responsible for updating the entire document; the plan testing activity is understood as a disaster recovery exercise.

171. The Board verified that UNFPA had not conducted the disaster recovery exercise for 2019 and that the disaster recovery plan had not been updated since July 2018. Moreover, in the plan, no detailed information was provided on the results of the preceding plan testing, for instance, a log section or information about the date or findings of the testing, or about the enhancements made as a result.

172. The Board considers that UNFPA should have an updated disaster recovery plan that can ensure the prompt and effective continuation of critical ICT services in the event of service disruption. To that end, the Board is of the view that UNFPA should make the necessary efforts to perform the disaster recovery plan testing, or disaster recovery exercise, periodically, and to obtain and analyse results and any other information considered relevant to the plan in order to improve processes related to the headquarters data centre, communications services and ICT systems.

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 result of the disaster recovery exercise and any important additional information.**

174. UNFPA accepted the recommendation.

Segregation of duties in Atlas, the enterprise resource planning system

175. Paragraph 22 of the Policy for Atlas User Profiles and Global Directory Application states that "segregation of duties is an important internal control which involves the distribution of tasks and associated privileges for specific business process among multiple staff, with the primary objective of preventing errors and fraud". Reasonable segregation of obligations is therefore necessary in order to minimize risks and detect them in a timely manner. In the policy, UNFPA establishes the minimum requirements for the separation of duties within any business unit.

176. The following profiles (roles in the system) shall not be combined in accordance with the policy:

(a) Finance and procurement;

(b) Buyer and purchase order manager;

(c) Buyer or purchase order manager and receipt of goods;

(d) Finance and manager/approver;

(e) Requisition/voucher manager and purchase order manager;

(f) Buyer or purchase order manager and retire assets.

177. The Board was able to verify that the Atlas system had 216 user accounts with conflicts in their profiles. The Board found 351 profile cases in which the above-mentioned rules were not being applied.

178. UNFPA indicated that, in 2017, it had created a global directory site to allow it to identify conflicts between Atlas system user profiles; however, the site had not picked up on existing conflicts in the system, for example those approved before 2017. In consequence, a manual review was under way.

179. In addition, UNFPA stated that it had started a workplan based on a phased approach and was reviewing profiles approved prior to 2017 to identify and regularize conflicts. The goal was to complete a biannual review of the global directory profiles at the end of the second and fourth quarters of 2019, using the information technology security officer report, and to follow up with country offices to determine whether the exceptions were still required.

180. The Board considers that non-compliance with the policy at UNFPA in relation to the separation of duties may lead to the creation of unusual transactions in the Atlas system, increasing the risk of fraud or error, owing to conflicts between user profiles.

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.**

182. UNFPA agreed with the recommendation.

Update of policies and procedures

183. Paragraph II (h) of the Policy and Procedures for Development, Approval and Issuance of Policies, Procedures, Tools and Guidance Notes states that policy owners shall undertake a mandatory annual review, initiated by the Policies and Procedures Manual secretariat, to determine the validity and status of policies and update the text, if necessary. Policy owners shall also carry out a mandatory revision of policies every three years, unless the policy owner, in consultation with the Policies and Procedures Manual secretariat, determines that a review is not necessary.

184. The Board reviewed the mandatory revision of the Policies and Procedures Manual, issued in 2019, and noted that, in four cases in which a mandatory text revision should have been undertaken in the current year, namely, the internal control framework, the policy and procedures for accounts payable, the policy and procedures for selection, registration and assessment of implementing partners, and the policy and procedures for using grants as a funding modality, there was insufficient evidence of a revision having been conducted.

185. In addition, it was noted that 15 policies and procedures related to ICT had not been reviewed. Of those, 14 had been due to be reviewed in July 2017 and one had been due to be reviewed in April 2016.

186. The Board considers that the situation is not in accordance with the Policy and Procedures for Development, Approval and Issuance of Policies, Procedures, Tools and Guidance Notes, in which it is stated that the policy owner shall undertake a mandatory annual review and a mandatory revision every three years.

187. The Board is also of the view that the situation jeopardizes the first line of defence established in the internal control framework. All organizational personnel carry out the functions related to that line of defence by applying the existing policies and procedures, and allowing the identification of control actions in a timely fashion to mitigate potential risks associated with business processes.

188. UNFPA stated that the Policies and Procedures Manual secretariat conducted annual reviews and that, on the basis of the results of those reviews and the ongoing business transformation at UNFPA, the Fund had determined that revisions were not necessary every three years. The policy was being revised to include a mandatory three-year review rather than a mandatory revision. The policies on accounts payable, the selection of implementing partners and the use of grants as a funding modality had not been revised that year, as UNFPA was in the midst of a business and enterprise resource planning transformation. Those policies were all deemed to be valid and would be revised on the basis of decisions made on how to move forward.

189. The Board takes note of the information provided by UNFPA; however, as noted above, a significant number of the aforementioned policies are not being complied with. Therefore, the Board is of the view that the control activities performed by UNFPA to update policies and procedures must be documented, in order to increase effectiveness.

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.**

191. UNFPA agreed with the recommendation and stated that it was already taking measures in the area.

Update of the global directory

192. UNFPA has a personnel information management system known as the global directory, which is based on an Internet portal and is currently under contract. The portal provides the current status of an employee’s contract, personal information and even user information related to access to the Atlas system (including the user name, current user profiles and permissions).

193. UNFPA provided a list, known as the separation list, containing users who had been separated from their functions or who no longer had valid contracts.

194. The Board reviewed the separation list as at 31 August 2019 against the information contained in the global directory portal, and made the following findings:

(a) The separation list contained 19 employees who, at the time of the audit, had been rehired or had their contracts extended;

(b) Four employees on the global directory portal had separated from UNFPA through either contract termination or early withdrawal; however, three months later, they were still active, at both headquarters and country offices. In addition, three users even had an active associated Atlas account.

195. The Board also detected that the global directory maintenance policy, available in the directory and dated December 2004, contained no clear procedure for the review and oversight of the information contained in the directory. In addition, the Board found no mechanism for the oversight of the dashboards available in the directory.

196. The Board is of the view that the weakness detected in the updating of the global directory information generates the risk of personnel who no longer work at UNFPA having access to systems and, therefore, to the information that is managed in them, and to part of the decision-making process carried out by the entity.

197. Moreover, since the global directory report for headquarters and field offices was not completed in a timely fashion, and in the absence of an updated procedure for the review, maintenance, updating and oversight of the information contained in the global directory, access to UNFPA systems cannot be controlled in a timely manner.

198. **The Board recommends that UNFPA establish update 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.**

199. UNFPA agreed with the recommendation.

C. Disclosures by management

1. Write-off of assets

200. UNFPA informed the Board that it had formally written off losses of $273,951 (2018: $450,515). The write-offs included contributions receivable of $131,664; inventory of $14,428; operating fund advances of $67,922; property, plant and equipment of $6,034; staff receivables of $31,290; and a value-added tax reimbursement claim of $22,613 (see annex II).

2. Ex gratia payments

201. As required in regulation 14.4 of the UNFPA Financial Regulations and Rules, management reported ex gratia payments amounting to $10,000 for the period under review.

3. Cases of fraud and presumptive fraud

202. In accordance with the International Standards on Auditing (ISA 240), the Board planned its audits of the financial statements so that it had 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.

203. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in

place for identifying and responding to the risks of fraud, including any specific risks that management had identified or brought to its attention. The Board also enquired as to whether management had any 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.

204. In 2019, the Board did not identify any cases of fraud, other than the four cases of fraud amounting to $106,639.44 that had been reported to the Board by UNFPA.

D. Acknowledgement

205. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and her staff.

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

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Annex I

Status of implementation of recommendations up to the year ended 31 December 2018

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
1.	2016	A/72/5/Add.8, chap. II, para. 85	The Board recommends that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for the recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery mechanisms to ensure that the advances are recovered and cleared from active and separated staff.	UNFPA has addressed part (b) of the recommendation in clearing the outstanding salary advances, as duly acknowledged by the Board. UNFPA has also improved compliance with the salary advance policy, including by strengthening the conditions for the recovery of advances. In addition, a standard operating procedure has been drafted and launched.	The Board has verified that the related actions in support of this solution have been completed, and is of the opinion that this recommendation has been implemented.	X			
2.	2016	A/72/5/Add.8, chap. II, para. 100	The Board recommends that 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 an extensive revision of the information and communications technology (ICT) policies was ongoing to address the recommendation. Specific measures had already been identified in the procurement policy. UNFPA will hold webinars with country offices upon finalization of the policy to ensure understanding and compliance.	The Board acknowledges the efforts by management to establish a mechanism to monitor the adoption of software policies. However, the entity must ensure understanding of and compliance with these initiatives (through webinars). This recommendation, therefore, is still under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
3.	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 held initial discussions with all stakeholders on finalizing the structure of its enterprise risk management policy and risk appetite statements, and is now in the process of finalizing that structure to supplement the existing guidance notes and enterprise risk management framework for effective risk management at UNFPA.	The Board has verified that the entity has conducted an initial discussion on the structure of the policy and a review by interested parties. It is a work in progress and UNFPA has reported a new deadline (second quarter of 2020) for the implementation of this recommendation. This recommendation, therefore, is still under implementation.		X		
4.	2017	A/73/5/Add.8, chap. II, para. 40	The Board recommends that UNFPA ensure that country offices: (a) build the capacity of their staff in resource mobilization to enhance the effectiveness of their resource mobilization function; and (b) develop donor mapping and donor management profiles in accordance with their strategies to enhance and encourage donor contributions.	Regarding part (a) of the recommendation, UNFPA informed the Board that its efforts were in line with the corporate strategy for UNFPA resource mobilization, which supports an organization-wide approach, including the launch of a robust resource mobilization community. The community serves as a one-stop source of guidance on resource mobilization, through which country offices will find direct access to, or links with guidance on, donors and standardized modalities, among other things. In addition, specific sessions on resource mobilization for country offices were conducted as part of the managerial certification through multiple	The Board acknowledges the efforts made by management and has verified the implementation of the measures reported by UNFPA. The Board therefore considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				webinars (live and webcast). UNFPA also informed the Board that the resource mobilization branch had worked to partner with regional offices to develop sessions for country offices on resource mobilization and the transition from funding to financing. Regarding part (b) of the recommendation, in the resource mobilization branch, structured teams, including a business unit, a donor relations team, and a projections and intelligence team, have been established to optimize new and emerging opportunities. As a result, donor profiles and development partner profiles for all major donors are now readily available in the resource mobilization community. The profiles include information on priority themes, priority countries and preferred financing mechanisms. The donor profiles include information and guidance on strategic priorities, geographic focus, procedures related to co-financing agreements, and donor expectations, such as specific areas of collaboration and exploration. In addition, to support continued engagement with regional and country offices on pipeline information, engagement that includes ongoing negotiations with donors regarding potential contributions to and interest in UNFPA, a sharing platform has					

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				been created in Google Drive. The platform allows discussions on the challenges facing country offices, and those offices' needs in terms of support in fast-tracking donor approval of contribution agreements.					
5.	2017	A/73/5/Add.8, chap. II, para. 45	The Board recommends that UNFPA consider developing an integrated contract management application to enable country offices and units to register and maintain contract files and related documents for effective contract management and administration.	UNFPA informed the Board that having a process for registering and maintaining contract files will support country offices in conducting an effective contract management process. The iDocs solution, together with well-established data administration, offers a worldwide contract management solution applicable to all UNFPA country offices.	The Board has verified that the related actions to support this solution have been completed, and is of the opinion that this recommendation has been implemented.	X			
6.	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 the management of programme supplies establish a framework of procedures and control activities that will provide assurances for the proper utilization of programme supplies. The procedures and control activities include: (a) the development of supply-chain maps, demonstrating the flow of products along the different supply-chain levels; (b) implementing partners' supply chain management capacity and risk assignments; (c) periodic implementing partner reporting on the management and safeguarding of programme supplies; and (d) regular implementing partner spot checks and audits,	The Board recognizes the efforts made by the entity. However, since actions and activities related to the deadline for the implementation of the transitional provisions of the supplies policy are still ongoing, the Board considers the recommendation to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				performed through the use of extracts from UNFPA delivery records and national logistics management information systems, for the tracking of samples of deliveries and distributions in the "last mile", namely, as far as the service delivery points at which the products are made available to beneficiaries. The design of the "last mile" assurance process and the training of approximately 100 staff members from 60 offices were completed in October 2019. Further, an initial batch of "last mile" audits of the 16 largest implementing partners, which received around 35 per cent of total inventories donated through the UNFPA supplies programme in 2018, was completed in 2019. The "last mile" assurance process design, templates, and guidance notes have been completed.					
7.	2017	A/73/5/Add.8, chap. II, para. 69	The Board recommends that UNFPA establish a policy on handling staff with disabilities to demonstrate a non-discriminatory and inclusive working environment for staff members.	UNFPA stated that it has established a policy related to the employment of persons with disabilities, in accordance with the best practice within the United Nations system. The new policy has been approved and was launched in November 2019.	The Board has verified that UNFPA has launched a policy on handling staff with disabilities. The Board therefore considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
8.	2017	A/73/5/Add.8, chap. II, para. 75	The Board recommends that UNFPA: (a) strengthen controls over country offices to ensure effective utilization of the launched Consultant Monitoring Tool by uploading all required individual consultants' information in the Tool on time and prior to the issuance of an individual consultant contract; (b) ensure that final payments to individual consultants are made at the end of the contract period and after the assessment of the performance of the individual consultants; and (c) include a field in the Tool's system which allows the distinction of individual consultant fees based on either output delivery or working days.	UNFPA informed the Board that it had implemented strategies to increase compliance with the Consultant Monitoring Tool. The strategies include monitoring the usage of the Tool, with a focus on countries with apparent deficiencies, and providing training on the Tool. In addition, country offices are regularly reminded to ensure that final payment is made only in accordance with the applicable policies. Lastly, UNFPA has incorporated a necessary Tool enhancement that allows the distinction of individual contract fees on the basis of either output delivery or working days.	The Board acknowledges the efforts made by management and has verified the implementation of the measures reported by UNFPA. The Board therefore considers the recommendation implemented.	X			
9.	2017	A/73/5/Add.8, chap. II, para. 81	The Board recommends that UNFPA: (a) ensure that all salary advances are requested and approved through the e-service application for easy monitoring and follow-up by the head office; (b) issue instructions to the heads of office to create awareness on the use of salary advance's e-service application and to ensure that all staff use the e-service application; and (c) establish a guidance note to govern the procedures for granting salary advances to service contract holders.	UNFPA reported that, regarding parts (a) and (b) of the recommendation, the respective guidance notes had been uploaded to the Policies and Procedures Manual. Regarding part (c), a standard operating procedure has been drafted and launched. UNFPA is currently planning to include the new modality for salary advances in the enterprise resource planning system, which will allow for the usage of an existing workflow to manage such advances. This will further assist in raising awareness and strengthening compliance with regard to requesting and approving advances for service contract	The Board has verified that the related actions in support of this solution have been completed and is of the opinion that this recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	*Status of verification* Implemented	Under implementation	Overtaken by events	Not implemented
				holders. To support the introduction of the new modality, a guidance note to govern the procedures for granting advances to service contract holders will be issued, and webinars will be held to sensitize staff to the change. UNFPA will also be conducting necessary spot checks to monitor any exceptions.					
10.	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. It is currently piloting the Atlas travel and expense module at one regional office (Bangkok). The lessons learned from the exercise will inform the design and set-up of a planned new enterprise resource planning solution incorporating a global travel and expenses module.	The Board acknowledges the efforts by management in the matter, but considers it to be work in progress. In addition, the entity has set a new deadline for the implementation of this recommendation (third quarter of 2020). Therefore, this recommendation is still under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
11.	2017	A/73/5/Add.8, chap. II, para. 93	The Board recommends that UNFPA: (a) conduct a review and configure the Active Directory regularly to remove all separated staff; (b) enforce the domain password policy in accordance with the ICT security policy and add all computers that are not in the Active Directory; (c) establish a mechanism to ensure that the Management Information Services unit conducts periodic surveys of the country offices to review the adequacy of outsourced ICT support services; and (d) establish procedures for the governance of the Active Directory infrastructure, its security and design.	UNFPA reported that, regarding parts (a) and (b) of the recommendation, the Cambodia country office had already taken action by removing the accounts of all separated staff from the Active Directory and enforcing the new domain password policy. Regarding part (c), UNFPA has planned a policy review for the conduct of a periodic survey of outsourced services. Regarding part (d), in order to review the adequacy of outsourced services, on the basis of set criteria and methodology, management will conduct a periodic survey of all country offices. Governance procedures are being established for the infrastructure, security and design of the Active Directory, and those procedures will be monitored with the help of regional ICT specialists. Such specialists will also undertake a full review of the current data in the central Active Directory system in order to remove data relating to all separated staff.	The Board has verified that the related actions in support of these solutions have been completed and is of the opinion that this recommendation has been implemented.	X			
12.	2017	A/73/5/Add.8, chap. II, para. 98	The Board recommends that UNFPA: (a) incorporate the requirements for ICT 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 has incorporated ICT security awareness training requirements into the new ICT security policy, and the new policy establishes the mandatory ICT security awareness training requirements to be enforced in consultation with the Division of Human Resources.	The Board has verified that this is a work in progress and that the approval of the updated policy is still pending. This recommendation, therefore, is still		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
					under implementation.				
13.	2018	A/74/5/Add.8, chap. II, para. 17	The Board recommends that UNFPA strengthen, document and standardize clear revision guidelines, including a timely revision of procedures in accordance with the internal control framework policy, also making efforts to improve the supervision and its documentation.	UNFPA reported that the review and approval requirements for the different business processes were stipulated in the corresponding policies and procedures. On the specific issue identified by the Board regarding the local approval of journal entries, UNFPA has modified the workflow in AODocs, the platform used for the review, approval, and processing of journal entries. Since 1 September 2019, payment-related journals have required field office manager approval prior to review and approval by the headquarters Finance Branch.	The Board has verified that the related actions in support of this solution have been completed and is of the opinion that this recommendation has been implemented.	X			
14.	2018	A/74/5/Add.8, chap. II, para. 22	The Board recommends that UNFPA perform a timely review of the assigned profiles in Atlas and modify the privileges in the cases that are not in line with the segregation of duties established in the policy, and strengthen periodical monitoring of user access and the exception profiles in the Atlas system, documenting such cases in accordance with the Policies and Procedures Manual.	UNFPA has addressed the observation by correcting the user profile in question. The Division for Management Services continues to review Atlas requests from country offices, in compliance with the segregation of duties requirements, using an exceptions report. The report is periodically reviewed by the Division for Management Services to determine whether an exception granted to an office is still required and, if the exception is not required, to remove the role. UNFPA will continue to monitor this activity on an annual basis in order to ensure that Atlas profiles are	The Board acknowledges the efforts made by management and has verified the implementation of the measures reported by UNFPA. The Board therefore considers the recommendation implemented.	X			

						Status of verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
				granted in line with the policy guidance in the internal control framework and the related Atlas guidelines.					
15.	2018	A/74/5/Add.8, chap. II, para. 29	The Board recommends that UNFPA make efforts to improve the proactive, effective and timely performance of spot checks of the programmes of the implementing partners, as established in the assurance plan.	UNFPA has taken note of the observation and reviewed the spot checks that have since been completed at the regional offices. UNFPA has enhanced the team with two consultants for increased monitoring, follow-up and support of efforts. In addition, UNFPA has undertaken risk analysis in relation to all implementing partners and country offices, and has conducted a series of remote meetings with priority offices to discuss assurance plan implementation, support prioritization, and give policy and technical guidance. Moreover, UNFPA has undertaken a review of current guidelines and processes that may hinder the proactive, effective and timely implementation of spot checks. The changes will be made in relation to 2020 spot checks.	The Board has verified that UNFPA has carried out the reported activities at the regional offices. The Board therefore considers the recommendation implemented.	X			
16.	2018	A/74/5/Add.8, chap. II, para. 36	The Board recommends that UNFPA strengthen the capacity-building of its personnel for the effective application of global programming system principles.	UNFPA informed the Board that it has undertaken regional training on the global programming system for all regions, covering all country offices. A global programming system training workshop was conducted at the East and Southern Africa regional office in December 2019, with the participation of regional and	The Board has verified that UNFPA has issued an updated version of the implementing partner manual and that the actions reported have been completed. The Board therefore considers the	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				country office staff. The capacity to use the system increased in the units whose staff attended the training. The recently updated version of the implementing partner manual was issued in Arabic, French, Russian and Spanish. In addition, an updated version of the global programming system has been issued; it is better aligned with the new policies and procedures adopted since the previous version was issued, and will provide further guidance in key areas, such as revisions to workplans.	recommendation implemented.				
17.	2018	A/74/5/Add.8, chap. II, para. 37	The Board recommends that UNFPA supervise the correct modification of the workplan carried out by the field offices in accordance with the policy and procedures for preparation, management, and monitoring of workplans.	UNFPA management agrees with the spirit of the recommendation, namely, to strengthen the financial monitoring of workplans during programme implementation, and has taken steps in that regard, including the integration of workplan monitoring into the workplan policy. In 2019, UNFPA also conducted a global programming system and workplan compliance review, the results of which included detailed workplan-level data, which the Fund shared with each office and on which it followed up with each business unit and regional office. In addition, UNFPA has continued to produce and regularly update a series of reports and dashboards that help to identify potential issues with the status	The Board has verified that UNFPA has carried out the reported activities in order to strengthen the supervision of workplan modifications. The Board therefore considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				of the workplans and their revisions in the global programming system.					
18.	2018	A/74/5/Add.8, chap. II, para. 43	The Board recommends that UNFPA take actions to strengthen order, cleanliness, and security in the warehouse, monitoring the condition of the warehouse on a recurring basis, in order to guarantee compliance with the policy.	UNFPA reported that the policy requirements in terms of warehouse conditions and insurance were clear, and that the issues noted in Panama were primarily related to compliance UNFPA is in contact with the United Nations Humanitarian Response Depot regarding the concerns related to order, cleanliness and security in the warehouse area assigned to UNFPA, and will continue to follow up in order to ensure that UNFPA supplies are stored in good conditions, in full compliance with the policy and procedures on management of programme supplies. UNFPA has also conducted a warehouse verification using the checklist specified in the policy.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			
19.	2018	A/74/5/Add.8, chap. II, para. 49	The Board recommends that UNFPA insure its commodities, by either establishing a written agreement with the United Nations Humanitarian Response Depot or signing an insurance agreement to comply with the supply policy, reducing the risk of loss or damage in case of catastrophe.	UNFPA takes note of the Board's recommendation, noting that the regional office for Latin America and the Caribbean has provided evidence of the response of the United Nations Humanitarian Response Depot in relation to the warehouse insurance policy. The Depot has confirmed in writing that all commodities in its warehouse are insured through the self-insurance scheme, which covers the prepositioned stocks of UNFPA.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Status of verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
20.	2018	A/74/5/Add.8, chap. II, para. 50	The Board recommends that UNFPA issue instructions to the heads of offices, in order to create awareness of the insurance policy uses and standard procedures.	UNFPA takes note of the Board's recommendation and has issued a guidance note containing instructions to the heads of offices on the uses of the insurance policy and related standard procedures.	The Board has verified that UNFPA has issued a guidance note containing instructions to the heads of offices. The Board therefore considers the recommendation implemented.	X			
21.	2018	A/74/5/Add.8, chap. II, para. 60	The Board recommends that UNFPA strengthen its purchasing planning process with the purpose of considering defined needs when selecting the purchasing method for the project.	UNFPA takes note of the Board's recommendation. Paragraph 4.3.1 of the Procurement Procedures (issued on 15 June 2019) instructs business units to prepare annual procurement plans and to review the plans on a quarterly basis, in order to align them with programme requirements and funding availability. This instruction will be added to the quarterly checklists that need to be filled in by selected country offices in the strategic information system, and will be part of a quarterly monitoring and reporting process conducted through an official reporting platform and validated by the country representative. The new checklists were implemented in the 2020 strategic information system planning exercise.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
22.	2018	A/74/5/Add.8, chap. II, para. 61	The Board recommends that UNFPA comply with the established thresholds in accordance with the policy on purchases made by the country offices and conduct periodic monitoring of the purchasing process implemented.	UNFPA informed the Board that this aspect is captured in the quarterly checklists that are to be implemented in the 2020 strategic information system planning exercise and that need to be filled in by selected country offices in that system. This aspect will be part of a quarterly monitoring and reporting process conducted through an official reporting platform and validated by the country representative.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented**.**	X			
23.	2018	A/74/5/Add.8, chap. II, para. 66	The Board recommends that UNFPA field offices request, in a timely manner, pre-approval by the Procurement Services Branch for the purchase of medical supplies in future purchases and provide evidence of the approval received from the Procurement Services Branch.	UNFPA agrees with the recommendation that the country office should obtain written pre-approval from the Procurement Services Branch before the purchase of medical supplies, and this aspect has been added to the quarterly checklists.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			
24.	2018	A/74/5/Add.8, chap. II, para. 76	The Board recommends that UNFPA country offices report, as a preventive mechanism, to the Office of Audit and Investigation Services on the conduct in any further situations that may be noticed in the future, in order to comply with the UNFPA vendor review and sanctions policy.	UNFPA considers that proper actions were taken to prevent any proscribed practice, although a consultation with the Office of Audit and Investigation Services or the regional office might have provided additional support in relation to the decision taken. Following the recommendation made by the Board, the country office informed the Office of Audit and Investigation Services of this particular case and refrained from submitting the procurement to the Contract Review Committee, pending	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented**.**	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				advice from the Office of Audit and Investigation Services. On the basis of the information at hand and available to the Office of Audit and Investigation Services at this juncture, the opinion of the Office of Audit and Investigation Services, without prejudice, is that the country office's decision to include the company concerned in the invitation-to-bid procurement exercise in December 2018 is not considered inappropriate. For the Office of Audit and Investigation Services, the case is closed. The Board's recommendation that future situations be reported, as a preventive mechanism, to the Office of Audit and Investigation Services is well noted, and management has sent reminders to regional and country offices through the issuance of guidance by the Deputy Executive Director (Management) to all staff on this issue.					

						Status of verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNFPA response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
25.	2018	A/74/5/Add.8, chap. II, para. 81	The Board recommends that UNFPA comprehensively review and update the policy on the delegations of authority, defining, especially, specific guidelines for senior positions at regional offices.	UNFPA informed the Board that the policy referred to in the recommendation relates solely to an existing delegation-of-authority policy for human resources management. Authorities delegated to heads of office and other management roles are specified in the different policies and procedures, such as those on procurement, the management of cash transfers to implementing partners, programme supplies and cash disbursements, and accounts payable. For greater clarity, however, UNFPA has developed a comprehensive, context-specific delegation-of-authority matrix.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			
26.	2018	A/74/5/Add.8, chap. II, para. 87	The Board recommends that UNFPA keep sight of efficiencies when restructuring its administrative support to the Panama country office and within the upcoming reform initiatives of the Secretary-General.	UNFPA reported that it has taken note of this recommendation, recognizing that the Executive Office of the Secretary-General, as part of the United Nations reform, is currently examining the functions and capacity of the entire regional architecture of the United Nations development system. This may include the co-location of various agencies in an effort to strengthen policy and other support provided so that United Nations country teams can assist countries in accelerating sustainable development. UNFPA has also launched new change initiatives to review and align the	The Board has verified that UNFPA has carried out evaluations and analyses to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNFPA response	Board's assessment	Status of verification: Implemented	Under implementation	Overtaken by events	Not implemented
				functions, roles and responsibilities of the headquarters, regional and subregional offices in order to provide harmonized and integrated support to country offices. The review has been finalized. UNFPA is committed to ensuring the efficient use of resources and will, in due course, take an appropriate decision in the broader context of the above two processes.					
27.	2018	A/74/5/Add.8 chap. II, para. 91	The Board recommends that UNFPA take measures to prevent electrical risks inside and around the equipment rooms, with the purpose of protecting the facilities against threats, including natural or human-made disasters.	UNFPA has taken appropriate action to address the recommendation, by reviewing the cabling and protections of the equipment rooms, and by shutting down and decommissioning all equipment made redundant as a result of the migration of applications to cloud computing.	The Board has verified that UNFPA has carried out the activities reported in order to comply with the recommendation. The Board therefore considers the recommendation implemented.	X			
Total					**27**	**22**	**5**	**0**	**0**
Total percentage					**100**	**81**	**19**	**0**	**0**

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current year*	*Previous year*	*Increase/(decrease)*
Contributions receivable	131 664	96 651	35 013
Inventory	14 428	345 910	(331 482)
Operating fund advances	67 922	139	67 783
Property, plant and equipment	6 034	7 815	(1 781)
Staff receivables	31 290	0	31 290
Value-added tax reimbursement claim	22 613	0	22 613
Total	**273 951**	**450 515**	**(176 564)**

Chapter III
Certification of the financial statements

Letter dated 30 April 2020 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 2019

Introduction

1. The present report summarizes and further explains the information provided in the UNFPA financial statements for the year ended 31 December 2019 and highlights significant matters and trends related to the Fund's financial position and performance.

Summary of financial results

2. The main financial results for 2019 are summarized as follows:

(a) For the third successive year, gross contributions surpassed $1 billion, increasing by 9.1 per cent to a record level of $1,370.1 million, the highest contribution revenue in UNFPA history. This favourable trend is attributable to contribution revenue from earmarked resources, which increased by 13.7 per cent to $996.7 million, owing mainly to increased funding from United Nations inter-agency transfers and contributions to thematic trust funds;

(b) Unearmarked contributions decreased by 1.4 per cent to $373.5 million, mainly as a result of the strengthening of the United States dollar against the UNFPA main contribution currencies, offset in part by increased contributions from two major donors. This decrease continues the trend observed during four of the past five years, when unearmarked contributions each year were lower than in the previous year;

(c) Total expenses increased by 4.1 per cent to $1,130.2 million mainly as a result of expanded programme activities, especially in humanitarian settings;

(d) Total assets increased by 22.3 per cent to $1,967.6 million, owing mainly to the excess of contributions recognized over expenses paid. Total liabilities increased by 1.1 per cent to $534.8 million, owing mainly to higher accounts payable and accruals;

(e) Employee benefits liabilities decreased by 4.4 per cent to $370.3 million due mainly to actuarial gain on post-employment benefits liabilities. This decrease, combined with the strong performance of the after-service health insurance investment portfolio, brought the funding ratio of employee benefits liabilities to its highest level to date of 82.6 per cent;

(f) Unearmarked fund balances increased by 662.8 per cent to $143.4 million owing to the surplus for the year, an actuarial gain on post-employment benefits liabilities and the gain in fair value of investments maintained in the after-service health insurance investment portfolio;

(g) Undesignated earmarked fund balances increased by 23.7 per cent to $1,204.7 million, due to the excess of contribution revenue recognized in 2019 over expenses funded from this source.

Financial performance

Trends in contribution revenue

3. 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).

4. 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.

5. In 2019, UNFPA generated its highest gross contribution revenue to date of $1,370.1 million (2018: $1,255.6 million), surpassing the $1.0 billion mark for the third year in a row and exceeding contributions in 2018 by 9.1 per cent. Net contribution revenue amounted to $1,303.7 million (2018: $1,203.1 million).

6. Unearmarked contributions decreased by 1.4 per cent to $373.5 million (2018: $378.8 million), mainly as a result of the strengthening of the United States dollar against UNFPA main contribution currencies, offset in part by increased contributions from two major donors. This decrease continues the trend observed during four of the past five years, in which unearmarked contributions were lower than in the previous year.

7. Gross earmarked contributions increased by 13.7 per cent to $996.7 million (2018: $876.8 million), primarily owing to larger United Nations inter-agency transfers and contributions to thematic trust funds. Net earmarked contributions amounted to $930.3 million (2018: $824.3 million).

8. As a result of the above trends, the share of earmarked contributions as a percentage of gross contribution revenue increased for the fourth year in a row, this time by 2.9 percentage points, to 72.7 per cent (2018: 69.8 per cent), reflecting the Fund’s increased reliance on earmarked resources. Indeed, earmarked contributions as a percentage of gross contribution revenue increased by 13.4 percentage points compared with five years ago, in 2015, when they amounted to 59.3 per cent.

9. Consistent with previous years, the majority of contributions to UNFPA were received from a small number of donors. In 2019, the top 10 donors accounted for 90.0 per cent of unearmarked contribution revenue (2018: 89.4 per cent) and 82.7 per cent of gross earmarked contribution revenue (2018: 83.3 per cent). Contributions from the top 10 donors in currencies other than the United States dollar accounted for 88.2 per cent of unearmarked contributions and 57.9 per cent of earmarked contributions.

10. UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging economy countries, as well as private sector donors. In 2019, UNFPA had 106 donors contributing to its unearmarked resources (2018: 108 donors).

11. Refunds to donors increased by 57.5 per cent to $7.9 million in 2019 (2018: $5.0 million), owing mainly to the refund of unspent funds from large-scale population data projects. Refunds represented only 0.8 per cent of gross earmarked contribution revenue (2018: 0.6 per cent), reflecting the high implementation rate for programme activities.

Other revenue

12. Other revenue increased by 20.9 per cent in 2019 to $105.5 million (2018: $87.3 million), mainly as a result of a $6.8 million increase in investment revenue, $5.6 million in foreign currency exchange gains on monetary assets (compared with

a foreign currency exchange loss of $33.6 million in 2018 recognized as other expenses) and a $5.0 million increase in cost recovery charges.

Future revenue flows and continuity of operations

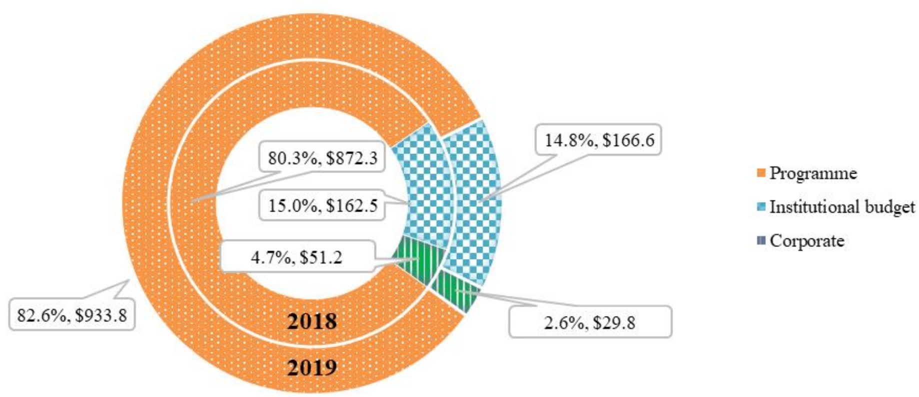
13. As at 31 December 2019, UNFPA had multi-year unearmarked contribution pledges from donor and country programme governments of $281.0 million (2018: $96.4 million). In addition, $130.1 million was committed by donors in earmarked contribution agreements (2018: $172.7 million). Those contributions will be recognized in future periods when revenue recognition criteria are met.

Expenses: overview

14. Total expenses increased by 4.1 per cent to $1,130.2 million in 2019 (2018: $1,086.0 million), owing mainly to an increase in earmarked resources expenses of $43.4 million. Unearmarked resources expenses remained almost at the same level as in 2018, increasing by only $0.8 million.

15. Figure IV.I provides an overview of expenses for both 2019 and 2018, by purpose.

Figure IV.I
Total expenses, by purpose
(Millions of United States dollars)



16. Programme expenses, which include expenses related to country programmes, global and regional interventions and other programme activities, increased by 7.0 per cent to $933.8 million in 2019 (2018: $872.3 million). This growth was mainly the result of scaled-up humanitarian response activities, including the delivery of essential reproductive health services and services addressing gender-based violence in humanitarian settings, offset in part by lower expenses for large-scale population data project expenses, such as censuses.

17. Institutional budget expenses increased by 2.5 per cent in 2019 to $166.6 million (2018: $162.5 million), owing mainly to the doubling of the UNFPA contribution to the United Nations resident coordinator system and increased spending on information and communications technology transformation initiatives.

18. Corporate activities expenses, which include costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific strategic plan outcomes, decreased by 41.7 per cent to $29.8 million in 2019 (2018: $51.2 million), owing mainly to favourable foreign currency exchange rate trends and associated gains on the revaluation of monetary assets (recognized in 2019 as part of other

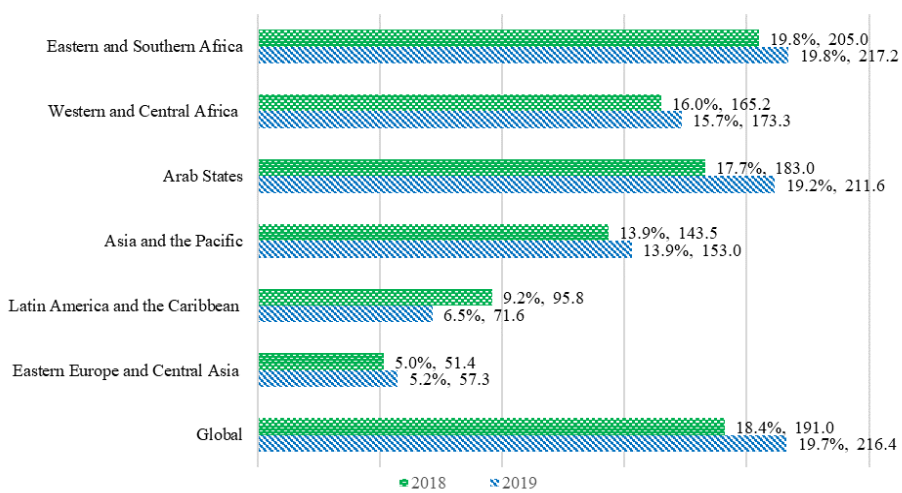
revenue), compared with revaluation losses (recognized in 2018 as part of other expenses).

Expenses: breakdown by region and nature

19. 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 ($884.0 million, or 80.3 per cent, in 2019 and $843.9 million, or 81.5 per cent, in 2018). Furthermore, expenses reported as "global" include reproductive health commodities worth $82.7 million delivered to 46 priority countries with the highest needs in this area (2018: $75.4 million).

20. 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)



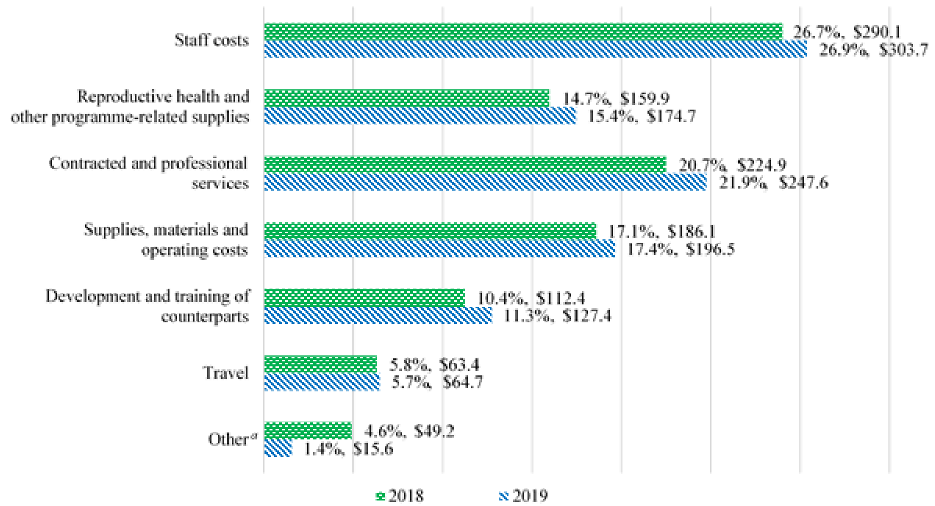
21. The regions with the highest expenses in 2019 were the same as in 2018, and included Eastern and Southern Africa ($217.2 million, or 19.8 per cent), Arab States ($211.6 million, or 19.2 per cent) and Western and Central Africa ($173.3 million, or 15.7 per cent). Arab States had the largest expense increase of all regions, owing mainly to scaled-up humanitarian response interventions in Yemen. The decrease in expenses in Latin America and the Caribbean is attributable to the completion or postponement of large-scale population data projects, such as censuses, in the region.

22. Global activities expenses amounted to $216.4 million, or 19.7 per cent, of total programme and institutional budget expenses (2018: $191.0 million, or 18.4 per cent). Of that amount, $98.8 million, or 45.6 per cent, corresponded to activities of the UNFPA Supplies[3] programme, which increased by $9.6 million in 2019 (2018: $89.2 million).

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

[3] UNFPA Supplies is the organization's flagship programme designed to support 46 priority countries with significant needs with regard to increasing access to family planning services and modern methods of contraception.

Figure IV.III
Total expenses, by nature
(Millions of United States dollars)



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

24. The success of UNFPA in delivering its mandate is dependent on its skilled and competent national and international staff. In 2019, UNFPA spent $303.7 million on staff costs,[4] or 26.9 per cent of its total expenses for the year (2018: $290.1 million, or 26.7 per cent). At the end of 2019, 84.8 per cent of UNFPA staff were based in field offices (2018: 84.0 per cent).

25. Expenses for reproductive health and other programme-related supplies increased by 9.2 per cent to $174.7 million in 2019 (2018: $159.9 million), owing mainly to increased deliveries to partners of injectable contraceptives.

26. Expenses for contracted and professional services had the highest year-on-year increase of $22.7 million (10.1 per cent), owing mainly to higher personnel costs incurred by UNFPA implementing partners for service delivery in humanitarian settings.

27. Supplies, materials and operating costs increased by 5.6 per cent to $196.5 million (2018: $186.1 million), owing mainly to higher distribution and storage costs for reproductive health commodities and humanitarian supplies, and an increase in programme activities executed by implementing partners, resulting in higher support costs.

28. Expenses for the development and training of counterparts increased by 13.4 per cent to $127.4 million (2018: $112.4 million), owing mainly to increased training and capacity-building activities executed by UNFPA implementing partners.

29. Expenses for travel increased by only 1.9 per cent to $64.7 million in 2019 (2018: $63.4 million). Despite this small increase in absolute value, travel expenses continued to decrease as a percentage of total expenses for the sixth year in a row, by 0.1 percentage point in 2019 to 5.7 per cent, from 5.8 per cent in 2018.

[4] 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.

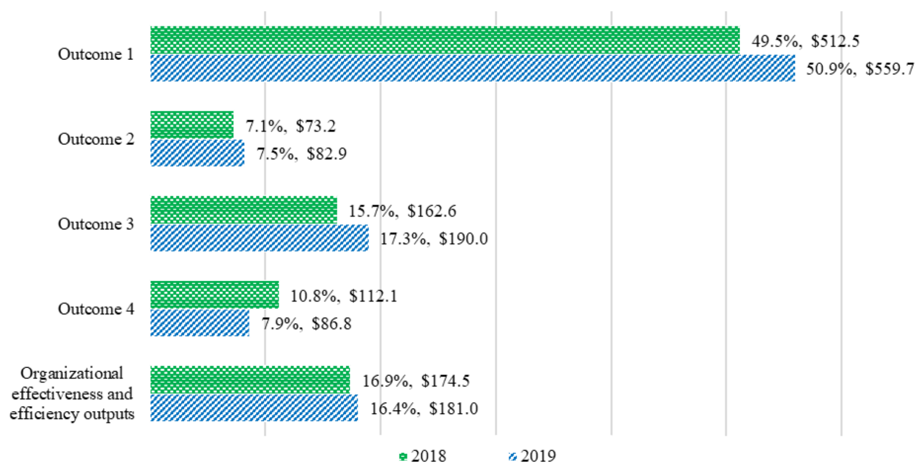
30. Other expenses decreased by 68.3 per cent to $15.6 million in 2019 (2018: $49.2 million), owing mainly to the above-mentioned favourable foreign currency exchange rate trends and associated gains on the revaluation of monetary assets (recognized in 2019 as part of other revenue) compared with revaluation losses (recognized in 2018 as part of other expenses).

Expenses: breakdown by contribution to strategic results

31. 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.[5]

32. A complete analysis of the cumulative progress made by UNFPA in implementing its strategic plan, 2018–2021, is available in the report of the Executive Director entitled "Integrated midterm review and progress report on implementation of the UNFPA strategic plan, 2018–2021" (DP/FPA/2020/4 (Part I)). Expenses incurred to achieve those results are summarized in figure IV.IV.

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.

33. The increases in expenses related to outcomes 1 and 3 are primarily attributable to an expanded delivery of essential reproductive health services and gender-based violence prevention and response activities in humanitarian settings. The decrease in expenses for outcome 4 is attributable to the completion or postponement of large-scale population data projects, such as national population and housing censuses.

34. UNFPA works closely with the country programme governments and national and international non-governmental organizations to implement its programme

[5] See UNFPA, "Annex 1: Integrated results and resources framework", UNFPA strategic plan, 2018–2021. Available at www.unfpa.org/strategic-plan-2018-2021.

activities. The share of total programme expenses incurred by those partners increased in 2019, both in relative and absolute terms, to $348.3 million, or 37.3 per cent of the total (2018: $309.5 million, or 35.5 per cent). In addition, UNFPA provided its partners with non-cash transfers of reproductive health commodities and other programme-related goods of $160.1 million in 2019 (2018: $147.8 million).

35. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2019, $634.9 million, or 68.0 per cent of all programme expenses, were incurred for activities that either had gender equality/women's empowerment as their primary objective or alternatively made a significant contribution to gender equality (2018: $586.4 million, or 67.2 per cent).

Net results for the year

36. The UNFPA surplus for the year increased by 36.6 per cent to $279.0 million (2018: $204.3 million). Most of this surplus ($233.4 million) corresponded to earmarked resources and reflects the increase in earmarked contribution revenue for the year as well as the difference in the timing of recognition of related revenue and expenses.

37. In 2019, UNFPA implemented 97.0 per cent of its adjusted unearmarked resources ceilings/budget, 0.5 percentage points higher than in 2018, when the implementation rate reached 96.5 per cent. The implementation rates by cost classification categories approved by the UNFPA Executive Board are summarized in the table below.

Cost classification category	*2019*	*2018*
Development activities	98.6	96.4
United Nations development coordination	100.0	100.0
Management activities	93.8	96.8
Special purposes	95.0	99.6
Total	**97.0**	**96.5**

38. Statement V provides more details about budgetary performance for institutional budget and programme activities funded with unearmarked resources during 2019 and 2018. 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.

Financial position

Assets and liabilities

39. As at 31 December 2019, UNFPA total assets and liabilities amounted to $1,967.6 million and $534.8 million, respectively (2018: $1,609.5 million and $529.2 million).

40. As at 31 December 2019, total current assets and current liabilities amounted to $1,170.6 million and $183.5 million, respectively (2018: $844.3 million and $159.1 million). As at that date, the current ratio was equal to 6.4 (2018: 5.3), indicating that UNFPA has sufficient liquid resources to meet its current obligations. The increase in the current ratio was mainly a result of increased investments in financial instruments maturing within one year due to insignificant yield rate differentials between long-term and short-term investments.

Cash, cash equivalents and investments

41. Total cash, cash equivalents and investments held by UNFPA increased by 24.8 per cent to $1,438.1 million as at 31 December 2019 (2018: $1,152.0 million), owing mainly to the excess of contributions collected over expenses paid.

42. 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 $1,162.3 million as at 31 December 2019 (2018: $914.0 million), and generated an average yield of 2.4 per cent throughout the year (2018: 2.0 per cent).

43. A separate portfolio, established in 2016 jointly with some other United Nations organizations and managed by two independent investment managers, invests resources allocated for funding after-service health insurance liabilities in diversified, higher-yielding financial instruments, similar in composition to investments held by the United Nations Joint Staff Pension Fund, mainly fixed-income securities and equities. Since its inception, UNFPA has transferred $195.0 million to this portfolio, the fair value of which reached $248.4 million as at 31 December 2019 (2018: $194.7 million), generating annual rates of return of 18.65 per cent and 19.33 per cent for the portfolio components managed by the two investment managers appointed (2018: negative annual return rates of 3.27 per cent and 5.83 per cent).

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

Inventories

45. 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 2019 increased by 38.2 per cent to $70.3 million (2018: $50.8 million). The increase was primarily a result of the 12.3 per cent growth in the volume of programme supplies purchased in 2019 and increased quantities of essential commodities held in stock by UNFPA field offices as part of humanitarian response operations.

Contributions receivable

46. Net contributions receivable increased by 14.3 per cent to $384.5 million as at 31 December 2019 (2018: $336.3 million), owing mainly to larger earmarked contribution revenue recognized in 2019. Of these receivables, only $13.1 million, or 3.4 per cent, were due for payment as at 31 December 2019 (2018: $4.5 million, or 1.3 per cent), and the remaining 96.6 per cent are due to be collected in future years.

47. Contributions receivable are presented net of an allowance for doubtful contributions receivable of $6.5 million as at 31 December 2019 (2018: $0.9 million), reflecting unearmarked contributions receivable of $0.4 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 $6.1 million, provided for on the basis of evidence that associated future cash flows could be below the amounts originally recognized.

Operating fund advances

48. Total operating fund advances outstanding at the end of the year decreased by 10.0 per cent to $6.3 million as at 31 December 2019 (2018: $7.0 million), owing

primarily to a $0.6 million decrease in outstanding advances to other United Nations organizations for implementation of UNFPA activities.

49. The allowance for doubtful operating fund advances amounted to $0.5 million as at 31 December 2019 (2018: $0.6 million), reflecting advances to governmental and non-governmental partners, including as part of sector-wide approach basket funds, whose recovery, either through refunds or submission of satisfactory expense reports, was deemed doubtful.

Property, plant and equipment and intangible assets

50. As at 31 December 2019, UNFPA held property, plant and equipment of $33.9 million (2018: $34.4 million), of which the largest classes were vehicles, with a net book value of $10.6 million, or 31.2 per cent of the total (2018: $11.1 million, or 32.1 per cent), and buildings with a net book value of $10.0 million, or 29.6 per cent of the total (2018: $9.5 million, or 27.6 per cent).

51. Intangible assets as at 31 December 2019 amounted to $0.9 million (2018: $1.4 million), consisting of externally acquired and internally developed software. Of this amount, $0.7 million corresponds to costs related to a population data application under development, shown net of an impairment loss of $0.6 million.

52. In accordance with its strategic plan, 2018–2021, UNFPA is implementing several information and communication technology transformation initiatives, including the adoption of new, functionally integrated, cloud-based enterprise resource planning and customer relationship management solutions. Following selection processes finalized in 2019, UNFPA obtained access and use rights for a suite of cloud services (application functionalities, maintenance, upgrades and the like), which do not meet the definition and recognition criteria of separately acquired intangible assets.

Other assets

53. Other assets increased by 22.4 per cent to $33.7 million as at 31 December 2019 (2018: $27.6 million), owing mainly to increases in receivables for the pre-financing of programme activities and accrued interest receivable of $3.8 million and $1.3 million respectively.

54. Other assets are presented net of an allowance for doubtful accounts of $1.3 million (2018: $1.3 million), comprising mostly aged value added tax reimbursement claims, the collection of which was assessed as doubtful.

Accounts payable

55. Accounts payable increased by 24.7 per cent to $142.1 million as at 31 December 2019 (2018: $113.9 million), owing mainly to increases in advances received from third-party procurement clients, accounts payable and funds held by UNFPA in its capacity as administrative agent for joint programmes.

Employee benefits

56. Employee benefits liabilities decreased by 4.4 per cent to $370.3 million as at 31 December 2019 (2018: $387.3 million), owing mainly to a $45.6 million actuarial gain on post-employment benefits liabilities, offset in part by a $31.7 million liability increase from the recognition of annual service and interest costs. The actuarial gain resulted primarily from updated per capita health claims data used to measure after-service health insurance liabilities, offset in part by the actuarial loss from a decrease in the discount rate to 3.61 per cent (2018: 4.62 per cent).

57. The unfunded portion of employee benefits liabilities further decreased by 50.7 per cent to $64.3 million as at 31 December 2019 (2018: $130.4 million), owing to a $17.0 million decrease in the liability amounts and a net $49.1 million increase in the liability funding. Cumulative resources set aside for funding employee benefits liabilities increased to $306.0 million, or 82.6 per cent of the total employee benefits liabilities, as at 31 December 2019 (2018: $256.9 million, or 66.3 per cent). This high funding ratio, largely attributable to the strong performance of the after-service health insurance investment portfolio in 2019, may not be maintained going forward, owing to the high level of volatility in financial markets as a result of the coronavirus disease (COVID-19) pandemic. UNFPA will remain vigilant in its efforts to ensure it has sufficient resources to meet its obligations towards existing and former staff.

Other liabilities and deferred revenue

58. Other liabilities and deferred revenue decreased by 20.1 per cent to $22.4 million as at 31 December 2019 (2018: $28.0 million), owing mainly to the recognition as revenue in 2019 of unearmarked contributions collected in advance in 2018.

Fund balances and reserves

59. Reserves and fund balances increased by 32.6 per cent to $1,432.9 million as at 31 December 2019 (2018: $1,080.3 million).

60. Reserve balances decreased by 3.7 per cent to $84.7 million as at 31 December 2019 (2018: $88.0 million).The operational reserve, set at 20.0 per cent of the annual unearmarked contribution revenue, was reduced to $74.2 million (2018: $75.5 million) as a result of the lower unearmarked contribution revenue in 2019. The humanitarian response reserve, which operates as a revolving fund, was reduced to $5.5 million (2018: $7.5 million), owing to the need to transfer additional resources to the emergency fund.[6] The reserve for field accommodation was replenished by $1.6 million in 2019 (2018: $0.6 million) to cover the qualifying expenses incurred during the year and bring the reserve level back to $5.0 million, as established by the Executive Board.

61. Designated unearmarked resources fund balances, which represent funds set aside by management for special purposes and not available for programming, increased by 20.3 per cent to $70.1 million (2018: $58.3 million), owing primarily to the retention of $10.6 million in cost recoveries in excess of budget in a separate fund and a $1.8 million surplus in the provision of procurement services set aside to safeguard future procurement activities.

62. At $73.3 million, undesignated unearmarked resources were not in a deficit position for the first time since the adoption of the International Public Sector Accounting Standards in 2012, owing to the combined impact of the surplus for the year, an actuarial gain on post-employment benefits liabilities and the gain in fair value of investments maintained in the after-service health insurance investment portfolio. Total funds made available for programming for 2020 amounted to $105.8 million (2019: $61.4 million). Note 14 to the accompanying financial statements provides additional details on this amount.

63. Undesignated earmarked fund balances increased by 23.7 per cent to $1,204.7 million (2018: $973.5 million), owing mainly to excess earmarked contribution revenue recognized in 2019 over expenses funded from this source. The

[6] The emergency fund is a separate fund approved by the Executive Board to provide UNFPA field offices with the initial funding required to jump-start humanitarian activities before the earmarked resources become available.

fund balances include resources received for the implementation of programme activities under multi-year agreements, as well as contributions of $384.3 million not yet collected and thus not available for programming (2018: $336.0 million).

Conclusion

64. UNFPA closed 2019 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources. Notwithstanding the success in mobilizing earmarked resources in 2019, the further decrease in unearmarked resources, which constitute the bedrock of UNFPA operations, remains a substantial challenge for UNFPA.

65. Moreover, the outbreak of the COVID-19 pandemic in early 2020 may affect UNFPA future revenues and the value of its financial assets and liabilities, owing to the high volatility experienced in financial markets and foreign exchange rates for key contribution currencies, and potential shifts in donor priorities. UNFPA actively manages existing risks, and the new risks it is now facing, to ensure continuity of its operations in 2020 and beyond.

Chapter V

Financial statements for the year ended 31 December 2019

United Nations Population Fund

I. Statement of financial position as at 31 December 2019[a]

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	Note 3	189 481	150 877
Investments maturing within one year	Note 4	668 617	436 020
Inventories	Note 5	70 267	50 827
Contributions receivable	Note 6	202 296	172 043
Other current assets	Note 6	33 688	27 534
Operating fund advances	Note 7	6 280	6 976
Total		**1 170 629**	**844 277**
Non-current assets			
Investments maturing after one year	Note 4	579 975	565 127
Contributions receivable	Note 6	182 179	164 241
Other non-current assets	Note 6	23	18
Property, plant and equipment	Note 8	33 901	34 436
Intangible assets	Note 9	918	1 382
Total		**796 996**	**765 204**
Total assets		**1 967 625**	**1 609 481**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	142 124	113 938
Employee benefits	Note 12	35 936	35 330
Other current liabilities and deferred revenue	Note 13	5 402	9 831
Total		**183 462**	**159 099**
Non-current liabilities			
Employee benefits	Note 12	334 356	351 931
Other non-current liabilities and deferred revenue	Note 13	16 951	18 128
Total		**351 307**	**370 059**
Total liabilities		**534 769**	**529 158**
Net assets		**1 432 856**	**1 080 323**
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	74 225	75 476
Humanitarian response reserve	Note 14	5 500	7 500
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**84 725**	**87 976**
Fund balances			
Designated unearmarked fund balances	Note 14	70 128	58 288
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	73 280	(39 487)
Earmarked resources	Schedule B	1 204 723	973 546
Total fund balances		**1 348 131**	**992 347**
Total reserves and fund balances		**1 432 856**	**1 080 323**

[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 2019[a]

(Thousands of United States dollars)

	Reference	*2019*	*2018*
Contribution revenue			
Unearmarked contributions	Schedule A	373 465	378 800
Subtotal	Note 15	**373 465**	**378 800**
Earmarked contributions	Note 15	943 741	829 250
Less: refunds to donors	Note 15	(7 863)	(4 993)
Less: allowance for doubtful contributions receivable	Note 15	(5 598)	–
Subtotal	Note 15	**930 280**	**824 257**
Total contribution revenue	Note 15	**1 303 745**	**1 203 057**
Other revenue	Note 16	105 459	87 263
Total revenue		**1 409 204**	**1 290 320**
Expenses			
Staff costs	Note 18	303 676	290 046
Reproductive health and other programme-related supplies	Note 18	174 687	159 935
Development and training of counterparts	Note 18	127 436	112 413
Supplies, materials and operating costs	Note 18	196 544	186 134
Contracted and professional services	Note 18	247 619	224 926
Finance costs	Note 18	1 028	1 000
Travel	Note 18	64 670	63 439
Depreciation and amortization	Notes 8, 9, 18	6 901	7 209
Impairment	Note 18	796	68
Other expenses	Note 18	6 846	40 850
Total expenses	**Notes 17, 18**	**1 130 203**	**1 086 020**
Surplus for the year	**Statements III and IV**	**279 001**	**204 300**

[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 2019[a]

(Thousands of United States dollars)

	Reference	Fund balances	Reserves	Total net assets
Balance as at 31 December 2017		**760 976**	**80 535**	**841 511**
Movements in fund balances and reserves in 2018				
Transfers to/from operational reserve		(4 941)	4 941	–
Actuarial gain on employee benefits liabilities		55 316	–	55 316
Loss in fair value of investments recognized in net assets		(20 804)	–	(20 804)
Transfers within UNFPA resources				
Reserve for field accommodation		(636)	636	–
Humanitarian response reserve		(2 500)	2 500	–
Surplus/(deficit) for the year	Statement II	204 936	(636)	204 300
Total movements during the year		**231 371**	**7 441**	**238 812**
Balance as at 31 December 2018	Statement I	**992 347**	**87 976**	**1 080 323**
Movements in fund balances and reserves in 2019				
Transfers to/from operational reserve	Note 14	1 251	(1 251)	–
Actuarial gain on employee benefits liabilities	Note 14	45 599	–	45 599
Gain in fair value of investments recognized in net assets	Note 14	27 933	–	27 933
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(1 625)	1 625	–
Humanitarian response reserve	Note 14	2 000	(2 000)	–
Surplus/(deficit) for the year	Note 14, 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		**1 348 131**	**84 725**	**1 432 856**

[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 2019[a]

(Thousands of United States dollars)

	Reference	*2019*	*2018*
Cash flows from operating activities			
Surplus for the year	Statement II	279 001	204 300
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized (gain)/loss on foreign exchange translation		(4 101)	16 130
Unrealized loss on investments recognized in surplus for the year	Note 4	99	1 721
Investment revenue presented as investing activities	Note 16	(33 821)	(27 006)
Depreciation and amortization	Notes 8, 9, 18	6 901	7 209
Impairment and write-off of property, plant and equipment and intangible assets		582	46
Loss on disposal of property, plant and equipment and intangible assets	Note 18	601	1 787
Changes in assets			
(Increase) in inventories	Note 5	(19 440)	(12 061)
(Increase) in contributions receivable		(50 649)	(36 548)
(Increase) in other assets	Note 6	(4 672)	(4 468)
Decrease in operating fund advances		838	1 026
Increase/(decrease) in provisions/allowance for doubtful accounts	Notes 5, 6, 7	5 458	(763)
Changes in liabilities and net assets			
Increase in accounts payable and accruals		28 146	11 012
(Decrease) in employee benefits liabilities	Note 12	(16 969)	(28 542)
Actuarial gain on employee benefits liabilities	Statement III	45 599	55 316
(Decrease)/increase in other liabilities and deferred revenue	Notes 11, 13	(4 588)	12 022
Net cash flows from operating activities		**232 985**	**201 181**
Cash flows from investing activities			
Purchases of investments	Note 4	(1 262 150)	(864 796)
Maturities of investments	Note 4	982 201	553 721
Sales of investments	Note 4	62 265	64 369
Interest revenue	Notes 4, 6, 16	21 195	14 658
Dividend revenue	Notes 6, 16	2 436	2 040
Realized gain on sale of investments	Note 16	6 978	7 439
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(7 836)	(11 574)
Proceeds from sale of property, plant and equipment		515	536
Net cash flows from investing activities		**(194 396)**	**(233 607)**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	–	–
Net cash flows from financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		**38 589**	**(32 426)**
Cash and cash equivalents at the beginning of the year	Note 3	150 877	184 391
Effect of exchange rate changes on cash and cash equivalents		15	(1 088)
Cash and cash equivalents end of the year	**Note 3**	**189 481**	**150 877**

[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 2019[a]

(Thousands of United States dollars)

	2019			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/ balance of resources*
Development activities				
Development effectiveness	34 842	35 079	34 684	395
Programmes	222 300	227 500	224 345	3 155
United Nations development coordination	**4 607**	**4 607**	**4 607**	–
Management activities				
Recurring costs	129 526	130 475	123 384	7 091
Non-recurring costs	1 800	1 800	649	1 151
Special purposes				
Information and communication technology transformation	7 965	2 747	2 609	138
Total	**401 040**	**402 208**	**390 278**	**11 930**

[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 2018–2019 of the strategic plan cycle for 2018–2021[a]

(Thousands of United States dollars)

	Final budget			*Budget utilization*			
Budget line	*2018*	*2019*	*Total*	*2018*	*2019*	*Total*	*Variance/ balance of resources*
Development activities							
Development effectiveness	32 632	35 079	67 711	32 621	34 684	67 305	406
Programmes	221 000	227 500	448 500	211 817	224 345	436 162	12 338
United Nations development coordination	**2 304**	**4 607**	**6 911**	**2 304**	**4 607**	**6 911**	–
Management activities							
Recurring costs	128 790	130 475	259 265	124 983	123 384	248 367	10 898
Non-recurring costs	1 800	1 800	3 600	1 368	649	2 017	1 583
Special purposes							
Information and communication technology transformation	1 607	2 747	4 354	1 600	2 609	4 209	145
Total	**388 133**	**402 208**	**790 341**	**374 693**	**390 278**	**764 971**	**25 370**

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

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

The Fund 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, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries.

The Fund's work is guided by its expertise in population dynamics, human rights and gender equality, and driven by the specific needs of countries. The Fund 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, the Fund 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 2019.

(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.

IPSAS classification	*Financial asset*
Held-to-maturity	Working capital investments
Available-for-sale	After-service health insurance fund 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, an allowance, and corresponding contribution revenue reduction, are recorded.

(vi) Inventories

UNFPA inventory consists 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. Inventory is valued at the lower of cost and current replacement cost, less any impairment losses, and is expensed when control over it is transferred from UNFPA to implementing partners or other third parties.

Inventory 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) is measured using the weighted average cost method. Inventory procured for direct delivery to field or regional offices is measured at actual cost.

The cost of inventory includes its 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 inventory under the control of field offices, the amount of other costs is determined on the basis of standard costs. For inventory 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 inventory 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.

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6–10 years
Information and communications technology 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. Directly attributable costs incurred for development phase activities for intangible assets that have met the recognition criteria are capitalized. Directly attributable 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.

Intangible asset class	*Estimated useful life*
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:

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable, accrued liabilities, advances from procurement activities, amounts due to United Nations organizations, funds held on behalf of joint programmes, reimbursements due to implementing partners and payables on their behalf, refunds due to donors, 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, 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 necessary 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;

(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 is funded from voluntary contributions that fall 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 by the appropriate governing bodies.

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. Refunds to donors are disclosed in statement II, notes 15 and 24 (b), and schedule B.

(xiv) Expenses

A significant percentage of programme activities is implemented by governments, intergovernmental and non-governmental organizations and other United Nations organizations.

Expenses incurred by governments and non-governmental organizations for the implementation of programme activities on behalf of UNFPA are recorded in the UNFPA accounts on the basis of expense reports provided by these implementing partners. Although UNFPA cannot impose a specific accounting framework on its implementing partners, they are required to report to UNFPA on an accrual basis.

Advances of funds to the implementing partners, made on the basis of approved workplans, are initially recorded as operating fund advances. The advances are subsequently liquidated on the basis of expense reports submitted. Outstanding advances to implementing partners reprogrammed for the following year's activities are classified as "operating fund advances" in the statement of financial position.

Where programme activities are implemented by United Nations organizations, these organizations also provide UNFPA with reports documenting their use of UNFPA resources. These reports define expenses according to the accounting policies of the reporting United Nations agency. Advances to United Nations organizations that remain outstanding at the end of the year are also classified as "operating fund advances" 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, but 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)

Agreement type	*Rate*
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Contributions from programme governments contributing to their own country programme	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 reduced from earmarked contributions revenue and included 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 agreements granted by the host governments. Based on the length of agreements (or "lease term") and 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 agreements (principally short term), expense and revenue amounts equal to the annual market rent of similar premises are recognized in the statement of financial performance. In the case of finance lease-similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In those situations, a deferred revenue amount is recognized equal to the entire 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 and close members of the family of 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. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. 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 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

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of 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 non-governmental organizations. 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 2019, recorded as part of other revenue.

These services have been reported under schedule B and schedule C. Note 16 provides further disclosure on the revenue for procurement services.

(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 2018 financial statements.

(xxiv) Transitional provisions

UNFPA did not apply any transitional provisions for the year ended 31 December 2019.

(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.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

(xxvi) Adoption of new accounting standards

In 2019, UNFPA did not adopt any new accounting standards.

A summary of accounting standards published by the IPSAS Board and becoming effective on 1 January 2019 or thereafter is provided below:

(a) IPSAS 40: Public sector combinations, published in January 2017 with an effective date of 1 January 2019, establishes the requirements for classifying, recognizing and measuring public sector combinations, defined as the bringing together of separate operations into one public sector entity. This standard is not applicable to UNFPA;

(b) IPSAS 41: Financial instruments, published in August 2018 with an effective date of 1 January 2022, establishes new requirements for classifying, recognizing and measuring financial instruments, superseding those in IPSAS 29, Financial instruments: recognition and measurement. Main changes include a new classification and measurement model for financial assets on the basis of characteristics of related cash flows and holding objectives; a forward-looking impairment model; and a flexible hedge accounting model. UNFPA will be adopting IPSAS 41, as required, effective 1 January 2022, and is currently assessing its impact on its financial statements;

(c) IPSAS 42: Social benefits, published in January 2019 with an effective date of 1 January 2022, establishes the requirements for defining, recognizing and measuring social benefits, defined as cash transfers to specific individuals and/or households to mitigate the effect of social risks and to address the needs of society as a whole. This standard is not applicable to UNFPA.

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

The presentation of note 6 (b) was enhanced by separating amounts receivable (i.e., financial assets) from prepayments (i.e., non-financial assets). This revised presentation facilitates reconciliation between note 25 and other notes to the financial statements.

(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 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.

UNFPA will continue monitoring the development of these exposure drafts and related accounting standards and notes that once adopted, they are likely to have a significant impact on UNFPA revenue recognition practices and accounting relating to transfers to its implementing partners.

Note 3
Cash and cash equivalents

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cash		
Cash on hand	6	2
Cash at banks	27 390	43 225
Cash held by investment managers	10 532	5 146
Cash equivalents		
Money market funds	61 814	52 504
Time deposits	79 721	50 000
Bonds	10 018	–
Total	**189 481**	**150 877**

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 by investment managers 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 the Fund's 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 2019, 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 longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	655 245	651 179	695 166	696 544
Commercial paper	79 521	79 520	–	–
Time deposits	280 000	280 000	115 000	115 000
Total	**1 014 766**	**1 010 699**	**810 166**	**811 544**

	31 December 2019		*31 December 2018*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Of which:				
Maturing within one year	666 177	665 816	434 506	435 295
Maturing after one year	348 589	344 883	375 660	376 249
Total	**1 014 766**	**1 010 699**	**810 166**	**811 544**

In addition, the working capital investment portfolio included $151.6 million in financial instruments with maturities of three months or less (2018: $102.5 million), reported under cash and cash equivalents (see note 3).

Bonds held in the working capital investment portfolio as at the reporting date included the following:

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
Bond types	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Commercial banks	19 781	19 729	54 352	54 431
Non-United States sovereign obligations	531 754	528 238	401 427	401 827
Supranational organizations	63 721	63 232	107 887	108 117
United States government and agencies	24 991	24 984	49 620	49 836
Corporate	14 998	14 996	81 880	82 333
Total	**655 245**	**651 179**	**695 166**	**696 544**

In 2019, the average yield on the working capital investment portfolio was 2.4 per cent (2018: 2.0 per cent).

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 2019		*31 December 2018*	
	Market value	*Base cost*	*Market value*	*Base cost*
Fixed-income securities	86 715	84 527	74 822	76 366
Equities	151 178	131 960	114 781	119 665
Total	**237 893**	**216 487**	**189 603**	**196 031**

	31 December 2019		*31 December 2018*	
	Market value	*Base cost*	*Market value*	*Base cost*
Of which:				
Fixed-income securities maturing within one year	2 801	2 802	725	725
Fixed-income securities maturing after one year and equities	235 092	213 685	188 878	195 306
Total	**237 893**	**216 487**	**189 603**	**196 031**

In addition, the after-service health insurance investment portfolio included $10.5 million in cash and financial instruments with maturities of three months or less (2018: $5.1 million), reported under cash and cash equivalents (see note 3). The portfolio generated annual rates of return of 18.65 per cent and 19.33 per cent for the portfolio components managed by the two investment managers appointed (2018: negative annual return rates of 3.27 per cent and 5.83 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 2019, $455.1 million were restricted in use as follows (2018: $404.7 million):

	Reference	*Amount*
Funds held by UNFPA on behalf of joint programmes in the capacity of administrative agent	Note 10	$30.7 million
Funding for employee benefits liabilities[a]	Note 12	$306.0 million
Operational reserve	Note 14	$74.2 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.

Movements of investments within the working capital investment portfolio during 2019 were as follows:

(Thousands of United States dollars)

	Time deposits		*Commercial paper*		*Bonds*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Opening balance	115 000	25 000	–	49 953	696 544	516 762	811 544	591 715
Add: purchases	580 000	430 000	174 676	–	424 038	342 481	1 178 714	772 481
Less: maturities	(415 000)	(340 000)	(96 000)	(50 000)	(470 681)	(163 721)	(981 681)	(553 721)
Amortization	–	–	844	47	1 278	1 022	2 122	1 069
Closing balance	**280 000**	**115 000**	**79 520**	**–**	**651 179**	**696 544**	**1 010 699**	**811 544**

Movements of investments within the after-service health insurance investment portfolio during 2019 were as follows:

(Thousands of United States dollars)

	Fixed-income securities		*Equities*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Opening balance	74 822	66 914	114 781	117 498	189 603	184 412
Add: purchases	20 302	23 830	63 134	68 485	83 436	92 315
Less: maturities	(520)	–	–	–	(520)	–
Less: sales	(11 426)	(13 310)	(50 839)	(51 059)	(62 265)	(64 369)
Amortization	(195)	(230)	–	–	(195)	(230)
Gain/(loss) in fair value recognized in:						
Surplus/(deficit)	(99)	(1 129)	–	(592)	(99)	(1 721)
Net assets	3 831	(1 253)	24 102	(19 551)	27 933	(20 804)
Closing balance	**86 715**	**74 822**	**151 178**	**114 781**	**237 893**	**189 603**

Note 5
Inventories

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Reproductive health and other program-related supplies, of which:	67 615	47 701
In transit	38 010	23 694
In stock	29 605	24 007
Property, plant and equipment-like inventory in transit	2 742	3 216
Provisions for impairment losses	(90)	(90)
Total	**70 267**	**50 827**

The inventory movements during 2019 and 2018 are summarized as follows:

(Thousands of United States dollars)

	2019	*2018*
Inventory held as at 1 January	**50 827**	**38 314**
Additions	180 053	160 363
Issues	(160 141)	(147 784)
Provisions for impairment losses	–	452
Inventory adjustments and write-downs	(472)	(518)
Inventory held as at 31 December	**70 267**	**50 827**

Note 6
Contributions receivable and other assets

(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)

	31 December 2019	*31 December 2018*
Non-exchange transactions		
Contributions receivable (current)	201 776	171 766
Unearmarked resources	176	288
Earmarked resources	201 600	171 478
Contributions receivable (non-current)	182 179	164 241
Earmarked resources	182 179	164 241
Exchange transactions		
Contributions receivable (current)	520	277
Total	**384 475**	**336 284**

Non-exchange transactions are those in which UNFPA receives resources from donors to be applied towards advancing the Fund's mission, with no or nominal consideration provided directly in return to the donors. UNFPA unearmarked and earmarked contributions are 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.

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.

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 mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

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

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2015 and prior	–	529	132	529
2016	128	–	128	–
2017	155	–	162	–
2018	57	418	216	3 353
2019	165	11 657	–	–
Contributions receivable as at 31 December	**505**	**12 604**	**638**	**3 882**

	31 December 2019		*31 December 2018*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
Contributions receivable not yet due as at 31 December	–	377 822	–	332 643
Allowance for doubtful contributions receivable	(329)	(6 127)	(350)	(529)
Total	**176**	**384 299**	**288**	**335 996**

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

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable is summarized as follows:

(Thousands of United States dollars)

	2019	*2018*
Allowance at 1 January	**(879)**	**(1 085)**
Contributions receivable for which collection is now considered doubtful	(5 709)	(11)
Contributions receivable written off	132	97
Recoveries and reversals for contributions receivable for which collection was previously considered doubtful	–	120
Allowance at 31 December	**(6 456)**	**(879)**

(b) Other assets

Other assets comprise other receivables and prepayments.

Other receivables as at the reporting date included the following:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018[a]*
Current		
Accrued dividends	77	116
Accrued interest	6 551	5 227
Advances to staff	495	388
Receivables from procurement activities	5	88
Recoverable value added/sales taxes	3 993	3 238
Refunds due from implementing partners	5 887	5 354
Miscellaneous accounts receivable	5 191	1 179
Less: allowance for doubtful other receivables	(1 311)	(1 277)
Total current	**20 888**	**14 313**

	31 December 2019	*31 December 2018*[a]
Non-current		
Long-term receivables	23	18
Total non-current	**23**	**18**
Total other receivables	**20 911**	**14 331**

[a] Comparative information for 2018 restated following the changes in presentation made to the note.

In 2019, UNFPA revised its presentation of other assets by separately disclosing in the present note the amounts of other receivables and prepayments. Changes made are summarized as follows:

(a) Education grant benefits prepaid to staff for eligible dependents not yet amortized were reclassified from "Advances to staff" to a separate line item within prepayments;

(b) Refunds due from implementing partners and recoverable value added and sales taxes were disclosed separately from "Miscellaneous accounts receivable", where they had been previously included;

(c) Prepayments of contributions to the resident coordinator system were disclosed separately from "Other prepayments", where they had been previously included;

(d) Amounts due to the United Nations organizations, as part the of inter-fund balance settlement process, have been classified within "Other prepayments".

Prepayments as at the reporting date included the following:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Deferred programme costs	1 198	1 229
Unamortized education grant benefits	3 465	3 349
Prepayments of contributions to the resident coordinator system	4 607	4 607
Other prepayments	3 530	4 036
Total	**12 800**	**13 221**

The movement in the allowance for doubtful other assets is summarized as follows:

(Thousands of United States dollars)

	2019	*2018*
Allowance at 1 January	**(1 277)**	**(1 100)**
Other assets for which collection is now considered doubtful	(225)	(230)
Other assets written off	54	–
Recoveries and reversals of other assets for which collection was previously considered doubtful	137	53
Allowance at 31 December	**(1 311)**	**(1 277)**

Note 7
Operating fund advances

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Governments	2 919	3 335
Intergovernmental institutions and non-governmental organizations	2 317	2 118
United Nations organizations	1 537	2 169
Less: allowance for doubtful advances	(493)	(646)
Total	**6 280**	**6 976**

The movement in the allowance for doubtful operating fund advances is summarized as follows:

(Thousands of United States dollars)

	2019	*2018*
Allowance at 1 January	**(646)**	**(928)**
Advances for which collection is now considered doubtful	(27)	(106)
Advances written off	68	–
Recoveries and reversals for advances for which collection was previously considered doubtful	112	388
Allowance at 31 December	**(493)**	**(646)**

Note 8
Property, plant and equipment

Property, plant and equipment (or fixed assets) movements during 2019 and 2018 are summarized as follows:

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Cost																
As at 1 January	227	227	12 463	12 963	4 864	4 796	19 826	18 821	32 623	32 142	8 292	6 618	2 156	879	80 451	76 446
Additions	–	–	–	26	493	433	2 366	2 635	3 063	4 162	497	1 125	1 253	2 156	7 672	10 537
Disposals	–	–	(34)	(526)	(418)	(381)	(1 986)	(1 721)	(2 952)	(3 808)	(588)	(77)	–	–	(5 978)	(6 513)
(Impairment)/impairment reversal	–	–	–	–	–	–	–	(2)	(1)	(36)	–	–	–	–	(1)	(38)
Adjustments/reclassifications	–	–	988	–	(6)	16	85	93	239	163	(61)	626	(1 406)	(879)	(161)	19
As at 31 December	**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**
Accumulated depreciation																
As at 1 January	–	–	2 944	2 655	3 231	3 095	12 821	12 121	21 556	20 516	5 463	4 768	–	–	46 015	43 155
Depreciation charges	–	–	417	423	387	401	2 260	2 254	2 927	3 096	707	770	–	–	6 698	6 944
Disposals	–	–	(6)	(134)	(294)	(265)	(1 712)	(1 554)	(2 080)	(2 056)	(521)	(75)	–	–	(4 613)	(4 084)
Adjustments/reclassifications	–	–	37	–	(18)	–	–	–	–	–	(37)	–	–	–	(18)	–
As at 31 December	**–**	**–**	**3 392**	**2 944**	**3 306**	**3 231**	**13 369**	**12 821**	**22 403**	**21 556**	**5 612**	**5 463**	**–**	**–**	**48 082**	**46 015**
Net book value as at 1 January	**227**	**227**	**9 519**	**10 308**	**1 633**	**1 701**	**7 005**	**6 700**	**11 067**	**11 626**	**2 829**	**1 850**	**2 156**	**879**	**34 436**	**33 291**
Net book value as at 31 December	**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**

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 of the end of 2018 were placed in service in 2019 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as of the end of 2019 was $0.5 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2019 was $0.4 million (2018: $2.7 million). As at 31 December 2019, the cost of fully depreciated property, plant and equipment items which were still in use amounted to $25.5 million (2018: $24.3 million).

Note 9
Intangibles

Intangible assets movements during 2019 and 2018 and balances are summarized as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Cost								
As at 1 January	689	771	857	771	980	48	2 526	1 590
Additions	6	–	–	–	319	980	325	980
Disposals	(53)	(82)	–	–	–	–	(53)	(82)
(Impairment)/impairment reversal	–	–	–	–	(575)	–	(575)	–
Adjustments/reclassifications	–	–	–	86	–	(48)	–	38
As at 31 December	**642**	**689**	**857**	**857**	**724**	**980**	**2 223**	**2 526**
Accumulated amortization								
As at 1 January	655	702	489	257	–	–	1 144	959
Amortization charges	19	33	184	232	–	–	203	265
Disposals	(42)	(80)	–	–	–	–	(42)	(80)
As at 31 December	**632**	**655**	**673**	**489**	**–**	**–**	**1 305**	**1 144**
Net book value as at 1 January	**34**	**69**	**368**	**514**	**980**	**48**	**1 382**	**631**
Net book value as at 31 December	**10**	**34**	**184**	**368**	**724**	**980**	**918**	**1 382**

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 the Fund’s 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.

Following its strategic plan, 2018–2021, UNFPA is implementing several information and communication technology transformation initiatives, including the selection and implementation of new, functionally integrated, cloud-based enterprise resource planning and customer relationship management solutions. In 2019, UNFPA finalized the process for the selection of these solutions, obtaining rights to access and use a suite of cloud services (application functionalities, maintenance, upgrades and the like), which do not meet the definition and recognition criteria of separately acquired intangible assets.

In 2019, UNFPA recognized an impairment of $0.6 million for one intangible asset under construction whose carrying amount exceeded its recoverable service amount. Works to restore the asset's service potential are ongoing in 2020, and if successful, some or all of the impairment loss may be reversed following the results of a new assessment.

In 2019, UNFPA incurred research and development expenditures of $3.1 million that did not meet the recognition criteria for intangible assets and thus were expensed during the year (2018: $0.3 million). As at 31 December 2019, UNFPA did not have any commitments for purchases of intangible assets.

The cost of fully amortized intangible assets which were still in use by the end of 2019 amounted to $0.62 million (2018: $0.58 million), corresponding primarily to the licence for a suite of office productivity applications procured at a cost of $0.50 million.

Note 10
Accounts payable and accruals

Accounts payable and accruals as at the reporting date comprised the following:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Accounts payable	20 361	15 683
Accrued liabilities	26 217	23 242
Advances from procurement activities	32 729	22 539
Inter-fund balance payable to United Nations organizations	6 363	7 160
Funds held on behalf of joint programmes	30 689	26 132
Reimbursements due to implementing partners and payables on their behalf	16 291	12 665
Refunds due to donors	9 474	6 517
Total	**142 124**	**113 938**

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.

Note 11
Finance lease liability

As at 31 December 2019, UNFPA had one finance lease agreement for an office building in one programme country. In 2019, 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 are shown below.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current		
Short-term employee benefits		
Accumulated annual leave	25 284	23 387
Accumulated home leave	2 731	2 757
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff)[a]	575	494
Repatriation benefits (active staff)	3 737	2 716
After-service health insurance	3 588	5 955
Workers' compensation	21	21
Total current	**35 936**	**35 330**
Non-current		
Post-employment and other long-term employee benefits		
Repatriation benefits (active staff)	30 023	24 666
After-service health insurance	303 855	326 843
Workers' compensation	478	422
Total non-current	**334 356**	**351 931**
Total employee benefits liabilities	**370 292**	**387 261**

[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 include annual and home leave, in line with the United Nations Staff Regulations and Rules.

Accumulated annual leave

This liability represents the amount of annual leave days accrued by staff members as at the reporting date up to the maximum of 82.5 days 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.

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.

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 the after-service health insurance and is provided primarily through the United States-based insurance plans, the worldwide health insurance plan and the Medical Insurance Plan.

The United States-based and worldwide health insurance plans, designed primarily to provide coverage for the residents of headquarters locations and former internationally recruited staff members (and their eligible dependants), are administered by the United Nations. The Medical Insurance Plan, designed for former locally recruited staff members (and their eligible dependants) residing outside of headquarters locations, is 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.

2019 actuarial valuation

Summary of main assumptions

The post-employment and other long-term employee benefits liabilities as at 31 December 2019 were established based on full actuarial valuation results. Key assumptions used for the valuation purposes are summarized as follows:

(Percentage)

	After-service health insurance		*Repatriation benefits (active staff)*		*Workers' compensation*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Single equivalent discount rate	3.61	4.62	3.02	4.15	3.22	4.44
Annual salary increase			3.47–9.27	3.47–9.27		
Travel cost increase			2.20	2.20		
Cost-of-living adjustment					2.20	2.20

The discount rates used 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. All these assumptions were updated for the purposes of the 2019 actuarial valuation study.

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

	2019			*2018*		
Plan	*Initial (percentage)*	*Final (percentage)*	*Grade down (years)*	*Initial (percentage)*	*Final (percentage)*	*Grade down (years)*
United States, non-Medicare	5.44	3.85	13	5.57	3.85	14
United States, Medicare	5.26	3.85	13	5.38	3.85	14
United States, dental	4.66	3.85	13	4.73	3.85	14
Non-United States – Switzerland	3.76	2.85	8	3.89	3.05	9
Non-United States – Eurozone	3.83	3.65	3	3.91	3.65	4

Per capita medical claims costs were updated based on actual claims and enrolment experience for the period 2016–2018 provided by the third-party administrators for the purposes of the 2019 actuarial valuation study.

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)

Plan	*By retiree*	*By organization*
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. Mortality projections used for the purposes of workers' compensation were derived from life tables of the World Health Organization.

Scheme enrolment, probability of marriage at retirement and age difference between spouses were estimated based on historic trends.

2019 actuarial valuation results

The determination of post-employment and other long-term employee benefits liabilities during 2019 is summarized below.

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Workers' compensation*	*2019*	*2018*
As at 31 December 2018	**332 798**	**27 382**	**443**	**360 623**	**389 818**
Current service cost	13 513	1 699	38	15 250	16 479
Net interest	15 300	1 101	2	16 403	14 937
Benefits paid	(3 285)	(1 706)	(21)	(5 012)	(5 209)
Actuarial (gains)/losses arising from:					
Changes in financial assumptions	(36 169)	2 712	66	(33 391)	(52 085)
Changes in demographic assumptions	(163)	(117)	3	(277)	(13)
Experience adjustments	(14 551)	2 689	(32)	(11 894)	(3 304)
As at 31 December 2019	**307 443**	**33 760**	**499**	**341 702**	**360 623**

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. It is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking into account any changes resulting from contribution and benefit payments. Both current service cost 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 $3.7 million for after-service health insurance, $3.9 million for repatriation benefits and $0.02 million for workers' compensation benefits.

Actuarial gains and losses are 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 2019, an actuarial gain was recorded primarily due to the use of updated per capita medical claims costs that were considerably lower than previously projected, offset in part by a loss from the decrease in the discount rates used. Changes in the accumulated actuarial gains and losses are summarized as follows:

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2018	82 283	10 211	92 494
Current period	(50 883)	5 284	(45 599)
As at 31 December 2019	**31 400**	**15 495**	**46 895**

Actuarial gains and losses on workers' compensation are recognized in surplus or deficit for the year. The actuarial loss recorded in 2019 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, is summarized below.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Gross liability	472 901	523 162
Offset from payments made by plan participants	(165 458)	(190 364)
Net liability	**307 443**	**332 798**

The weighted average duration of the defined benefit obligations as at 31 December 2019 was 23 years for the after-service health insurance, 8 years for the repatriation benefits and 16 years for the workers' compensation (2018: 21 years, 9 years and 17 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)

	After-service health insurance			
	Year-end liability	*Sum of service and net interest costs*	*Repatriation benefits liability (active staff)*	*Workers' compensation liability*
Single equivalent discount rate				
0.50 per cent increase	(31 733)		(1 181)	(26)
0.50 per cent decrease	36 879		1 265	39
Health-care cost trend rate				
0.50 per cent increase	35 601	3 627		
0.50 per cent decrease	(30 994)	(3 089)		
Cost-of-living adjustment rate				
0.50 per cent increase				23
0.50 per cent decrease				(23)

Funding for employee benefits liabilities

Funding for employee benefits liabilities in 2019 amounted to $49.1 million (2018: $13.5 million), as detailed below:

(a) Net investment gain of $39.5 million generated by the after-service health insurance investment portfolio (2018: loss of $10.0 million). Notes 4 and 25 provide more details on these investments;

(b) Payroll charges for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave of $9.6 million (2018: $8.5 million).

As at 31 December 2019, the unfunded portion of after-service health insurance and other employee benefits liabilities amounted to $64.3 million (2018: $130.4 million), as detailed below.

(Thousands of United States dollars)

Employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	307 443	264 554	42 889
Repatriation benefits	34 335	13 426	20 909
Annual leave	25 284	25 284	–
Home leave	2 731	2 731	–
Workers' compensation	499	(39)	538
Total	**370 292**	**305 956**	**64 336**

Changes in the unfunded liabilities are summarized in the table below.

(Thousands of United States dollars)

	31 December 2018			31 December 2019
	Unfunded liability	*Increase/(decrease) in liability*	*Net increase/(decrease) in funding*	*Unfunded liability*
After-service health insurance	110 729	(25 355)	42 485	42 889
Repatriation benefits	19 204	6 459	4 754	20 909
Annual leave	–	1 897	1 897	–
Home leave	–	(26)	(26)	–
Workers' compensation	462	56	(20)	538
Total	**130 395**	**(16 969)**	**49 090**	**64 336**

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 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 the participants and 15.8 per cent for the 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 2017, and the valuation as at 31 December 2019 was ongoing at the time of preparation of the present financial statements. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Pension Fund for use in its 2018 financial statements.

The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (2016: 150.1 per cent). The funded ratio was 102.7 per cent (2016: 101.4 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 2017, 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 United Nations Joint Staff Pension Fund pension plan, the amounts of deficiency payments required of 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 (2016, 2017 and 2018) amounted to $7,131.56 million, of which $98.1 million (1.4 per cent) was contributed by UNFPA.

During 2019, contributions paid to the Pension Fund by UNFPA amounted to $37.0 million (2018: $33.8 million). Estimated contributions to be paid in 2020 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 comprised the following:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current		
Other current liabilities	1 127	1 211
Deferred revenue	4 215	8 462
Derivative liabilities	60	158
Total current	**5 402**	**9 831**

	31 December 2019	*31 December 2018*
Non-current		
Other non-current liabilities	13 106	14 124
Deferred revenue	3 845	4 004
Total non-current	**16 951**	**18 128**
Total other liabilities and deferred revenue	**22 353**	**27 959**

Other non-current liabilities comprise bridge funding of $13.1 million provided by one donor for the procurement of reproductive health commodities ahead of the receipt of the contributions earmarked for that purpose. Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) ($4.0 million), and contributions to regular and other resources received in advance ($4.1 million).

Note 14
Unearmarked resources – movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated funds		Designated funds						Reserves			2019	2018
	Programmable fund balance	*After-service health insurance and employee benefits fund*	*Procurement services*	*Excess cost recovery*	*Comprehensive resources review*	*Programme continuity fund*	*Private endowment trust*	*Total fund balances*	*Operational reserve*	*Humanitarian response reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
	(Note 14 (a))	*(Note 14 (b))*	*(Note 14 (c))*	*(Note 14 (d))*	*(Note 14 (e))*	*(Note 14 (f))*	*(Note 14 (g))*		*(Note 14 (h))*	*(Note 14 (i))*	*(Note 14 (j))*		
Balance as at 1 January	**90 908**	**(130 395)**	**7 153**	**8 111**	**1 575**	**5 000**	**36 449**	**18 801**	**75 476**	**7 500**	**5 000**	**106 777**	**29 080**
Net excess/(shortfall) of revenue over expenses	55 216	(7 473)	–	–	(906)	–	354	47 191	–	–	(1 625)	45 566	39 723
Resource allocations and transfers													
Operational reserve	1 251	–	–	–	–	–	–	1 251	(1 251)	–	–	–	–
Humanitarian response reserve	2 000	–	–	–	–	–	–	2 000	–	(2 000)	–	–	–
Reserve for field accommodation	(1 625)	–	–	–	–	–	–	(1 625)	–	–	1 625	–	–
Other transfers	(10 134)	–	1 805	10 587	–	–	–	2 258	–	–	–	2 258	3 462
Adjustments to resource balances													
Gain/(loss) in fair value of investments recognized in net assets	–	27 933	–	–	–	–	–	27 933	–	–	–	27 933	(20 804)
Actuarial gain on employee benefits liabilities	–	45 599	–	–	–	–	–	45 599	–	–	–	45 599	55 316
Balance as at 31 December	**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 total		**73 280**					**70 128**				**84 725**		

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 2019, the programmable fund balance amounted to $137.6 million, of which $105.8 million was available for programming in 2020, 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 $7.0 million in regular resources in 2019 (including the $2.0 million transfer from the humanitarian response reserve), which is $0.5 million lower than in 2018. Of this amount, $6.3 million was spent in 2019 (2018: $6.6 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 31 December 2019 (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.

(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 2019, cost recoveries in excess of budget amounted to $12.7 million, of which $2.1 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 2019, expenses for comprehensive resources review activities amounted to $0.9 million, reducing the fund balance to $0.7 million as at 31 December 2019.

(f) Programme continuity fund

In 2018, UNFPA allocated $5.0 million to a newly established designated fund to pre-finance development programme activities ahead of the receipt of funds committed in signed co-financing agreements. The fund operates on a revolving basis and is to be replenished once donor funding is received.

(g) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $36.8 million comprises the principal of $33.7 million plus cumulative interest earned of $9.4 million, less cumulative eligible expenses of $6.3 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 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 reduced by $1.3 million in 2019 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. In 2019, UNFPA transferred $2.0 million from this reserve to the emergency fund, bringing the reserve level to $5.5 million as at 31 December 2019.

(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. In 2019, $1.6 million in qualifying expenses was charged to the reserve and the same amount was replenished in order to bring the reserve level back to $5.0 million.

Note 15
Contribution revenue

Contribution revenue comprises the following:

(Thousands of United States dollars)

	2019	*2018*
Unearmarked (core) contributions	373 465	378 800
Subtotal	**373 465**	**378 800**

	2019	*2018*
Contributions earmarked for:		
Co-financing	938 148	824 413
Junior Professional Officers	6 206	4 458
Contributions in kind	(613)	379
Less: refunds to donors	(7 863)	(4 993)
Less: allowance for doubtful contributions receivable	(5 598)	–
Subtotal	**930 280**	**824 257**
Total	**1 303 745**	**1 203 057**

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 $52.9 million (2018: $47.5 million), which are shown in note 16, under fees for support services.

"Contributions in kind" represents the value of goods received by UNFPA and utilized for its programmatic activities. That amount for the reporting period is negative owing to the reversal of contributions revenue recognized in prior years, based on a mutual agreement reached between UNFPA and the donor.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Cost recovery charges and fees for support services	52 287	47 251	3 044	3 193	55 331	50 444
Investment revenue	29 554	24 299	4 267	2 707	33 821	27 006
Gains/(losses) on foreign currency exchange – contributions receivable[a]	(2 055)	–	2 536	–	481	–
Gains on foreign currency exchange – others[a]	3 487	–	1 589	–	5 076	–
Premises occupied based on donated right to use	6 056	5 789	–	–	6 056	5 789
Revenue from sale of UNFPA inventory	–	–	2 742	2 660	2 742	2 660
Miscellaneous revenue	1 111	1 156	841	208	1 952	1 364
Total	**90 440**	**78 495**	**15 019**	**8 768**	**105 459**	**87 263**

[a] In 2019, UNFPA had foreign currency exchange gains on contributions receivable and other assets and liabilities, disclosed in the table above, compared with foreign currency exchange losses in 2018, which are disclosed in note 18 as part of other expenses.

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)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Interest revenue	20 179	14 788	4 267	2 707	24 446	17 495
Dividend revenue	2 397	2 072	–	–	2 397	2 072
Realized gain on sale of investments	6 978	7 439	–	–	6 978	7 439
Total	**29 554**	**24 299**	**4 267**	**2 707**	**33 821**	**27 006**

Revenue and expense in the amount of $6.1 million were recognized in 2019 (2018: $5.8 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, as presented in the statement of financial performance, can be further broken down on the basis of the implementation modality used, as follows:

(Thousands of United States dollars)

	2019	*2018*
Activities implemented by:	354 605	315 051
Governments	99 721	106 869
Non-governmental organizations	248 539	202 615
United Nations organizations	6 345	5 567
Activities implemented by UNFPA	775 598	770 969
Total expenses	**1 130 203**	**1 086 020**

In 2019, 37.3 per cent of programme activities were implemented by governments and non-governmental organizations (2018: 35.5 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)

	2019	*2018*
Staff costs	(9)	–
Reproductive health and other programme-related supplies	15 772	12 502
Development and training of counterparts	107 684	93 170
Supplies, materials and operating costs	72 965	67 730
Contracted and professional services	139 743	117 890
Finance costs	324	285
Travel	18 100	20 458
Other expenses	26	3 016
Total expenses	**354 605**	**315 051**

Note 18
Expenses by nature

Total expenses, as presented in the statement of financial performance, can be further broken down on the basis of their nature, as follows:

(Thousands of United States dollars)

	2019	*2018*
Staff costs		
Staff salaries	176 637	167 394
Pension contributions	36 987	33 841
Other employee benefit costs	90 052	88 811
Subtotal, staff costs	**303 676**	**290 046**
Reproductive health and other programme-related supplies		
Reproductive health supplies	146 326	128 324
Other programme-related supplies	28 361	31 611
Subtotal, reproductive health and other programme-related supplies	**174 687**	**159 935**
Development and training of counterparts	127 436	112 413
Subtotal, development and training of counterparts	**127 436**	**112 413**
Supplies, materials and operating costs		
Supplies and materials	22 504	27 892
Rent, repairs and maintenance	51 309	47 844
Printing, publications and media	28 871	27 678
Transportation and distribution	40 414	34 112
Other operating costs	53 446	48 608
Subtotal, supplies, materials and operating costs	**196 544**	**186 134**
Contracted and professional services		
Contracted and professional services with individuals	185 551	171 785
Contracted and professional services with companies	56 563	49 483
United Nations Volunteers expenses	5 505	3 658
Subtotal, contracted and professional services	**247 619**	**224 926**
Finance costs (mainly bank charges)	1 028	1 000
Subtotal, finance costs	**1 028**	**1 000**
Travel	64 670	63 439
Subtotal, travel	**64 670**	**63 439**
Depreciation and amortization		
Depreciation	6 698	6 944
Amortization	203	265
Subtotal, depreciation and amortization	**6 901**	**7 209**
Impairment and reversals of impairment losses		
Impairment losses	796	68
Subtotal, impairment and reversals of impairment losses	**796**	**68**

	2019	*2018*
Other expenses		
Premises occupied based on donated right to use	5 875	5 608
Transfers and losses on disposal of property, plant and equipment and intangible assets	601	1 787
Losses on foreign currency exchange – contributions receivable[a]	–	20 877
Losses on foreign currency exchange – others[a]	–	12 695
Doubtful accounts expenses and write-offs	369	(171)
Other	1	54
Subtotal, other expenses	**6 846**	**40 850**
Total expenses	**1 130 203**	**1 086 020**

[a] In 2019, UNFPA had foreign currency exchange gains on both contributions receivable and other assets and liabilities, disclosed as other revenue in note 16.

Note 19
Programme activities and institutional budget expenses by region and country/territory

(Thousands of United States dollars)

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2019*	*2018*
Eastern and Southern Africa					
Country/territory activities					
Angola	2 065	591	893	3 549	3 712
Botswana	530	420	202	1 152	1 321
Burundi	1 622	3 153	731	5 506	5 464
Comoros	697	212	125	1 034	852
Democratic Republic of the Congo	5 720	25 020	1 061	31 801	21 892
Eritrea	769	222	673	1 664	2 013
Eswatini	638	400	353	1 391	1 518
Ethiopia	4 194	14 585	915	19 694	16 267
Kenya	3 255	5 640	973	9 868	9 033
Lesotho	731	708	440	1 879	1 508
Madagascar	3 462	1 600	748	5 810	6 020
Malawi	1 930	11 840	816	14 586	11 626
Mauritius	120	47	–	167	102
Mozambique	3 189	20 288	979	24 456	27 086
Namibia	691	475	480	1 646	1 533
Rwanda	1 267	958	648	2 873	3 656
Seychelles	53	–	–	53	–
South Africa	1 306	1 003	587	2 896	2 746
South Sudan	2 514	17 403	1 753	21 670	23 257
Uganda	3 236	11 952	962	16 150	13 736
United Republic of Tanzania	3 217	9 302	876	13 395	14 277
Zambia	1 897	6 185	662	8 744	9 982
Zimbabwe	1 777	12 692	1 028	15 497	17 089
Subtotal	**44 880**	**144 696**	**15 905**	**205 481**	**194 690**

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2019*	*2018*
Regional activities	2 799	5 014	3 939	11 752	10 263
Total	**47 679**	**149 710**	**19 844**	**217 233**	**204 953**
Western and Central Africa					
Country/territory activities					
Benin	1 581	3 719	674	5 974	5 686
Burkina Faso	2 252	12 248	881	15 381	7 976
Cabo Verde	523	–	409	932	1 007
Cameroon	3 050	8 477	833	12 360	8 787
Central African Republic	1 401	2 592	1 019	5 012	5 133
Chad	2 615	3 106	702	6 423	8 419
Congo	1 009	1 759	703	3 471	2 540
Côte d’Ivoire	2 598	3 635	986	7 219	7 191
Equatorial Guinea	906	2 107	646	3 659	2 511
Gabon	449	72	599	1 120	1 190
Gambia	838	2 148	289	3 275	1 544
Ghana	2 272	4 473	909	7 654	4 840
Guinea	2 441	3 730	1 204	7 375	7 345
Guinea-Bissau	860	873	620	2 353	1 679
Liberia	1 254	5 168	879	7 301	7 235
Mali	2 361	5 685	997	9 043	10 552
Mauritania	1 055	639	585	2 279	2 243
Niger	2 862	7 847	769	11 478	13 997
Nigeria	5 850	18 344	656	24 850	20 833
Sao Tome and Principe	395	198	209	802	993
Senegal	2 013	7 271	500	9 784	6 275
Sierra Leone	1 490	7 201	711	9 402	21 067
Togo	1 504	1 115	711	3 330	3 337
Subtotal	**41 579**	**102 407**	**16 491**	**160 477**	**152 380**
Regional activities	4 004	5 822	3 027	12 853	12 825
Total	**45 583**	**108 229**	**19 518**	**173 330**	**165 205**

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2019*	*2018*
Arab States					
Country/territory activities					
Algeria	384	127	205	716	837
Djibouti	608	516	247	1 371	1 023
Egypt	1 335	9 610	392	11 337	7 314
Iraq	1 435	18 122	1 192	20 749	38 106
Jordan	771	11 426	180	12 377	13 911
Lebanon	492	3 109	461	4 062	5 730
Libya	1 615	2 035	723	4 373	4 141
Morocco	944	843	481	2 268	1 719
Oman	112	1 089	251	1 452	1 221
Somalia	2 224	22 430	1 013	25 667	21 191
State of Palestine	1 140	4 506	877	6 523	4 891
Sudan	3 284	8 840	1 105	13 229	11 174
Syrian Arab Republic	1 454	32 422	1 127	35 003	35 754
Tunisia	513	535	76	1 124	1 258
Yemen	2 901	58 762	1 391	63 054	26 425
Subtotal	**19 212**	**174 372**	**9 721**	**203 305**	**174 695**
Regional activities	3 139	2 535	2 667	8 341	8 332
Total	**22 351**	**176 907**	**12 388**	**211 646**	**183 027**
Asia and the Pacific					
Country/territory activities					
Afghanistan	3 519	8 804	1 413	13 736	14 997
Bangladesh	4 437	28 823	969	34 229	28 760
Bhutan	541	10	65	616	618
Cambodia	1 570	114	708	2 392	2 376
China	1 570	437	1 059	3 066	2 815
Democratic People’s Republic of Korea	821	565	562	1 948	1 554
India	4 658	2 321	591	7 570	7 589
Indonesia	2 799	5 067	564	8 430	6 946
Iran (Islamic Republic of)	794	326	693	1 813	1 842
Lao People’s Democratic Republic	1 114	1 130	750	2 994	3 708
Malaysia	559	–	–	559	706
Maldives	337	22	64	423	420
Mongolia	666	3 279	499	4 444	2 603
Myanmar	3 322	8 421	837	12 580	13 320
Nepal	2 305	5 231	804	8 340	7 906
Pacific Islands (multi-country)[a]	2 653	5 216	998	8 867	7 744
Pakistan	4 370	5 049	999	10 418	11 183
Papua New Guinea	1 414	2 487	1 016	4 917	4 417
Philippines	2 820	1 623	793	5 236	5 105
Sri Lanka	689	652	353	1 694	1 403
Thailand	782	18	392	1 192	1 073
Timor-Leste	1 207	446	673	2 326	2 415
Viet Nam	2 080	765	784	3 629	3 320
Subtotal	**45 027**	**80 806**	**15 586**	**141 419**	**132 820**

	Programme activities		Institutional budget	Total	
	Unearmarked	*Earmarked*		*2019*	*2018*
Regional activities	4 797	2 570	4 167	11 534	10 666
Total	**49 824**	**83 376**	**19 753**	**152 953**	**143 486**
Latin America and the Caribbean					
Country/territory activities					
Argentina	259	442	–	701	148
Bolivia (Plurinational State of)	973	3 041	635	4 649	5 176
Brazil	1 479	1 553	720	3 752	3 093
Caribbean (multi-country)[b]	2 030	335	901	3 266	3 234
Chile	148	3	–	151	168
Colombia	1 042	1 587	494	3 123	2 162
Costa Rica	633	100	144	877	569
Cuba	400	256	348	1 004	1 241
Dominican Republic	691	322	242	1 255	1 257
Ecuador	975	576	503	2 054	1 493
El Salvador	825	1 157	499	2 481	2 098
Guatemala	1 365	6 873	569	8 807	36 867
Haiti	2 244	6 370	1 187	9 801	13 541
Honduras	896	4 329	644	5 869	5 547
Mexico	1 241	2 378	576	4 195	3 121
Nicaragua	850	247	503	1 600	1 332
Panama	532	245	156	933	601
Paraguay	727	793	276	1 796	1 163
Peru	1 054	1 076	612	2 742	2 073
Uruguay	655	548	419	1 622	2 065
Venezuela (Bolivarian Republic of)	577	1 743	230	2 550	918
Subtotal	**19 596**	**33 974**	**9 658**	**63 228**	**87 867**
Regional activities	3 996	1 292	3 045	8 333	7 950
Total	**23 592**	**35 266**	**12 703**	**71 561**	**95 817**

	Programme activities		*Institutional budget*	*Total*	
	Unearmarked	*Earmarked*		*2019*	*2018*
Eastern Europe and Central Asia					
Country/territory activities					
Albania	615	442	168	1 225	1 133
Armenia	605	139	153	897	784
Azerbaijan	675	125	170	970	813
Belarus	412	319	120	851	903
Bosnia and Herzegovina	789	431	258	1 478	1 362
Georgia	620	502	177	1 299	1 435
Kazakhstan	616	302	460	1 378	1 324
Kosovo	599	56	141	796	725
Kyrgyzstan	735	1 482	143	2 360	1 702
North Macedonia	330	48	104	482	605
Republic of Moldova	630	984	381	1 995	1 336
Serbia	406	84	129	619	608
Tajikistan	923	583	77	1 583	1 188
Turkey	1 052	25 456	579	27 087	23 966
Turkmenistan	525	157	187	869	844
Ukraine	799	3 781	550	5 130	4 327
Uzbekistan	875	149	478	1 502	1 448
Subtotal	**11 206**	**35 040**	**4 275**	**50 521**	**44 503**
Regional activities	3 188	953	2 615	6 756	6 892
Total	**14 394**	**35 993**	**6 890**	**57 277**	**51 395**
Global programme and other headquarters activities	19 263	121 632	75 492	216 387	190 976
Total programme and institutional budget	**222 686**	**711 113**	**166 588**	**1 100 387**	**1 034 859**

[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.

Schedule D provides a breakdown by nature of total programme expenses funded with unearmarked and earmarked resources referenced above.

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2019, UNFPA did not have any material provisions.

Contingent assets for all donor agreements in force as at 31 December 2019 which did not meet the revenue recognition criteria amounted to $411.1 million (2018: $269.1 million), of which $130.1 million related to earmarked resources (2018: $172.7 million). Those contributions will be recognized in future periods when revenue recognition criteria are met.

As at 31 December 2019, UNFPA had a limited number of contingent liability cases that represented ongoing legal and administrative law claims. The total potential outflow for such cases as at 31 December 2019 was estimated at $3.0 million (2018: $0.7 million). Owing to the uncertainty of the outcomes of the cases, neither a liability nor provision was recorded as at the reporting date, as the occurrence and timing of outflow 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)

	Key management personnel				
	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2019	23	4 816	981	1 031	6 828
2018	24	4 782	1 575	923	7 280

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 2019 was estimated at $7.6 million (2018: $9.7 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 2019. As at the date of signing of the financial statements by the UNFPA Executive Director, on 30 April 2020, the COVID-19 pandemic was characterized as a material event subsequent to the reporting date. While its financial impact cannot be reliably measured or assessed, the high volatility experienced in financial markets and foreign exchange rates for key contribution currencies, disruptions in supply chains and donor priorities with regard to development and humanitarian assistance may significantly affect UNFPA future revenues and the value of its financial assets and liabilities.

UNFPA continues to actively manage the 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 issue that would have affected the 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 2019, 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 2019 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2019) and in statement IV (cash flow statement for the year ended 31 December 2019) 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)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(385 799)	(4 479)	–	(390 278)
Basis differences	3 417	218	–	3 635
Entity differences	615 367	(190 135)	–	425 232
Net increase/(decrease) in cash and cash equivalents (statement IV)	**232 985**	**(194 396)**	**–**	**38 589**

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 inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**11 930**
Difference between revenue on accrual basis and final budgetary allocations	27 238
Difference between expenses on budgetary basis and an accrual basis	1 005
Actual net surplus on a financial reporting comparable basis for activities included in the scope of the budget	**40 173**

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 2019

UNFPA considers cash, cash equivalents and investments as “joint assets” between segments. It also considers 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 attributed to the appropriate segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributes joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Assets						
Current assets						
Cash and cash equivalents	63 910	51 248	125 571	99 629	189 481	150 877
Investments maturing within one year	225 515	148 099	443 102	287 921	668 617	436 020
Inventories	1 673	1 403	68 594	49 424	70 267	50 827
Contributions receivable	176	288	202 120	171 755	202 296	172 043
Other current assets	15 066	23 868	18 622	3 666	33 688	27 534
Operating fund advances	928	1 421	5 352	5 555	6 280	6 976
Total	**307 268**	**226 327**	**863 361**	**617 950**	**1 170 629**	**844 277**
Non-current assets						
Investments maturing after one year	195 617	191 951	384 358	373 176	579 975	565 127
Contributions receivable	–	–	182 179	164 241	182 179	164 241
Other non-current assets	23	15	–	3	23	18
Property, plant and equipment	29 592	30 127	4 309	4 309	33 901	34 436
Intangible assets	918	1 382	–	–	918	1 382
Total	**226 150**	**223 475**	**570 846**	**541 729**	**796 996**	**765 204**
Total assets	**533 418**	**449 802**	**1 434 207**	**1 159 679**	**1 967 625**	**1 609 481**
Liabilities						
Current liabilities						
Accounts payable and accruals	19 516	23 153	122 608	90 785	142 124	113 938
Employee benefits	27 240	28 088	8 696	7 242	35 936	35 330
Other current liabilities and deferred revenue	1 243	7 995	4 159	1 836	5 402	9 831
Total	**47 999**	**59 236**	**135 463**	**99 863**	**183 462**	**159 099**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Non-current liabilities						
Employee benefits	253 441	279 785	80 915	72 146	334 356	351 931
Other non-current liabilities and deferred revenue	3 845	4 004	13 106	14 124	16 951	18 128
Total	**257 286**	**283 789**	**94 021**	**86 270**	**351 307**	**370 059**
Total liabilities	**305 285**	**343 025**	**229 484**	**186 133**	**534 769**	**529 158**
Net assets	**228 133**	**106 777**	**1 204 723**	**973 546**	**1 432 856**	**1 080 323**
Reserves and fund balances						
Reserves						
Operational reserve	74 225	75 476	–	–	74 225	75 476
Humanitarian response reserve	5 500	7 500	–	–	5 500	7 500
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**84 725**	**87 976**	**–**	**–**	**84 725**	**87 976**
Fund balances						
Designated unearmarked fund balances	70 128	58 288	–	–	70 128	58 288
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	73 280	(39 487)	–	–	73 280	(39 487)
Earmarked resources	–	–	1 204 723	973 546	1 204 723	973 546
Total fund balances	**143 408**	**18 801**	**1 204 723**	**973 546**	**1 348 131**	**992 347**
Total reserves and fund balances	**228 133**	**106 777**	**1 204 723**	**973 546**	**1 432 856**	**1 080 323**

UNFPA costs for acquisition of fixed and intangible assets from both unearmarked and earmarked resources are summarized in the table below:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Property, plant and equipment	4 990	6 741	3 018	3 796	8 008	10 537
Intangible assets	325	980	–	–	325	980
Total	**5 315**	**7 721**	**3 018**	**3 796**	**8 333**	**11 517**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Contribution revenue								
Unearmarked contributions	373 465	378 800	–	–	–	–	373 465	378 800
Subtotal	**373 465**	**378 800**	**–**	**–**	**–**	**–**	**373 465**	**378 800**
Earmarked contributions	–	–	996 660	876 770	(52 919)	(47 520)	943 741	829 250
Less: refunds to donors	–	–	(7 863)	(4 993)	–	–	(7 863)	(4 993)
Less: allowance for doubtful contributions receivable		–	(5 598)	–	–	–	(5 598)	–
Subtotal	**–**	**–**	**983 199**	**871 777**	**(52 919)**	**(47 520)**	**930 280**	**824 257**
Total contribution revenue	**373 465**	**378 800**	**983 199**	**871 777**	**(52 919)**	**(47 520)**	**1 303 745**	**1 203 057**
Other revenue	90 440	78 494	15 019	8 769	–	–	105 459	87 263
Total revenue	**463 905**	**457 294**	**998 218**	**880 546**	**(52 919)**	**(47 520)**	**1 409 204**	**1 290 320**
Expenses								
Staff costs	230 200	228 648	73 476	61 398	–	–	303 676	290 046
Reproductive health and other programme-related supplies	4 396	3 733	170 291	156 202	–	–	174 687	159 935
Development and training of counterparts	23 526	21 284	103 910	91 129	–	–	127 436	112 413
Supplies, materials and operating costs	71 317	66 918	178 146	166 736	(52 919)	(47 520)	196 544	186 134
Contracted and professional services	52 100	48 539	195 519	176 387	–	–	247 619	224 926
Finance costs	281	369	747	631	–	–	1 028	1 000
Travel	25 253	24 111	39 417	39 328	–	–	64 670	63 439
Depreciation and amortization	6 246	6 621	655	588	–	–	6 901	7 209
Impairment	499	(24)	297	92	–	–	796	68
Other expenses	4 521	17 372	2 325	23 478	–	–	6 846	40 850
Total expenses	**418 339**	**417 571**	**764 783**	**715 969**	**(52 919)**	**(47 520)**	**1 130 203**	**1 086 020**
Surplus for the year	**45 566**	**39 723**	**233 435**	**164 577**	**–**	**–**	**279 001**	**204 300**

[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. Amounts in the elimination column consist of $52.9 million in cost recovery charges.

Note 25
Financial risk management

Valuation

Financial assets

The table below shows the value of UNFPA financial assets held as at the reporting date based on the IPSAS classification adopted by UNFPA.

(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**

(Thousands of United States dollars)

2018	*Held-to-maturity*	*Available-for-sale*	*At fair value through surplus or deficit*	*Loans and receivables*	*Total*
Cash and cash equivalents	102 504	5 146	–	43 227	150 877
Investments	811 544	189 603	–	–	1 001 147
Contributions receivable[a]	–	–	–	335 233	335 233
Other receivables	–	–	–	14 331	14 331
Total financial assets	**914 048**	**194 749**	**–**	**392 791**	**1 501 588**

[a] Excludes in-kind contributions receivable of $1.1 million.

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 $4.1 million (2018: the book value exceeded the market value by $1.4 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 (2018: nil).

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

Financial liabilities

The table below shows the value of UNFPA financial liabilities held as at the reporting date, based on the IPSAS classification adopted by UNFPA.

(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**

(Thousands of United States dollars)

2018	*At fair value through surplus or deficit*	*Other financial liabilities*	*Total*
Accounts payable and accruals[a]	–	113 938	113 938
Other liabilities (current and non-current)	158	15 335	15 493
Total financial liabilities	**158**	**129 273**	**129 431**

[a] Inclusive of $7.2 million due to the United Nations organizations excluded from the 2018 presentation of the present table.

As at the reporting date, UNFPA had $0.1 million in financial liabilities classified at fair value through surplus or deficit (2018: $0.2 million), arising from foreign currencies exchange contracts held as part of the after-service health insurance investment portfolio. Net exchange gains of $0.7 million, both realized and unrealized, generated by such contracts during the year (2018: gain of $1.3 million) were recognized in surplus for the year in the statement of financial performance.

Financial liabilities amounting to $156.4 million as at 31 December 2019 were classified as other financial liabilities (2018: $129.3 million). Since 91.6 per cent of these liabilities are due for settlement within 12 months from the reporting date, they are carried at their nominal amounts (2018: 89.1 per cent).

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

(a) Credit risk: the risk that financial loss to UNFPA may arise from the failure of third parties to meet its 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 (80.9 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)

2019	AAA	AA+	AA	AA-	A+	A	A-	Total
Time deposits	–	–	–	215 000	40 000	–	25 000	280 000
Commercial paper	54 520	–	–	–	25 000	–	–	79 520
Bonds	326 981	88 649	49 579	90 474	95 496	–	–	651 179
Total	**381 501**	**88 649**	**49 579**	**305 474**	**160 496**	**–**	**25 000**	**1 010 699**

(Thousands of United States dollars)

2018	AAA	AA+	AA	AA-	A+	A	A-	Total
Time deposits	–	–	–	65 000	25 000	25 000	–	115 000
Bonds	354 830	133 509	104 382	88 823	15 000	–	–	696 544
Total	**354 830**	**133 509**	**104 382**	**153 823**	**40 000**	**25 000**	**–**	**811 544**

[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)

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**

(Thousands of United States dollars)

2018	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	BBB-	United States Treasury	Not rated	Total
Fixed-income securities	879	984	730	2 533	847	900	1 421	2 033	103	6 346	58 046	74 822
Total	**879**	**984**	**730**	**2 533**	**847**	**900**	**1 421**	**2 033**	**103**	**6 346**	**58 046**	**74 822**

[a] Excludes investments classified as cash and cash equivalents.

Of the $65.8 million in fixed-income securities held as at 31 December 2019 and not rated by S&P Global Ratings (2018: $58.0 million), instruments valued at $10.8 million were rated by Moody's (2018: $12.4 million), with assigned ratings ranging from Aaa to Aa2. 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 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 2019 and movements in allowance for doubtful accounts is provided in note 6 (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 2019	*Percentage*	*31 December 2018*	*Percentage*
Cash equivalents	151 553	13	102 504	11
Subtotal	**151 553**	**13**	**102 504**	**11**
Current investments	665 816	57	435 295	48
Non-current investments	344 883	30	376 249	41
Subtotal	**1 010 699**	**87**	**811 544**	**89**
Total investments, cash and cash equivalents	**1 162 252**	**100**	**914 048**	**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 (80.9 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 (2018: 81.1 per cent).

UNFPA investments in the after-service health insurance portfolio (19.1 per cent of the total investments), which is classified as available-for-sale, are carried at fair value (2018: 18.9 per cent). As at 31 December 2019, this portfolio included interest-bearing instruments valued at $86.7 million (6.9 per cent of the total investments), thus creating exposure to interest rate risk (2018: $74.8 million, 7.5 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	2019 Net assets	2019 Surplus/deficit[a]	2018 Net assets	2018 Surplus/deficit[a]
100 basis point increase	(1 648)	–	(1 350)	–
50 basis point decrease	824	–	675	–

[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 2019, UNFPA maintained investments of $74.9 million in United States dollar-denominated floating rate fixed-income securities (2018: $15.0 million), as part of its working capital portfolio, of which $50.0 million are classified as current and $24.9 million are classified as non-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. The table below summarizes year-end positions of UNFPA financial assets and liabilities by major currency, including those with the largest foreign exchange risk exposure.

(Thousands of United States dollars)

2019	United States dollar	Pound sterling	Canadian dollar	Euro	Swedish krona	Other	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**

(Thousands of United States dollars)

2018	United States dollar	Pound sterling	Canadian dollar	Euro	Swedish krona[a]	Other	At 31 December 2018
Cash and cash equivalents	115 496	469	3 739	26 708	91	4 374	150 877
Investments	943 589	5 710	2 429	31 158	1 847	16 414	1 001 147
Contributions receivable	91 552	42 813	72 644	20 824	21 907	85 493	335 233
Accounts payable and accruals[b]	(97 561)	(66)	(26)	(706)	–	(15 579)	(113 938)
Other liabilities (including derivative liabilities)	(1 233)	(14 124)	(10)	(125)	–	(1)	(15 493)
Net exposure	**1 051 843**	**34 802**	**78 776**	**77 859**	**23 845**	**90 701**	**1 357 826**

[a] Additional disclosure inserted in 2019 to enable comparability between 2019 and 2018.
[b] Inclusive of $7.2 million due to the United Nations organizations excluded from the 2018 presentation of the table.

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 2019, contribution revenue in eight different currencies was 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)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
2019	*Surplus/deficit*	*Net assets*	*Surplus/deficit*	*Net assets*
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

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
2018	*Surplus/deficit*	*Net assets*	*Surplus/deficit*	*Net assets*
Pound sterling	(2 967)	(197)	3 626	241
Canadian dollar	(6 941)	(221)	8 483	270
Euro	(5 505)	(1 573)	6 728	1 923
Swedish krona	(2 002)	(165)	2 447	202

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*

Roughly 64 per cent of the UNFPA after-service health insurance investment portfolio is composed of equities (2018: 61 per cent). The table below presents a 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)

		Impact on financial statements	
Fair values of equities as at 31 December 2019		*Surplus/deficit*	*Net assets*
151 178	5 per cent increase	–	7 559
151 178	5 per cent decrease	–	(7 559)

(Thousands of United States dollars)

		Impact on financial statements	
Fair values of equities as at 31 December 2018		*Surplus/deficit*	*Net assets*
114 781	5 per cent increase	–	5 739
114 781	5 per cent decrease	–	(5 739)

Note 26
Commitments

As at 31 December 2019, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to $112.6 million (2018: $86.3 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 2019

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Algeria	–	–	10	–	–	–	10
Angola	–	–	20	–	–	20	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	6 572	–	–	6 572	–
Austria	–	–	228	–	–	228	–
Azerbaijan	–	–	20	–	–	20	–
Bahamas	–	–	1	–	–	1	–
Bangladesh	4	–	35	–	–	35	4
Belgium	–	–	10 274	–	(207)	10 067	–
Benin	–	–	3	–	–	3	–
Bhutan	–	–	6	–	–	6	–
Bolivia (Plurinational State of)	–	–	6	–	–	6	–
Botswana	–	–	5	–	–	–	5
Burkina Faso	–	–	13	13	–	26	–
Burundi	–	–	1	–	–	1	–
Cameroon	47	(15)	–	–	–	–	32
Cambodia	10	–	5	–	–	–	15
Canada	–	–	11 428	–	153	11 581	–
Central African Republic	–	–	17	–	–	–	17
Chad	75	(25)	–	–	–	–	50
China	–	–	1 600	–	–	1 600	–
Cook Islands	–	–	1	–	–	1	–
Costa Rica	–	–	5	–	–	5	–
Côte d’Ivoire	–	–	29	–	–	29	–
Cuba	–	–	5	–	–	5	–
Cyprus	–	–	17	–	–	17	–
Democratic People’s Republic of Korea	13	(6)	–	–	–	–	7
Denmark	–	–	45 348	–	–	45 348	–
Djibouti	2	(1)	–	–	–	–	1
Dominican Republic	–	–	15	–	–	15	–
Egypt	–	–	47	–	–	47	–
Equatorial Guinea	30	(10)	–	–	–	–	20
Eritrea	–	–	5	–	–	–	5
Estonia	–	–	68	67	–	135	–
Eswatini	30	(10)	–	–	–	–	20

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Ethiopia	–	–	2	–	–	2	–
Finland	–	–	21 722	–	(215)	21 507	–
France	–	–	1 252	–	4	1 256	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	36 953	–	(91)	36 862	–
Ghana	36	(18)	–	–	–	–	18
Guinea Bissau	–	–	2	4	–	6	–
Honduras	–	–	1	–	–	1	–
Iceland	–	–	257	–	2	259	–
India	–	–	503	–	–	503	–
Indonesia	–	–	13	–	–	13	–
Ireland	–	–	3 902	–	(9)	3 893	–
Israel	–	–	10	–	–	10	–
Italy	–	–	2 255	–	(25)	2 230	–
Japan	–	–	17 965	–	–	17 965	–
Jordan	–	–	50	–	–	–	50
Kazakhstan	–	–	50	–	–	50	–
Kenya	–	–	10	–	–	–	10
Kiribati	15	–	–	–	–	–	15
Kuwait	–	–	10	–	–	10	–
Lao People’s Democratic Republic	3	–	3	–	–	3	3
Lesotho	7	(2)	–	–	–	–	5
Liechtenstein	–	–	25	–	–	25	–
Luxembourg	–	–	3 337	–	(55)	3 282	–
Madagascar	–	–	14	–	–	14	–
Malawi	–	–	9	–	–	9	–
Malaysia	–	–	15	–	–	15	–
Maldives	–	–	5	–	–	5	–
Mauritania	–	–	3	7	–	10	–
Mexico	–	–	60	–	–	60	–
Micronesia (Federated States of)	–	–	3	3	–	6	–
Mongolia	12	(8)	4	–	–	4	4
Morocco	–	–	12	–	–	12	–
Myanmar	–	–	3	–	–	–	3
Nepal	–	–	4	–	–	–	4
Netherlands	–	–	36 667	–	–	36 667	–
New Zealand	–	–	4 098	–	18	4 116	–
Nicaragua	–	–	3	–	–	3	–
North Macedonia	3	–	–	–	–	–	3
Norway	–	–	62 010	–	416	62 426	–
Oman	–	–	10	–	–	10	–

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Pakistan	–	–	–	–	–	–	–
Palau	5	–	–	–	–	5	–
Panama	10	–	–	–	–	10	–
Papua New Guinea	8	(4)	–	–	–	–	4
Peru	–	–	1	–	–	1	–
Philippines	–	–	40	–	–	40	–
Portugal	91	–	169	–	–	260	–
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	92	–	–	92	–
Republic of Moldova	–	–	3	–	–	3	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	1	–	1	–	–	1	1
Sao Tome and Principe	4	–	9	–	–	–	13
Saudi Arabia	–	–	500	–	–	500	–
Senegal	–	–	11	48	–	59	–
Serbia	–	–	5	–	–	5	–
Sierra Leone	90	(30)	–	–	–	–	60
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	6	–	–	6	–
Slovenia	–	–	6	–	–	6	–
South Africa	46	–	39	–	(4)	81	–
Spain	–	–	550	–	–	550	–
Sri Lanka	–	–	18	–	–	18	–
Sudan	60	–	30	–	–	–	90
Suriname	1	–	–	–	–	–	1
Sweden	–	–	61 728	–	(1 864)	59 864	–
Switzerland	–	–	16 211	–	(179)	16 032	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	150	–	–	150	–
Togo	–	–	10	–	–	10	–
Tokelau	2	(2)	–	–	–	–	–
Tonga	–	–	1	2	–	3	–
Trinidad and Tobago	5	–	5	–	–	10	–
Tunisia	–	–	10	–	–	10	–
Turkmenistan	–	–	6	–	–	6	–
Uganda	25	–	15	–	1	9	32
United Arab Emirates	–	–	10	–	–	10	–
United Kingdom of Great Britain and Northern Ireland	–	–	25 959	–	–	25 959	–
Uruguay	–	–	5	–	–	5	–

Donor	*Balance due to UNFPA as at 1 January*	*Prior-year adjustments*	*Current-year commitments (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Uzbekistan	–	–	10	–	–	10	–
Viet Nam	–	–	20	–	–	20	–
Zambia	–	–	10	15	–	25	–
Zimbabwe	–	–	30	–	–	30	–
Private contributions	–	–	126	–	–	126	–
Contributions equal to or less than $500[a]	3	(1)	2	–	–	1	3
Subtotal	**638**	**(132)**	**373 183**	**159**	**(2 055)**	**371 288**	**505**
Government contributions to local office costs	–	–	282	–	–	282	–
Total	**638**	**(132)**	**373 465**	**159**[b]	**(2 055)**	**371 570**	**505**[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 allowance for doubtful accounts of $0.33 million.

Schedule B
Earmarked resources – revenue, expenses and fund balances for the year ended 31 December 2019
(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Trust funds									
ABT Associates Inc.	144	155	–	–	–	299	137	162	–
African Development Bank	1	–	–	–	–	1	–	1	–
African Union-United Nations Hybrid Operation in Darfur	–	2 474	(4)	(40)	–	2 430	1 381	1 049	335
Albania	214	–	(4)	–	–	210	208	2	–
Algeria	234	–	–	–	–	234	72	162	125
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Argentina	–	300	(4)	–	–	296	22	274	–
Australia	40 582	9 886	(41)	(97)	–	50 330	16 998	33 332	17 507
Austria	–	5 389	31	–	–	5 420	–	5 420	2 162
Azerbaijan	–	236	–	–	–	236	44	192	–
Azim Premji Philanthropic Initiatives Private Limited	1 386	(1 124)	168	–	–	430	305	125	–
Bangladesh	–	17 000	1	–	–	17 001	824	16 177	14 000
Beifang International Education Group	–	497	–	–	–	497	–	497	497
Belgium	7 677	–	(87)	–	–	7 590	5 785	1 805	891
Benin	–	6 900	–	–	–	6 900	–	6 900	6 900
Bill & Melinda Gates Foundation	5 971	1 150	–	–	–	7 121	2 910	4 211	–
Botswana	50	57	–	–	–	107	27	80	–
Brazil	6 456	–	(13)	–	–	6 443	282	6 161	38
Bulgaria	–	56	–	–	–	56	–	56	–
Burkina Faso	3 017	8 000	66	–	–	11 083	7 426	3 657	1 318
Cameroon	15 875	–	8	305	–	16 188	5 760	10 428	–
Canada	117 116	87 482	3 366	–	–	207 964	58 228	149 736	101 211
Central African Republic	2	–	–	–	–	2	–	2	–
Chad	1 444	–	–	–	–	1 444	108	1 336	1 388
Children’s Investment Fund Foundation	2	–	–	–	–	2	–	2	–

	Fund balances as at 1 January	Contributions	Other revenue	Refunds	Transfers and adjustments	Total funds available	Expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
China	–	4 300	–	–	–	4 300	–	4 300	900
Colombia	5	–	–	–	–	5	–	5	–
Congo	300	376	–	(6)	–	670	66	604	538
Costa Rica	165	–	–	–	–	165	65	100	–
Côte d’Ivoire	3 582	–	(27)	–	–	3 555	1 738	1 817	1 677
Democratic Republic of the Congo	4 540	6 115	–	–	–	10 655	6 721	3 934	2 002
Denmark	27 975	22 282	(189)	(377)	–	49 691	15 179	34 512	16 885
Ecuador	–	213	–	–	–	213	18	195	–
El Salvador	6 703	–	–	–	–	6 703	277	6 426	5 756
Equatorial Guinea	630	–	–	–	–	630	273	357	–
Eswatini	1	–	–	–	–	1	2	(1)	–
European Commission	27 760	37 848	121	(20)	667	66 376	50 792	15 584	–
Finland	2 128	4 372	(11)	–	–	6 489	2 228	4 261	–
Fiotec	3 077	–	10	–	–	3 087	1 379	1 708	1 162
Food and Agriculture Organization of the United Nations	–	216	–	–	–	216	2	214	–
Ford Foundation	4	–	–	–	–	4	–	4	–
France	1 730	4 740	22	(10)	–	6 482	5 068	1 414	–
Friends of UNFPA	2 002	2 092	(2)	24	–	4 116	2 168	1 948	576
Germany	368	495	4	(97)	–	770	570	200	–
Gobi Oyu Development Support Fund	1 619	5	–	–	–	1 624	499	1 125	897
Good Neighbours Dominican Republic	–	238	–	–	–	238	53	185	–
Good Neighbours Laos	–	100	–	–	–	100	–	100	–
Guatemala	8 782	8 409	83	(1 331)	–	15 943	6 696	9 247	8 445
Haiti	16 187	–	(2)	–	–	16 185	1 252	14 933	–
Honduras	795	2 449	(5)	–	–	3 239	2 307	932	–
Iceland	1 642	2 000	(25)	–	–	3 617	1 012	2 605	1 200
Individual Giving Programme	74	63	–	–	–	137	83	54	–
Indonesia	7 668	–	(14)	–	–	7 654	2 479	5 175	4 046
International Fund for Agricultural Development	145	–	–	–	–	145	7	138	–

	Fund balances as at 1 January	Contributions	Other revenue	Refunds	Transfers and adjustments	Total funds available	Expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Ireland	2 600	1 370	(16)	–	–	3 954	2 545	1 409	–
Itaipu Binacional	1 430	–	–	–	–	1 430	287	1 143	200
Italy	10 690	8 573	(106)	–	–	19 157	5 095	14 062	4 633
Japan	8 579	13 371	(42)	(176)	–	21 732	12 713	9 019	–
Joint Programme-UNFPA: participating agent	24 716	49 122	57	(10)	–	73 885	37 232	36 653	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	1 955	5 456	(1)	–	–	7 410	5 548	1 862	–
Kazakhstan	188	200	–	–	–	388	220	168	–
Korea Foundation for International Healthcare	–	492	7	–	–	499	–	499	499
Kuwait	756	–	–	–	–	756	730	26	–
La Société Filatex	–	26	–	–	–	26	13	13	–
Lebanon	134	26	–	–	–	160	132	28	–
Liberia	119	700	–	–	–	819	(5)	824	–
Luxembourg	11 206	6 543	(191)	(83)	–	17 475	6 081	11 394	4 875
MacArthur Foundation	376	–	–	(3)	–	373	373	–	–
Malawi	–	7 103	–	–	–	7 103	–	7 103	1 074
Malaysia	20	600	–	–	–	620	–	620	–
Mali	2 983	–	–	–	–	2 983	713	2 270	1 960
Mama Malas	2	–	–	–	(2)	–	–	–	–
Mauritania	847	–	–	–	–	847	268	579	390
Mauritius	–	200	2	–	–	202	49	153	150
Merck Sharp & Dohme (Asia) Ltd.	–	396	–	–	–	396	19	377	195
Mexico	202	185	1	–	–	388	292	96	–
MTN Foundation	6	358	2	–	(5)	361	–	361	360
Multi-donor	10 676	24 774	79	(28)	100	35 601	18 471	17 130	6 494
Netherlands	33 926	40 085	9	(395)	–	73 625	17 142	56 483	34 357
New Zealand	2 263	2 149	–	–	–	4 412	1 876	2 536	–
Niger	3 660	6 559	2	–	–	10 221	1 681	8 540	2 461
Nigeria	3 020	3 823	3	–	–	6 846	2 561	4 285	166
Noble Energy	3 435	–	–	–	–	3 435	1 999	1 436	–

	Fund balances as at 1 January	Contributions	Other revenue	Refunds	Transfers and adjustments	Total funds available	Expenses	Fund balances as at 31 December	Contributions receivable as at 31 December
Norway	41 851	19 719	(64)	218	–	61 724	20 488	41 236	13 406
Nutrition International	1 450	–	(2)	–	–	1 448	692	756	492
Office for the Coordination of Humanitarian Affairs	19 597	77 846	43	(1 217)	–	96 269	67 229	29 040	300
Oman	203	238	–	–	–	441	49	392	135
Oman, basic terms cooperation agreement	1 611	860	–	–	–	2 471	942	1 529	–
Oyu Tolgoi	389	–	–	–	–	389	189	200	100
Panama	528	–	–	–	–	528	224	304	–
Papua New Guinea	–	1 513	–	–	–	1 513	227	1 286	–
Paraguay	1 892	11	1	(755)	–	1 149	732	417	–
Portugal	22	–	–	–	–	22	–	22	–
Private individuals	19	213	–	–	–	232	168	64	–
Productora de Pulpas Soledad	70	–	–	–	–	70	56	14	–
Qatar	250	–	–	–	–	250	107	143	–
REC Foundation	4 135	(3 295)	491	–	–	1 331	1 225	106	–
Republic of Korea	15 791	6 123	44	–	–	21 958	10 519	11 439	5 487
Republic of Moldova	605	434	–	–	–	1 039	368	671	–
Russian Federation	1 355	12 269	–	–	–	13 624	569	13 055	6 471
Sabanci Foundation	72	–	(2)	–	–	70	70	–	–
Saudi Arabia	238	–	–	–	–	238	222	16	–
SBI Foundation	9	–	–	–	–	9	8	1	–
Sierra Leone	257	186	–	(257)	–	186	18	168	–
Small contributions	1 513	2 372	(1)	(11)	(103)	3 770	2 162	1 608	–
Social Development Center	342	–	–	–	–	342	173	169	104
Spain	3 460	1 897	46	(5)	–	5 398	3 112	2 286	–
Sweden	46 104	39 303	(1 062)	(44)	–	84 301	32 498	51 803	26 863
Swedish United Nations Association	21	–	–	–	(21)	–	–	–	–
Switzerland	10 311	13 785	55	60	(1)	24 210	8 194	16 016	10 709
The Resource Foundation	582	–	–	–	–	582	343	239	–
Thematic Trust Fund – multi-donor	199 694	246 413	3 540	–	–	449 647	149 246	300 401	39 770

	Fund balances as at 1 January	*Contributions*	*Other revenue*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
Timor-Leste	3	–	–	–	–	3	–	3	–
Turkmenistan	745	128	–	–	–	873	146	727	445
UNDP – Multi-Partner Trust Fund	23 806	74 671	5	(680)	(1)	97 801	50 729	47 072	–
United Kingdom of Great Britain and Northern Ireland	93 368	36 507	1 328	(2 058)	–	129 145	48 656	80 489	32 990
United Nations Children's Fund	13 367	24 470	16	(21)	–	37 832	22 131	15 701	–
United Nations Development Programme	2 784	3 240	12	(523)	–	5 513	3 747	1 766	796
United Nations Educational, Scientific and Cultural Organization	745	–	1	–	–	746	367	379	108
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	1 380	1 329	5	(96)	–	2 618	1 552	1 066	210
United Nations Fund for International Partnerships	371	753	(1)	(6)	–	1 117	713	404	298
United Nations Human Settlements Programme (UN-Habitat)	8	–	–	(8)	(1)	(1)	–	(1)	–
United Nations Interim Administration Mission in Kosovo	–	13	–	–	30	43	42	1	–
United Nations Office for Project Services	2 155	3 037	36	–	–	5 228	2 420	2 808	302
United Nations Office for South-South Cooperation	492	2 186	–	–	–	2 678	225	2 453	1 814
United Nations Resident Coordinator Office	–	118	–	–	–	118	90	28	–
United Nations System Chief Executives Board for Coordination	131	–	–	(94)	–	37	37	–	–
United Nations trust fund for human security	417	–	2	(11)	–	408	386	22	–
United States of America	230	–	–	(11)	–	219	219	–	–
Uruguay	168	504	–	–	–	672	464	208	–
Women Deliver	–	40	–	–	–	40	15	25	–
Women's Refugee Commission	–	209	–	–	–	209	33	176	92
World Bank	5	–	–	–	–	5	–	5	–

	Fund balances as at 1 January	*Contributions*	*Other revenue*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December*	*Contributions receivable as at 31 December*
World Food Programme	651	4 142	(1)	–	–	4 792	1 780	3 012	–
World Health Organization	3 001	12 000	–	–	(1)	15 000	11 986	3 014	–
Zimbabwe	29	316	–	–	–	345	342	3	–
Subtotal, trust funds	**938 070**	**990 432**	**7 750**	**(7 863)**	**662**	**1 929 051**	**763 396**	**1 165 655**	**389 162**
Special funds									
Bridge funding liability foreign currency exchange adjustments	–	–	1 018	–	–	1 018	–	1 018	–
Contribution in kind – earmarked (goods)	1 063	(613)	–	–	–	450	443	7	–
Donor reporting resources	1 743	–	998	–	–	2 741	1 000	1 741	–
European Union finance specialist post	162	–	–	–	–	162	–	162	–
Global Contraceptive Commodity Programme	5 000	–	–	–	(232)	4 768	(232)	5 000	–
Inventory/items in transit – other resources	1 719	–	–	–	–	1 719	(9 118)	10 837	–
Junior Professional Officers programme	6 699	6 841	275	–	–	13 815	5 867	7 948	215
Pooled foreign exchange gains/losses for other resources	2 518	–	–	–	(668)	1 850	–	1 850	–
Population Award	1 753	–	40	–	–	1 793	30	1 763	–
Procurement services – non-third party services-related	13 425	–	4 914	–	(2 020)	16 319	3 085	13 234	520
Rafael M. Salas Endowment Fund	1 074	–	24	–	–	1 098	–	1 098	–
United Nations Care Global Coordinator	320	–	–	–	–	320	312	8	–
Valuation adjustments for contributions receivable	–	(5 598)	–	–	–	(5 598)	–	(5 598)	(5 598)
Subtotal, special funds	**35 476**	**630**	**7 269**	**–**	**(2 920)**	**40 455**	**1 387**	**39 068**	**(4 863)**
Total	**973 546**	**991 062**	**15 019**	**(7 863)**	**(2 258)**	**1 969 506**	**764 783**	**1 204 723**	**384 299**

Note: Contributions and expenses as disclosed in this schedule include cost recovery charges of $52.9 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, non-governmental organizations 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. That contract includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	Fund balances as at 31 December 2018 reclassified as liabilities	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2019*
Institutions						
Governments and intergovernmental institutions	19 945	37 033	813	57 791	29 753	28 038
UNDP and other United Nations organizations	2	1 510	3	1 515	604	911
Non-governmental organizations	2 504	5 258	(33)	7 729	3 954	3 775
Total	**22 451**	**43 801**	**783**	**67 035**	**34 311**	**32 724**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2019

(Thousands of United States dollars)

	Programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
Staff costs	82 183	79 300	62 587	50 978	125 809	125 569	22 208	23 779	10 889	10 420	230 200	228 648	73 476	61 398
Reproductive health and other programme-related supplies	4 145	3 967	175 371	154 101	(48)	61	299	(295)	(5 080)	2 101	4 396	3 733	170 291	156 202
Development and training of counterparts	23 359	21 320	103 870	91 129	66	33	101	(69)	40	–	23 526	21 284	103 910	91 129
Supplies, materials and operating costs	44 943	42 281	131 097	124 030	27 321	24 434	(947)	203	(5 870)	(4 814)	71 317	66 918	125 227	119 216
Contracted and professional services	43 674	40 709	195 201	176 005	8 002	7 389	424	441	318	382	52 100	48 539	195 519	176 387
Finance costs	109	110	747	631	6	9	166	250	–	–	281	369	747	631
Travel	21 761	20 827	39 315	39 044	3 699	3 381	(207)	(97)	102	284	25 253	24 111	39 417	39 328
Depreciation and amortization	2 394	2 687	640	578	1 772	1 705	2 080	2 229	15	10	6 246	6 621	655	588
Impairment	(12)	12	–	–	–	–	511	(36)	297	92	499	(24)	297	92
Other expenses	130	1 163	2 285	23 476	(39)	(70)	4 430	16 279	40	2	4 521	17 372	2 325	23 478
Total expenses	**222 686**	**212 376**	**711 113**	**659 972**	**166 588**	**162 511**	**29 065**	**42 684**	**751**	**8 477**	**418 339**	**417 571**	**711 864**	**668 449**