A/79/5/Add.8

United Nations

United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-ninth Session
Supplement No. 5H

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Report of the Board of Auditors

United Nations • New York, 2024

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.

ISSN 0257-0629

[24 July 2024]

Contents

Letters of transmittal

Letter dated 29 April 2024 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2023, which I hereby approve.

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

Letter dated 24 July 2024 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and audited financial statements of the United Nations Population Fund, for the year ended 31 December 2023.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
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 2023 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 2023 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 and the International Standards of Supreme Audit Institutions. 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.

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

UNFPA management is responsible for the other information, which comprises the financial report for the year ended 31 December 2023, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

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.

The Board of Auditors has completed the audit of UNFPA for the financial year ended 31 December 2023. The interim audit was carried out through field audits at headquarters in New York from 9 October to 3 November 2023, at the Asia-Pacific Regional Office in Bangkok from 16 November to 13 December 2023 and at the Supply Chain Management Unit in Copenhagen from 5 to 29 February 2024. The final audit visit was conducted at headquarters in New York from 29 April to 7 June 2024.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNFPA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

The Board conducted a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board’s opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNFPA for the year ended 31 December 2023. However, the Board noted scope for improvement in the areas of the Humanitarian Response Division, Quantum implementation and supply management.

With total revenue of $1,565.29 million, due mainly to a decrease in unearmarked resources, and expenses of $1,510.42 million during 2023, the financial performance reflected a surplus of $54.87 million. The overall financial position of UNFPA remained sound, with current assets of more than eight times the current liabilities and total assets of more than six times the total liabilities.

Key findings

The Board's key findings are as follows:

Ineffective establishment of the Humanitarian Response Division

The Board noted that the establishment of the Humanitarian Response Division had been ineffective, as neither the new Division's operations centre nor the global emergency response team had been implemented. The ineffectiveness in establishing the operations centre was attributed to the lack of a clear description of the Division, which is still under revision. Regarding the global emergency response team, the primary reason for its non-establishment was the existence of vacancies for key posts necessary for its operation, leading to an unexpended budget and the failure of the Humanitarian Response Division to achieve its objectives.

Insufficient guidance in emergency preparedness response risk ranking

The Board noted that the required framework to determine risk ratings of UNFPA country offices had not been developed, and therefore the subsequent minimum preparedness actions arising from risks were also missing. Based on this description, it was then noted that the strategic information system did not include the advanced preparedness actions, which are triggered by the risk level.

Absence of integrated accountability checklist and financial data quality dashboard

The Board observed that the UNFPA enterprise resource planning system, Quantum, lacked the integrated accountability checklist and the financial data quality dashboard. These are internal controls required by the organization's policy framework to monitor potential financial inaccuracies. In addition, it was noted that the financial management community continued to use outdated resources, including policies, reports and resource management linked to the previous enterprise resource planning system, Atlas. This resulted in regional offices being unable to assess financial data and evaluate the financial performance of country offices due to a lack of system alerts. Moreover, it was observed that UNFPA regional offices had to rely on manual controls since Quantum did not provide automated and aggregated performance indicators.

Inaccuracies in the management of programme supplies

The review of inventory movements recorded in the UNFPA shipment tracker denoted inaccuracies in the recording of purchases of programme supplies, owing to the outdated field office inventory management system not effectively capturing all types of programme supplies. Furthermore, the inventory movements records contravened the programme supplies regulations, such as local procurements that did not have previous authorization and disposals that did not go through a quality assurance authorization. In addition, the type of procured goods could not be mapped or categorized, since they were registered manually with no standardized format.

Inaccuracies in the recognition of contribution revenue

UNFPA restated its financial statements to account for the pending recognition of contribution agreements signed in 2022. The analysis of this restatement revealed the untimely registration of these contributions, due primarily to weaknesses in the reconciliation process between the UNFPA Finance Branch and Resource Mobilization Branch. In addition, some contributions from before 2022 were not posted because of the unlikely inflow of resources. Although the revenue recognition policy was issued and shared within UNFPA, no analysis process was shared with the Resource Mobilization Branch to support the criteria for asset recognition in these cases. It is also worth noting that, following the migration to Quantum and the subsequent upgrade to Quantum Plus, the divisions responsible for managing contribution revenue have been unable to oversee all agreements from the negotiation process to revenue posting, as features from previous systems have not been incorporated into Quantum.

Main recommendations

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

Ineffective establishment of the Humanitarian Response Division

(a) **Assess and update the terms of reference of its Humanitarian Response Division and establish a clear plan with an activities implementation schedule and accountabilities;**

(b) **Take the actions needed to fill the vacant posts in the Humanitarian Response Division;**

Insufficient guidance in emergency preparedness response risk ranking

(c) **Issue guidance on risk ranking and subsequent actions depending on the level of risk, in line with the Inter-Agency Standing Committee, with the aim of ensuring that risk assessment ranking, duly advanced preparedness actions and contingency planning are conducted;**

Absence of integrated accountability checklist and financial data quality dashboard

(d) **Assess its internal control activities and apply the necessary adjustments considering the use of Quantum;**

(e) **Update the resource management policy and related guidelines to reflect the Quantum procedures and controls;**

(f) **Implement a tool similar to the financial data quality dashboard to assist in the monitoring of field offices;**

(g) **Align its financial management community with Quantum resources;**

Inaccuracies in the management of programme supplies

(h) **Establish a monitoring mechanism for the risks included in the policy related to the management of programme supplies;**

(i) **Implement automatic controls in Quantum to prevent country offices from procuring pharmaceuticals and medical devices without authorization and restrict the purchase of contraceptives at this level;**

(j) **Categorize the products in Quantum according to the type of programme supplies to enable monitoring by the Supply Chain Management Unit;**

Inaccuracies in the recognition of contribution revenue

(k) **Develop a control mechanism for the signed and posted agreements to prevent delays in the recording of revenue;**

(l) **Implement a mechanism to enable the oversight and traceability of the agreements from the negotiation process to the revenue posting in Quantum, by codifying the negotiation processes and developing dashboards;**

(m) **Issue a new version of the terms of reference of the Resource Mobilization Branch to reflect its current accountabilities, systems used, functions and interactions with the Finance Branch.**

Follow-up of previous recommendations

The Board verified the status of implementation of previous years' recommendations up to the period ended 31 December 2022. Of the 46 outstanding recommendations, UNFPA had implemented 29 recommendations (63 per cent), 11 recommendations (24 per cent) were under implementation and 6 (13 per cent) had not been implemented.

Key facts

$512.40 million	UNFPA budget for development and management, United Nations development coordination and special purpose activities
$1,565.29 million	Total revenue
$1,510.42 million	Total expenses
$54.87 million	Surplus for the year
155	Number of countries served by UNFPA
1,812	Number of implementing partners working with UNFPA
2,473	UNFPA local staff
950	UNFPA international staff
$496.97 million	Total amount spent by implementing agents in 2023 for delivery of programme activities on behalf of UNFPA
$1,013.45 million	Expenses incurred directly by UNFPA in 2023

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) fulfils a leading role in the United Nations system in promoting population programmes. It is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its activities for the year ended 31 December 2023, 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 and the International Standards of Supreme Audit Institutions. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

6. 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

7. The Board verified the status of implementation of previous years' recommendations for the period ended 31 December 2022. Of the 46 outstanding recommendations, UNFPA had implemented 29 recommendations (63 per cent), 11 recommendations (24 per cent) were under implementation and 6 (13 per cent) had not been implemented. Details of the status of implementation of the recommendations are presented in the annex to chapter II and in table II.1.

Table II.1
Status of implementation of previous recommendations

Report and audit year	*Recommendations pending as at 31 December 2022*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2023*
A/75/5/Add.8, chap. II (2019)	1	–	1	–	–	1
A/76/5/Add.8, chap. II (2020)	3	2	1	–	–	1
A/77/5/Add.8, chap. II (2021)	5	3	–	2	–	2
A/78/5/Add.8, chap. II (2022)	37	24	9	4	–	13
Total number of recommendations	**46**	**29**	**11**	**6**	**–**	**17**

8. The Board acknowledges the efforts made by UNFPA to implement outstanding recommendations. Given the slowdown observed in implementing the Board's recommendations, it is expected that UNFPA expedite its efforts on this matter, especially regarding the recommendation dating from 2019, which has been pending for more than five years. The recommendation refers to strengthening and incorporating systemic tools with the main aim of improving the information system in the travel management process, aiming to increase the effectiveness and efficiency of the process.

Recommendations issued over the past six audit periods

9. As a result of the audits performed from 2018 to 2023, the Board has issued 166 recommendations and conducted 198 assessments on previous years' recommendations. A breakdown of recommendations submitted in the indicated audit periods is detailed in table II.2.

Table II.2
Implementation rates of issued recommendations, 2018–2023

Report and audit year	*Number of audit recommendations issued*	*Number of outstanding audit recommendations as at end of audit period*	*Audit recommendations fully implemented as at end of audit period*	
			(Number)	*(Percentage)*
A/74/5/Add.8, chap. II (2018)	15	26	13	50
A/75/5/Add.8, chap. II (2019)	28	27	22	81
A/76/5/Add.8, chap. II (2020)	24	33	26	79
A/77/5/Add.8, chap. II (2021)	30	30	24	80
A/78/5/Add.8, chap. II (2022)	37	36	27	75
A/79/5/Add.8, chap. II (2023)	32	46	29	63
Total/average percentage	**166**	**198**	**141**	**71**

10. Most of the 166 recommendations issued in the past six audit periods were related to inventory management, the Supply Chain Management Unit, procurement management and implementing partner management. Other recommendations were focused on, among other things, the Humanitarian Response Division, Quantum implementation and human resources.

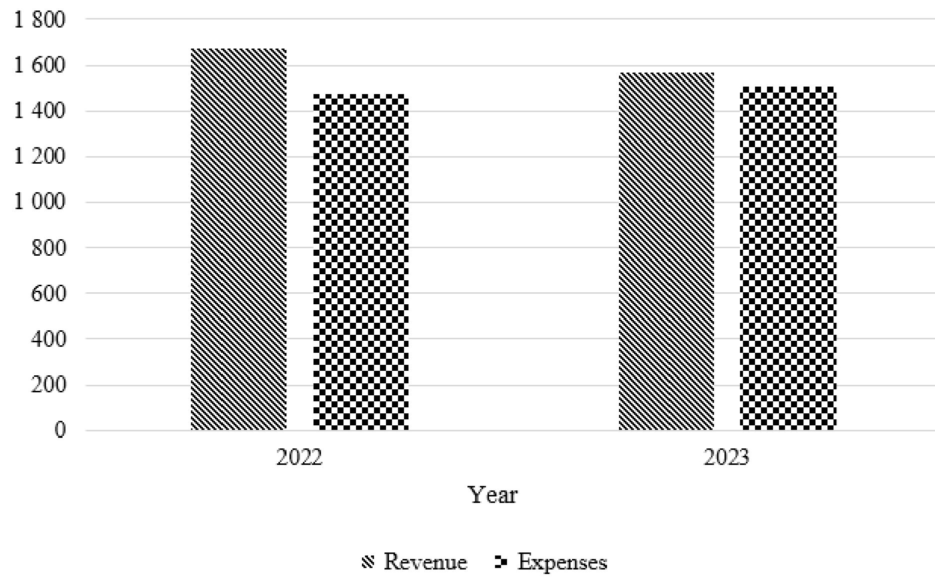
11. With regard to the 198 outstanding recommendations assessed over the past six years, the average implementation rate, not including the first and last audit cycle, was equal to or above 75 per cent, with an average over the six years of 71 per cent.

2. Financial overview

Operating results

12. In 2023, UNFPA reported total revenue of $1,565.29 million (2022 (restated): $1,669.62 million) and total expenses of $1,510.42 million (2022 (restated): $1,472.13 million), representing a surplus of $54.87 million (2022 (restated): $197.48 million), as shown in figure II.I. The fall in surplus is attributable to the decrease in total revenue, owing to the change in the revenue recognition policy of 2022 and the subsequent restatement to adjust the recording of two contribution agreements signed in 2022 but received in 2023 which should have been recognized as revenue in 2022, as well as the impact on other revenue of the adoption of IPSAS 41: Financial instruments.

Figure II.I
Revenue and expenses for 2022 and 2023
(Millions of United States dollars)

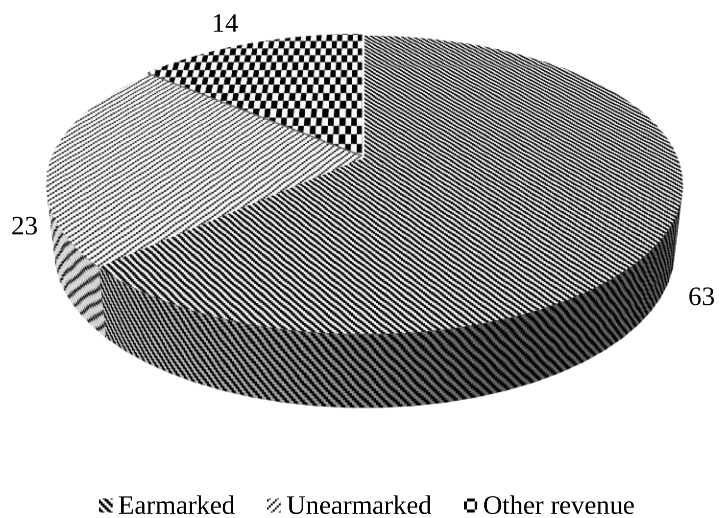


Source: Board analysis of UNFPA financial statements for the years ended 31 December 2023 and 2022 (restated).

13. Earmarked contributions reached $1,015.14 million (2022 (restated): $1,109.34 million), a decrease of $94.20 million (8.49 per cent), and unearmarked contributions reaching $364.14 million (2022 (restated): $481.99 million), a decline of $117.85 million (24.45 per cent). The aforementioned situation was attributable mainly to the adjustment of the pending revenue to be recognized in 2022; the total amount was $66.78 million for earmarked contributions and $91.07 million for unearmarked contributions. In addition, the highest revenue figures pertained to donor agreements and were related to a change in accounting policy for revenue recognition in 2022, whereby revenue is recognized in full for multi-year agreements in the year the agreement is signed. In this manner, most of the donors who have committed to multi-year agreements did so in either 2021 or 2022, marking the inaugural year of the current strategic plan. Owing to 2023 being the second year of the UNFPA strategic plan, 2022–2025, fewer agreements were signed. Consequently, a slight decrease in donor contributions of $54.20 million was recognized.

14. Other revenue totalled $222.65 million (2022 (restated): $91.49 million), representing an increase of $131.16 million (143.37 per cent). This increase was due primarily to higher returns from investments in fixed-income securities. In addition, the increase through the adoption of IPSAS 41 in unrealized gains on foreign currency exchange related to contributions receivable also contributed to the rise in revenue. The revenue distribution, by nature, in 2023 is shown in figure II.II.

Figure II.II
Revenue distribution, by nature, in 2023[a]
(Percentage)



Source: Board's analysis of UNFPA financial statements for the year ended 2023.
[a] These revenue amounts are gross and do not include the deduction by refunds to donors, allowances for doubtful contributions receivable and transfers to other revenue of income tax reimbursements.

15. Expenses increased slightly by $38.29 million (2.60 per cent), totalling $1,510.42 million in 2023 (2022 (restated): $1,472.13 million), attributable to a fluctuation in reproductive health commodities and other programme-related supplies, since the entity increased the procurement and delivery of contraceptives, dignity and hygiene kits and medical equipment and supplies by $61.10 million (28.37 per cent), reaching $276.51 million (2022: $215.41 million).

16. Staff costs rose to $29.71 million (8.47 per cent), reaching $380.38 million (2022: $350.67 million), which can be attributed to the recruitment of new staff, as well as salary enhancements for positions in country offices. These enhancements are a response to the prevailing inflationary pressures experienced worldwide in 2023, prompting the International Civil Service Commission to revise salary structures for numerous geographical locations. The expenditure for contracted and professional services increased to $29.06 million, attributed to the accelerated programme delivery. This financial allocation is directed towards compensating implementing partners engaged in the provision of comprehensive sexual and reproductive health services (increase of $61.10 million), encompassing family planning, maternal health and newborn care, and services aimed at preventing and addressing gender-based violence.

17. Other expenses decreased by $72.51 million (87.29 per cent), totalling $10.56 million in 2023 (2022 (restated): 83.07 million), owing primarily to the adoption of IPSAS 41 in recognition of unrealized investment loss by $38.9 million and losses on foreign currency exchange by $9.60 million from the revaluation of contributions receivable in 2022. Also, in 2023, foreign currency exchange gains were recognized, and this category is presented under other revenue.

Financial position

18. The total assets of UNFPA increased moderately by $136.59 million (4.89 per cent), totalling $2,930.33 million (2022 (restated): $2,793.74 million). The growth was due primarily to the increase in contributions receivable, investments and other receivables.

19. The rise in the investment portfolio of working capital placed in time deposits and money market funds is connected with a shift from longer-term time deposits to shorter-term commercial paper and bonds and is also linked to the decrease in cash and cash equivalents. With respect to the total contributions receivable for 2023, the increase was attributable mainly to the adjustment of revenue for 2022 of $61.61 million for current contributions and $105.85 million for non-current contributions and the signature of new contribution agreements during 2023.

20. Total liabilities increased by $62.42 million (13.57 per cent), totalling $522.34 million in 2023 (2022: $459.92 million). The increase in liabilities was mainly due to accounts payable and accruals, and employee benefits.

21. Accounts payable and accruals rose by $53.88 million (55.06 per cent), amounting to $151.74 million in 2023 (2022: $97.86 million). The main variance was a growth of the "reimbursements due to implementing partners and payables on their behalf" category, which involves higher payables to implementing partners at year-end, such as reimbursements and payments of support costs. This variance was also a result of the UNFPA decision to pay its suppliers and implementing partners earlier, towards the end of 2022, adjusted to the migration to Quantum, which was not applicable for 2023.

22. Employee benefits slightly increased by $3.89 million (1.12 per cent), reaching $351.90 million (2022: $348.01 million), as a consequence of an increment in the end-of-service relocation and repatriation liability, attributed to a surge in the number of active staff eligible for repatriation.

Ratio analysis

23. Upon analysing the primary financial ratios of UNFPA, the Board observed a drop in various ratios in 2023 compared with 2022. The decrease can be attributed to the growth in total liabilities, driven primarily by an increase in current liabilities such as accounts payable and accruals. Conversely, the increase in total assets, even if it is slight, has limited the decrease in the ratios. Variances were identified in cash and cash equivalents, contributions receivable and investments.

24. On the basis of the analysis of the Fund's liquidity situation through ratios, the financial solvency ratio and the current ratio indicated a decrease. Despite this, the Fund's capacity to fulfil its current obligations with existing assets remains robust.

25. The current assets of UNFPA as at 31 December 2023 were $1,650.37 million, or 7.54 times the current liabilities of $218.92 million, in comparison with the ratio of 9.00 in 2022. This could be attributed mainly to the shift in the composition of financial instruments in the investment portfolio and the adjustment regarding contribution agreements signed in 2022. The main change in the current liabilities was an increase related to accounts payable and accruals, owing to the growth of reimbursements due to implementing partners and payables on their behalf.

26. Table II.3 reveals a falling trend in liquidity ratios. The cash ratio fell from 5.04 to 3.65, which can be attributed to the increase in current liabilities, specifically to reimbursements due to implementing partners. Despite the drop in this ratio, the organization remains capable of meeting its current obligations.

Table II.3
Ratio analysis

Description of ratio	*31 December 2023*	*31 December 2022 (restated)*
Current ratio[a]		
Current assets: current liabilities	7.54	9.00
Solvency ratio[b]		
Total assets: total liabilities	5.61	6.07
Cash ratio[c]		
Cash + current investments: current liabilities	3.65	5.04
Quick ratio[d]		
Cash plus current investments plus current contributions receivable: current liabilities	6.58	8.00

Source: Board analysis of UNFPA financial statements for the periods ended 31 December 2023 and 31 December 2022 (restated).

[a] A high ratio indicates the ability of an entity to pay off its current liabilities.

[b] A high ratio indicates an entity's ability to meet its overall obligations.

[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. Humanitarian Response Division

Ineffective establishment of the Humanitarian Response Division

27. By means of an inter-office memorandum dated 1 September 2022, UNFPA formalized the realignment of the Humanitarian Office as the Humanitarian Response Division, which included human resources implications and financial considerations for the Division's implementation.

28. On 26 November 2022, the UNFPA Deputy Executive Director for Management officially announced the reorganization of the Humanitarian Office to lead emergency response at all phases of the humanitarian programme cycle and for the Humanitarian Response Division to better align its work with the strategic plan, 2022–2025, especially with regard to its humanitarian output. In this regard, UNFPA established a more precise focus and mandate for the Division to provide support in a much more coherent and effective way to UNFPA country and regional offices.

29. To that end, also in November 2022, UNFPA issued the terms of reference of the Humanitarian Response Division, which comprise the Division's objectives and functions to be undertaken. Regarding field operations support, the terms of reference required the establishment of a UNFPA operations centre to serve as the central command and control facility responsible for applying the principles of emergency preparedness and carrying out emergency management functions at the strategic level during an emergency.

30. Furthermore, these terms of reference indicate that the primary responsibility of the global emergency response team is the deployment of emergency response within 24 to 48 hours, managing and providing support to the network of emergency and humanitarian experts. The team was created to ensure that UNFPA is able to deliver operational excellence at the onset of a crisis; strengthen the organizational readiness to respond quickly to a potential risk (i.e. to support preparedness plans of countries

prone to emergencies); and serve as a resource body that can support offices in critical situations.

31. With the new arrangements for the establishment of the Humanitarian Response Division's organizational structure, 54 posts were assigned. Of these posts, nine would be based in the Eastern Europe and Central Asia Regional Office in Istanbul, Türkiye, to serve as the global emergency response team.

32. Based on the foregoing, the Board reviewed the implementation status of the terms of reference related to the establishment of the Humanitarian Response Division and noted that after one year of formalization of the realignment, the implementation of the operations centre and the global emergency response team was still pending.

33. Regarding the operations centre, the Board enquired about the pending establishment of the centre, to which management indicated that its description needed to be revised and that it would be established as an ad hoc group to respond to specific crises.

34. According to the information provided by the Humanitarian Response Division, 18 out of 54 posts (33 per cent) were vacant in the Division as at October 2023. Nine of the vacant posts were related to the establishment of the global emergency response team. The existence of those vacancies impedes the fulfilment of the objective for which the Humanitarian Response Division was created.

35. In relation to the total allocated budget of $17.3 million, up to the end of October 2023, the Humanitarian Response Division had expended $10.7 million, representing 62 per cent of the total allocated budget. Conversely, the unexecuted budget was mainly related to the pending vacant posts to be filled.

36. The Board considers it necessary for UNFPA to clarify the Division's functions and objectives contained in the terms of reference that are pending implementation in order to reduce uncertainties about how the functions and objectives of the new Division will be achieved and thus ensure an efficient deployment of emergency responses.

37. Likewise, the Board deems that the 33 per cent vacancy rate and the key vacant roles reflect weaknesses in the transition from the Humanitarian Office to the Humanitarian Response Division. If critical roles are not covered, the fulfilment of some of the objectives for which the Division was established may be hindered.

38. **The Board recommends that UNFPA assess and update the terms of reference of its Humanitarian Response Division and establish a clear plan with an activities implementation schedule and accountabilities.**

39. **The Board recommends that UNFPA take the actions needed to fill the vacant posts in the Humanitarian Response Division.**

40. UNFPA accepted both recommendations.

Lack of fast-track procedures for risk mitigation and improvement in the timeliness of reporting submissions

41. The UNFPA fast-track policy and procedures for the procurement of humanitarian supplies (revised in September 2022) describe how UNFPA offers its country offices greater delegation of authority and flexibility in special situations in specific operational areas for a time-bound period. UNFPA staff should, therefore, engage in responsible risk-taking, which encourages the achievement of the UNFPA mandate in emergency settings with balancing appropriate risk-mitigating actions.

42. Regarding risk mitigation, the policy indicates that the head of unit must complete a detailed risk assessment of the activities covered by the fast-track

procedure activation, to be uploaded in the myRisks module of the strategic information system, whenever their budget value is estimated to exceed $1 million to face the emergency.

43. The assessment should identify all relevant strategic, operational and fraud risks, assess their likelihood and impact, and identify appropriate risk prevention and remediation measures. The head of unit must update the risk assessment as needed and monitor the implementation of the risk prevention and mitigation measures on a regular basis while the fast-track procedures remain activated.

44. Regarding reporting, the policy indicates that when a country office activates the fast-track procedure, it must also submit a usage report to the Humanitarian Response Division no later than one month after the final date of the activation. The Humanitarian Response Division analyses the reports annually to identify key lessons learned in order to make necessary improvements to fast-track procedures. In addition, a tracking of fast-track procedure activations, use and reporting can be accessed through the fast-track procedure online repository hosted in Google Drive.

45. The Board reviewed the myRisks module in the strategic information system and noted that no function had been enabled within the system for offices to upload the risk assessments in the past two years. Moreover, the fast-track procedure online repository did not include the amounts related to the activations and, at the time of audit, the Humanitarian Response Division was not able to systematically or manually determine the cases that exceeded the $1 million threshold. In this matter, the Humanitarian Response Division did not control or verify the fast-track procedure activations that should complete the activation risk assessment.

46. Regarding the usage reports, the Board noted that 17 out of 36 activated fast-track procedures reports submitted by the country offices (47.22 per cent) were overdue. In addition, the annual usage report assessment had not been conducted by the Humanitarian Response Division in 2022 or 2023.

47. Moreover, the Board observed that the fast-track policy and procedures had Atlas as their basis; however, the enterprise resource planning system in force is Quantum, and the policy did not indicate the procedures and controls to be included in Quantum related to finance, human resources and procurement.

48. The Board considers that the absence of a risk repository may hamper risk oversight, making it difficult to identify and execute a proper approach and proper responses to address these risks in the fast-track procedure. A more systematic approach is therefore needed at the organizational level regarding timely risk identification, mitigation and budget allocations.

49. The Board is of the opinion that improving offices’ reporting submissions is necessary to comply with the procedure in a timely manner and thus enable UNFPA to conduct the annual assessment to attend to the lessons learned.

50. **The Board recommends that UNFPA establish a mechanism to conduct and record in a timely manner the fast-track procedure activation risk assessments and oversee their activation.**

51. **The Board recommends that UNFPA ensure the timeliness of submissions of usage reports and subsequent assessments to implement the lessons learned.**

52. **The Board recommends that UNFPA update its policy and procedures in order to align them with the current fast-track procedure.**

53. UNFPA accepted the recommendations.

Insufficient guidance in emergency preparedness response risk ranking

54. Established by the General Assembly in 1991, the Inter-Agency Standing Committee is the longest-standing and highest-level humanitarian coordination forum of the United Nations system that formulates policy and guidance, sets strategic priorities and mobilizes resources in response to humanitarian crises. UNFPA and 17 other United Nations entities are part of the Inter-Agency Standing Committee.

55. The emergency response preparedness guidance, issued by the Inter-Agency Standing Committee in July 2015, provides practical guidance to assist humanitarian coordinators and humanitarian country teams in preparing to respond to potential emergencies with appropriate humanitarian assistance and protection. In April 2017, UNFPA issued the standard operating procedures for humanitarian settings, which include the entity's commitment to preparedness based on compliance with the Inter-Agency Standing Committee emergency response preparedness guidance.

56. Pursuant to the standard operating procedures, UNFPA country offices are responsible for integrating emergency preparedness into the design of their country programmes and national development frameworks by uploading the minimum preparedness actions to the strategic information system. In addition, the procedures state that preparedness requires the development of contingency planning, which should match the level of risk of the country.

57. Similarly, the guidance issued by the Inter-Agency Standing Committee sets out three essential elements for preparedness. The first element is risk analysis and monitoring, which is a process that identifies the hazards that could trigger a crisis and ranks them by impact and likelihood. The risk ranking determines whether the thresholds are low, medium or high, and the development of contingency plans is recommended when risk thresholds are determined to be medium or above.

58. The second element is the minimum preparedness actions, which are a set of activities that each country team must implement in order to establish a minimum level of emergency preparedness within the country. The third element is the advanced preparedness actions and contingency planning, which are complementary activities that should be initiated together to plan for specific risks when the risk analysis and monitoring indicate moderate or high risk.

59. On this basis, the Board observed that UNFPA lacked a framework to determine the risk ranking of the country office and the subsequent actions to undertake depending on the level of risk. In addition, UNFPA did not provide a repository to record the assessments, as it does with the minimum preparedness actions. Furthermore, the risk ranking of country offices was not recorded in the strategic information system.

60. In this respect, and owing to the lack of risk rating, the Board noted that the strategic information system did not allow for reporting on the advanced preparedness actions and contingency planning, which are triggered by the country office risk ranking. When asked about the country office risk rating, management did not provide evidence of the risk level of country offices by the time of audit.

61. Consequently, in 40 preparedness cases, the Board verified that country offices did not register any information regarding risk ranking, advanced preparedness actions or contingency planning in the strategic information system. Country offices only reported on minimum preparedness actions.

62. The Board is of the view that the absence of guidance, recording and monitoring from headquarters on risk assessment and rankings may hamper the identification and oversight of advanced preparedness actions and contingency planning that need to be

implemented in moderate- and high-risk scenarios, in line with the Inter-Agency Standing Committee guidance.

63. Likewise, the Board considers that risk analysis and monitoring are key to dynamic and responsive preparedness at UNFPA. In this sense, the risk rankings would allow the entity to use its efforts and resources and prepare plans that are based not only on the country office's needs, but also on its capability to deal with the initial phase of an emergency.

64. **The Board recommends that UNFPA issue guidance on risk ranking and subsequent actions depending on the level of risk, in line with the Inter-Agency Standing Committee, with the aim of ensuring that risk assessment ranking, duly advanced preparedness actions and contingency planning are conducted.**

65. UNFPA accepted the recommendation.

Weakness in the implementation of minimum preparedness actions

66. The UNFPA standard operating procedures for humanitarian settings, in force since April 2017, state that minimum preparedness actions are a set of activities that UNFPA implements to establish a minimum level of emergency preparedness. Country offices have the responsibility to incorporate emergency preparedness into UNFPA country programme design and national development frameworks to assist humanitarian country teams in preparing to respond to potential emergencies with appropriate humanitarian assistance and protection.

67. In all situations, emergency response preparedness should be based on knowledge of the broader preparedness framework and the planning, capacities and systems of national and local authorities. This will lead to pre-established national and country office mechanisms immediately coming into play when confronted with an emergency, followed by additional support from subregional and regional offices or headquarters, as required.

68. The guidance entitled "Monitoring minimum preparedness actions in the strategic information system", published in June 2016, adopts a uniform approach on reporting the milestone status related to implementing minimum preparedness actions that have to be completed in the myResults module of the strategic information system.

69. As stated in the guidelines, it is mandatory for country offices to report their management output "minimum preparedness established" semi-annually, as second quarter and fourth quarter milestones. This compulsory output for country offices has one indicator and 13 mandatory milestones; for six milestones, evidence is required to support compliance with the output. On the other hand, regional offices have to report 14 milestones and no supporting documentation is formally required to be submitted. The completion of the milestones by the offices reflects a minimum preparedness action, and the head of office is the responsible team member for overseeing the achievement of the outputs.

70. The Board reviewed the compliance with regard to minimum preparedness actions of two regional offices and 31 country offices based on the most recent report recorded in the myResults module for 2022, which must be reported no later than January 2023. The following situations were observed:

(a) Twenty-one country offices (71 per cent) did not provide any documentation in the myResults module for milestones MP4, MP8, MP9, MP10, MP11 and MP13;

(b) Twenty-five country offices did not correctly indicate their targets by the deadlines for the second quarter and fourth quarter milestones. Eighteen country offices registered their targets in different periods to the established quarters. Six targets were reported in all quarters, and one country office did not document the milestones;

(c) The two regional offices reviewed in the sample did not upload evidence for a set of 14 minimum preparedness actions that should be uploaded to the strategic information system.

71. In addition, the Board noted the following shortcomings regarding the application of the "Monitoring minimum preparedness actions in the strategic information system" guidance:

(a) The guidance mentions that a different set of 14 minimum preparedness actions should be uploaded to the strategic information system for regional offices. However, the guidance did not specify which information should be uploaded as evidence;

(b) The guidance lacks clarity on the support that the regional office provides to country offices regarding the information uploaded to the strategic information system. In addition, there was no mention of any oversight mechanism that assigns roles and responsibilities for the development and implementation of minimum preparedness actions for regional and country offices.

72. The Board is of the opinion that the proper implementation of minimum preparedness actions contributes to ensuring the quality of the institutional response to different types of emergencies, providing more flexibility to its execution. The minimum preparedness actions are paramount for UNFPA to achieve positive outcomes in the initial emergency response phase and aim to reduce the initial assistance gap.

73. Therefore, it is essential that UNFPA maintain updated guidelines and procedures on minimum preparedness actions milestones defining the offices' responsibilities and the required supporting evidence to allow reporting of the results achieved, the lessons learned and the challenges encountered during a particular year in the myResults module. This may assist UNFPA in measuring the standard of minimum emergency preparedness of the country and regional offices, as well as improving the level of response readiness in delivering critical relief assistance and protection.

74. **The Board recommends that UNFPA conduct the minimum preparedness actions by completing the necessary information and uploading all the relevant documents in strict accordance with the guidance on minimum preparedness actions.**

75. **The Board recommends that UNFPA establish a robust oversight mechanism to ensure quality and completeness by requiring country and regional offices to complete the minimum of preparedness actions.**

76. **The Board recommends that UNFPA review and approve a new version of the guidance on minimum preparedness actions in order to clarify milestones, provision of evidence and responsibilities of headquarters, regional offices and country offices in this matter.**

77. UNFPA accepted the recommendations.

Weakness in governance and delays in the implementation of the humanitarian supplies strategy

78. The report entitled "Evaluation of the UNFPA capacity in humanitarian action (2012–2019)", issued in 2019 by the UNFPA Evaluation Office, indicated among its recommendations that UNFPA should review the corporate approach on preparedness

for supplies, including, where necessary, regional stockpiling and pre-positioning. This recommendation, defined as a high priority, was agreed to by management and its targeted implementation was December 2020.

79. At the 2021 annual session of its Executive Board, UNFPA submitted, under the agenda item entitled “Annual report of the Executive Director”, annex 2 to the report of the Executive Director on the “implementation of the UNFPA strategic plan, 2018–2021 (DP/FPA/2021/4 (Part I)), in which it was indicated that the above-mentioned recommendation had been addressed by developing the humanitarian supplies strategy.

80. In this respect, on 8 October 2021 UNFPA issued the humanitarian supplies strategy for the period 2021–2025, which provides a strategic approach to help meet the supply needs of the UNFPA humanitarian programmes in all phases of an emergency response and ensure supply availability. The strategy indicates that, as a monitoring tool, a costed proposal to inform resource planning for 2021–2025 has to be developed on the basis of the monitoring and accountability matrix, including not only new resource requirements but all internal costs, and must also include a budget for appropriate backstopping arrangements before the activities commence.

81. On the other hand, the UNFPA results-based management policy issued in May 2011 indicates that its purpose is to foster a culture of measurement and results, creating demand for and improving the usage of credible information and evidence on results, making use of lessons learned, to inform decision-making. The policy also defines planning as the process of setting goals, developing strategies, outlining the implementation arrangements and allocating resources in the system to achieve these goals.

82. In this regard, the Board observed that UNFPA had not yet executed the humanitarian supplies strategy plan and had also failed to prepare an annual workplan for its implementation in 2021, 2022 and 2023. It was noted that UNFPA had started working on a plan in October 2023 to implement and formally put the strategy into action.

83. In a more detailed analysis, the Board reviewed the scope and the content of the strategy and noted that no monitoring mechanisms, costed proposal or budget was allocated for appropriate backstopping arrangements. In addition, it was observed that 33 out of the 49 activities (67 per cent) included in the strategy had not been implemented, and only 2 had reached their midterm results.

84. UNFPA conducted the midterm review of the strategy at the end of October 2023 and, considering the delays in the operationalization, concluded with a draft new implementation plan and a draft workplan for the remaining period (2024–2025). Nevertheless, as at the date of the audit review, the draft was still pending approval and formalization.

85. When reviewing the draft workplan, the Board noted that none of the 32 listed activities included the assignment of costs and proper accountabilities. In addition, the implementation plan for the draft humanitarian supplies strategy did not fully address some elements of the original strategy, such as environmental sustainability, which is related to reducing the UNFPA climate footprint in medical waste disposal based on the World Health Organization guidelines; and process improvements relating to products and the time necessary to enhance the management of humanitarian supplies.

86. The Board is concerned that, three years since the launch of the humanitarian supplies strategy, UNFPA has only implemented 29 per cent of the activities. As the Executive Board was informed in 2020, adequate resource allocation and timely accountability are crucial for ensuring the implementation of the strategy. In this

regard, the Board of Auditors deems that UNFPA would benefit from using Quantum as a management tool that effectively supports the planning of activities and use of the budget.

87. The Board is also of the view that establishing a clear path to implementing the humanitarian supplies strategy is paramount for UNFPA to stand as a leader in humanitarian activities among national and international partners. Based on the foregoing, it is fundamental to develop a strengthened and efficient humanitarian supply network focused on pre-positioning to allow UNFPA to transition from a reactive to a proactive approach in managing emergency supplies and guaranteeing that affected populations receive life-saving commodities in a timely manner.

88. **The Board recommends that the Humanitarian Response Division, in coordination with the Supply Chain Management Unit, ensure the implementation of the humanitarian supplies strategy activities through the precise identification of a cost proposal, the assignment of accountabilities and the needed budget arrangements in Quantum.**

89. **The Board recommends that UNFPA establish a monitoring mechanism to ensure that the action plans submitted to the Executive Board are fully implemented.**

90. UNFPA accepted the recommendations and stated that the Humanitarian Response Division and the Supply Chain Management Unit would be committed to having quarterly reporting and review meetings. In addition, it declared that its monitoring mechanism would be strengthened by tracking and assessing progress, identifying deviations from the plan and making necessary adjustments. The measures informed by UNFPA will be assessed in the next audit period.

4. Quantum implementation

Absence of integrated accountability checklist and financial data quality dashboard

91. The UNFPA resource management policy, updated in November 2022, indicates that the Finance Branch and the Strategic Resource Planning Branch of the Division for Management Services monitor expenditures and budget implementation at the global level, guiding budget holders as well as reports and analysis to facilitate corporate oversight. The policy also mentions that as an oversight tool, the integrated accountability checklist assists the budget holders in ensuring that resource implementation is in accordance with the financial regulations and rules, policies and procedures. The checklist resides in the UNFPA intranet to strengthen oversight and financial, accounting and budgetary management compliance.

92. Furthermore, the integrated accountability checklist has a set of six checklists (see table II.4) that enable the field offices to improve their financial and budget management. At the same time, the checklist intranet web page indicates that it helps the Finance Branch and the Strategic Resource Planning Branch to monitor monthly and quarterly financial and management activities.

Table II.4
List of checklists

No.	*Name of checklist*
1.	Finance monthly checklist
2.	Finance quarterly checklist
3.	Institutional budget quarterly checklist – country offices
4.	Institutional budget quarterly checklist – headquarters
5.	Country office real estate certification checklist
6.	Asset management certification checklist

Source: UNFPA integrated accountability checklist web page.

93. The myUNFPA intranet financial management community offers the integrated accountability checklist, the financial data quality dashboard and other related resources. The checklists ensure field office accountability by monitoring monthly performance indicators such as accounts payable, general ledger, operating fund accounts, project closure, procurement and budget. The financial data quality dashboard provides alerts on issues such as operating fund accounts, overspent funds, purchase orders with errors and pending project closures, among others.

94. Moreover, the regional offices' terms of reference were issued in April 2015 to oversee country offices in order to ensure effective and efficient operations and improve performance, in conjunction with the integrated accountability checklist and the financial data quality dashboard. However, after Quantum was launched, the only tools provided by UNFPA as part of the financial reporting package included a spending limits and project monitoring report, the account activity analysis report and the trial balance.

95. On the other hand, the UNFPA internal control framework policy (in force since September 2016) has three cascading levels of control, in line with the three lines of defence model. The first line of defence envisages the organizational personnel at the field, regional and headquarters offices. The second line has functions that oversee risks and controls, such as planning, budgeting and risk management, and the third line has independent assurance and oversight units.

96. The internal control framework policy requires functional internal controls at all levels of the organization across all business processes and continuous review to address new risks from changing environments and evolving processes.

97. The Board noted that at the end of November 2023, the integrated accountability checklist and the financial data quality dashboard were missing from Quantum.

98. Furthermore, it was observed that the financial management community contained outdated financial resources, including policies, reports and resource management linked to the previous enterprise resource planning system, Atlas, instead of Quantum.

99. During 2023, regional offices were unable to review the monthly country office performance status that was available in the financial data quality dashboard. In addition, the integrated accountability checklist was unavailable to regional offices to review the regional compliance status with the assistance of the alerts in the system, making it difficult for them to carry out the oversight functions. There were also no automated and aggregated performance indicators, and the controls and reports

previously supported in Atlas had not yet been included in Quantum. As a result, regional offices had to rely on manual controls based on the account activity analysis report to cover some of the indicators provided in the financial data quality dashboard.

100. The Board reviewed the information on the UNFPA institutional budget and operating fund accounts management contained in the Quantum system as at 30 November 2023, noting the following:

(a) Regarding the institutional budget, 21 funds related to payroll presented overexpenditures with an unbudgeted amount of $1.6 million;

(b) In the same vein, the posting of the payroll-related accounts presented three months of delays. Consequently, the budget implementation rate reached 64.6 per cent. It is worth mentioning that payroll processes override the budgetary controls established in Quantum;

(c) Quantum did not have reports or dashboards available to review operating fund accounts management and ageing. The Board also detected 146 project activities with negative balances totalling $2 million.

101. The Board deems that the absence of the integrated accountability checklist and the financial data quality dashboard may affect the opportunity for and timely application of corrective actions to be taken by UNFPA offices and process owners in matters such as operating fund accounts and the integrated budget, among others. Internal controls need to be present and functioning at the headquarters, regional and country office levels of the organization and across all business processes.

102. The Board considers it necessary that UNFPA ensure that headquarters, regional and country offices are enabled to visualize the key performance indicators and conduct the control activities. The maintenance of internal controls would help UNFPA achieve its strategic objectives, produce reliable financial and performance information, comply with relevant policies and procedures and reinforce the first and second lines of defence.

103. In the light of UNFPA embracing new technologies as part of its strategic plan, specifically with the migration to Quantum to support the financial and accounting operations, the Board deems it essential to maintain up-to-date policies and procedures that hold accountabilities and avoid any impact on the control actions that each business unit must carry out.

104. **The Board recommends that UNFPA assess its internal control activities and apply the necessary adjustments considering the use of Quantum.**

105. **The Board recommends that UNFPA update the resource management policy and related guidelines to reflect the Quantum procedures and controls.**

106. **The Board recommends that UNFPA implement a tool similar to the financial data quality dashboard to assist in the monitoring of field offices.**

107. **The Board recommends that UNFPA align its financial management community with Quantum resources.**

108. UNFPA accepted the recommendations and stated that it would continue to develop reports and dashboards to address financial management monitoring and oversight.

Paucity of operational and financial closure

109. The guidance note on programme cycles, project identification and activity identification creation and closure, updated in November 2014, indicates that the operational closure of a project identification is initiated when the programme cycle

under which the project identification was created has ended, or the programme activities for all workplans associated with the project identification have been completed.

110. Once the operational closure has been completed in the global programming system, the project identification is available to clear outstanding transactions in line with the financial closure checklist and prepare it for financial closure. The financial closure of a project identification is done only by the Finance Branch at headquarters, and no adjustments or further entries can be made to a financially closed project.

111. The UNFPA Financial Regulations and Rules indicate in rule 110.2 that UNFPA shall not finance programme activities carried out in a period outside the approved workplan. For programme activities funded by other resources, the financial completion shall be accomplished within 12 months after the programme activities are operationally completed or terminated.

112. In addition, the financial closure checklist guidance, issued by UNFPA in November 2013, stipulates 11 areas to be revised by applying specific tasks, including, among other topics, transfer or disposal of assets, inventory, property, plant and equipment like inventory, operating fund accounts balances, open requisitions, open purchase orders, and unpaid and unreconciled vouchers.

113. The Board noted in this sense that at the end of November 2023, the operational closure was not available in Quantum and no alternative mechanism was applied by UNFPA. Furthermore, regarding the 2022 operations, there were 331 project identifications that were identified and pending for operational closure (13 per cent of the total number of projects) according to the “Project identification and activity identification maintenance” intranet web page (see table II.5).

Table II.5
Total project identifications for operational closure

Region	*Total project identifications*	*Projects identified for closure*
Headquarters	195	40
East and Southern Africa country offices	566	104
West and Central Africa country offices	441	68
Arab States country offices	255	24
Eastern Europe and Central Asia country offices	266	7
Asia and the Pacific country offices	323	20
Latin America and the Caribbean country offices	422	68
Total	**2 468**	**331**

Source: Based on “Project identification and activity identification maintenance” web page.

114. In addition, the “Project identification and activity identification maintenance” web page showed that 119 project identifications were pending to be financially closed, representing 47 per cent of the total projects managed by the entity (see table II.6). The Board also noted that the financial closure was not implemented in Quantum and that the financial closure checklist guidance was outdated, since all the tasks were linked to the previous enterprise resource system, Atlas, and none of the reports related to operating fund accounts balances, open purchase orders, and unpaid and unreconciled vouchers were available.

Table II.6
Total project identifications for financial closure

Region	*Total project identifications*	*Project identifications identified for closure*
Headquarters	9	4
East and Southern Africa country offices	89	37
West and Central Africa country offices	50	18
Arab States country offices	20	15
Eastern Europe and Central Asia country offices	15	1
Asia and the Pacific country offices	51	30
Latin America and the Caribbean country offices	21	14
Total	**255**	**119**

Source: Based on "Project identification and activity identification maintenance" web page.

115. The Board considers that the absence of operational and financial closure may affect the effective and timely application of corrective actions to be taken by UNFPA offices and process owners to address the issues that arise in an institutional cycle. In this regard, the Board is concerned that maintaining projects with a pending financial closure for a long period may result in delays in the refund of unspent resources and affect the efficient utilization of the fund balances. It may also affect the accuracy of the financial records relating to implementing partners' expenditures and refunds.

116. The Board acknowledges that the migration process to a new enterprise resource planning system is an organizational challenge for any entity, and that the controls established by it could be affected during its implementation; however, it is paramount that this process include the necessary measures to address the impact of those factors that could weaken an adequate control environment.

117. Thus, considering that UNFPA is embracing new technologies as part of its strategic plan, specifically with the change to Quantum to support the financial and accounting operations, the Board deems it essential to maintain up-to-date policies and procedures to hold accountabilities and avoid any impact on the control actions that each business unit must carry out.

118. **The Board recommends that UNFPA implement a mechanism to ensure timely operational and financial closures.**

119. **The Board recommends that UNFPA update the guidance note on programme cycles, project identification and activity identification creation and closure, and related procedures, with the aim of reflecting the processes to be implemented in the Quantum system.**

120. UNFPA accepted both recommendations.

Lack of information and communications technology policies and procedures

121. The UNFPA Information Technology Solutions Office has had an information security policy[1] in force since 5 January 2023. This policy mandates that the Office shall develop information security standards, procedures, and business processes in line with the International Organization for Standardization (ISO)/International

[1] See https://www.unfpa.org/sites/default/files/admin-resource/ITSO_Information_Security_Policy.pdf.

Electrotechnical Commission (IEC) 27000 series of standards to support compliance with the information security policy.

122. The standards shall consider: (a) the acceptable use standard; (b) the identity and access management standard; (c) the information security awareness standard; (d) the threat and vulnerability management standard; (e) the network security standard; and (f) the information security incident management standard.

123. The information security policy also establishes that the UNFPA enterprise risk management policy[2] (and related procedures) must be followed by the whole organization to mitigate information security risks.

124. Furthermore, the enterprise risk management policy contains the integrated risk framework, which provides a portfolio view of risks across the different organizational components, including information and communications technology (ICT), which considers the risks related to the different ICT processes following the information security policy and related procedures based on the ISO 27001 framework. Furthermore, ICT risk management is subject to the governance and oversight of the UNFPA Information and Communications Technology Board, based on the Control Objectives for Information and Related Technology (COBIT 5) framework.

125. The management practice APO01.09 (align, plan and organize), specifically practice 01.08, "Define and communicate policies and procedures", of the governance and management objectives of the 2019 COBIT-5 framework (updated to COBIT 2019), suggests that a set of policies shall be created to drive ICT control expectations on relevant key topics.

126. The Board reviewed the website of the policies and procedures manual, which is the only authoritative source for approved UNFPA policies and procedures. As at October 2023, it was observed that there were no guidelines available as required by the information security policy for identity and access management and information security incident management procedures related to the enterprise resource planning used by the entity.

127. Based on the above, the Board requested the Information Technology Solutions Office to provide the policies or procedures of the Quantum system regarding user provisioning, review or validation of segregation of functions of users, and incident management. By the end of the interim visit in October 2023, UNFPA had not developed or enforced formal procedures on this matter. Consequently, the UNFPA work on this matter is not aligned with the ISO/IEC 27000 standards.

128. In addition, the Information Technology Solutions Office replied to an audit request that UNFPA would conduct periodic reviews of all user access to revise the segregation of duties of Quantum users. Nevertheless, this control was not designed to be implemented through a specific procedure or guideline.

129. The Board considers that the absence of ICT policies and procedures may lead to failure when executing security controls or activities established to protect against information threats, which could also affect the information stored, processed, collected and disseminated by UNFPA. Therefore, it is essential to align the policies with the good practices established in the ISO/IEC 27000 standards to minimize the impact of information security incidents. Also, UNFPA may be able to ensure the highest level of information security processes by strictly adhering to and aligning its policies with the Control Objectives for Information and Related Technology guidelines.

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[2] See https://www.unfpa.org/sites/default/files/admin-resource/FINA_ERM.pdf.

130. Moreover, the Board is of the view that the lack of controls to identify and analyse the conflicts of segregation of duties may cause deficiencies that leave UNFPA without effective measures or controls to verify the elements necessary to detect and prevent errors and fraud.

131. **The Board recommends that UNFPA establish the necessary procedures to align its current ICT environment with all ISO/IEC 27000 standards in a timely manner in order to support compliance with the information security policy.**

132. **The Board recommends that UNFPA formulate a procedure for conducting comprehensive and periodic reviews of the segregation of duties in Quantum to ensure that different staff members are responsible for distinct parts of any task to prevent errors.**

133. UNFPA accepted both recommendations.

Outdated policies, procedures and manuals

134. The policy and procedures for development, approval and issuance of policies, procedures, tools and guidance notes, issued in November 2020, outline the process for all content (regulations, rules, policies and procedures) entered into the UNFPA policies and procedures manual website, which all personnel are required to uphold in fulfilling their functions.

135. The policy establishes that the custodianship and secretariat of the policies and procedures manual lies with the Operational Support and Quality Assurance Branch of the Policy and Strategy Division.

136. Nevertheless, the ownership of and responsibility for the content lies with various divisions and units across the organization, which shall undertake the following:

(a) A mandatory annual review of policies, initiated by the policies and procedures manual secretariat, to determine the validity and status of the policy;

(b) A mandatory review of policy content every three years to determine whether a revision should be initiated by the policy owner.

137. The Board reviewed a total of 177 documents (98 policies and 79 guidance and tools) issued by UNFPA and hosted on the policies and procedures manual website as at 31 October 2023, and observed the following:

(a) Fifty-three (54 per cent) out of a total of 98 policies needed substantive revision according to the information published on the policies and procedures manual website. The policies that needed substantive revision were related to human resources, ICT and finance and budget processes;

(b) Fourteen (17 per cent) out of a total of 79 guidance and tools needed substantive revision according to the information published on the policies and procedures manual website. The policies that needed substantive revision were as a result of the introduction of Quantum, a complete restructuring of the Supply Chain Management Unit and the Humanitarian Response Division and the proposed development of a new partnership.

138. In addition, the Board observed the following in 67 documents (policies, guidance and tools) related to Quantum:

(a) From those documents that needed a substantive revision, 20 were directly related to the former enterprise resource planning system and did not reflect the Quantum controls and processes. Furthermore, 15 out of the 20 policies were issued more than nine years ago;

(b) For those documents categorized with the revision status "needs minor revision", 16 out of 42 were related to the former enterprise resource planning system, where 8 of the 16 policies were issued more than 10 years ago;

(c) Similarly, 14 out of 68 documents with the revision status "up to date" were connected with the previous enterprise resource planning system.

139. Despite the management decision to wait until the launch and the stabilization of Quantum before updating the policies, and the resources required to update the policies being the same as those involved in the system's sign-off and launch, UNFPA examined the revision status of documents uploaded to the policies and procedures manual as at August 2023, and the Board observed that it had failed to comply with a proper update of the status of policies, guidance and tools in a comprehensive and timely manner, considering the current UNFPA context.

140. The Board considers that UNFPA business operations, with a presence in more than 150 countries, may be affected by having personnel applying outdated policies and procedures to their daily developing functions.

141. UNFPA could enhance and shape its processes more efficiently to ensure that objectives are met and resources entrusted by applying updated policies and procedures to its personnel's daily work.

142. Considering that UNFPA is embracing new technologies as part of its strategic plan, specifically with the migration to Quantum to support the financial and accounting operations, the Board deems it essential to maintain up-to-date policies and procedures to hold accountabilities and to avoid any impact on the control actions that each business unit must carry out.

143. **The Board recommends that UNFPA conduct an updating exercise of the policies and procedures manual, establishing deadlines for each content owner, with the aim of reflecting the technological and organizational changes in a timely manner.**

144. UNFPA accepted the recommendation.

5. Supply management

Shortcomings in the locally procured goods process

145. It is stated in paragraph 8.26 of the policy and procedures on the management of programme supplies, revised on 1 March 2021, that local procurement is carried out by UNFPA field offices, and that it includes solicitations from both local and international suppliers.

146. According to the Board's understanding, identifying locally procured supplies is a manual process carried out as part of inventory control by the Supply Chain Management Unit. It involves reviewing a comprehensive report encompassing all purchases made by UNFPA throughout the period. After this process, field offices are requested to validate the relevant information by confirming the purpose of the goods, the accuracy of descriptions, quantities and units of measure, among other things.

147. The policy outlines that UNFPA takes control of the goods sourced locally upon physical receipt by field offices, and the financial receipts then trigger the recording of the field office inventory purchases in the shipment tracker, which captures the supply flow until handover to the implementing partners.

148. The policy states that the inventories under the control of UNFPA are recognized as assets based on the inventory balances reflected in the shipment tracker and certified by field offices through the inventory certification process. This accounting process also determines and aggregates the cost of all goods not marked as delivered

or disposed of in the shipment tracker at the end of the period. In addition, the policy states that expense recognition occurs when the accounts payable voucher is posted.

149. In the same policy, it is indicated that the budget holder is directly responsible for supplying planning, product specifications, and the requisitioning of the goods. The budget holder is also responsible for monitoring the timely ordering, clearance, receipt, safeguarding, handover, distribution and use of the goods for their intended purposes, including the timely completion of all last-mile assurance process activities.

150. On this basis, the Board reviewed the records related to the locally procured goods from the offices of the Asia and the Pacific region from 1 January to 31 August 2023. For this purpose, the Board individually analysed the reports used in the process to identify the locally procured goods. These reports were the Quantum "United Nations purchase order tracking detail report" and the "inventory activity summary report" extracted from Cognos. During the analysis, the following situations were observed:

(a) In 21 cases, the field "category" in the purchase order tracking detail report included in the item description of the requisition form was empty. This information is relevant from a financial management perspective since each category has a default code that allows for determining where the goods or services purchased should be financially charged. To address this issue, UNFPA reviewed each item manually to determine its classification and inventory eligibility;

(b) Fifty-three items from the purchase order tracking detail report were incorrectly identified and recorded in account 72399 – "other materials and goods", which is used to record expenses for programme supplies related to materials and goods that do not fall under any other accounts, according to the definition indicated in the UNFPA accounting dictionary;

(c) During 2023, five acquisitions made in previous periods were manually added to the shipment tracker tool, but the nature of the transactions (inventory movements) was inappropriately recorded as an inventory addition. The cases are detailed below:

(i) One item was removed from the kit and donated before expiration. This item was received in 2021 and recorded as an addition in 2023 with the purpose of being donated by UNFPA prior to expiration;

(ii) Three items were received in 2023, but were procured in previous years and were not recorded as inventory in transit;

(iii) One item was not found during the physical count. The country office requested an inventory write-off or adjustment form. However, it was recorded as an inventory addition and then adjusted;

(d) The inventory report showed 21 items without a purchase order business unit and purchase order identification. In this regard, the inventory report could not be cross-referenced with the purchase report. UNFPA explained that these lines were manually added to replenish expired components procured in 2018. Furthermore, the Supply Chain Management Unit procured goods that were not included in the purchase report.

151. In addition, by comparing the "United Nations purchase order tracking detail report" from Quantum and the "inventory activity summary report" obtained from Cognos, the Board noticed issues related to the procurement of goods by the Asia and Pacific Regional Office and its sub-offices. The Board analysed the records between 1 January and 31 August 2023 and identified the following situations:

(a) Seven items had mistaken quantities and units of measure in the purchase order tracking detail report. In addition, the Board identified that such items were assumed not to be in the inventories. According to the entity, this was due to the requisitioner's errors when selecting the line type in the enterprise resource planning system. Despite the errors, these items were still registered in the inventory activity summary report;

(b) There were 38 items identified in the purchase order tracking detail report, such as kits and medical equipment, that were purchased and received during the year 2023. However, they had not been registered in the shipment tracker as inventories in 2023.

152. With regard to the provisions contained in the guidance on data analysis for locally procured items, it was observed that they did not mention any exceptions to exclude transactions, for example, when a product was for sample, promotions, or an update to analysis to identify the locally procured items. The guidance specified that the analysis should only consider purchase orders with a "closed for receiving" status; however, different statuses of purchase orders were identified, such as "closed for receiving" and "finally closed".

153. Considering that the purchase report is used as a source of data for goods locally procured, the Board concludes that information that is inaccurate or insufficient in the requisition of the goods or services could affect the manual review process for locally procured acquisitions. It could also hinder the identification of acquisitions associated with inventories for registration in the shipment tracker.

154. The Board is of the view that an inaccurate or delayed recording of inventory transactions in the shipment tracker (e.g. physical receipt, put in warehouse, handover, disposals and adjustments) may result in financial statements showing overvalued or undervalued assets and expenses.

155. Similarly, it is essential that UNFPA keep the revision process for locally procured items updated, incorporating exceptions and the status of purchase orders accordingly. The worksheet should be updated with the new categorizations, accounts and keywords to review the financial period and exclude non-inventory assets from the analysis. In addition, UNFPA should constantly monitor goods classified as inventory based on the analysis and recorded transactions in the shipment tracker.

156. **The Board recommends that UNFPA reinforce the accountability of the country offices in the data quality of procurement records for locally procured goods.**

157. **The Board recommends that UNFPA record both accurately and in a timely manner the supplies, in accordance with the nature of the transaction (physical receipt, storage, handover, disposals and adjustments) and in agreement with the applicable accounting standards.**

158. **The Board recommends that UNFPA update the guidance to include all locally procured goods, reflecting all relevant concepts and categories used during the performance of the procedure.**

159. UNFPA accepted the recommendations and stated that it would review and improve the internal guidance on the locally procured goods analysis procedure, adding that the procedure would also be updated to align with the changes in Quantum related to item categories and account code mapping. The measures indicated by UNFPA will be assessed in the next audit period.

Shortages in the management of pre-positioning of supplies

160. It is indicated in paragraph 11.9 of the policy and procedures on the management of programme supplies, revised on 1 March 2021, that the Humanitarian Office – now called the Humanitarian Response Division – is responsible for developing guidance and providing technical support on matters relating to the management of humanitarian supplies, such as needs assessment, demand quantification, pre-positioning, distribution, pharmacy management and waste management, among other things.

161. The UNFPA Asia-Pacific Regional Office has been actively engaged in pre-positioning supplies through the regional pre-positioning initiative, the main objective of which is to provide an advantage by purchasing and storing essential supplies in advance to prepare for future emergencies.

162. In order to guide UNFPA country offices in the region, the Asia-Pacific Regional Office has issued a standard operating procedure for the regional pre-positioning initiative, which provides orientation on implementing pre-positioning activities. The procedure helps the Regional Office and assists the country offices in pre-positioning supplies to ensure a speedy, effective and coordinated response to sexual and reproductive health and gender-based violence needs. The procedure also addresses how to identify the capacity gaps through the initiative’s support and the annual work planning approval process and reporting process, which includes planning, procurement, inventory management, monitoring and replenishment.

163. Furthermore, the UNFPA humanitarian supplies strategy (2021–2025) has the goal of ensuring supply availability for UNFPA humanitarian programme priorities and the overall objective of improving supply chain and humanitarian logistics management in three phases of an emergency: preparedness, acute response, and post-acute response. In this context, the humanitarian supplies strategy will deliver the following priority improvements: systems improvements, process improvements, and cross-cutting improvements.

164. The Board reviewed the implementation of the pre-positioning of supplies in those priority UNFPA country offices for the regional pre-positioning initiative process, such as Bangladesh, Indonesia, Sri Lanka, Myanmar and Papua New Guinea, and the Pacific Subregional Office (including Fiji, Kiribati, Samoa, Solomon Islands, Tonga and Vanuatu), as well as the warehouse in Brisbane, Australia. For this purpose, a comparison was made using the “Asia-Pacific Regional Office monitoring worksheet”, the “template of request to distribute pre-positioned supplies for response” and the “reporting template” with the information included in the “inventory reports”, extracted from Cognos. The results of the review are detailed below.

(i) Annual work planning

165. The Asia-Pacific Regional Office pre-positioning initiative workplan for 2023 planned to pre-position dignity kits and maternity kits for Sri Lanka in the first quarter, with a budget of $57,232. However, as at November 2023, no pre-positioned or in-transit inventories were recorded in the UNFPA shipment tracker module for that period. Consequently, in January 2024, as a subsequent period, the pre-positioned dignity kits and maternity kits were registered as in transit in the inventory module for a total cost of $70,171.

(ii) Monitoring supplies

166. It was noted that the accounting supplies information for the year 2023 was not accurate, complete or integrated in the shipment tracker. As a result, the inventory reports did not reflect all inventory transactions carried out during the period. The following situations were also observed:

(a) When comparing the inventory reports from the shipment tracker with the "Asia-Pacific Regional Office monitoring worksheet", it was observed that the inventory transactions were not recorded in two out of four country offices (Myanmar and Papua New Guinea) or in the Subregional Office;

(b) In three country offices (Bangladesh, Indonesia and Myanmar), the Subregional Office and the warehouse in Brisbane, the monitoring worksheet managed by the Asia-Pacific Regional Office was not thoroughly updated during 2023, which resulted in discrepancies with the inventory reports from the shipment tracker. Furthermore, the monitoring worksheet did not include funds for pre-positioning activities, which hampered the traceability of transactions between monitoring and inventory reports.

(iii) Approval process

167. With the purpose of determining the response time of supply delivery for an emergency, the Board compared the approved estimated date for the emergency with the effective date of supply delivery. As a result, the Board identified the following situations:

(a) In the Indonesia country office, supplies were distributed according to the estimated date for the emergency response indicated in the request template approved by the Asia-Pacific Regional Office. However, the records of the supplies were reflected three months after distribution in the shipment tracker. In the Papua New Guinea country office, supplies were distributed and recorded three months after the estimated date specified in the request template for emergencies;

(b) There were 1,050 dignity kits approved for distribution in the Subregional Office, with an expected distribution date between March and May 2023. As of the review date (November 2023), 751 dignity kits had not been delivered. The Asia-Pacific Regional Office indicated that it was following up with the Subregional Office for the remaining kits;

(c) In the Bangladesh and Myanmar country offices, it was observed that items approved for distribution in 2022 were instead distributed in 2023. In Myanmar, there was a recorded quantity error of dignity kits in the shipment tracker regarding the request template, and in Bangladesh, a quantity discrepancy arose due to a lack of records between the request template for distribution and the inventory reports.

(iv) Response reporting

168. In four of the five country offices (Bangladesh, Indonesia, Myanmar and Papua New Guinea) and the Subregional Office, it was observed that country offices requested supplies to respond to emergencies, and the goods were approved by the Asia-Pacific Regional Office and delivered to implementing partners according to the inventory issuance report from Cognos. However, there was a subsequent tracking where the related supporting documentation and reportability information indicating that the goods had been delivered to the final beneficiaries was missing. Therefore, there was no timely and reliable information that the supplies had been delivered and the emergency they were required for was addressed.

169. The Board deems that the deficiencies observed denote that the process of pre-positioning supplies was incorporated inadequately into the flow of the UNFPA pre-positioned supply chain, which affects the efficiency of supply management in its different stages, hindering the keeping of timely, accurate and updated information relating to the inventory transactions.

170. Furthermore, the Board concludes that the absence of supporting documentation in the delivery process to final beneficiaries may affect the fulfilment of the objectives

for which the goods were pre-positioned. Therefore, it would not be certain that the distributed goods responded to the emergency effectively.

171. The Board is also of the view that not maintaining supplies in the warehouse in a timely manner to pre-position them in a priority country, which was previously planned with a specific budget to pre-position goods, could jeopardize the UNFPA action to address and cover an emergency and beneficiaries' needs on time.

172. Considering that the Humanitarian Response Division is working on the humanitarian supplies strategy, and the aspects related to the pre-positioning of supplies are part of the strategy, the Board deems that the deficiencies identified could provide a pool of lessons learned for UNFPA and the country offices that carry out the pre-positioning of supplies.

173. **The Board recommends that UNFPA ensure that its country offices record transactions in Quantum relating to the pre-positioning of supplies in a timely manner.**

174. **The Board recommends that UNFPA implement a monitoring and reportability mechanism for country offices that maintain pre-positioned supplies to avoid manual errors and inaccuracies and to ensure that inventories are delivered to final beneficiaries and used for their intended purposes.**

175. **The Board recommends that the UNFPA Humanitarian Response Division incorporate guidelines regarding compliance with the pre-positioned supply planning initiative to maintain supplies in warehouses for a timely emergency response.**

176. UNFPA accepted the recommendations.

Inaccuracies in the management of programme supplies

177. The UNFPA policy and procedures on the management of programme supplies, revised on 1 March 2021, indicates that key control actions and requirements to mitigate risks inherent to the management of supplies include that the procurement of contraceptives can only be made by the Procurement Services Branch (now called the Supply Chain Management Unit) and that local procurement of pharmaceuticals and medical devices must be undertaken on an exceptional basis, pre-approved by the Supply Chain Management Unit, and subject to quality assurance in accordance with the applicable policies and procedures.

178. Moreover, it is mandatory that the disposal of all reproductive health commodities other than contraceptives must be pre-authorized by the product quality assurance team of the Supply Chain Management Unit.

179. Pursuant to the above-mentioned regulations, it is necessary to use accurate item categories for all products, which applies to items that are not listed in the UNFPA product catalogue, including various types of programme supplies such as contraceptives, medical devices, pharmaceutical products, reproductive health kits, dignity kits, census equipment and other goods.

180. The Board reviewed the inventory movements recorded in the shipment tracker during 2023 and observed 356 cases, related to additions and disposals, which went against the regulations as follows:

(a) There were four contraceptives that were locally procured by country offices and amounted to $40,000;

(b) There were 299 pharmaceuticals and medical devices locally procured without the authorization of the Supply Chain Management Unit, amounting to $2.4 million. It should be noted that the entity did not provide a register of the authorizations granted to country offices related to the quality assurance of the products purchased;

(c) There were 53 disposals of reproductive health commodities without the authorization of the product quality assurance team of the Supply Chain Management Unit, which amounted to $70,000.

181. In addition, the Board observed that the shipment tracker data of UNFPA did not include a mapping of the types of programme supplies for both internationally and locally procured goods. It should be noted that the locally procured products were registered manually with no standardized format.

182. The Board considers that the lack of controls in the purchase of contraceptives, pharmaceuticals and medical devices could have an impact on the image of UNFPA, since it is not guaranteed that the products procured locally by the country offices cover generic technical specifications with various procurement and quality aspects, which must be aligned with the UNFPA mandate, regulations and strategic plan.

183. The Board deems that the disposal of reproductive health commodities other than contraceptives without the advance authorization of the product quality assurance team could lead to those products being incorrectly used, sold or exposed to environmental damage, instead of being physically disposed in the correct manner.

184. The Board is of the view that not mapping the categories of locally procured goods may hinder the tracking of products that require authorization in advance, such as pharmaceuticals and medical devices.

185. **The Board recommends that UNFPA establish a monitoring mechanism for the risks included in the policy related to the management of programme supplies.**

186. **The Board recommends that UNFPA implement automatic controls in Quantum to prevent country offices from procuring pharmaceuticals and medical devices without authorization and restrict the purchase of contraceptives at this level.**

187. **The Board recommends that UNFPA categorize the products in Quantum according to the type of programme supplies to enable monitoring by the Supply Chain Management Unit.**

188. UNFPA accepted the recommendations.

6. Contributions

Inaccuracies in the recognition of contribution revenue

189. The financial statements of UNFPA are prepared in accordance with IPSAS. By adopting the Standards, UNFPA recognizes transactions on an accrual basis, as established in IPSAS 1: Presentation of financial statements.

190. In the same vein, in paragraph 31 of IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) it is established that the recognition of an asset from non-exchange transactions is made when it is probable that the future economic benefits will flow to the entity and the fair value of the asset can be measured reliably. Paragraph 35 of IPSAS 23 specifies that an inflow of resources is probable when the inflow is more likely than not to occur.

191. Similarly, the UNFPA policy on revenue from non-exchange transactions and IPSAS 23, revised in 2022, states that revenue for earmarked and unearmarked contributions is recognized when a binding agreement exists between UNFPA and the donor, unless conditions in the agreement have been previously enforced by the donor,

including multi-year agreements. A binding agreement can take several forms, such as a formal agreement, an exchange of letters or a note verbale.

192. Regarding responsibility in the management of revenue contributions, the draft terms of reference of the Division for Communications and Strategic Partnerships, issued in May 2015, outline that the Resource Mobilization Branch is responsible for maintaining, nurturing and developing traditional donor relations to secure sufficient funding for implementing the UNFPA strategic plan. In addition, the Resource Mobilization Branch is tasked with managing funding agreements across UNFPA.

193. Taking into account the sources and tools to manage the agreements, the "memorandum of the donor agreement and report tracking system", issued in December 2009, mentions that the system is a tool to manage the UNFPA earmarked contributions. On the other hand, the unearmarked contributions are managed in individual electronic folders by the donor relations team of the Resource Mobilization Branch.

194. The UNFPA institutional customer relationship management user guide, released in February 2023, indicates that customer relationship management is facilitated through a new cloud-based platform for staff to manage all data and information related to resource mobilization and partnerships with external UNFPA stakeholders. The expenditure to implement the system in 2023 amounted to $0.3 million.

195. Furthermore, the Finance Branch accounts closure instructions for the fiscal year ending 31 December 2022 state that information on all contribution agreements signed in 2022 must be communicated to the Resource Mobilization Branch at the latest by 14 December 2022 to enable income recognition in the correct fiscal year. The closure instructions for 2023 included a review of the contributions receivable, including collection dates, to be conducted between the Finance Branch and the Resource Mobilization Branch.

196. Taking into consideration the restatement of the UNFPA financial statements for the year ended 31 December 2022, which was included to reflect the adjustment of the pending recognition of two contribution revenue agreements for $167.5 million, and after analysing the scope of this restatement, it was observed that:

(a) In February 2024, by adjusting its 2022 accounts, UNFPA posted a government multi-year agreement split into $91.07 million for unearmarked contributions and $66.78 million for earmarked contributions (plus $9.60 million on foreign currency exchange). This multilateral partnership agreement was signed by the parties in September 2022 and therefore should have been recorded in full at the end of that year; however, as indicated, the contribution was not registered and reported, since it would not have been reconciled between the Resource Mobilization Branch and the Finance Branch in time;

(b) A similar situation was experienced with another government multi-year revenue contribution agreement, signed in December 2020 and amounting to $3,116, where the pending amounts were related to payments scheduled for 2023 and 2024 and should have been posted in full in the 2022 accounts, but the contribution was not registered since it would not have been reconciled between the Resource Mobilization Branch and the Finance Branch in time.

197. In addition, the Board verified six cases totalling $502,672 which originated in agreements signed previous to 2022 and for which amounts were still pending registration in accordance with the UNFPA policy on revenue from non-exchange transactions and IPSAS 23. The entity indicated that cases were not posted because the Finance Branch concluded that the inflow of resources was not probable; however, in the accounts, there was an inflow of resources for $127,944 posted, and there was

no evidence of the analysis having been sent to the Resource Mobilization Branch to determine the asset recognition criteria in these cases. Moreover, none of the pending amounts to be posted were disclosed in schedule A of the financial statements as at 31 December 2023.

198. It should be noted that, after migration to Quantum and the subsequent upgrade to Quantum Plus, UNFPA did not put in place any control that allowed the Resource Mobilization Branch and the Finance Branch to oversee all the agreements from the negotiation process to the revenue posting. In this sense, the donor agreement and report tracking system only included the management of earmarked contributions and the new customer relationship management system, whose use is still optional for UNFPA field offices; it has not been integrated with Quantum and it did not allow for reconciliation between the signed and posted agreements.

199. Despite UNFPA having the sources and tools to manage the agreements, the Board considers that there is a lack of controls and weakness in the oversight between the reconciliation of the posted revenue, which is handled by the Finance Branch, and the agreements that meet the conditions to be recorded, a process administered by the Resource Mobilization Branch. If this situation continues over time, it could have an impact on the UNFPA accounts through the omission of cases related to multi-year contribution agreements.

200. Likewise, the Board stresses that the untimely recognition of the contributions recorded by UNFPA may affect the completeness and accuracy of the income revenue at the end of the year. In addition, the Board considers that the accounting and valuation of contribution revenue is not aligned with IPSAS and the policy on revenue from non-exchange transactions at the initial time of recognition.

201. Considering that the management of funding agreements resides with the Resource Mobilization Branch in different systems, and the management of the accounts is the responsibility of the Finance Branch in Quantum, the Board deems it paramount that UNFPA define and clarify the accountabilities regarding revenue recognition, and how the different systems act in the process, to avoid the occurrence of similar situations in the future.

202. **The Board recommends that UNFPA develop a control mechanism for the signed and posted agreements to prevent delays in the recording of revenue.**

203. **The Board recommends that UNFPA implement a mechanism to enable the oversight and traceability of the agreements from the negotiation process to the revenue posting in Quantum, by codifying the negotiation processes and developing dashboards.**

204. **The Board recommends that UNFPA issue a new version of the terms of reference of the Resource Mobilization Branch to reflect its current accountabilities, systems used, functions and interactions with the Finance Branch.**

205. UNFPA accepted the recommendations and indicated that measures would be taken to address them.

C. Transmissions of information by management

1. Write-off of losses of cash, receivables and property

206. UNFPA informed the Board regarding losses in assets of $38,583 (2022: $680,334). The write-offs included contributions receivable of $30,681 and property, plant and equipment of $7,902.

2. Ex gratia payments

207. As required in regulation 14.4 of the UNFPA Financial Regulations and Rules, management reported ex gratia payments amounting to $8,169 for the period under review.

3. Cases of fraud and presumptive fraud

208. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

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

210. UNFPA reported 28 cases (2022: 10 cases) of fraud or presumptive fraud closed during the year 2023 by the Office of Audit and Investigation Services amounted to $119,493. As at 31 December 2023, the Office had under investigation 70 cases involving allegations of presumptive fraud.

D. Acknowledgement

211. The Board expresses its sincere appreciation and gratitude to the management and staff of UNFPA for the assistance and cooperation extended during the conduct of this audit.

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2019	A/75/5/Add.8, para. 165	The Board recommends that the UNFPA offices in Ethiopia, Mozambique and Myanmar incorporate into the information system strengthened tools related to the travel management process, in order to increase the effectiveness and efficiency of that process.	UNFPA declared that the implementation plan of the "UN All" travel module was targeting a training phase for the second quarter of 2024, and the global roll-out of the module to all UNFPA offices was expected to be in the third quarter of 2024.	The Board acknowledges management's efforts in the prior audit cycles to improve the travel management process. In this sense, considering that UNFPA is developing the travel module in Quantum, scheduled for release in the second half of 2024, this recommendation is considered under implementation.		X		
2.	2020	A/76/5/Add.8, para. 42	The Board recommends that UNFPA incorporate automatic controls in the new enterprise resources planning system, with the aim of determining the implementing partners subject to mandatory assurance activities in a timely and accurate manner.	UNFPA explained that the relevant specifications for the automation of assurance selection in terms of audits and spot checks had been incorporated into the Implementing Partner Assurance System.	The Board verified that UNFPA had prepared the relevant specifications for the automation of assurance selection and the audits and spot checks were scheduled as soon as the implementing partners' expenses reached the thresholds set in the assurance strategy. Thus, this recommendation is considered implemented.	X			
3.	2020	A/76/5/Add.8, para. 88	The Board recommends that UNFPA improve its supply monitoring process at the regional and country governance level, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to the implementing partners.	UNFPA stated that it had established six logisticians for the regional offices and three regional logisticians as National Professional Officer positions. These positions work with the last-mile assurance team, the supply chain team and the inventory management team to address supply chain gaps in the areas of quantification, planning and last-mile delivery. They also oversee and mitigate risks associated with the supply chain in their respective country offices.	The Board examined the measures taken by the Supply Chain Management Unit to establish the country office support and monitoring team and verified the completion of the recruitment process for four out of six regional supply chain management specialists and one out of a total of three regional logisticians to provide support to country offices and monitor their supply chain management performance. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
4.	2020	A/76/5/Add.8, para. 89	The Board recommends that UNFPA incorporate preventive controls related to inventory information in the new enterprise resource planning system, in order to provide early alerts at each stage of the supply process.	UNFPA announced that the assessment of the system functionality for inventory management had concluded. UNFPA plans to implement the new inventory module in the Quantum enterprise resource planning system for Supply Chain Management Unit stocks and replace the existing shipment tracker system with the Quantum Plus module. Due to delays in module development, a task force aims to have an interim solution by the third quarter of 2024. UNFPA acknowledged the limitations of the Atlas shipment tracker and agreed to form a multifunctional team to work on a comprehensive solution.	The Board acknowledges the efforts of UNFPA to address inventory-related issues and to incorporate the design and implementation of the inventory module in Quantum. However, UNFPA did not provide sufficient information to demonstrate progress in implementing this recommendation during the audit period. Therefore, it is still considered under implementation.		X		
5.	2021	A/77/5/Add.8, para. 78	The Board recommends that UNFPA strengthen the assurance activities plan and put in place preventive controls in its formulation process for the implementing partners assessment.	UNFPA declared that the Fund was working on developing a new implementing partner assurance system with additional preventive controls for assessments by 31 December 2024. It was mentioned that in the meantime, the risk was being minimized using detective controls through a comprehensive review of active micro-assessment reports conducted periodically.	The Board acknowledges the efforts made by the Fund in previous years to correct the manual and detective controls that lacked the ability to track the review and authorization of uploaded information related to implementing partner assessment. Nevertheless, these actions have led to inaccuracies and delays in the micro-assessments used for assurance activities during 2023. Consequently, this recommendation remains considered as not implemented.			X	

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
6.	2021	A/77/5/Add.8, para. 103	The Board recommends that the UNFPA country offices in Lebanon and the Democratic Republic of the Congo ensure that reviews are carried out in a timely manner by the programme officer before the approval of the workplan progress report and the respective funding authorization and certificate of expenditure form in order to safeguard the resources used by the implementing partner.	UNFPA stated that the country office in the Democratic Republic of the Congo had developed a tool for the quarterly monitoring of the annual workplan, the workplan progress report and the funding authorization and certificate of expenditure form. In addition, UNFPA mentioned that a memorandum had been issued to all staff emphasizing the need to comply with annual workplan management and monitoring. The Fund further explained that the country office delivery unit held weekly meetings to review the submission timelines of those documents. Furthermore, it was declared that the UNFPA Lebanon country office had implemented the recommendation by developing an internal controls framework database.	The Board verified that the reviews conducted by programme officers at the UNFPA country offices in Lebanon and the Democratic Republic of the Congo had been completed before the workplan progress report and the respective funding authorization and certificate of expenditure form were approved. Therefore, this recommendation is considered implemented.	X			
7.	2021	A/77/5/Add.8, para. 157	The Board recommends that UNFPA country offices in Lebanon and Colombia ensure that the delivery of goods to implementing partners is linked with the distribution plan.	The UNFPA country office in Lebanon informed the Board that it had created a distribution plan at the beginning of its workplan, which could be updated using a Google Sheet when any unexpected humanitarian emergencies arose. In Colombia, the UNFPA country office was committed to updating the distribution plan more frequently to eliminate discrepancies between the global programming system and inventory, particularly in a humanitarian emergency.	The Board verified that the UNFPA Lebanon and Colombia country offices had conducted the activities reported. The Board noted improvements in the information from the distribution plan uploaded in the global programming system and the information from inventory reports related to the delivery of goods. Therefore, the recommendation is considered implemented.	X			

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8.	2021	A/77/5/Add.8 para. 176	The Board recommends that the UNFPA country office in Colombia work closely with headquarters to incorporate the categorization of the type of delivery document (programme supplies distribution agreements, direct distribution and delivery slips) into the new enterprise resource planning system.	UNFPA reported that the assessment of the system functionality for UNFPA inventory management had been completed. UNFPA would utilize the Quantum inventory module for Supply Chain Management Unit stocks. In addition, it was mentioned that the existing shipment tracker system would be replaced with the Quantum Plus module. UNFPA acknowledged that the development of the module had been delayed and disclosed that a task force had been formed to aim to have an interim solution ready by the third quarter of 2024. Recognizing the limitations of the Atlas shipment tracker, UNFPA agreed that work on a comprehensive solution needed to start, and announced the formation of a multifunctional team.	UNFPA did not provide the Board with any supporting information regarding the status of the recommendation's implementation or the improvements to the inventory management module included in Quantum Plus to evaluate its roll-out. Therefore, it remains considered as not implemented.			X	
9.	2021	A/77/5/Add.8, para. 186	The Board recommends that the UNFPA country office in the Democratic Republic of the Congo strengthen the preparation and review of the different reports involved in the last-mile assurance process components.	UNFPA management stated that it had thoroughly reviewed the various reports associated with the last-mile assurance process component and the team structure supporting that process, adding that all aspects had been meticulously revised and were progressing smoothly.	The Board reviewed the last-mile assurance process for 2023 for the country office in the Democratic Republic of the Congo. The process has been strengthened and implemented with four components: the last-mile assurance process (defined by a plan and calendar), the supply chain overview, the supply chain management risk assessment, and the in-country assessment, which defines where and when the last-mile assurance activities will occur. Therefore, this recommendation is considered implemented.	X			

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10.	2022	A/78/5/Add.8, para. 40	The Board recommends that UNFPA formalize the current enterprise resource planning project documentation and ensure that it is updated, in order to enhance proper project governance, as well as the proper assignment of accountabilities and responsibilities.	UNFPA informed the Board that it had created a comprehensive collection of project documents and was continuously updating it. The Fund mentioned that the repository included a complete record of meeting minutes of the UNFPA enterprise resource planning project board and ICT Board, Quantum Plus progress reports, field advisory board documents, meeting notes and all documents related to inter-agency collaborations.	The Board verified that the entity had made available the "master sheet", which contains documented information about the meeting minutes of the enterprise resource planning project board, Quantum Plus and other relevant matters regarding the meeting minutes of the UNFPA ICT Board. The recordings and presentations of each session are allocated in a repository. Therefore, this recommendation is considered implemented.	X			
11.	2022	A/78/5/Add.8, para. 41	The Board recommends that UNFPA develop a framework for monitoring the implementation and management of resources for ICT projects, establishing a clear path with timelines, responsibilities, milestones to be achieved, risk assessment and stages to implement the projects in their entirety.	UNFPA declared that it had implemented a more robust ICT governance process for project management. This included the introduction of a new ICT project management methodology, updates to the terms of reference for the UNFPA ICT Board and UNFPA ICT Portfolio Committee, and editorial revisions to the policy and procedures for ICT governance in 2023.	The Board analysed the UNFPA ICT project governance documents, which had been developed by regional offices and the UNFPA ICT Portfolio Committee. The UNFPA ICT mandate is available to all staff in the policies and procedures manual. The Board verified that the process included monitoring, implementation, resource management, risk assessment and project stages. As a result, this recommendation is now considered implemented.	X			
12.	2022	A/78/5/Add.8, para. 53	The Board recommends that UNFPA monitor project expenses and set benchmarks to serve as early indicators of potential resource depletion, which are crucial for effective resource management.	UNFPA management indicated that it had transferred the review and documentation of business processes and configuration options from Oracle to the Quantum project. The project monitoring was strengthened by the enterprise resource planning project board monitoring timelines and expenses for the year.	The Board reviewed the meeting documents of the enterprise resource planning project board and noted that budget and expenditure indicators and timelines were included as benchmarks for monitoring the use of resources. Therefore, the recommendation is considered implemented.	X			

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13.	2022	A/78/5/Add.8, para. 54	The Board recommends that UNFPA accelerate the action taken to define the modules developed on Atlas, pending their inclusion in the Quantum enterprise resource planning system.	UNFPA management informed the Board that the work to transfer the global programming system and shipment tracker modules had begun in 2023. UNFPA mentioned that the work was progressing well and the modules were on track to go live in the first half of 2024.	The Board observed that UNFPA had developed Quantum Plus as an integrated platform for linking resources to results. It comprises two modules: results and resources planning and partner implementation. However, UNFPA has yet to develop an inventory management system to replace the shipment tracker with an interim solution for 2024 and a long-term solution for the future. Therefore, the recommendation is considered to be under implementation.		X		
14.	2022	A/78/5/Add.8, para. 62	The Board recommends that UNFPA, in coordination with UNDP, sign a memorandum of understanding and a service-level agreement that define clearly the rules of engagement and services provided that relate to the Quantum enterprise resource planning system.	UNFPA management indicated that it had signed the new memorandum of understanding for Quantum enterprise resource planning on 7 March 2023, followed by a more detailed service-level agreement on 14 April 2023.	The Board reviewed the signed memorandum of understanding between UNDP and UNFPA on the provision of enterprise resource planning services, dated 7 March 2023. This memorandum establishes a framework for providing core or optional enterprise resource planning services to the partner agency, UNDP. In addition, a service-level agreement which specifies the platforms for enterprise resource planning services and other important details was signed in April 2023. Therefore, this recommendation is considered implemented.	X			
15.	2022	A/78/5/Add.8, para. 68	The Board recommends that UNFPA ensure that the procedure for revoking access for all ICT resources for separated staff is carried out in a timely manner.	UNFPA indicated that the Quantum partner agencies had implemented the identity and access management application to manage user provisioning.	The Board verified that no separated personnel had an active user account in the UNFPA systems. For Quantum, no cases of active accounts for separated staff were found in 2023. However, the Board identified 17 active user accounts in Atlas which belonged to separated personnel (active		X		

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					from 4 to 271 days). These accounts were identified from the list of active user accounts due to the continued use by UNFPA of the global programming system and shipment tracker modules. Since the deprovisioning control failed to operate throughout the 2023 period in Atlas and the system was continuously used for relevant UNFPA processes, this recommendation is considered under implementation.				
16.	2022	A/78/5/Add.8, para. 75	The Board recommends that UNFPA establish a disaster recovery plan procedure that outlines a clear scope of applicability, reporting and responsibilities for executing and supervising plans from headquarters to country, subregional or regional offices, in order to monitor the establishment and the conduct of the disaster recovery exercises.	UNFPA informed the Board that it worked with all country offices and had established a central repository of all disaster recovery plans.	The Board has evaluated the actions taken by UNFPA to establish an ICT disaster recovery guideline for UNFPA offices, which outlines a scope of applicability, documentation and responsibilities. In addition, the Board reviewed the requirements checklist on disaster recovery for UNFPA regional and country offices, which allows for verification of compliance with the guideline. The Board also confirmed the establishment of a central Information Technology Solutions Office repository for disaster recovery plans and exercises. The UNFPA offices were provided with an ICT disaster recovery plan template and disaster recovery test scenarios to guide them. The Information Technology Solutions Office held meetings with regional and country offices to monitor progress in the execution of all disaster recovery exercises. Therefore, the recommendation is considered implemented.	X			

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17.	2022	A/78/5/Add.8, para. 90	The Board recommends that UNFPA develop and issue a supply chain management policy so that a coordinated approach to supply chains and logistics is implemented within the Fund.	UNFPA reported that the Supply Chain Management Unit realignment process, which was expected to conclude on 31 March 2024, had progressed to the stage of interviewing candidates following the internal job fair.	In view of the fact that UNFPA has not provided the Board with information on the process for implementation of this recommendation, the recommendation is deemed not implemented.			X	
18.	2022	A/78/5/Add.8, para. 91	The Board recommends that UNFPA conduct an assessment with regard to the fulfilment of the functions included in the Supply Chain Management Unit's terms of reference to ensure a clear implementation schedule and accountabilities, in order to fulfil the Unit's mandate.	UNFPA management informed the Board that the assessment activities had been conducted and that a new organization chart was pending approval from the Executive Director. Staff realignment was in progress. Therefore, an implementation schedule and accountabilities to accomplish the Supply Chain Management Unit's mandate have been under discussion.	The Board acknowledges the steps taken by UNFPA by conducting an assessment of the activities to be carried out by the Supply Chain Management Unit. The management agreed to a set of new terms of reference, a new organigramme and a realignment process. Once the staff realignment process concludes, the mandate of the Supply Chain Management Unit will be undertaken. Hence, the Board deems this recommendation as under implementation.		X		
19.	2022	A/78/5/Add.8, para. 92	The Board recommends that UNFPA take the action necessary to complete the initial implementation activities of the Supply Chain Management Unit.	UNFPA management stated that the revised implementation schedule would be followed and the list of implementation activities would be updated.	The Board noticed that a staff realignment process in the Supply Chain Management Unit had been initiated in March 2023. Moreover, a new implementation plan for an improved unit structure has been developed and will be monitored by the UNFPA Corporate Performance and Foresight Unit. The Board confirmed that initial implementation activities were under way. Therefore, the recommendation is considered implemented.	X			

						Status after verification			
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20.	2022	A/78/5/Add.8, para. 101	The Board recommends that UNFPA define and approve a supply chain strategy to provide the organization with a holistic supply chain system.	UNFPA indicated that the Kühne Logistics University team and various Supply Chain Management Unit colleagues were progressing well with the project for the UNFPA Supply Chain Management Unit strategy. The Fund has scheduled multiple stakeholder interviews, strategy workshops and implementation validation workshops. The Kühne Logistics University consultants have developed a draft structure outlining how the strategy should be presented, including key sections and subsections. To expedite the finalization of the deliverables, the consultants have agreed to share sections of the strategy with the project coordination team for review as they are completed.	The Board recognizes the progress made by UNFPA in developing a supply chain strategy project. However, the development of the strategy has not been finalized, as it has not been approved by the Executive Director and lacks an implementation workplan, indicators and an accountability structure to ensure its implementation. As a result, this recommendation is considered to be under implementation.		X		
21.	2022	A/78/5/Add.8, para. 110	The Board recommends that UNFPA conduct the Supply Chain Management Unit and supply chain function risk assessments in order to address a complete risk approach.	UNFPA reported that the Supply Chain Management Unit had shared a current proposal for the risk register with the enterprise risk management team. The proposal included risks specific to the Supply Chain Management Unit and those already identified in the UNFPA customized list of risk factors. The Fund mentioned that once the strategy is finalized, an updated risk scanning exercise will be planned to identify new risks that need to be assessed.	In view of the fact that UNFPA has not provided the Board with information on the process for implementation of this recommendation, the recommendation is deemed not implemented.			X	

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22.	2022	A/78/5/Add.8, para. 121	The Board recommends that the UNFPA Supply Chain Management Unit carry out an assessment of its staffing needs to effectively organize relevant responsibilities in order to successfully fulfil the functions defined in the terms of reference.	UNFPA management indicated that the new organizational structure was in the final approval steps, and the realignment process would then start with the human resources alignment stage.	The Board noted that UNFPA conducted an assessment of the Supply Chain Management Unit's staffing needs to effectively organize the responsibilities and activities to fulfil the functions defined in the new terms of reference of the Unit. Therefore, the recommendation is considered implemented.	X			
23.	2022	A/78/5/Add.8, para. 122	The Board recommends that the UNFPA Supply Chain Management Unit analyse the reasons for the high turnover rate and take the action necessary to address it.	UNFPA informed the Board that it had analysed the high turnover rate in the Supply Chain Management Unit, and, as a result, a new organizational structure had been created to address low scores on staff well-being in terms of work-life balance, learning and development, and unreasonable workload. The Fund also indicated that the Unit's realignment in 2023 increased resources and improved workload management. Furthermore, UNFPA highlighted that it had created four competence pillars centred around development, humanitarian and third-party procurement domains, aiming to foster innovation, career growth and diversification.	The Board reviewed the supporting documents related to the Supply Chain Management Unit's turnover rate analysis. The results of this analysis informed a revision of the organizational structure that addresses the identified factors contributing to turnover through surveys conducted in 2021 and 2022. In addition, the Unit's realignment process created an action plan to guide the step-by-step implementation process for all newly restructured positions and increase resources to achieve more reasonable workload management and distribution. Therefore, this recommendation is considered implemented.	X			
24.	2022	A/78/5/Add.8, para. 133	The Board recommends that UNFPA ensure that its business units conduct vendor assessments when the purchase order is closed.	The Supplier Portal was launched in April 2024, allowing the Supply Chain Management Unit to extract better data related to the goods pickup and purchase orders' due dates and offering further possibilities to extract more accurate data regarding the shipment dates, estimated and actual, from the order transport module, scheduled to be launched	The Board has examined the progress made in developing the Supplier Portal and observed that no vendor evaluations occurred in 2023, as the delivery of reports has been slated for June 2024. In addition, the schedule for conducting supplier assessments based on key performance indicators was delayed. Consequently, this		X		

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				in the third quarter of 2024. Considering the actions undertaken, the Supply Chain Management Unit suggests that this recommendation be marked as implemented.	recommendation is considered under implementation.				
25.	2022	A/78/5/Add.8, para. 134	The Board recommends that UNFPA improve oversight of business units with the timely fulfilment of vendor assessments in the vendor assessment application that are defined by the Fund.	The Supplier Portal was launched in April 2024, allowing the Supply Chain Management Unit to extract better data related to the goods pickup and purchase orders' due dates and offering further possibilities to extract more accurate data regarding the shipment dates, estimated and actual, from the order transport module, scheduled to be launched in the third quarter of 2024. Considering the actions undertaken, the Supply Chain Management Unit suggests that this recommendation be marked as implemented.	The Board has observed that no vendor evaluations occurred in 2023, and the oversight related to the business units' fulfilment of vendor assessments was postponed. According to the release in the enterprise resource planning system of the master project plans for the Supplier Portal, the UNFPA vendor portal will be launched in June 2024. Therefore, this recommendation is under implementation.		X		
26.	2022	A/78/5/Add.8, para. 144	The Board recommends that the UNFPA Yemen country office carry out a forecast for reproductive health commodities, taking into account the ideal forecast and justifying the reason for using that methodology.	The UNFPA country office in Yemen reported that it worked closely with the Ministry of Health, mentioning that UNFPA, as the Co-Chair of the reproductive health commodity security committee, had been engaging with key stakeholders in Yemen to determine the most appropriate methodology for forecasting essential reproductive health supplies. The country office indicated that the Ministry of Health in both the north and south regions had finalized and approved the supply plan for the period 2024–2025. Subsequently, the supply plan had been shared	The Board verified that the Yemen country office had proposed the formation of a working group to estimate the needs arising from the main committee meeting for securing maternal and newborn health commodities and supplies, as outlined in the terms of reference document. In addition, the Board confirmed that the country office had enhanced the preparation of the forecast for reproductive health commodities within the supply plan, specifying the method of quantification used for each item. Therefore, this recommendation is considered implemented.	X			

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				with the stakeholders for their input and integrated into their respective plans.					
27.	2022	A/78/5/Add.8, para. 145	The Board recommends that the UNFPA Yemen country office incorporate information about the forecast for reproductive health commodities into the supply plan, indicating whether they are the result of an estimation.	The UNFPA country office in Yemen implemented specific measures to strengthen the forecasting for reproductive health commodities in the supply plan and to provide clear indications of the forecasting method, utilizing either estimations or other sources of data. The forecasted quantities, based on the developed annual supply plan, will be used to raise requisitions. This plan serves as a reference for all stakeholders, aiding in the prevention of duplication and maximizing the utilization of available resources.	The Board verified that the Yemen country office had improved the preparation of the forecast for reproductive health commodities within the supply plan. This improvement included indicating the forecasting method, whether through estimations or other sources of data. Therefore, this recommendation is considered implemented.	X			
28.	2022	A/78/5/Add.8, para. 152	The Board recommends that the UNFPA Türkiye country office clearly identify the service provision from the management of goods given by UNFPA to the implementing partners when the activities and indicators are determined, thus enabling monitoring of them.	The UNFPA country office in Türkiye reported that it formed an in-country supply chain management team in February 2023 and had started to include supply indicators in the implementing partners' workplans, along with details regarding supply types, sizes and values in the activities outlined in the workplans.	The Board verified that the country office in Türkiye had included supply indicators in the implementing partners' workplans. These indicators clearly identified the service provision from the management of goods given by UNFPA to the implementing partners, enabling better tracking. Furthermore, the country office had formed an in-country supply chain management team to enhance the programmatic and operational processes of supply chain management within the office. Therefore, this recommendation is assessed as implemented.	X			

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29.	2022	A/78/5/Add.8, para. 153	The Board recommends that the UNFPA Türkiye country office standardize the parameters included in their primary and supplementary reports to enable the monitoring of the quantities and amounts established in the signed workplans between the implementing partners and the office.	UNFPA reported that it had updated its online data-collection system to track commodity movement from the warehouse to supported service units and final beneficiaries. The system facilitates the generation of reports on procured commodities, warehouse inventory and distributed amounts to beneficiaries. In addition, it enables the monitoring of the stock on hand in the UNFPA warehouse and supported service units per item type and fund code, allowing for more comprehensive workplan indicator monitoring. In addition, UNFPA reported that it had conducted a training session for its implementing partners to inform them about the new updates and refresh their knowledge on the reporting requirements.	The Board has analysed the actions taken by the UNFPA Türkiye country office to improve the monitoring and alignment among procurement plans, implementing partners' workplans, the shipment tracker, distribution plans and stock reports. The system utilized by the country office enables the monitoring of the stock on hand in the UNFPA warehouse and supported service units per item type and fund code, thereby enhancing the comprehensiveness of the tracking of workplan indicators. On the basis of these actions, the recommendation is considered implemented.	X			
30.	2022	A/78/5/Add.8, para. 154	The Board recommends that the UNFPA Philippines country office strengthen programme monitoring regarding the supplies to be provided by UNFPA to the implementing partners, through an accurate establishment of the activities, indicators and targets embodied in the signed workplans.	The UNFPA Philippines country office confirmed that it closely monitored supplies provided to implementing partners. It was mentioned that the procurement staff and warehouse focal points verified workplans before procurement and inventory distribution. In addition, the logistics assistant ensured the timely processing of delivery slips and promptly corrected any discrepancies. The country office twice a year conducted physical verification of supplies delivered to implementing partners, as well as verification once supplies had been delivered.	The Board verified that the UNFPA Philippines country office had implemented actions to monitor the programme supplies provided to implementing partners by including information regarding activities, indicators and targets in the workplans. In addition, it was verified that projects and activities related to inventory supplies were aligned with the records in the shipment tracker (the UNFPA inventory management tool). Therefore, the recommendation is considered implemented.	X			

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31.	2022	A/78/5/Add.8, para. 169	The Board recommends that UNFPA ensure the Oversight Advisory Committee's independence by updating its terms of reference with the aim of aligning them with the International Standards for the Professional Practice of Internal Auditing and best practices.	UNFPA management underlines that the Oversight Advisory Committee is an independent advisory body to the UNFPA Executive Director, in line with the Executive Board-approved oversight policy of UNFPA, similar to other United Nations organizations. It was mentioned that the Oversight Advisory Committee conducted reviews of the organization's governance, risk management and internal control practices. It was also noted that the Committee's Chair had unrestricted access to the Executive Board and its President. UNFPA recognizes that there are different approaches to ensuring the independence of audit committees. The current structure and functioning of the Oversight Advisory Committee is considered a best practice, providing independent and valuable support to the organization in enhancing oversight, transparency and risk management.	The Board has noted no progress in the implementation of an independent Oversight Advisory Committee. Therefore, the need to revise the structure and primary role of the UNFPA Oversight Advisory Committee is emphasized, by ensuring its independence as an oversight body and aligning it with the International Standards for the Professional Practice of Internal Auditing and best practices in internal auditing. Since the approval of the terms of reference and the selection, appointment and assessment of the independence of Committee members were conducted by management, rather than by the Executive Board, the recommendation is upheld and considered not implemented.			X	
32.	2022	A/78/5/Add.8, para. 170	The Board recommends that UNFPA strengthen its third line of defence by reviewing and updating the related oversight policies in order to reflect the new Oversight Advisory Committee definition and purpose.	UNFPA management agrees that the Oversight Advisory Committee serves as an independent advisory body to the UNFPA Executive Director, in line with the Executive Board-approved oversight policy. It was acknowledged that similar advisory bodies in other United Nations organizations assisted the executive heads in fulfilling their oversight responsibilities effectively. It was clarified that	The Board verified that there had been no progress in strengthening the UNFPA third line of defence through the review and updating of related oversight policies. Therefore, this recommendation is considered not implemented.			X	

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				those bodies were not intended to be formal governance bodies but rather to be advisory committees.					
33.	2022	A/78/5/Add.8, para. 184	The Board recommends that UNFPA review and approve a new version of the charter of the Office of Audit and Investigation Services that ensures adherence to the International Standards for the Professional Practice of Internal Auditing.	The Office of Audit and Investigation Services stated that it had reviewed the charters of 17 United Nations funds, programmes and specialized agencies to identify good practices not reflected in the charter and for harmonization, when appropriate. The final version of the charter included recommendations from the external quality assurance of the Office conducted in 2022; decisions of the Executive Board on the report on the self-assessment of the independence of the Office; and suggestions from the UNFPA Legal Unit, the Oversight Advisory Committee, the Independent Evaluation Office and the Office of the Executive Director. The Executive Director approved the revised charter of the Office of Audit and Investigation Services on 1 August 2023.	The Board noted that the updated charter of the Office of Audit and Investigation Services stipulated that the annual report should be submitted to the Executive Board. According to standard 1110 of the International Standards for the Professional Practice of Internal Auditing, organizational independence is effectively achieved when the Executive Board approves the risk-based internal audit plan, the budget and the resource plan, the decisions regarding the appointment and removal of the chief audit executive, and the chief audit executive's remuneration. Nevertheless, firstly the Board identified that the Executive Director approved and revised the charter after obtaining advice from the Oversight Advisory Committee. Secondly, the Board identified that the Director of the Office of Audit and Investigation Services reported directly to and was appointed by the Executive Director. Lastly, the Board identified that the Oversight Advisory Committee also played a role in the selection, intended removal and annual performance appraisal of the Director of the Office of Audit and Investigation Services, conveying the results of its assessment to the Executive Director. Therefore, this recommendation is considered under implementation.		X		

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34.	2022	A/78/5/Add.8, para. 185	The Board recommends that UNFPA review and update its policies related to budget and human resources with the aim of enhancing the operational independence of the Office of Audit and Investigation Services.	UNFPA stated that it had updated its human resources policy framework to meet organizational needs and best practices while respecting the independence of the Office of Audit and Investigation Services. Concerns about human resources policy provisions are reviewed and addressed. The revised resource management policy allows offices to redistribute funds between budget lines and request the rollover of unutilized funds, subject to approval.	The Board reviewed the information provided and verified the updates made in the policies concerned, which enhance the independence of the Office of Audit and Investigation Services. Therefore, this recommendation is considered implemented.	X			
35.	2022	A/78/5/Add.8, para. 186	The Board recommends that UNFPA establish a mechanism that allows the personnel of the Office of Audit and Investigation Services to declare any potential conflict of interest for each assignment.	UNFPA informed the Board that the Office of Audit and Investigation Services had implemented the recommendation in full through the issuance of Office directive No. 2023-002 by the Interim Director in June 2023. Most of the Office's staff and consultants and the Interim Director have submitted to the directorate and the Office of the Executive Director, respectively, their declaration forms for the year 2023. Compliance with this Directive is required every year.	The Board reviewed directive No. 2023-002 of the Office of Audit and Investigation Services, entitled "Directive on declaration of interest and of independence". This directive establishes frameworks by which the Office's Director and staff shall abide and outlines instances in which personnel are required to complete and sign a declaration form. Therefore, the recommendation is considered implemented.	X			
36.	2022	A/78/5/Add.8, para. 200	The Board recommends that UNFPA review and approve a new version of the audit and casework manuals to enhance the conduct of internal audits and investigations.	UNFPA indicated that following the appointment of the new Director of the Office of Audit and Investigation Services in September 2023, the Office established several standard operating procedures to guide and develop templates aimed at streamlining its audit and investigation procedures. Those standard operating procedures	The Board reviewed the newly approved version of the investigation case work manual, which was approved on 1 April 2024. This manual provides guidance for all types of investigations outlined within the document, including misconduct and wrongdoing. It also delineates investigation stages, timelines from receiving complaints to	X			

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				served as the foundation for updating the existing manuals, namely, the internal audit manual and the investigation case work manual. The Office has submitted the revised edition of a three-part internal audit manual.	reporting outcomes, applicable standards, and record-keeping procedures. Therefore, this recommendation is considered implemented.				
37.	2022	A/78/5/Add.8, para. 201	The Board recommends that UNFPA adhere to the timelines of audit reports and investigations and develop a mechanism to periodically review the level of compliance.	UNFPA indicated that it had established a Quality Assurance, Policy and Reporting Unit within the Office of Audit and Investigation Services to actively monitor the phases of audit engagements, and recent reports had been finalized with reduced timelines. Regarding investigations, 160 cases were concluded by year-end 2023, an increase of 98 (63 per cent) compared with the number of investigation cases closed in 2022.	The Board recognizes the efforts by UNFPA to improve compliance review mechanisms. In 2023, 23 audit reports were issued, on average, five months after fieldwork completion, falling short of the three-to-four months policy timeline. At year-end, 314 investigation cases remained open for an average of 19 months, with 30 per cent dating back to between 2017 and 2021. Considering that the timeline of the audit reports had not yet complied with the guidelines and several investigation cases were still open, this recommendation is considered under implementation.		X		
38.	2022	A/78/5/Add.8, para. 202	The Board recommends that UNFPA define a reasonable time frame for completing investigations.	UNFPA indicated that the revision of the investigation case work manual had been completed and finalized. The Office of Audit and Investigation Services articulated appropriate time frames in the updated manual.	The Board noted that the Office of Audit and Investigation Services had issued a new investigation case work manual, which outlined a comprehensive framework for conducting investigations and included a reasonable timeline for investigation completion. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
39.	2022	A/78/5/Add.8, para. 213	The Board recommends that UNFPA reinforce the mainstreaming of the impact of the Sustainable Development Goals into its programme implementation, including activities, indicators and baseline data.	The entity stated that the recently launched UNFPA results and resources planning system included a mechanism for monitoring the UNFPA contribution to the Sustainable Development Goals. This will enable UNFPA to reinforce the integration of the Goals' impact into programme implementation, encompassing activities, indicators and baseline data.	The Board examined the Quantum Plus platform, which integrates the Results and Resources Management module. This module reflects the annual plan prepared by all UNFPA units, detailing the assigned outputs, along with metrics and the staff responsible for tracking them. In terms of the outputs, the Board noticed that UNFPA units are required to tag their outputs, indicating which Sustainable Development Goals they are contributing to. Consequently, this recommendation is considered implemented.	X			
40.	2022	A/78/5/Add.8, para. 214	The Board recommends that UNFPA implement a mechanism to monitor the adoption of the Sustainable Development Goals globally and across all the regions in order to enhance transparency and accountability and detect gaps to be filled.	UNFPA informed the Board of the launch of a results and resources planning system that included a mechanism for monitoring its contribution to the Sustainable Development Goals. This system was implemented in December 2023, in line with the recommendation.	The Board examined the new baseline information on the results and resources plan for its country and regional offices in the Quantum Plus platform. The annual plan includes results, monitoring staff and implementation details. It aligns with Sustainable Development Goals and associated budgetary resources. This progress shows the contribution made by the entity's offices to sustainable development objectives. Therefore, the recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
41.	2022	A/78/5/Add.8, para. 225	The Board recommends that the UNFPA Türkiye country office ensure that service contract personnel are recruited only under the conditions stated in the guidelines that apply to the entity and guarantee that no core functions are listed under the activities to be performed.	UNFPA reported that all managerial posts under service contracts within Türkiye had been converted to fixed-term appointment positions, and their recruitment processes had been finalized during 2023. In addition, it was stated that when new long-service contracts were required, the new modality issued by headquarters would be used.	The Board confirmed through Quantum that none of the office personnel had been hired under the service contract modality. Furthermore, the service contracts that expired in 2023 were not renewed under the same modality. Instead, some individuals transitioned to fixed-term appointment positions, while others were not renewed. Therefore, this recommendation is considered implemented.	X			
42.	2022	A/78/5/Add.8, para. 226	The Board recommends that the UNFPA Türkiye country office establish a plan to avoid inappropriate prolonged use of non-staff personnel currently under contract.	UNFPA indicated that recruitments for two temporary appointment positions for field associates were at the candidate review board stage. By the end of February 2023, there will not be any service contract holders under the Türkiye country office business unit.	The Board noted that by the end of February 2023, there were no service contract holders in the Türkiye country office. UNFPA issued a request for country office realignment, facilitating the transition of individuals remaining under service contracts to fixed-term appointment status, while others exited UNFPA. Therefore, the recommendation is considered implemented.	X			
43.	2022	A/78/5/Add.8, para. 238	The Board recommends that the Information Technology Solutions Office coordinate with the Türkiye country office in order to assess the local data-collection system in order to assess risks, support services, stability, effectiveness and impact on internal system performance after its launch.	UNFPA reported that the Information Technology Solutions Office and the Türkiye country office had issued a technical assessment report on the local data-collection system in terms of information on safe spaces for women and girls.	The Board observed that UNFPA had issued a report regarding the evaluation of the local data-collection system in terms of information on safe spaces for women and girls. It was verified that the report contained an overview of the system, identified challenges, recommendations (immediate, medium-term and long-term actions) and additional mitigation measures, and the conclusion on the evaluation. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
44.	2022	A/78/5/Add.8, para. 239	The Board recommends that UNFPA formalize and incorporate a confidential management clause regarding beneficiaries into the agreements signed with its implementing partners.	UNFPA management confirmed that clause 21.3 of the UNFPA general terms and conditions for implementing partner agreements ensured the confidentiality of beneficiary data, with any breach resulting in a liability. Furthermore, it was stated that all forms and conditions were reviewed for compliance with the data protection policy, leading to a decision to revise the implementing partner's agreement clause to align with the requirements of the UNFPA data protection policy. The entity declared that the aforementioned clause was expected to be ready in June 2024.	The Board acknowledges the efforts by UNFPA in revising the general terms and conditions clause for implementing partner agreements. It was noted that the entity had identified all UNFPA general terms and conditions, service conditions and conditions of contract for alignment with the requirements in the UNFPA policy and procedures on personal data protection. This amendment is scheduled to be included in 2024; therefor, this recommendation is considered to be under implementation.		X		
45.	2022	A/78/5/Add.8, para. 240	The Board recommends that UNFPA take mitigating measures regarding the manner of access to its information in the local data-collection system when a non-institutional email address is used.	UNFPA stated that in November 2023, to ensure compliance with the UNFPA policy and procedures on personal Data protection, it had formed an interdivisional working group, whose mandate is to create a mechanism for safeguarding personal data. The group has conducted an initial data discovery exercise, which includes identifying key applications and local data-collection systems. This aim of this exercise is to better understand the personal data being processed and any potential associated risks. By taking proactive measures, UNFPA can mitigate risks and protect personal data.	The Board reviewed the report issued by UNFPA, which contained an overview of the system, identified challenges, recommendations (immediate, medium-term and long-term actions) and additional mitigation measures, and the conclusion on the evaluation of the women and girls safe spaces application. It was observed that some of these recommendations were related to enhancing the application's access. Therefore, the recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
46.	2022	A/78/5/Add.8, para. 241	The Board recommends that UNFPA assess the use of an implementing partner management system within the organization, in order to have effective real-time data collection and reporting regarding the beneficiary service being delivered.	UNFPA has submitted a memorandum and supporting documents to the Board of Auditors to support the full implementation of the audit recommendations. The Office of Audit and Investigation Services considers the recommendation to be fully implemented.	The Board reviewed the technical assessment report and noted that UNFPA had included an assessment of the use of an implementing partner management system within the organization to be included in future initiatives. Therefore, the recommendation is considered implemented.	X			
	Total number of recommendations				**46**	**29**	**11**	**6**	**–**
	Percentage of total number of recommendations				**100**	**63**	**24**	**13**	**–**

Chapter III
Certification of the financial statements

Letter dated 26 April 2024 from the Director (ad interim) 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 Financial Officer, Bureau for Management Services, 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*) Iva Goricnik **Christian**
Director (ad interim)
Division for Management Services

Chapter IV
Financial report for the year ended 31 December 2023

A. Introduction

1. The present report summarizes and further explains the information provided in the United Nations Population Fund (UNFPA) financial statements for the year ended 31 December 2023 and highlights significant matters and trends related to the Fund's financial position and performance.

2. In 2022, UNFPA modified its accounting policy for revenue recognition for contributions to regular resources. The impact of this change is twofold: (a) revenue for regular resources is recognized in the year the agreement is signed; and (b) the full value of the agreement is recognized as revenue, even where the agreement is a multi-year agreement and the amounts are intended for future years.

B. Summary of financial results

3. Considering the above, the main financial results for 2023 can be summarized as follows:

(a) UNFPA gross revenue for 2023 amounted to $1,454.4 million (2022: $1,657.5 million (restated)). Throughout the present report, revenue and expense figures for 2022 have been restated to adjust for the recording of: (i) one contribution agreement signed in 2022 but received in 2023 that should have been recognized as revenue in 2022; and (ii) the effect of the adoption of International Public Sector Accounting Standard (IPSAS) 41: Financial instruments;

(b) Expenses for 2023 increased by 2.6 per cent to $1,510.4 million (2022: $1,472.1 million (restated)), primarily because of scaled-up programme interventions in humanitarian contexts in the provision of quality care and services;

(c) Total assets increased by 4.9 per cent to $2,930.3 million as at 31 December 2023 (2022: $2,793.7 million (restated)), owing mainly to the increase in contributions receivable and investments maturing within one year, partially offset by cash holdings. Total liabilities increased by 13.6 per cent to $522.3 million in 2023 (2022: $459.9 million), owing mainly to an increase in accounts payable and accruals;

(d) UNFPA reserves and fund balances as at 31 December 2023 amounted to $2,408.0 million (2022: $2,333.8 million (restated)). Regular resources available for programming increased to $197.1 million as at 31 December 2023 (2022: $188.0 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years. Other resources fund balances decreased by 0.5 per cent to $1,542.9 million as at 31 December 2023 (2022: $1,551.1 million (restated)), including for contributions of $651.9 million not yet collected and thus not available for spending (2022: $494.4 million).

C. Financial performance

Trends in contribution revenue

4. UNFPA is funded 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).

5. Throughout the present report, reference is made to contribution revenue as "gross" or "net". Gross revenue refers to the amount specified in agreements signed with donors, recognized as revenue consistent with UNFPA accounting policies, regardless of the period of implementation and payment schedule. Net revenue refers to gross revenue reduced by the amounts of refunds to donors, cost-recovery charges, allowances for doubtful contributions receivable and income tax reimbursements to taxpayers of one Member State.

6. In 2023, UNFPA gross revenue decreased by 12.3 per cent to $1,454.4 million (2022: $1,657.5 million (restated)), surpassing $1.0 billion for the seventh year in a row. The reduction in contribution revenue was the result of a change in accounting policy for revenue recognition in 2022. Net contribution revenue amounted to $1,342.6 million (2022: $1,578.1 million (restated)).

7. In 2023, gross revenue for regular resources was recorded for 72 donors, amounting to $364.1 million to UNFPA regular resources (2022: 82 donors; $482.0 million (restated)). The decrease is primarily as a result of the change in the revenue recognition policy introduced in 2022 in line with IPSAS, whereby revenue is recognized in full at the time of signing an agreement, unless there are conditions to the contribution. This results in revenue for regular resources significantly fluctuating between years, given that revenue is recognized in full for multi-year agreements in the year the agreement is signed. Most donors that have signed multi-year agreements did so in 2021 or 2022 for the first year of the new strategic plan, with one additional donor signing a new multi-year agreement in 2023. Since 2023 is the second year of the UNFPA strategic plan, 2022–2025, it was expected that there would be fewer multi-year agreements signed in 2023 than in 2022, and hence that revenue recorded would decrease. UNFPA appreciates donor commitments afforded to it through the use of multi-year agreements, which remain essential for effective advance planning and resource management.

8. Total revenue for other resources reduced by 7.2 per cent to $1,090.3 million in 2023 (2022: $1,175.5 million). This reduction was due to a decrease of $85.2 million in gross revenue for contributions; an increase in indirect costs charged to other resources of $8.9 million on account of a higher level of programme expenses incurred in 2023 compared to 2022; and an increase in refunds to donors of $23.3 million, owing primarily to a large refund of $12.4 million following the cancellation of the census project in Haiti as well as the cancellation of a project in Brazil ($4.8 million).

9. In 2023, 63.4 per cent of gross other resources revenue originated from the top 10 donors, 1.9 percentage points higher than in 2022, when the top 10 donors accounted for 61.5 per cent (restated) of the total.

Other revenue

10. Other revenue increased by $131.2 million in 2023 to $222.7 million (2022: $91.5 million (restated)). This category mainly comprises cost-recovery charges, net foreign exchange gains and income generated by investments. The cost-recovery charges 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.

11. Cost-recovery charges amounted to $75.1 million in 2023 (2022: $66.2 million); the increase was primarily attributable to the higher level of expenses incurred for other resources.

12. Investment income amounted to $88.8 million in 2023 (2022: $3.3 million (restated)). The significant increase compared to 2022 reflects the higher yield on fixed-income securities held in UNFPA investment portfolios, as an outcome of the

fiscal policy focus on reducing inflation by increasing interest rates, the increase in the market value of bonds and equities held as an outcome of favourable changes in the global financial markets in 2023, and the restatement, following the adoption of IPSAS 41, of the 2022 other revenue balance to reflect unrealized investment losses of $20.2 million, originally recorded as a charge to net assets in that year in line with the previous accounting standard used (IPSAS 29: Financial instruments: recognition and measurement), netting them off against realized regular resources investment gains reported as other revenue in 2022.

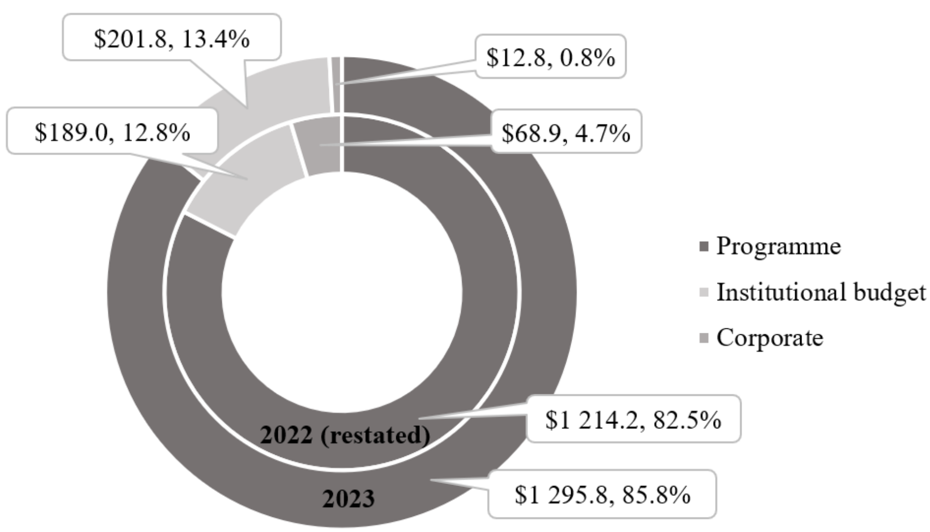
Expenses: overview

13. Expenses for 2022 have been restated to adjust for foreign exchange losses resulting from: (a) revenue and contributions receivable from one contribution agreement signed in 2022 but received in 2023 that should have been recognized as revenue in 2022; and (b) the effect of the adoption of IPSAS 41.

14. Expenses for 2023 increased by 2.6 per cent to $1,510.4 million (2022: $1,472.1 million (restated)), primarily because of scaled-up programme interventions in humanitarian contexts in the provision of quality care and services. Expenses exceeded gross revenue mainly because most revenue is recognized upon the signature of binding donor agreements, and expenses are recognized as incurred upon delivery of relevant goods and services at a later stage.

15. Figure IV.I provides an overview of expenses by purpose for both 2023 and 2022.

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



16. Programme expenses (country programmes, global and regional programmes and other programme activities) increased by 6.7 per cent to $1,295.8 million in 2023 (2022: $1,214.2 million (restated)), owing mainly to increased expenses for humanitarian interventions in both absolute and relative terms of $671.1 million, or 51.8 per cent of total programme expenses in 2023 (2022: $527.2 million, or 43.3 per cent of total programme expenses).

17. Institutional budget expenses increased by 6.8 per cent in 2023, to $201.8 million (2022: $189.0 million), owing to an increase in staff costs of $14.7 million. The increase was mainly attributable to salary increases for posts stationed in country offices.

The global vacancy rate remained broadly the same at the end of 2023 compared to 2022. However, the International Civil Service Commission issued increased salary scales for a number of locations, given the inflationary pressures experienced globally in 2023.

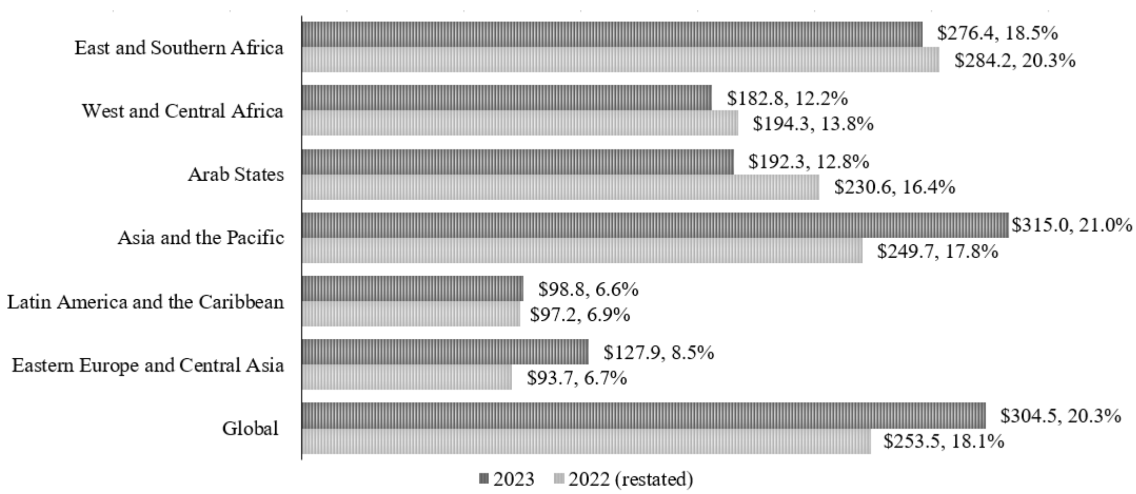
18. Corporate expenses, representing costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific strategic plan outcomes, decreased by 81.4 per cent, to $12.8 million in 2023 (2022: $68.9 million (restated)), owing mainly to the adoption of IPSAS 41 (see the detailed commentary provided in paragraph 12 above).

Expenses: overview by region and nature

19. As in previous years, UNFPA remains committed to directing maximum resources towards supporting its field office operations. In 2023, $1,193.1 million, or 79.7 per cent, of the total programme and institutional budget expenses were incurred in the field (2022: $1,149.7 million, or 81.9 per cent (restated)).

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. Three regions incurred higher expenses in 2023 compared to 2022. The largest rates of increase were seen in the Asia and the Pacific region (an increase of $65.3 million, or 26.2 per cent) and the Eastern Europe and Central Asia region (an increase of $34.2 million, or 36.5 per cent). Expenses in the Asia and the Pacific region decreased for development activities by $9.4 million, or 7.0 per cent, and increased for humanitarian activities by $74.5 million, or 74.6 per cent, resulting in an increase in expenses for humanitarian action of $52.4 million, or 144.4 per cent, and gender and social norms of $24.4 million, or 65.4 per cent. The largest increases in expenses were incurred in Afghanistan, Myanmar and Pakistan (increases of $50.8 million, $18.5 million and $13.2 million, respectively). Expenses in Eastern Europe and Central Asia decreased for development activities by $13.2 million, or 27.6 per cent, and increased for humanitarian activities by $47.1 million, or 123.6 per cent, resulting in an increase in expenses for humanitarian action of $32.4 million, or 228.2 per cent, and quality of care and services of $3.1 million, or 8.6 per cent. The largest increase in expenses was incurred in Ukraine (increase of $24.3 million).

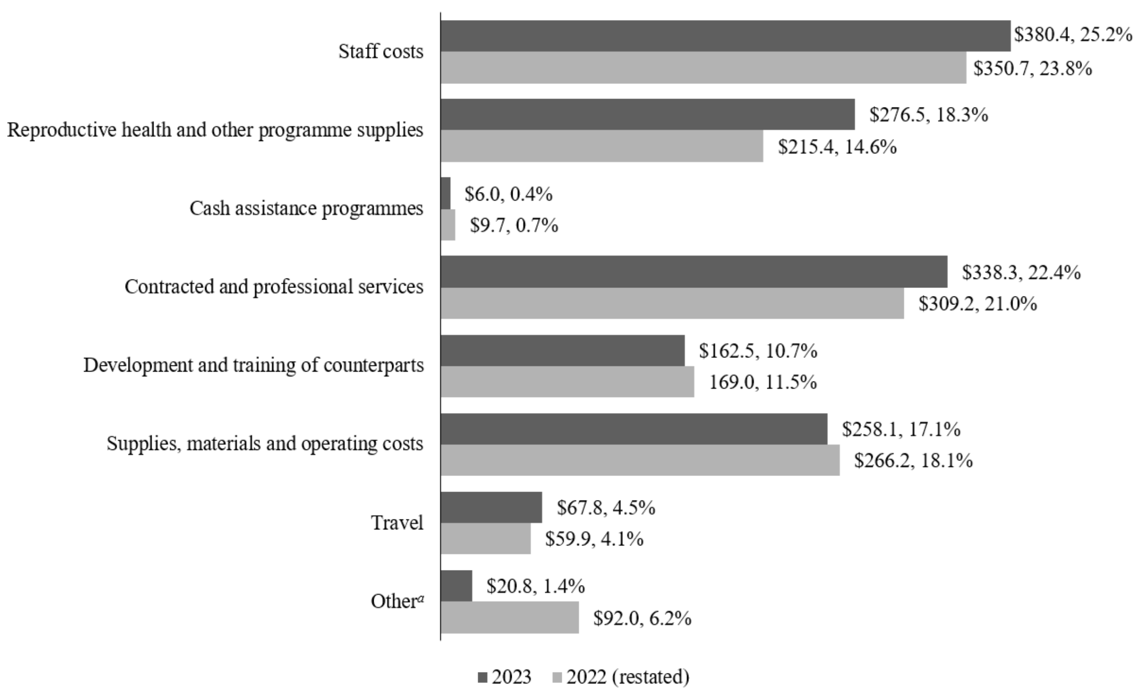
22. Expenses in the West and Central Africa region slightly increased for development activities by $4.1 million, or 3.9 per cent, and decreased significantly for humanitarian activities by $17.2 million, or 24.7 per cent, resulting in a decrease in expenses for policy and accountability of $8.9 million, or 45.2 per cent, and a decrease in humanitarian action of $13.5 million, or 52.9 per cent, partially offset by an increase in expenses for adolescents and youth of $5.2 million, or 31.7 per cent. The largest decreases in expenses were incurred in Cameroon, Mali and Nigeria, with decreases of $2.4 million, $2.6 million and $4.8 million, respectively.

23. Three regions incurred lower expenses in 2023 compared to 2022. The largest rates of decrease were seen in the Arab States region (a decrease of $38.3 million, or 16.6 per cent); followed by expenses in the West and Central Africa region, which decreased by $11.5 million, or 5.9 per cent. Expenses in the Arab States region decreased significantly for development activities by $46.5 million, or 39.5 per cent, and increased for humanitarian activities by $7.8 million, or 7.8 per cent. The main decreases in expenses incurred were in quality of care and services of $14.5 million, or 15.7 per cent, and humanitarian action of $20.4 million, or 54.7 per cent. The largest decreases in expenses were incurred in Somalia, the Sudan and the Syrian Arab Republic, (decreases of $14.9 million, $14.3 million and $15.3 million, respectively), partially offset by an increase in expenses in Yemen of $10.6 million.

24. Expenses for global activities increased by $51 million, or 20.1 per cent; global activities include the cost of reproductive health commodities procured by the UNFPA Supplies Partnership programme for distribution to country offices ($133.5 million in 2023, increasing from $125.9 million in 2022).

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

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



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

26. The success of UNFPA in delivering its mandate is dependent on its skilled and competent national and international staff. In 2023, staff costs increased by $29.7 million, or 8.5 per cent, to $380.4 million (2022: $350.7 million). The increase was mainly attributable to salary increases for posts stationed in country offices. The global vacancy rate remained broadly the same at the end of 2023 compared to 2022. However, the International Civil Service Commission issued increased salary scales for a number of locations, given the inflationary pressures experienced globally in 2023.

27. Expenses for reproductive health commodities and other programme supplies increased by 28.4 per cent to $276.5 million (2022: $215.4 million) as a result of the increased procurement and delivery of reproductive health commodities and humanitarian supplies, in spite of continued disruptions to the supply chain and conflicts impacting shipping routes, and an increase in inventory levels at the year-end.

28. Cash assistance programme expenses decreased by 38.1 per cent to $6.0 million in 2023 (2022: $9.7 million) despite the number of countries implementing cash assistance programmes increasing from 34 in 2022 to 37 in 2023. The decrease in value reflects the decrease in cash assistance in the Syrian Arab Republic, which represented $5.6 million of expenses in 2022. However, new and/or scaled-up programmes were implemented in Iran (Islamic Republic of), the Republic of Moldova, Sri Lanka, Ukraine and the State of Palestine.

29. Expenses for contracted and professional services increased by 9.4 per cent to $338.3 million (2022: $309.2 million) and continued to be used for contracting entities and personnel to deliver integrated sexual and reproductive health services, including in family planning, maternal health and newborn care, and gender-based violence prevention and response services. The largest cost for contracted and professional services remained salaries for implementing partners, which represented 47.8 per cent and 48.0 per cent of total costs for 2023 and 2022, respectively. The increased total cost for contracted and professional services was as a result of accelerated programme delivery in 2023.

30. Expenses for the development and training of counterparts decreased slightly in 2023, by 3.8 per cent, to $162.5 million (2022: $169.0 million). Programmes with significant expenses were implemented in Bangladesh, the Democratic Republic of the Congo, Ethiopia, Somalia, South Sudan, Uganda and Ukraine.

31. Expenses for supplies, materials and operating costs decreased by 3.0 per cent to $258.1 million (2022: $266.2 million (restated)). The decrease of $8.1 million was largely attributable to a mix of increases in rent, lease, construction and support services costs, offset by decreases in printing, publications and media costs, the UNFPA share of costs for the new enterprise resource planning system launched in 2023, and transport costs.

32. Expenses for travel have risen to $67.8 million in 2023 (2022: $59.9 million). These expenses represent the amount spent on travel by both UNFPA and its implementing partners in monitoring and implementing programmes. The increase between 2022 and 2023 is attributable to increased international travel costs, both for daily subsistence allowance (increase of $4.8 million) and actual ticket costs (increase of $2.9 million). While many travel restrictions were lifted during 2022, remaining global travel restrictions were lifted during early 2023 and travel missions requiring face-to-face meetings resumed more fully. However, the actual cost of travel has also risen since 2019 owing to inflation, resulting in higher ticket and daily subsistence allowance costs. Nevertheless, UNFPA remains committed to efforts to decrease its carbon footprint and maintain a low percentage of travel costs compared to total costs, while ensuring representation and visibility in advancement of its mission.

33. Other general expenses decreased by 77.4 per cent, to $20.8 million (2022: $92.0 million (restated)). This significant decrease compared to 2022 is a consequence of: (a) net 2023 foreign exchange gains of $40.9 million, which are presented under other revenue, compared to net foreign exchange losses of $37.7 million (restated) reported under this item in 2022, both originating primarily from the revaluation of contributions receivable in currencies other than the United States dollar; and (b) investment income of $88.8 million earned in 2023, which is presented under other revenue, compared to an unrealized investment loss of $38.9 million originally recorded as a charge to net assets in 2022, in line with the previous accounting standard used (IPSAS 29), now reflected under the restated other expenses balance for 2022 following the adoption of IPSAS 41.

Expenses: overview by contribution to strategic results

34. The UNFPA strategic plan, 2022–2025, articulates a set of results in the furtherance of development and organizational effectiveness and efficiency outcomes and outputs that UNFPA plans to achieve during the strategic plan cycle, supported by the integrated results and resources framework. Overall, there are six development outputs, contributing to three development outcomes, all enabled by three organizational effectiveness and efficiency outputs.[3]

35. A complete analysis of the progress made by UNFPA in implementing its strategic plan, 2022–2025, is available in the report of the Executive Director on the implementation of the UNFPA strategic plan, 2022–2025 (DP/FPA/2024/4 (Part I)). Expenses incurred to achieve those results are summarized in the table below.

Programme and institutional budget expenses by outcomes of the integrated results and resources framework

(Millions of United States dollars)

	Indicative resources, 2022–2025		*Actual resources, 2023*	*Cumulative resources, 2022 (restated) and 2023*	
	Amount	*Percentage*	*Amount*	*Amount*	*Percentage*
Outcome 1: the reduction in the unmet need for family planning has accelerated	1 719.0	40.0	428.6	830.2	33.4
Outcome 2: the reduction of preventable maternal deaths has accelerated	1 504.1	35.0	347.8	700.2	28.2
Outcome 3: the reduction in gender-based violence and harmful practices has accelerated	1 074.5	25.0	504.9	951.9	38.4
Subtotal	**4 297.6**	**100.0**	**1 281.3**	**2 482.3**	**100.0**
Organizational effectiveness and efficiency	873.6		216.3	418.5	
Total	**5 171.2**		**1 497.6**	**2 900.8**	

Expenses: overview by implementation modality, gender marker and type of assistance

36. UNFPA works closely with country programme governments and national and international non-governmental organizations to implement its programme activities. Total programme expenses incurred by these partners increased for the seventh year

[3] See “Annex 1: Integrated results and resources framework” to the UNFPA strategic plan, 2022–2025 (DP/FPA/2021/8).

in a row in absolute terms, and in 2023 amounted to $481.5 million, or 37.2 per cent, of total programme expenses (2022: $467.6 million, or 38.4 per cent).

37. Reflecting the commitment of UNFPA to the advancement of the United Nations development system reform and collaboration with other United Nations organizations, expenses for programme activities implemented through other United Nations organizations in 2023 amounted to $13.7 million (2022: $18.3 million). The largest share of these expenses related to the joint implementation with the United Nations Office for Project Services ($3.6 million) of a number of programmes, the largest of which is a census-based project in Brazil ($1.1 million).

38. In addition, UNFPA provided its partners with non-cash transfers of reproductive health commodities and other programme-related goods of $276.5 million as at 31 December 2023 (2022: $215.4 million).

39. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2023, $887.2 million, or 68.5 per cent, of total programme expenses were incurred to further activities that either had gender equality/women's empowerment as their primary objective or made a significant contribution to gender equality (2022: $804.6 million, or 66.3 per cent).

40. Expenses for humanitarian interventions increased both in absolute and relative terms to $671.1 million, or 51.8 per cent of total programme expenses (2022: $527.2 million, or 43.4 per cent of total programme expenses). Most humanitarian expenses were incurred for the provision of quality care and services (46.1 per cent) and humanitarian action (32.8 per cent).

41. Humanitarian expenses included $10.5 million funded from the Emergency Fund, the funding mechanism approved by the Executive Board to provide resources to UNFPA field offices to jump-start humanitarian response interventions before earmarked resources become available (2022: $8.5 million), incurred following resource allocations to 31 field offices (2022 : 25 field offices).

Net results for the year

42. The surplus for the year decreased to $54.9 million in 2023 (2022: $197.5 million (restated)), owing mainly to the change in revenue recognition policy introduced in 2022.

43. In 2023, UNFPA implemented 96.6 per cent of its adjusted unearmarked resources ceilings/budget, 4.4 percentage points higher than in 2022, when the implementation rate was 92.2 per cent.

44. The implementation rates by cost classification categories approved by the UNFPA Executive Board are summarized in the table below. Figures have been presented for two years in line with the strategic plan and integrated budget cycle.

(Percentage)

Cost classification category	*2023*	*2022*
Development activities	97.6	95.2
United Nations development coordination	94.2	94.2
Management activities	96.8	86.5
Independent oversight and assurance	82.4	82.2
Special purposes	78.7	78.3
Total implementation rate	**96.6**	**92.2**

45. Statement V provides more details about budgetary performance for institutional budget and programme activities funded with unearmarked resources during 2023, as the second year of the new UNFPA strategic plan cycle, 2022–2025. Note 23 to the financial statements provides a reconciliation between statement V prepared on a budget comparable basis and cash flow, revenue and expenses presented on a full accrual basis.

D. Financial position

Assets and liabilities

46. As at 31 December 2023, total assets and liabilities amounted to $2,930.3 million and $522.3 million, respectively (2022: $2,793.7 million (restated) and $459.9 million).

47. As at 31 December 2023, total current assets and current liabilities amounted to $1,650.4 million and $218.9 million, respectively (2022: $1,402.9 million (restated) and $155.8 million, respectively). The current ratio was equal to 7.5 (2022: 9.0 (restated)), indicating that UNFPA has sufficient liquid resources to meet its current obligations. The decrease in the current ratio from 2022 to 2023 is attributed primarily to higher contributions receivable in current assets and increased accounts payable and accruals in current liabilities.

Cash, cash equivalents and investments

48. Total cash, cash equivalents and investments held by UNFPA decreased by $8.0 million (less than 1 per cent) to $1,709.6 million as at 31 December 2023 (2022: $1,717.6 million (restated)). Cash and cash equivalents decreased by $181.3 million to $181.8 million (2022: $363.1 million), with a corresponding increase in investments of $173.3 million to $1,527.8 million (2022: $1,354.5 million). The UNFPA working capital investment portfolio is managed by the United Nations Development Programme (UNDP) under a service-level agreement following UNDP treasury guidelines. At the end of 2023, a higher level of financial instruments in the form of bonds was held, given the prevailing coupon rates of return.

49. UNFPA maintains its investments in two separate portfolios. The first, the working capital investment portfolio, designed to meet UNFPA working capital needs and managed by UNDP under a service-level agreement, is limited to investment-grade, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. This portfolio, measured at amortized cost, was valued at $1,190.6 million as at 31 December 2023 (2022: $1,066.7 million (restated)) and generated an average yield of 2.98 per cent for the year (2022: 1.2 per cent).

50. The second portfolio is for after-service health insurance liabilities and other end-of-service entitlements. This portfolio is further subcategorized into two other separate portfolios, established in 2016 and 2021 jointly with several other United Nations organizations and managed by two independent investment managers, which invest resources allocated for funding after-service health insurance liabilities and other end-of-service entitlements in diversified, higher-yielding financial instruments, similar in composition to the investments held by the United Nations Joint Staff Pension Fund, comprising primarily fixed-income securities and equities. Since its inception, UNFPA has transferred $220.0 million to this portfolio; no additional transfers were made in 2023. The combined fair market value of both portfolios was $337.2 million as at 31 December 2023 (2022: $287.8 million (restated)), after annual rates of return ranging between 13.9 per cent and 17.0 per cent in 2023 (2022: contraction of 14.5 per cent to 14.3 per cent). The positive rates of return for 2023 reversed the decline in the portfolio experienced in 2022 given the market volatility that was present at that time.

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

Inventories

52. The net value of inventories of reproductive health commodities and other programme-related supplies held for delivery to partners and distribution to beneficiaries or sale to third parties increased to $103.5 million as at 31 December 2023 (2022: $89.3 million), owing to higher procurement levels, including in humanitarian settings such as Afghanistan, Nigeria, Pakistan, the Sudan and Ukraine, and the continued impact of restrictions and disruptions to the supply chain, including local and regional conflict impacting shipping routes, resulting in long transit and delivery times.

Contributions receivable

53. Net contributions receivable (current and non-current combined) increased by 10.0 per cent to $967.4 million as at 31 December 2023 (2022: $879.1 million (restated)). A number of new agreements were signed in 2023, thereby increasing contributions receivable. Contributions receivable are presented net of allowances for doubtful accounts of $4.1 million (2022: $4.8 million), established after a careful review of all receivables for collectability.

Operating fund advances

54. Total operating fund advances outstanding at the year-end remained broadly similar at $22.2 million as at 31 December 2023 (2022: $22.1 million), with a slight change in the amount of advances outstanding by type of partner. Gross advances outstanding from governments and non-governmental organizations increased by $1.3 million to $17.4 million as at 31 December 2023 (2022: $15.2 million), and gross advances outstanding held by United Nations organizations implementing programme activities on behalf of UNFPA decreased by $2.1 million to $5.9 million as at 31 December 2023 (2022: $7.8 million).

55. The allowance for doubtful operating fund advances was increased to $1.0 million as at 31 December 2023 (2022: $0.9 million), owing to advances to implementing partners, whose recovery was deemed doubtful.

Property, plant and equipment and intangible assets

56. As at 31 December 2023, UNFPA held property, plant and equipment of $35.7 million (2022: $34.5 million), the largest fixed asset categories being vehicles, with a net book value of $11.3 million, or 31.7 per cent of the total (2022: $11.6 million, or 33.6 per cent), and buildings, with a net book value of $10.5 million, or 29.4 per cent of the total (2022: $8.8 million, or 25.5 per cent).

57. The net book value of intangible assets as at 31 December 2023 increased by 14.8 per cent to $7.0 million (2022: $6.1 million), owing mainly to the capitalization of qualifying costs for several internally developed intangibles, including the population development data platform and Quantum Plus, a new integrated results and resources management platform launched in December 2023.

58. In accordance with its strategic plan and integrated budget, 2022–2025, UNFPA continues to implement several information and communications technology (ICT) transformation initiatives, including the adoption of new, functionally integrated cloud-based enterprise resource planning and customer relationship management solutions. As part of the implementation of the ICT transformation, the new enterprise resource planning system referred to as “Quantum” was launched in January 2023,

followed by the launch of an integrated and internally designed results and resources planning system referred to as "Quantum Plus" in December 2023. The closing balance of the ICT transformation fund in 2022, amounting to $8.3 million, was maintained to fund the completion of the ICT transformation in 2023 in line with the information technology strategy. During 2023, eligible expenses of $1.4 million were charged to this fund. While the original ICT transformation project was closed with the launch of the new enterprise resource planning and results and resources planning system in 2023, the unspent balances will be carried forward and progressively utilized for further enhancements and the development of new systems.

Other receivables, prepayments and other assets

59. Other receivables increased by 123.5 per cent to $63.7 million as at 31 December 2023 (2022: $28.5 million), owing mainly to a higher balance receivable from United Nations organizations and from procurement activities.

60. Other receivables are presented net of an allowance for doubtful amounts of $1.8 million (2022: $3.0 million), comprising mostly aged value added tax reimbursement claims and rejected ineligible expenses from governmental and non-governmental partners, whose recovery and refund were assessed as doubtful.

61. Prepayments and other assets amounted to $21.2 million as at 31 December 2023 (2022: $16.5 million). Most prepayments relate to costs for common services or premises that remain unspent at the year-end, and other prepaid expenses.

Accounts payable and accruals

62. Accounts payable and accruals increased by $53.8 million to $151.7 million as at 31 December 2023 (2022: $97.9 million), owing mainly to an increase of $20.7 million in accounts payable, an increase in liabilities of $10.7 million for reimbursements to implementing partners, an increase of $9.4 million for refunds due to donors, and an increase of $6.4 million for funds held on behalf of joint programmes. The accounts payable and reimbursements to implementing partners balances for 2023 are now at a level similar to 2021. In 2022, there was an intentional strategy to pay suppliers and implementing partners earlier, at the end of 2022, before transitioning from the old enterprise resource planning system to the new enterprise resource planning system as a risk mitigation mechanism to ensure business continuity in early 2023. This approach was no longer required at the end of 2023 and hence both these liabilities have increased. Liabilities for third-party procurement relate to procurement services where funds have been received but the procurement has not been completed as at the reporting date.

Employee benefits

63. The employee benefits liabilities increased by 1.1 per cent to $351.9 million as at 31 December 2023 (2022: $348.0 million). This rise was driven primarily by a $5.3 million increase in the end-of-service relocation and repatriation liability, attributed mainly to the increase in active staff eligible for repatriation. Conversely, the after-service health insurance liability saw a slight decrease of 1.6 per cent ($4.4 million), owing mainly to the update of the per capita claims assumptions resulting in lower per capita claims for certain medical plans. The decrease related to the review of per capita claims is offset by an increase due to a marginal decrease in the interest rates used to calculate the net present value of the benefits and changes in the currency mix of the claims submitted by beneficiaries.

64. Annual and home leave liabilities increased by 7.6 per cent and 1.0 per cent, to $36.9 million and $3.7 million, respectively, as at 31 December 2023 (2022:

$34.3 million and $3.6 million), owing mainly to the excess of accrued annual leave and home leave points over those consumed during the year.

65. Post-employment and other long-term employee benefits liabilities increased by 0.3 per cent to $311.2 million as at 31 December 2023 (2022: $309.1 million), owing mainly to an actuarial gain resulting from the discount rate, which is still high compared to 2021, partially offset by the recognition of $26.6 million in annual service and interest costs.

66. As at 31 December 2023, resources allocated to fund employee benefits liabilities other than workers' compensation exceeded the liability amounts by $102.5 million (2022: by $29.9 million). This high funding ratio is partially attributable to the high interest rates used in the actuarial valuations in 2022 and 2023, the changes in per capita claim amounts and demographic assumptions incorporated, the experience adjustments reflected in the 2023 valuation and the positive rate of return achieved for 2023, as well as the strategy put in place by UNFPA to fund employee benefits liabilities. The funding level is highly sensitive to future trends and events that affect the key financial assumptions used for the measurement of the liabilities, and the excess funding level is expected to reverse once fiscal policies for inflation change and global interest rates reduce, which will increase the liability amounts. UNFPA will continually monitor the situation to ensure that liabilities remain fully funded, as far as possible, without the build-up of any surpluses.

Other liabilities and deferred revenue

67. Other liabilities and deferred revenue increased by $4.6 million to $18.7 million as at 31 December 2023 (2022: $14.1 million). This amount refers mainly to deferred revenue, which comprises contributions received early, and liabilities owed from derivatives as part of the investment portfolio.

Fund balances and reserves

68. Reserves and fund balances increased by 3.2 per cent, to $2,408.0 million as at 31 December 2023 (2022: $2,333.8 million (restated)).

69. Reserves decreased by 11.1 per cent, to $87.2 million as at 31 December 2023 (2022: $98.2 million), owing to a $11.0 million decrease in the operational reserve balance.

70. The operational reserve, set at 20.0 per cent of net annual contribution revenue of regular resources as established in the UNFPA Financial Regulations and Rules, decreased by 12.6 per cent to $76.7 million as at 31 December 2023 (2022: $87.7 million) on account of the lower level of contributions received for regular resources in 2023.

71. The humanitarian response reserve, which operates as a revolving fund, was used to provide $13.1 million in prefinancing for humanitarian activities (2022: $25.0 million) while remaining within the level approved by the Executive Board ($5.5 million). The reserve for field accommodation, which also operates as a revolving fund, was used to provide $2.7 million in funding for leasehold improvements in Burkina Faso, Indonesia and the Syrian Arab Republic, as well as renovations of UNFPA-owned premises in Somalia and Peru, among other activities. The reserve was replenished to the level approved by the Executive Board ($5.0 million).

72. Designated regular resources fund balances are funds set aside by management for special purposes and not available for programming. They include fund balances for: (a) supply chain management services; (b) cost recovery above the budgeted level; (c) ICT transformation; (d) the programme continuity fund; and (e) a private endowment trust. The collective balance of these funds increased by 14.9 per cent to

$118.9 million as at 31 December 2023 (2022: $103.5 million), owing primarily to a $15.2 million increase in cost recoveries above the budgeted level, partially offset by an expense of $1.4 million used in the design and implementation of the new enterprise resource planning platform, both set aside into separate funds.

73. Undesignated regular resources comprise: (a) the programmable fund balance; and (b) after-service health insurance and employee benefits funds. Collectively, these resources increased by 13.4 per cent to $659.1 million (2022: $581.0 million (restated)), owing mainly to the following: excess revenue over expenses of $61.8 million, the release of $11.0 million from the operational reserve given the decrease in regular resources received in 2023, and an actuarial gain of $19.3 million on the employee benefits liability, partially offset by transfers to other reserves. The 2022 undesignated regular resource balance was restated to include an adjustment of $96.6 million for one contribution agreement signed in 2022 but not recorded as revenue in that year.

74. Total regular resources funds available for programming as at 1 January 2024 increased by 2.6 per cent to $192.7 million (2023: $188.0 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years. As part of risk-mitigating measures against unfavourable revenue trends, these funds will be gradually released for spending in future years, taking into consideration the latest available information and to ensure the sufficiency of resources required to adhere to Executive Board guidance for the duration of the strategic plan and integrated budget cycle.

75. As at 31 December 2023, undesignated fund balances of other resources decreased by 0.5 per cent, to $1,542.9 million (2022: $1,551.1 million (restated)), representing resources received for the implementation of programme activities under multi-year agreements, and future contributions receivable not yet collected of $656.0 million (2022: $494.4 million) and thus not available for programming.

E. Risk management

76. UNFPA has continued to respond effectively to context, programme, operational and financial risks inherent to its programmatic and operational activities. This has been achieved, among other initiatives, by maintaining effective first-line controls in all key business process areas, as well as through the continued enhancement of the enterprise risk management process and effective second-line controls, including: (a) a high level of implementation of assurance activities over cash transfers to implementing partners; (b) effective monitoring of and assurance over the management of programme supplies by UNFPA and its implementing partners through the inventory control and last-mile assurance processes; (c) effective financial risk management processes, including the continuous monitoring of foreign currency bank balances and contributions receivable, to minimize foreign exchange losses; (d) the continuous monitoring and reconciliation of operating fund advances balances; and (e) a close monitoring of the post-employment benefits investment portfolios performance, in close collaboration and communication with the investment managers. Furthermore, in 2023, UNFPA continued to strengthen its risk management by establishing headquarters and regional risk committees and conducting multiple training sessions for committee members.

F. Conclusion

77. UNFPA closed 2023 in strong financial health owing to the continued support of its donors and sound financial management practices, including processes and controls designed to keep expenses within the available financial resources. The outlook for

2024 and beyond continues to be fluid owing to changes in the geopolitical context, an increase in the need for humanitarian interventions due to protracted and emerging conflicts, and continued pressure on funding. Shifting donor priorities and operational challenges may impact the ability of UNFPA to generate revenue and implement its programme activities. UNFPA will remain agile, innovative and results-oriented, adapting as required, to achieve its strategic priorities, as captured in the strategic plan, 2022–2025. UNFPA continues to rely on the support of its donors to provide timely inflows of predictable contribution revenue, especially from regular resources, which are critical for enabling UNFPA operations and the achievement of its strategic results.

Chapter V

Financial statements for the year ended 31 December 2023

United Nations Population Fund

I. Statement of financial position as at 31 December 2023[a]

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 3	181 762	363 145
Investments maturing within one year	Note 4	616 381	422 769
Contributions receivable	Note 5 (a)	641 555	460 607
Other receivables	Note 5 (b)	63 665	28 497
Operating fund advances	Note 6 (a)	22 227	22 087
Prepayments and other assets	Note 6 (b)	21 243	16 456
Inventories	Note 7	103 537	89 302
Total		**1 650 370**	**1 402 863**
Non-current assets			
Investments maturing after one year	Note 4	911 387	931 724
Contributions receivable	Note 5 (a)	325 846	418 481
Other non-current assets	Note 6 (b)	24	18
Property, plant and equipment	Note 8	35 708	34 515
Intangible assets	Note 9	6 991	6 139
Total		**1 279 956**	**1 390 877**
Total assets		**2 930 326**	**2 793 740**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	151 741	97 859
Employee benefits	Note 12	51 561	47 166
Other current liabilities and deferred revenue	Note 13	15 620	10 799
Total		**218 922**	**155 824**
Non-current liabilities			
Employee benefits	Note 12	300 342	300 839
Other non-current liabilities and deferred revenue	Note 13	3 074	3 255
Total		**303 416**	**304 094**
Total liabilities		**522 338**	**459 918**
Net assets		**2 407 988**	**2 333 822**
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	76 677	87 696
Humanitarian response reserve	Note 14	5 500	5 500
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**87 177**	**98 196**
Fund balances			
Designated unearmarked fund balances	Note 14	118 855	103 502
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	659 073	581 007
Earmarked resources	Schedule B	1 542 883	1 551 117
Total fund balances		**2 320 811**	**2 235 626**
Total reserves and fund balances		**2 407 988**	**2 333 822**

[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 2023[a]

(Thousands of United States dollars)

	Reference	*2023*	*2022 (restated)*
Contribution revenue			
Unearmarked contributions	Schedule A	364 139	481 990
Less: transfer to other revenue of income tax reimbursements	Note 15	(4 181)	(5 466)
Subtotal	**Note 15**	**359 958**	**476 524**
Earmarked contributions	Note 15	1 015 141	1 109 345
Less: refunds to donors	Note 15	(33 139)	(9 877)
Net movement in allowance for doubtful contributions receivable	Note 15	677	2 135
Subtotal	**Note 15**	**982 679**	**1 101 603**
Total contribution revenue	**Note 15**	**1 342 637**	**1 578 127**
Other revenue	Note 16	222 652	91 488
Total revenue		**1 565 289**	**1 669 615**
Expenses			
Staff costs	Note 18	380 376	350 670
Reproductive health and other programme-related supplies	Note 18	276 507	215 405
Cash assistance programmes	Note 18	6 001	9 725
Development and training of counterparts	Note 18	162 534	168 967
Supplies, materials and operating costs	Note 18	258 115	266 222
Contracted and professional services	Note 18	338 302	309 245
Finance costs	Note 18	1 315	1 123
Travel	Note 18	67 768	59 924
Depreciation and amortization	Notes 8, 9, 18	8 322	7 723
Impairment	Note 18	620	60
Other expenses	Note 18	10 558	83 067
Total expenses	**Notes 17, 18**	**1 510 418**	**1 472 131**
Surplus for the year	**Statements III and IV**	**54 871**	**197 484**

[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 2023[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 31 December 2021		**1 922 648**	**92 703**	**2 015 351**
Movements in fund balances and reserves in 2022 (restated)				
Transfers to/from operational reserve	Note 14	(5 493)	5 493	–
Actuarial gain on employee benefits liabilities	Note 14	120 987	–	120 987
(Loss) in fair value of investments recognized in net assets	Note 14	(59 099)	–	(59 099)
Adjustment due to IPSAS 41 implementation	Note 14	59 099	–	59 099
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(755)	755	–
Surplus/(deficit) for the year	Note 14, statement II	198 239	(755)	197 484
Total movements during the year		**312 978**	**5 493**	**318 471**
Balance as at 31 December 2022		**2 235 626**	**98 196**	**2 333 822**
Movements in fund balances and reserves in 2023				
Transfers to/from operational reserve	Note 14	11 019	(11 019)	–
Actuarial gain on employee benefits liabilities	Note 14	19 295	–	19 295
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(2 703)	2 703	–
Surplus/(deficit) for the year	Note 14, statement II	57 574	(2 703)	54 871
Total movements during the year		**85 185**	**(11 019)**	**74 166**
Balance as at 31 December 2023		**2 320 811**	**87 177**	**2 407 988**

[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 2023[a]

(Thousands of United States dollars)

	Reference	*2023*	*2022 (restated)*
Cash flows from operating activities			
Surplus for the year	Statement II	54 871	197 484
Adjustments to reconcile surplus for the year to net cash flows:			
Unrealized (gain)/loss on foreign exchange translation		(8 855)	22 634
Unrealized (gain)/loss on investments recognized in surplus	Notes 4, 16	(1 262)	1 461
Investment (revenue)/loss presented as investing activities	Note 16	(88 792)	35 587
Depreciation and amortization	Notes 8, 9, 18	8 322	7 723
Impairment and write-off of property, plant and equipment and intangible assets		563	17
Loss on disposal of property, plant and equipment	Note 18	(69)	(194)
Changes in assets			
(Increase) in contributions receivable		(78 841)	(191 066)
(Increase)/decrease in other receivables		(29 400)	14 499
(Increase) in operating fund advances		(230)	(2 192)
Decrease/(increase) in prepayments and other assets	Note 6 (b)	(4 794)	(223)
Decrease/(increase) in inventories	Note 7	(16 939)	(10 675)
Increase/(decrease) in provisions/allowance for doubtful accounts	Notes 5 (a), 5 (b), 6 (a), 6 (b), 7	954	(2 380)
Changes in liabilities and net assets			
(Decrease) in accounts payable and accruals		53 882	(19 910)
Increase/(decrease) in employee benefits liabilities	Note 12	3 898	(97 660)
Actuarial gain/(loss) on employee benefits liabilities	Statement III	19 295	120 987
(Decrease)/increase in other liabilities and deferred revenue		4 640	(121)
Net cash flows from operating activities		**(82 757)**	**75 971**
Cash flows from investing activities			
Purchases of investments	Note 4	(670 517)	(643 803)
Maturities and sales of investments	Note 4	534 695	711 644
Interest received	Notes 4, 5 (b), 16	46 464	17 436
Dividend received	Notes 5 (b), 16	2 749	2 555
Gain on sale of investments	Note 16	(1 311)	1 771
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(11 561)	(10 054)
Proceeds from sale of property, plant and equipment		771	542
Net cash flows from investing activities		**(98 710)**	**80 091**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	–	–
Net cash flows from financing activities		**–**	**–**
Net (decrease)/increase in cash and cash equivalents		**(181 467)**	**156 062**
Cash and cash equivalents at the beginning of the year	Note 3	363 145	206 966
Effect of exchange rate changes on cash and cash equivalents		84	117
Cash and cash equivalents end of the year	**Note 3**	**181 762**	**363 145**

[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 and actual amounts for the year ended 31 December 2023[a]

(Thousands of United States dollars)

	2023			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	39 007	39 582	39 290	292
Programmes	265 839	300 535	292 584	7 951
United Nations development coordination	4 110	4 110	3 870	240
Management activities	145 708	145 555	140 902	4 653
Independent oversight and assurance activities	15 193	17 456	14 389	3 067
Special purposes	4 442	5 157	4 059	1 098
Total	**474 299**	**512 395**	**495 094**	**17 301**

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

V (b). Statement of comparison of budget and actual amounts for the period 2022–2023 of the strategic plan cycle for the period 2022–2025[a]

(Thousands of United States dollars)

	2022–2023			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	77 504	76 854	75 710	1 144
Programmes	527 439	616 535	592 645	23 890
United Nations development coordination	4 110	8 220	7 740	480
Management activities	289 887	290 853	266 538	24 315
Independent oversight and assurance activities	30 183	32 461	26 716	5 745
Special purposes	10 165	10 975	8 612	2 363
Total	**939 288**	**1 035 898**	**977 961**	**57 937**

[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 (xxiii) to the financial statements.

United Nations Population Fund
Notes to the 2023 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 intended, every childbirth is safe and every young person's potential is fulfilled. UNFPA helps governments integrate population issues into their national development agenda to improve societies' well-being and resilience, and promote sustained and 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 national capacities to collect, analyse and use population data to eliminate poverty and achieve the Sustainable Development Goals.

Organizational objectives

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

UNFPA work is guided by its expertise in population dynamics, sexual and reproductive health, human rights and gender equality, and driven by the specific needs of countries. UNFPA is a catalyst for action and advocacy, partnering with governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, UNFPA helps countries use population data to anticipate emerging and future challenges through the provision of 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, to advancing gender equality, and to the 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 not only development goals in themselves, but are critical to achieving inclusive and transformational sustainable development. 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 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 at the national and international levels, 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.

Delivering on the promise 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 aims of ending extreme poverty, ensuring that all persons enjoy human rights and protecting 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 underscores the relevance and criticality of the leading expertise of UNFPA on sexual and reproductive health and reproductive rights and population and development issues.

UNFPA, working with public and private partners, supports gender-transformative policies and programmes to achieve the Sustainable Development Goals. Those partnerships are tailored 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 representation 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 2023.

(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 post-employment benefits investment portfolios, 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) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

UNFPA accounts for financial instruments in accordance with IPSAS 41: Financial instruments, which superseded IPSAS 29: Financial instruments: recognition and measurement, bringing together the main aspects of the accounting for financial instruments: recognition, classification and measurement, impairment, and hedge accounting.

UNFPA has applied IPSAS 41 retrospectively, with an initial application date of 1 January 2023. Differences arising from the adoption of IPSAS 41 have been recognized in the opening balance of each affected component of net assets or equity at the date of initial application.

Financial assets and financial liabilities, including contribution and other receivables and payables, are initially recognized when UNFPA becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value, plus or minus transaction costs that are directly attributable to their acquisition or issue, except when such an instrument is classified for measurement at fair value through surplus or deficit.

At initial recognition, UNFPA measures receivables and payables at their original amount. 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.

a. Financial assets

In line with IPSAS 41, UNFPA classifies financial assets as measured at amortized cost, fair value through net assets or equity or fair value through surplus or deficit, based on:

- The objectives of the management model for the different groups of financial assets held, which determines whether cash flows will result from collecting contractual cash flows, selling the assets or both.
- The contractual cash flow characteristics of the assets.

UNFPA manages its financial assets, excluding investments in the post-employment benefits portfolio, with the objective of realizing cash flows by collecting contractual payments over the instruments' life. These assets are typically held until maturity, falling under the "hold to collect cash flows" management model. Financial instruments held under this model have been assessed as giving rise to cash flows that are solely payments of principal and interest and are thus classified as measured at amortized cost.

Investments maintained as part of the post-employment benefits investment portfolios are managed on a fair basis value, in accordance with a documented investment strategy and guidelines, with the objective of maximizing their performance, and have thus been categorized under held for trading and classified as measured at fair value through surplus or deficit.

The determination of the financial assets management models is made at the portfolio level because this best reflects the way the assets are managed and information is provided to management. The contractual cash flow characteristics of financial assets are assessed for each individual financial instrument held under the different management models.

The table below presents the IPSAS 41 classification of the most significant financial assets held by UNFPA, determined on the basis of the applicable management model and the outcome of the assessment of the contractual cash flow characteristics of the individual instruments.

Management model	*Classification category*	*Financial assets included under this category*	*Classification under IPSAS 29*
Hold to collect cash flows	Measured at amortized cost	Cash and cash equivalents (cash on hand and at banks, money market funds and time deposits)	Loans and receivables, carried at amortized cost
		Contribution and other receivables	
		Securities (bonds, commercial paper and time deposits) maintained in the working capital investment portfolio	Held-to-maturity, carried at amortized cost
Held for trading	Measured at fair value through surplus or deficit	Securities (fixed-income securities and equities) maintained in the post-employment benefits investment portfolios	Available for sale, carried at fair value through net assets
		Derivatives (forward contracts and foreign currency options)	Fair value through surplus or deficit

Cash and cash equivalents

Cash and cash equivalents include cash on hand and held in banks, in various currencies, and money market instruments and time deposits with a maturity of three months or less from the date of acquisition. They are presented net of allowances for expected exchange losses on restricted use foreign currency bank deposits.

These instruments involve solely the repayment of the amounts deposited and, when applicable, interest at agreed upon rates, and are thus classified as measured at amortized cost.

Contributions receivable

Contributions receivable represent amounts due to UNFPA based on signed contribution agreements, including multi-year contributions, recognized in full at the time the agreements are signed provided that certain criteria are met, except for agreements that have performance conditions beyond the control of UNFPA, or when the value of the receivables cannot be measured reliably, in which case they are recognized when those clauses are satisfied or the receivables can be adequately measured. They are presented net of allowances for doubtful amounts.

As a rule, UNFPA receives only the amounts specified in the contribution agreements, and thus classifies and measures these receivables at amortized cost.

Securities held in the working capital investment portfolio

The UNFPA working capital investment portfolio includes bonds, commercial paper and other instruments with fixed or determinable payments and fixed maturities and which are normally held until their maturity.

These instruments are held solely to collect contractual cash flows, consistent with a basic lending arrangement and involving solely the payment of principal and interest. Accordingly, they are classified as measured at amortized cost, calculated using the effective interest rate method.

Post-employment benefits investment portfolios

The UNFPA post-employment benefits portfolios include fixed-income securities and equities, which require active trading by the appointed external investment managers to maximize the performance of the portfolio within the approved investment strategy and guidelines.

Given the objective of the portfolios, the instruments they contain are categorized as held for trading and measured at fair value through surplus or deficit.

Derivative instruments

Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with the UNFPA investment guidelines. 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. Derivative instruments that are not designated into hedging relationships are assumed to be held for trading and thus are measured at fair value through surplus or deficit.

Other considerations

Financial assets are not reclassified after their initial recognition unless UNFPA changes its management model for managing the respective type of financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

UNFPA derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which UNFPA neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Expected credit losses on investments measured at amortized cost or fair value through net assets or equity are calculated, in conformity with the requirements of IPSAS 41, on the basis of an expected credit loss model for each segment of the portfolio with similar credit risk characteristics which considers published default rates from Standard and Poor's (S&P) and other relevant statistical measures. The amount of the expected credit loss (or reversal thereof) is recognized, if material, through surplus or deficit or through net assets or equity, as appropriate.

All other financial assets are assessed at the reporting date to determine whether there is objective evidence of impairment of an asset or group of assets. Impairment losses are recognized in surplus or deficit in the statement of financial performance in the year in which they arise and reduce the amount of the 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 the correspondent contribution agreements. Should evidence of impairment exist and the effect is quantifiable, an allowance, with the corresponding contribution revenue reduction, is recorded.

b. Financial liabilities

Financial liabilities are classified as measured at amortized cost, calculated using the effective interest rate model, or, if categorized as held for trading or as a derivative, at fair value through surplus or deficit.

Financial liabilities at fair value through surplus or deficit are measured at fair value, and net gains and losses, including any interest expense and foreign exchange gains and losses, are recognized in surplus or deficit. Any gain or loss on derecognition is also recognized in surplus or deficit.

UNFPA derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. UNFPA also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position, only when UNFPA has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Inventories

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

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

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

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

(vi) 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
Heavy machinery and equipment	5–6 years
Leasehold improvements	5 years
Buildings	30 years

(vii) Intangible assets

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

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

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

(viii) 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.

(ix) Employee benefits 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 medical expenses of eligible former staff members and their eligible dependants. The after-service health insurance liability represents the present value of the UNFPA share of medical insurance costs for present and future retirees and their eligible dependants;

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

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

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

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

United Nations Joint Staff Pension Fund

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

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

Other long-term employee benefits

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

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

(x) Revenue

UNFPA revenue comprises non-exchange and exchange transactions.

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

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

UNFPA contribution revenue falls into two distinct categories:

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

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

For both types of contributions, the revenue is recognized at the time a binding agreement exists between UNFPA and the donor, except where conditions are present in the agreement and the donor has previously enforced such conditions, including multi-year agreements. A binding agreement can take many forms, such as a formal agreement, an exchange of letters or a note verbale (individually and collectively referred to as an "agreement"). Where resources are provided subject to specific conditions as stated in the agreement and the donor has previously enforced such conditions, recognition is deferred until those conditions have been satisfied.

A revenue reduction is recognized when mutual understanding is reached between UNFPA and a donor, subsequent to receiving a written binding agreement, to reduce previously recognized unearmarked or 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 these pooled contributions is recognized at the time when resource allocations are approved through the appropriate programme governance mechanisms.

Contributions of goods in kind are recognized as revenue at their fair value on the date of signing of enforceable agreements. Valuation is determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting and personnel services received free of charge.

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

(xi) Refunds to donors

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

(xii) Expenses

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

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

(xiii) Indirect costs

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

(Percentage)

Agreement type	*Rate*
Standard co-financing agreements	8
Thematic trust funds	7
Programme governments, South-South and triangular cooperation contributions	5
Umbrella agreements	0–8

Indirect costs recovered are deducted from earmarked contributions revenue and presented under other revenue for regular resources. The amount of cost-recovery charges is shown as an expense in schedule B to demonstrate total charges to individual trust and special funds.

(xiv) 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.

(xv) 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.

(xvi) Donated rights to use

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

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

(xvii) 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.

(xviii) Related parties disclosures

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

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

(xix) 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, 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 the financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xx) Supply chain services

UNFPA provides supply chain 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 services at a standard rate of 5 per cent, presented as part of other revenue.

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

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

(xxi) 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 2022 financial statements.

(xxii) Transitional provisions

UNFPA did not apply any IPSAS transitional provisions in the year ended 31 December 2023.

(xxiii) 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 2022–2025 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.

(xxiv) Adoption of new accounting standards and changes in accounting policies

Effective 1 January 2023, UNFPA adopted IPSAS 41: Financial instruments, which establishes the new requirements for classifying, recognizing and measuring financial instruments, superseding IPSAS 29, Financial instruments: recognition and measurement.

The effect of the adoption of IPSAS 41 as from 1 January 2023 was as follows:

(a) Financial instruments held in the UNFPA post-employment benefits portfolio categorized as available for sale and measured at fair value through net assets or equity under IPSAS 29 have been categorized as hold for trading and are measured at fair value through surplus or deficit under IPSAS 41;

(b) The above-mentioned change did not impact the determination of the fair value of the different instruments held in the portfolio as at 1 January 2023, of $287.7 million under both IPSAS 29 and IPSAS 41;

(c) Unrealized investment gains or losses on financial instruments held in the portfolio, recorded as a credit or charge to net assets in line with the requirements of IPSAS 29, are now recorded through surplus or deficit, in line with the requirements of IPSAS 41;

(d) As of result of the above-mentioned change, unrealized investment losses of $59.1 million originally recorded as a charge to net assets in 2022 were reflected in the statement of financial performance, in which investment revenue was reduced by $20.2 million and presented as other revenue, and an investment loss of $38.9 million was recognized and presented under other expenses;

(e) Under IPSAS 41, credit losses on the instruments held within the UNFPA working capital investment portfolio are estimated through an expected credit loss model for each segment of the portfolio with similar credit risk characteristics, based on published default rates from S&P and other relevant statistical measures. No expected credit losses were recognized upon the adoption of IPSAS 41 as they were assessed as immaterial.

(xxv) Change in accounting estimates and errors

In accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors, the balances reported for the year ended 31 December 2022 were restated to reflect an adjustment for contribution revenue under two agreements signed in 2022 that should have been recognized as revenue in that year.

The impact of the adjustment on the 2022 financial statements is as follows:

(a) Statement of financial performance: increase of $91.1 million in unearmarked revenue and $66.8 million in earmarked revenue, and a decrease of $9.6 million for foreign currency exchange losses on contributions receivable;

(b) Statement of financial position: increase of $61.6 million and $105.9 million, respectively, in current and non-current accounts receivable balances, with a corresponding net increase in total assets of $167.5 million;

(c) Statement of net assets: increase of $96.6 million in undesignated unearmarked fund balances and $70.8 million in earmarked fund balances; this resulted in a total net adjustment of the reserves and fund balances of $167.5 million;

(d) Statement of cash flows: increase of $108.4 million in the net surplus, owing to the above-mentioned increase in revenue and surplus, and an increase of $167.5 million in the amount reported as changes in contributions receivable.

The tables below summarize the combined impact of the changes in accounting policies and corrections of errors reflected in the 2022 restated balances.

Impact on statement of financial performance

(Thousands of United States dollars)

Statement of financial performance extract	*As reported 31 December 2022*	*Adjustments*	*As restated 31 December 2022*
Contribution revenue			
Unearmarked contributions	390 918	91 072	481 990
Earmarked contributions	1 042 562	66 783	1 109 345
Total contribution revenue	**1 420 272**	**157 855**	**1 578 127**
Other revenue	**111 697**	**(20 209)**	**91 488**
Total revenue	**1 531 969**	**137 646**	**1 669 615**
Other expenses			
Losses on foreign currency exchange – contributions receivable	41 385	(9 602)	31 783
Investment loss – IPSAS 41 implementation	–	38 890	38 890
Total expenses	**1 442 843**	**29 288**	**1 472 131**
Surplus for the year	**89 126**	**108 358**	**197 484**

Impact on statement of financial position

(Thousands of United States dollars)

Statement of financial position extract	*As reported 31 December 2022*	*Adjustments*	*As restated 31 December 2022*
Current assets			
Contributions receivable	399 002	61 605	460 607
Total current assets	**1 341 258**	**61 605**	**1 402 863**
Non-current assets			
Contributions receivable	312 629	105 852	418 481
Total non-current assets	**1 285 025**	**105 852**	**1 390 877**
Total assets	**2 626 283**	**167 457**	**2 793 740**
Net assets	**2 166 365**	**167 457**	**2 333 822**
Fund balances			
Undesignated unearmarked fund balances	484 397	96 610	581 007
Undesignated earmarked fund balances	1 480 270	70 847	1 551 117
Total fund balances	**2 068 169**	**167 457**	**2 235 626**
Total reserves and fund balances	**2 166 365**	**167 457**	**2 333 822**

Impact on cash flow statement for the year ended 31 December 2022

(Thousands of United States dollars)

Cash flow statement extract	*As reported 31 December 2022*	*Adjustments*	*As restated 31 December 2022*
Cash flows from operating activities			
Surplus for the year	89 126	108 358	197 484
Investment (revenue)/loss presented as investing activities	(23 512)	59 099	35 587
Changes in assets			
Increase in contributions receivable	(23 609)	(167 457)	(191 066)
Net cash flows from operating activities	**75 971**	–	**75 971**

(xxvi) Future accounting changes

In January 2022, the IPSAS Board issued IPSAS 43: Leases, replacing IPSAS 13: Leases. The new standard no longer requires classification of leases as either finance or operating, and introduces a new requirement to recognize assets and liabilities for rights and obligations created by the lease agreements. Adoption of the new standard is likely to result in an increase in both assets and liabilities relating to leases, currently classified as operating. UNFPA will perform a thorough assessment of the impact of the new standard on its financial statements, and will adopt the standard, as required, by its effective date of 1 January 2025.

In March 2023, the IPSAS Board approved two new standards: IPSAS 47: Revenue, which is a single standard to account for revenue transactions in the public sector; and IPSAS 48: Transfer expenses. IPSAS 47 replaces the existing three revenue standards: IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). These new standards are likely to have a significant impact on UNFPA revenue recognition practices and accounting relating to implementing partner transfers. These IPSAS will be effective for periods beginning on or after 1 January 2026, which gives UNFPA sufficient time to fully assess the impact of these new standards on its financial statements.

There are other new IPSAS that will become effective in future years: IPSAS 44: Non-current assets held for sale and discontinued operations; IPSAS 45: Property, plant and equipment; IPSAS 46: Measurement; and IPSAS 49: Retirement benefit plans. The impact of the adoption of these new standards on the financial statements of UNFPA is currently being assessed to ensure their implementation on the effective dates if applicable.

Note 3
Cash and cash equivalents

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Cash		
Cash on hand	30	283
Cash at banks	12 818	24 994
Cash held in investment portfolios	8 973	12 853
Less: allowance for restricted use bank balances	(763)	(763)

	31 December 2023	31 December 2022
Cash equivalents		
Money market funds	129 817	189 595
Time deposits	30 887	136 183
Total	**181 762**	**363 145**

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

Cash held in investment portfolios represents cash held in overnight sweep accounts within the post-employment benefits investment portfolios, for subsequent investment into longer-term financial instruments or for portfolio rebalancing purposes. Note 4 provides more details on the purpose and composition of the UNFPA investment portfolios.

The allowance for restricted-use bank balances reflects expected exchange losses on foreign currency bank deposits held in one programme country.

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, liquidity risk and market risk, and the related risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

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

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Maturing within one year		
Working capital investment portfolio (at amortized cost)	613 545	421 267
Post-employment benefits investment portfolio (at fair value)	2 836	1 502
Subtotal	**616 381**	**422 769**
Maturing after one year		
Working capital investment portfolio (at amortized cost)	577 018	645 453
Post-employment benefits investment portfolio (at fair value)	334 369	286 271
Subtotal	**911 387**	**931 724**
Total	**1 527 768**	**1 354 493**

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 custodians appointed by UNDP. Securities maintained in this portfolio are classified as hold to collect cash flows and are carried at amortized cost.

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

(Thousands of United States dollars)

	31 December 2023		*31 December 2022*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	913 722	933 299	990 114	1 035 864
Commercial paper	172 312	172 264	30 657	30 856
Time deposits	85 000	85 000	–	–
Total	**1 171 034**	**1 190 563**	**1 020 771**	**1 066 720**
Of which:				
Maturing within one year	607 263	613 545	414 189	421 267
Maturing after one year	563 771	577 018	606 582	645 453
Total	**1 171 034**	**1 190 563**	**1 020 771**	**1 066 720**

In addition, the working capital investment portfolio included $160.7 million in financial instruments with maturities of three months or less (2022: $325.8 million), reported under cash and cash equivalents (see note 3).

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

(Thousands of United States dollars)

	31 December 2023		*31 December 2022*	
Bond types	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Non-United States sovereign obligations	457 146	464 295	519 995	540 004
Supranational organizations	296 553	304 393	340 506	357 415
United States government and agencies	110 539	114 627	82 834	89 958
Corporate	49 484	49 984	46 779	48 487
Total	**913 722**	**933 299**	**990 114**	**1 035 864**

In 2023, the average yield on the working capital investment portfolio increased to 2.97 per cent (2022: 1.2 per cent).

Two separate portfolios were established in 2016 and 2021, respectively, jointly with other United Nations organizations, to invest resources allocated to fund after-service health insurance liabilities and other end-of-service entitlements. Both portfolios are managed by two independent external investment managers and are governed by the same investment guidelines and a joint governance mechanism. Consistent with their purpose, the portfolios consist of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Securities and equities held in these portfolios are classified as hold for trading and are measured at fair value through surplus or deficit, with gains and losses, both realized and unrealized, recognized in surplus or deficit.

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

(Thousands of United States dollars)

	31 December 2023		*31 December 2022 (restated)*	
	Market value	*Base cost*	*Market value*	*Base cost*
Fixed-income securities	135 103	143 999	115 690	133 427
Equities	202 102	173 576	172 083	175 643
Total	**337 205**	**317 575**	**287 773**	**309 070**
Of which:				
Fixed-income securities maturing within one year	2 836	2 863	1 502	1 540
Fixed-income securities maturing after one year and equities	334 369	314 712	286 271	307 530
Total	**337 205**	**317 575**	**287 773**	**309 070**

In addition, the after-service health insurance investment portfolios included $9.0 million in cash and financial instruments with maturities of three months or less (2022: $12.9 million), reported under cash and cash equivalents (see note 3).

The after-service health insurance and end-of-service entitlements portfolios are each managed by the two separate investment managers. They earned annual net returns (after deducting investment managers' fees) of 13.86 per cent and 14.00 per cent (after-service health insurance portfolios) and of 16.66 per cent and 16.97 per cent (end-of-service entitlements portfolios), compared to negative returns ranging between 14.25 per cent and 14.46 per cent in 2022.

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 2023, $593.6 million were restricted in use as follows (2022: $523.6 million):

	Reference	*Amount*
Funds held by UNFPA on behalf of joint programmes in the capacity of administrative agent	Note 10	$20.1 million
Funding for employee benefits liabilities[a]	Note 12	$453.0 million
Operational reserve	Note 14	$76.7 million
Humanitarian response reserve	Note 14	$5.5 million
Reserve for field accommodation	Note 14	$5.0 million
Balance of the private endowment trust	Note 14	$33.3 million

[a] Including the investments held in the post-employment benefits investment portfolios.

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

(Thousands of United States dollars)

	Bonds		*Commercial paper*		*Time deposits*		*Total*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
Opening balance	**1 035 864**	**872 316**	**30 856**	**224 904**	**–**	**50 000**	**1 066 720**	**1 147 220**
Add: purchases	289 330	385 113	175 000	85 420	85 000	70 000	549 330	540 533
Less: maturities	(390 968)	(220 557)	(30 856)	(280 000)	–	(120 000)	(421 824)	(620 557)
Amortization	(927)	(1 008)	(2 736)	532	–	–	(3 663)	(476)
Closing balance	**933 299**	**1 035 864**	**172 264**	**30 856**	**85 000**	**–**	**1 190 563**	**1 066 720**

The movements of investments within the post-employment benefits investment portfolios were as follows:

(Thousands of United States dollars)

	Fixed-income securities		*Equities*		*Total*	
	2023	*2022 (restated)*	*2023*	*2022 (restated)*	*2023*	*2022 (restated)*
Opening balance	**115 690**	**124 213**	**172 083**	**211 655**	**287 773**	**335 868**
Add: purchases	37 822	28 975	83 365	74 295	121 187	103 270
Less: maturities	(1 230)	(1 548)	(7)	–	(1 237)	(1 548)
Less: sales	(26 208)	(18 667)	(85 426)	(70 872)	(111 634)	(89 539)
Amortization	189	282	–	–	189	282
(Loss)/gain in fair value recognized in:						
Surplus/(deficit)	8 840	(17 565)	32 087	(42 995)	40 927	(60 560)
Closing balance	**135 103**	**115 690**	**202 102**	**172 083**	**337 205**	**287 773**

Following the implementation of IPSAS 41 as from 1 January 2023, all gains and losses, both realized and unrealized, arising from changes in the fair value of the securities and equities held in the post-employment benefits investment portfolios are recognized in surplus or deficit (figures for 2022 have been restated accordingly). Previously, in line with IPSAS 29, unrealized investment gains and losses were reflected in net assets.

Note 5
Contributions receivable and other receivables

(a) Contributions receivable

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022 (restated)*
Non-exchange transactions		
Contributions receivable (current)	640 244	460 307
Unearmarked resources	174 103	109 129
Earmarked resources	466 141	351 178

	31 December 2023	*31 December 2022 (restated)*
Contributions receivable (non-current)	325 846	418 481
Unearmarked resources	141 355	204 721
Earmarked resources	184 491	213 760
Exchange transactions		
Contributions receivable (current)	1 311	300
Total	**967 401**	**879 088**

Owing to the change in the accounting policy for revenue in 2022, contributions receivable from unearmarked and earmarked resources represent either amounts committed in current and prior years but not yet collected by the end of the reporting period or amounts to be collected in future years, mainly in relation to multi-year donor agreements. Commitments in multi-year agreements for regular resources that will be received in future years are now recorded as contributions receivable at the time the agreement is binding, even where the commitments are intended for a future year.

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

Ageing analysis

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

(Thousands of United States dollars)

	31 December 2023		*31 December 2022 (restated)*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2019 and prior	–	529	33	529
2020	19	–	74	–
2021	10	–	62	–
2022	119	18 120	2 280	5 569
2023	346	97 550	–	–
Contributions receivable as at 31 December	**494**	**116 199**	**2 449**	**6 098**
Contributions receivable not yet due as at 31 December	314 983	539 863	311 443	563 936
Allowance for doubtful contributions receivable	(19)	(4 119)	(42)	(4 796)
Total	**315 458**	**651 943**	**313 850**	**565 238**

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

Allowance for doubtful contributions receivable

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

(Thousands of United States dollars)

	2023	*2022*
Allowance at 1 January	**(4 838)**	**(6 966)**
Contributions receivable for which collection is now considered doubtful	(10)	(19)
Contributions receivable written off	33	12
Recoveries and reversals for contributions receivable for which collection was previously considered doubtful	677	2 135
Allowance at 31 December	**(4 138)**	**(4 838)**

(b) Other receivables

Other receivables as at the reporting date were as follows:

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Accrued dividends	227	262
Accrued interest	9 812	5 079
Advances to staff	892	503
Balance receivable from United Nations organizations	14 757	3 586
Receivables from procurement activities	16 975	3 757
Recoverable value added/sales taxes	5 228	4 614
Refunds due from implementing partners	6 883	7 076
Miscellaneous accounts receivable	10 727	6 596
Less: allowance for doubtful other receivables	(1 836)	(2 976)
Total other receivables	**63 665**	**28 497**

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

(Thousands of United States dollars)

	2023	*2022*
Allowance at 1 January	**(2 976)**	**(2 676)**
Other receivables for which collection is now considered doubtful	(145)	(1 645)
Other receivables written off	–	643
Recoveries and reversals of other receivables for which collection was previously considered doubtful	1 285	702
Allowance at 31 December	**(1 836)**	**(2 976)**

Note 6
Operating fund advances, prepayments and other assets

(a) Operating fund advances

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Governments	3 585	4 557
Intergovernmental institutions and non-governmental organizations	13 828	10 674
United Nations organizations	5 852	7 804
Less: allowance for doubtful advances	(1 038)	(948)
Total	**22 227**	**22 087**

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

(Thousands of United States dollars)

	2023	*2022*
Allowance at 1 January	**(948)**	**(1 150)**
Advances for which collection is now considered doubtful	(412)	(9)
Advances written off	–	–
Recoveries and reversals for advances for which collection was previously considered doubtful	322	211
Allowance at 31 December	**(1 038)**	**(948)**

(b) Prepayments and other assets

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Current		
Unamortized education grant benefits	3 003	3 922
Prepayment of contributions to the resident coordinator system	3 870	3 870
Other prepayments	14 370	8 664
Total current	**21 243**	**16 456**
Non-current		
Other assets	24	18
Total non-current	**24**	**18**
Total prepayments and other assets	**21 267**	**16 474**

Note 7
Inventories

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Reproductive health and other programme-related supplies:	104 752	86 444
In transit	49 132	51 917
In stock	55 620	34 527
Property, plant and equipment-like inventories in transit	1 798	3 167
Provisions for impairment losses	(3 013)	(309)
Total	**103 537**	**89 302**

Inventory movements were as follows:

(Thousands of United States dollars)

	2023	*2022*
Inventories held as at 1 January	**89 302**	**78 277**
Additions	275 803	213 560
Issues	(258 415)	(202 395)
Provisions for impairment losses	(2 704)	350
Inventory adjustments and write-downs	(449)	(490)
Inventories held as at 31 December	**103 537**	**89 302**

The provision for impairment losses as at 31 December 2023 includes a $2.3 million component for potential losses on stocks of reproductive health commodities and other programme supplies held at warehouses located in a programme country affected by an internal conflict that could not be accessed by UNFPA personnel in the normal course of operations for distribution to the intended beneficiaries.

Note 8
Property, plant and equipment

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

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Machinery and equipment*		*Assets under construction and not yet available for use*		*Total*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
Cost																		
As at 1 January	227	227	13 571	13 507	4 294	4 448	22 864	22 764	36 742	35 884	9 850	9 504	–	–	2 059	962	89 607	87 296
Additions	–	–	1 845	64	223	326	3 482	3 283	3 711	3 068	757	529	196	–	1 528	1 570	11 742	8 840
Disposals	–	–	(60)	–	(81)	(466)	(2 155)	(3 407)	(2 219)	(2 434)	(49)	(224)	(55)	–	–	–	(4 619)	(6 531)
Impairment reversal/ (impairment)	–	–	–	–	(11)	–	(15)	(4)	(407)	–	(117)	–	(5)	–	–	–	(555)	(4)
Adjustments/reclassifications	–	–	620	–	(1 886)	(14)	(129)	228	–	224	(956)	41	2 467	–	(1 996)	(473)	(1 880)	6
As at 31 December	**227**	**227**	**15 976**	**13 571**	**2 539**	**4 294**	**24 047**	**22 864**	**37 827**	**36 742**	**9 485**	**9 850**	**2 603**	**–**	**1 591**	**2 059**	**94 295**	**89 607**
Accumulated depreciation																		
As at 1 January	–	–	4 747	4 295	3 024	3 156	14 205	14 720	25 140	24 498	7 976	7 278	–	–	–	–	55 092	53 947
Depreciation charges	–	–	331	452	154	303	2 764	2 619	3 252	2 980	781	915	193	–	–	–	7 475	7 269
Disposals	–	–	(53)	–	(70)	(427)	(1 934)	(3 191)	(1 907)	(2 307)	(47)	(199)	(49)	–	–	–	(4 060)	(6 124)
Adjustments/reclassifications	–	–	436	–	(1 461)	(8)	18	57	50	(31)	(905)	(18)	1 942	–	–	–	80	–
As at 31 December	**–**	**–**	**5 461**	**4 747**	**1 647**	**3 024**	**15 053**	**14 205**	**26 535**	**25 140**	**7 805**	**7 976**	**2 086**	**–**	**–**	**–**	**58 587**	**55 092**
Net book value as at 1 January	**227**	**227**	**8 824**	**9 212**	**1 270**	**1 292**	**8 659**	**8 044**	**11 602**	**11 386**	**1 874**	**2 226**	**–**	**–**	**2 059**	**962**	**34 515**	**33 349**
Net book value as at 31 December	**227**	**227**	**10 515**	**8 824**	**892**	**1 270**	**8 994**	**8 659**	**11 292**	**11 602**	**1 680**	**1 874**	**517**	**–**	**1 591**	**2 059**	**35 708**	**34 515**

Assets under construction and not yet available for use pertain primarily to lease improvements and to property, plant and equipment items in transit to field locations as at the reporting date. Most fixed assets under construction and not yet available for use as at the end of 2022 were placed in service in 2023 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2023 was $0.5 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2023 was $1.6 million (2022: $0.6 million). As at 31 December 2023, the cost of fully depreciated property, plant and equipment items which were still in use amounted to $35.3 million (2022: $30.1 million).

Note 9
Intangibles

Intangible assets movements and balances were as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
Cost								
As at 1 January	338	815	2 912	1 284	4 439	4 891	7 689	6 990
Additions	–	32	1 245	1 642	454	1 597	1 699	3 271
Disposals	–	(509)	–	(14)	–	–	–	(523)
Impairment	–	–	–	–	–	–	–	–
Adjustments/reclassifications	–	–	3 547	–	(3 547)	(2 049)	–	(2 049)
As at 31 December	**338**	**338**	**7 704**	**2 912**	**1 346**	**4 439**	**9 388**	**7 689**
Accumulated amortization								
As at 1 January	210	654	1 340	950	–	–	1 550	1 604
Amortization charges	69	64	778	390	–	–	847	454
Disposals	–	(508)	–	–	–	–	–	(508)
As at 31 December	**279**	**210**	**2 118**	**1 340**	**–**	**–**	**2 397**	**1 550**
Net book value as at 1 January	**128**	**161**	**1 572**	**334**	**4 439**	**4 891**	**6 139**	**5 386**
Net book value as at 31 December	**59**	**128**	**5 586**	**1 572**	**1 346**	**4 439**	**6 991**	**6 139**

The software internally developed and capitalized in 2023 for $4.8 million includes a cost of $3.1 million for the UNFPA Egypt office to produce 33 television episodes which will serve the core activities and programmatic objectives of UNFPA, $1.0 million to build Quantum Plus, a new integrated results and resources management platform, $0.6 million to finalize and launch version 2 of the platform for the population data portal, and $0.1 million to build a humanitarian supplies e-learning tool. Of the $4.8 million, $3.5 million was capitalized in the previous years as intangible assets under development.

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

In January 2023, UNFPA implemented a new, functionally integrated, cloud-based enterprise resource planning system as part of a consortium with other United Nations organizations. None of the costs incurred met the capitalization criteria and were expensed during the year. An additional $1.3 million in research costs were incurred for other projects (consisting of $0.8 million to Quantum Plus and $0.5 million to the population data portal) and expensed in 2023.

As at 31 December 2023, UNFPA had no material commitment for purchases of intangible assets (2022: nil). The cost of fully amortized intangible assets, still in use by the end of 2023, amounted to $1.0 million (2022: $0.9 million), corresponding primarily to the licence for a suite of office productivity applications and internally generated applications.

Note 10
Accounts payable and accruals

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Accounts payable	23 524	2 862
Accrued liabilities	32 525	30 145
Advances for procurement activities	23 303	19 021
Funds held on behalf of joint programmes	20 126	13 699
Reimbursements due to implementing partners and payables on their behalf	29 247	18 561
Payables for purchases of investment portfolio securities	70	–
Refunds due to donors	22 946	13 571
Total	**151 741**	**97 859**

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

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

Note 11
Finance leases

As at 31 December 2023, UNFPA had one finance lease agreement for an office building in one programme country. In 2023, UNFPA did not make any leasing payments for those premises, as its obligations under the agreement were fulfilled in previous years.

Note 12
Employee benefits

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Current		
Short-term employee benefits		
Accumulated annual leave	36 928	34 305
Accumulated home leave	3 719	3 684
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff)[a]	1 123	909
Repatriation benefits (active staff)	4 767	3 352
After-service health insurance	4 963	4 858
Workers' compensation	61	58
Total current	**51 561**	**47 166**
Non-current		
Post-employment and other long-term employee benefits		
Repatriation benefits (active staff)	30 260	26 370
After-service health insurance	269 006	273 510
Workers' compensation	1 076	959
Total non-current	**300 342**	**300 839**
Total employee benefits liabilities	**351 903**	**348 005**

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

Short-term employee benefits

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

Accumulated annual leave

This liability represents the amount of annual leave days accrued by staff members as at the reporting date, which can be utilized as compensated time in future periods. The liability is accrued as service is rendered based on effective daily salary rates, without discounting.

Accumulated home leave

This liability represents the accumulated amount as at the reporting date of anticipated travel costs for eligible staff and their dependants for their next home leave. 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 Staff Regulations and Rules of the United Nations, 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 on 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 and the worldwide health insurance plan, both administered by the United Nations, and the Medical Insurance Plan, administered by UNDP.

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

Workers' compensation

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

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

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

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

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

UNFPA normally performs a 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 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.

2023 actuarial valuation

Summary of main assumptions

The post-employment employee benefits liabilities as at 31 December 2023 were established on the basis of full actuarial valuation results.

Key assumptions used for the valuation purposes were as follows:

(Percentage)

	After-service health insurance		*Repatriation benefits (active staff)*		*Workers' compensation*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*
Single equivalent discount rate	4.81	5.34	4.95	5.10	4.85	5.35
Annual salary increase			4.07–9.37	3.97–9.27		
Travel cost increase			2.30	2.40		
Cost-of-living adjustment					2.30	2.50

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

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

	2023			*2022*		
Plan	*Initial (percentage)*	*Final (percentage)*	*Grade down (years)*	*Initial (percentage)*	*Final (percentage)*	*Grade down (years)*
United States, non-Medicare	8.00	3.65	7	6.50	3.85	9
United States, Medicare	7.40	3.65	7	6.50	3.85	9
United States, dental	3.65	3.65	None	6.50	3.85	9
Non-United States – Switzerland	8.00	2.35	4	4.25	2.55	6
Non-United States – eurozone	7.70	3.95	12	5.20	4.15	11

Per capita medical claims costs were estimated on the basis of actual claims and enrolment experience for the period 2018–2022 observed across all plans, except for the United Nations Staff Mutual Insurance Society against Sickness and Accident, which uses the 2018–2020 experience, and the UNDP Medical Insurance Plan, which uses the 2016–2020 experience provided by the third-party administrators.

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

(Percentage)

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

2023 actuarial valuation results

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

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Workers' compensation*	*2023*	*2022*
As at 1 January	**278 368**	**29 722**	**1 017**	**309 107**	**405 575**
Current service cost	9 080	1 189	83	10 352	18 253
Net interest	14 752	1 428	39	16 219	12 996
Benefits paid	(4 210)	(2 038)	(55)	(6 303)	(6 482)
Actuarial (gains)/losses arising from:					
Changes in financial assumptions	(6 300)	449	10	(5 841)	(118 999)
Changes in demographic assumptions	(8 103)	(143)	1	(8 245)	–
Experience adjustments	(9 618)	4 420	42	(5 156)	(2 236)
As at 31 December	**273 969**	**35 027**	**1 137**	**310 133**	**309 107**

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

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

Benefits paid reflect the employer share of health insurance premiums and the repatriation benefits and workers' compensation benefits paid by UNFPA during the year. They are recorded as reductions to the liability. Differences between actual and actuarially estimated benefits paid are classified as a remeasurement of the net defined benefit liability arising from experience adjustments and are recognized in net assets.

Based on actuarial estimates, benefits to be paid by UNFPA during the next reporting period will amount to $5.13 million for after-service health insurance, $4.93 million for repatriation benefits and $0.07 million for workers' compensation benefits.

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

Actuarial gains and losses on post-employment benefits are recognized in net assets. In 2023, an actuarial gain was recorded on after-service health insurance owing primarily to the update of the per capita claims assumptions resulting in lower per capita claims for certain medical plans. This gain was partially offset by an actuarial loss owing to a marginal decrease in the interest rates used to calculate the net present value of the benefits, and changes in the currency mix of the claims submitted by beneficiaries. Changes in the accumulated actuarial gains and losses were as follows:

(Thousands of United States dollars)

	After-service health insurance (net)	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2022	(65 812)	7 878	(57 934)
(Gain) for current period	(24 021)	4 726	(19 295)
As at 31 December 2023	**(89 833)**	**12 604**	**(77 229)**

Actuarial gains and losses on workers' compensation are recognized in surplus or deficit for the year. The actuarial loss recorded in 2023 originated primarily from the decrease in the discount rate used.

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Gross liability	433 485	427 767
Offset from payments made by plan participants	(159 516)	(149 399)
Net liability	**273 969**	**278 368**

The weighted average duration of the defined benefit obligations as at 31 December 2023 was 21 years for after-service health insurance, 8 years for repatriation benefits and 12 years for workers' compensation (2022: 20 years, 8 years and 22 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	(24 849)		(1 099)	(60)
0.50 per cent decrease	28 560		1 174	66
Health-care cost trend rate				
0.50 per cent increase	27 814	2 895		
0.50 per cent decrease	(24 445)	(2 488)		
Cost-of-living adjustment rate				
0.50 per cent increase				70
0.50 per cent decrease				(64)

Funding for employee benefits liabilities

Funding allocated for employee benefits liabilities in 2023 increased by $75.0 million (2022: decrease of $28.0 million), as detailed below:

(a) Net investment gain of $48.6 million generated by funds set aside for funding of employee benefits liabilities (2022: loss of $48.8 million);

(b) Payroll charges for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave of $26.4 million (2022: $20.8 million).

(Thousands of United States dollars)

Employee benefits liabilities	*Accrued liability*	*Funding*	*Unfunded liability*
After-service health insurance	273 969	372 082	(98 113)
Repatriation benefits	36 150	36 150	–
Annual leave	36 928	41 149	(4 221)
Home leave	3 719	3 841	(122)
Workers' compensation	1 137	(273)	1 410
Total	**351 903**	**452 949**	**(101 046)**

As at 31 December 2023, resources allocated to fund employee benefits liabilities other than workers' compensation exceed the liability amounts by $102.5 million (2022: by $28.7 million). This high funding ratio is partially attributable to the high interest rates used in the actuarial valuations in 2022 and 2023, the changes in per capita claim amounts and demographic assumptions, and the experience adjustments reflected in the 2023 valuation, as well as the positive rate of return on the investment portfolio achieved for 2023 and the strategy put in place by UNFPA to fund employee benefits liabilities.

The funding level is highly sensitive to future trends and events that affect the key financial assumptions used for the measurement of the liabilities, and the excess funding level is expected to reverse once fiscal policies for inflation change and global interest rates reduce, which will increase the liability amounts. UNFPA will continually monitor the situation to ensure that liabilities remain fully funded, as far as possible, without the build-up of any surpluses.

Changes in the unfunded liabilities were as follows:

(Thousands of United States dollars)

	31 December 2022	*Increase/ (decrease) in liability*	*Net increase/ (decrease) in funding*	*31 December 2023*
	Unfunded liability			*Unfunded liability*
After-service health insurance	(31 415)	(4 399)	62 299	(98 113)
Repatriation benefits	237	5 520	5 757	–
Annual leave	–	2 623	6 844	(4 221)
Home leave	–	35	157	(122)
Workers' compensation	1 233	120	(57)	1 410
Total	**(29 945)**	**3 899**	**75 000**	**(101 046)**

Pension benefits

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

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

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

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

The latest actuarial valuation for the Pension Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed.

The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation).

The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not 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 2021, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, the deficiency payments required from participating organizations would be proportionate to their contributions paid during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2020, 2021 and 2022) amounted to $8,937.68 million, of which $126.5 million (1.42 per cent) was contributed by UNFPA.

During 2023, contributions paid to the Pension Fund by UNFPA amounted to $48.3 million (2022: $44.2 million). Estimated contributions to be paid in 2024 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 on the basis of an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets that are in excess of the liabilities will be included in the amount.

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

Note 13
Other current and non-current liabilities and deferred revenue

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

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Current		
Other current liabilities	6 683	3 534
Deferred revenue	7 347	4 755
Derivative liabilities	1 590	2 510
Total current	**15 620**	**10 799**
Non-current		
Deferred revenue	3 074	3 255
Total non-current	**3 074**	**3 255**
Total other liabilities and deferred revenue	**18 694**	**14 054**

Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar, amounting to $3.1 million, most of which are classified as non-current), and contributions to regular and other resources received in advance or due for reimbursement to UNFPA following the incurrence of qualifying costs ($7.4 million).

Note 14
Unearmarked resources – movements in reserves and fund balances

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

(Thousands of United States dollars)

	Undesignated funds		*Designated funds*							*Reserves*			*2023*	*2022 (restated)*
	Programmable fund balance	*After-service health insurance and employee benefits fund*	*Supply chain services*	*Cost-recovery above budget*	*Comprehensive resources review*	*Information and communications technology transformation*	*Programme continuity fund*	*Private endowment trust fund*	*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))*	*(Note 14 (k))*		
Balance as at 1 January	**454 451**	**29 946**	**7 019**	**49 166**	**221**	**8 296**	**5 000**	**33 800**	**587 899**	**87 696**	**5 500**	**5 000**	**686 095**	**371 619**
Prior-year adjustment	96 612	–	–	–	–	–	–	–	96 612	–	–	–	96 612	287 512
Adjusted balance as at 1 January	**551 063**	**29 946**	**7 019**	**49 166**	**221**	**8 296**	**5 000**	**33 800**	**684 511**	**87 696**	**5 500**	**5 000**	**782 707**	**659 131**
Net excess/(shortfall) of revenue over expenses	9 984	51 805	–	–	–	(1 435)	–	(542)	59 812	–	–	(2 703)	57 109	335
Resource allocations and transfers														
Operational reserve	11 019	–	–	–	–	–	–	–	11 019	(11 019)	–	–	–	–
Reserve for field accommodation	(2 703)	–	–	–	–	–	–	–	(2 703)	–	–	2 703	–	–
Other transfers	(11 336)	–	(116)	17 667	(221)	–	–	–	5 994	–	–	–	5 994	2 252
Adjustments to resource balances									–					
Actuarial gain/(loss) on employee benefits liabilities	–	19 295	–	–	–	–	–	–	19 295	–	–	–	19 295	120 987
Balance as at 31 December	**558 027**	**101 046**	**6 903**	**66 833**	**–**	**6 861**	**5 000**	**33 258**	**777 928**	**76 677**	**5 500**	**5 000**	**865 105**	**782 705**
Net total		**659 073**						**118 855**				**87 177**		

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 2023, the programmable fund balance amounted to \$558.0 million, of which \$96.6 million was due to the prior-year adjustment in the revenue. The programmable fund balance available for programming in future years amounted to \$197.1 million, after further 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.

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

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

Designated funds

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

(c) Supply chain services fund

The supply chain services fund (formerly called the "procurement services fund") reflects the surplus from supply chain services charges set aside to cover the cost of activities undertaken by the Supply Chain Management Unit 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 supply chain activities. In 2023, \$5.9 million of supply chain services charges was transferred to this fund, and \$6.0 million was transferred out of the fund to programmable regular resources, referenced in note 14 (a).

(d) Cost-recovery above budget

Cost-recoveries above 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 2023, cost recoveries above budget amounted to \$20.2 million, of which \$2.5 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. In 2023, the fund was discontinued and transferred to the programmable fund balance.

(f) Information and communications technology transformation

As part of the implementation of the ICT transformation, the new enterprise resource planning system referred to as "Quantum" was launched in January 2023, followed by the launch of an integrated and internally designed results and resources planning system referred to as "Quantum Plus" in December 2023. The closing balance of the ICT transformation fund in 2022, amounting to $8.3 million, was maintained to fund the completion of the ICT transformation in 2023 in line with the information technology strategy. During 2023, eligible expenses of $1.4 million were charged to this fund. While the original ICT transformation project was closed with the launch of the new enterprise resource planning system and results and resources planning system in 2023, the unspent balances will be carried forward and progressively utilized for further enhancements and the development of new systems.

(g) Programme continuity fund

In 2018, UNFPA allocated $5.0 million to a designated fund, operating on a revolving basis, to pre-finance development programme activities ahead of the receipt of funds committed in signed co-financing agreements. The fund balance remained unchanged as at 31 December 2023.

(h) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $33.3 million comprises the opening principal of $33.8 million plus net cumulative interest earned of $0.7 million, less eligible expenses of $1.2 million during 2023. 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 the UNFPA Financial Regulations and Rules or on the basis of Executive Board decisions.

(i) 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 decreased by $11.0 million in 2023 to adjust it to 20 per cent of regular resources contributions received in that year, on the basis of net contribution revenue received. This is to ensure that the reserve level can be held in irrevocable and immediately available liquid assets, as required under the Financial Regulations and Rules.

Under the modified accounting policy, revenue for regular resources is recorded on the basis of binding arrangements, including for multi-year agreements where contributions may not be received for several years. If the modified revenue recognition policy were used as the basis for determining the level of the operational reserve, there would be significant fluctuations in the reserve annually as it would be dependent on the timing of when agreements were signed, not the receipt of contributions. As such, funding the reserve in liquid assets would be challenging when revenue has been recorded but contributions will not be received for several years.

(j) Humanitarian response reserve

The humanitarian response reserve was established by the Executive Board to pre-finance programme activities before the funding committed in signed donor agreements is received. Throughout 2023, it was used to provide pre-financing of humanitarian activities for a total amount of $13.1 million (2022: $25.0 million).

(k) Reserve for field accommodation

This reserve was established by the Executive Board for the purpose of financing the UNFPA share of construction costs for common premises. Qualifying expenses of $2.7 million were charged to the reserve, and the same amount was replenished, in 2023, bringing its balance back to the $5.0 million level approved by the Executive Board.

Note 15
Contribution revenue

Contribution revenue for the reporting period was as follows:

(Thousands of United States dollars)

	2023	*2022 (restated)*
Unearmarked (core) contributions	364 139	481 990
Less: transfer to other revenue of income tax reimbursements	(4 181)	(5 466)
Subtotal	**359 958**	**476 524**
Contributions earmarked for:		
Co-financing	1 011 418	1 105 118
Junior Professional Officers	3 691	3 803
Contributions in kind	32	424
Less: refunds to donors	(33 139)	(9 877)
Net movement in allowance for doubtful contributions receivable	677	2 135
Subtotal	**982 679**	**1 101 603**
Total	**1 342 637**	**1 578 127**

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 $75.1 million (2022: $66.1 million), which are shown in note 16, under cost-recovery charges and fees for support services.

Note 16
Other revenue

Other revenue for the reporting period was as follows:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2023	*2022 (restated)*	*2023*	*2022*	*2023*	*2022 (restated)*
Cost-recovery charges and fees for support services	74 886	65 878	3 785	3 053	78 671	68 931
Investment revenue	82 692	–	6 100	3 303	88 792	3 303
(Losses)/gains on foreign currency exchange – contributions receivables[a]	22 368	–	9 991	–	32 359	–
(Losses)/gains on foreign currency exchange – others	5 742	39	2 819	2 860	8 561	2 899
Premises occupancy based on donated rights to use	6 056	5 553	–	–	6 056	5 553
Income tax reimbursements	4 181	5 466	–	–	4 181	5 466
Revenue from sale of UNFPA inventories	–	–	2 142	3 193	2 142	3 193

	Unearmarked resources		Earmarked resources		Total	
	2023	2022 (restated)	2023	2022	2023	2022 (restated)
Miscellaneous revenue	1 046	1 136	844	1 007	1 890	2 143
Total	**196 971**	**78 072**	**25 681**	**13 416**	**222 652**	**91 488**

[a] In 2022, UNFPA recognized foreign currency exchange losses on contributions receivable, which are presented under 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 supply chain services handling fees.

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	Unearmarked resources		Earmarked resources		Total	
	2023	2022 (restated)	2023	2022	2023	2022 (restated)
Interest revenue	41 624	15 689	6 100	3 303	47 724	18 992
Dividend revenue	2 714	2 749	–	–	2 714	2 749
Realized gain/(loss) on sale of investments	(1 311)	1 771	–	–	(1 311)	1 771
Unrealized gain on investments	39 665	(20 209)	–	–	39 665	(20 209)
Total	**82 692**	**–**	**6 100**	**3 303**	**88 792**	**3 303**

The 2022 other revenue balance under the unearmarked resources was restated and set to zero following the adoption of IPSAS 41 to net off $20.2 million of unrealized investment losses, out of a total adjustment of $59.1 million, originally recorded as a charge to net assets in that year in line with the previous accounting standard used (IPSAS 29). The remaining balance of unrealized losses of $38.9 million has been reflected under other expenses.

Revenue and expense in the amount of $6.1 million were recognized in 2023 (2022: $5.6 million) for donated right-to-use arrangements equivalent to the annual rental value for similar premises (for operating lease-similar arrangements) or annual depreciation charges (for finance lease-similar arrangements).

Note 17
Expenses by implementing agent

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

(Thousands of United States dollars)

	2023	2022 (restated)
Total of activities implemented by partners, of which:	496 971	487 797
Governments	87 952	104 911
Non-governmental organizations	394 062	363 786
United Nations organizations	14 957	19 100
Activities implemented by UNFPA	1 013 447	984 334
Total expenses	**1 510 418**	**1 472 131**

In 2023, 37.2 per cent of programme activities were implemented by governments and non-governmental organizations (2022: 38.6 per cent (restated)). 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)

	2023	*2022*
Reproductive health and other programme-related supplies	21 062	22 217
Cash assistance programmes	5 681	9 334
Development and training of counterparts	146 833	145 641
Supplies, materials and operating costs	116 997	110 391
Staff costs and contracted services	186 625	176 672
Finance costs	703	547
Travel	16 855	20 365
Other expenses	2 215	2 630
Total expenses	**496 971**	**487 797**

Note 18
Expenses by nature

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

(Thousands of United States dollars)

	2023	*2022 (restated)*
Staff costs		
Staff salaries	223 995	209 726
Pension contributions	48 329	44 211
Other employee benefit costs	108 052	96 733
Subtotal, staff costs	**380 376**	**350 670**
Reproductive health and other programme-related supplies		
Reproductive health supplies	214 850	170 290
Other programme-related supplies	61 657	45 115
Subtotal, reproductive health and other programme-related supplies	**276 507**	**215 405**
Cash assistance programmes	6 001	9 725
Subtotal, cash assistance programmes	**6 001**	**9 725**
Development and training of counterparts	162 534	168 967
Subtotal, development and training of counterparts	**162 534**	**168 967**
Supplies, materials and operating costs		
Supplies and materials	39 992	49 343
Rent, repairs and maintenance	70 531	58 960

	2023	*2022 (restated)*
Printing, publications and media	31 608	35 365
Transportation and distribution	46 322	60 182
Other operating costs	69 662	62 372
Subtotal, supplies, materials and operating costs	**258 115**	**266 222**
Contracted and professional services		
Contracted and professional services with individuals	258 857	231 789
Contracted and professional services with companies	70 898	69 884
United Nations Volunteers expenses	8 547	7 572
Subtotal, contracted and professional services	**338 302**	**309 245**
Finance costs (mainly bank charges)	1 315	1 123
Subtotal, finance costs	**1 315**	**1 123**
Travel	67 768	59 924
Subtotal, travel	**67 768**	**59 924**
Depreciation and amortization		
Depreciation	7 475	7 269
Amortization	847	454
Subtotal, depreciation and amortization	**8 322**	**7 723**
Impairment losses and reversals of impairment losses	620	60
Subtotal, impairment and reversals of impairment losses	**620**	**60**
Other expenses		
Premises occupancy based on donated right to use	5 875	5 373
Losses on foreign currency exchange – contributions receivable[a]	–	31 783
Losses on foreign currency exchange – others	2 123	5 935
Unrealized investment loss – IPSAS 41 implementation impact	–	38 890
Doubtful accounts expenses and write-offs	2 335	869
Transfers and (gains)/losses on disposal of property, plant and equipment and intangible assets	(69)	(194)
Other	294	411
Subtotal, other expenses	**10 558**	**83 067**
Total expenses	**1 510 418**	**1 472 131**

[a] In 2023, UNFPA recognized foreign currency exchange gains on contributions receivable, which are presented under other revenue.

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

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

(Thousands of United States dollars)

	Programme activities			*Total*	
	Unearmarked	*Earmarked*	*Institutional budget*	*2023*	*2022 (restated)*
East and Southern Africa					
Country/territory activities					
Angola	2 376	2 151	1 166	5 693	5 787
Botswana	933	320	330	1 583	1 812
Burundi	2 675	3 105	749	6 529	6 407
Comoros	732	471	126	1 329	1 696
Democratic Republic of the Congo	9 117	35 481	924	45 522	37 884
Eritrea	486	342	658	1 486	1 226
Eswatini	824	418	311	1 553	1 701
Ethiopia	5 630	33 703	1 043	40 376	32 341
Kenya	3 718	6 206	941	10 865	7 978
Lesotho	748	452	282	1 482	2 024
Madagascar	3 504	5 150	704	9 358	10 752
Malawi	2 660	14 428	828	17 916	16 522
Mauritius	220	27	–	247	331
Mozambique	4 450	20 039	1 072	25 561	31 214
Namibia	1 080	626	564	2 270	2 296
Rwanda	2 502	4 457	776	7 735	8 551
Seychelles	69	9	–	78	164
South Africa	1 551	948	260	2 759	3 291
South Sudan	3 337	19 541	2 105	24 983	27 990
Uganda	4 616	18 353	983	23 952	23 628
United Republic of Tanzania	4 859	7 172	1 023	13 054	24 479
Zambia	2 286	2 616	944	5 846	9 333
Zimbabwe	2 315	7 460	817	10 592	12 338
Subtotal	**60 688**	**183 475**	**16 606**	**260 769**	**269 745**
Regional activities	4 567	8 138	2 899	15 604	14 485
Total	**65 255**	**191 613**	**19 505**	**276 373**	**284 230**
West and Central Africa					
Country/territory activities					
Benin	2 170	6 218	1 132	9 520	7 972
Burkina Faso	4 832	8 257	1 178	14 267	15 364
Cabo Verde	804	–	333	1 137	11 965
Cameroon	3 664	4 822	1 092	9 578	1 347
Central African Republic	3 020	3 375	1 280	7 675	6 715

	Programme activities			*Total*	
	Unearmarked	*Earmarked*	*Institutional budget*	*2023*	*2022 (restated)*
Chad	4 315	7 573	1 180	13 068	11 229
Congo	1 900	1 000	738	3 638	3 064
Côte d'Ivoire	2 986	5 225	1 078	9 289	10 115
Equatorial Guinea	776	54	707	1 537	1 586
Gabon	900	51	587	1 538	2 090
Gambia	900	2 034	369	3 303	4 278
Ghana	2 506	3 181	1 040	6 727	8 530
Guinea	2 559	3 576	1 104	7 239	6 414
Guinea-Bissau	1 124	1 106	608	2 838	2 433
Liberia	1 380	4 407	1 119	6 906	13 419
Mali	3 749	10 057	1 149	14 955	17 643
Mauritania	1 278	1 340	802	3 420	3 055
Niger	3 310	9 510	1 138	13 958	13 339
Nigeria	7 649	9 343	908	17 900	22 692
Sao Tome and Principe	570	409	180	1 159	914
Senegal	2 312	3 523	798	6 633	6 833
Sierra Leone	1 955	4 607	961	7 523	7 974
Togo	1 855	2 233	678	4 766	4 899
Subtotal	**56 514**	**91 901**	**20 159**	**168 574**	**183 870**
Regional activities	5 557	6 386	2 246	14 189	10 448
Total	**62 071**	**98 287**	**22 405**	**182 763**	**194 318**
Arab States					
Country/territory activities					
Algeria	630	–	230	860	850
Djibouti	802	816	287	1 905	1 919
Egypt	1 308	11 130	497	12 935	10 647
Iraq	1 801	11 632	1 180	14 613	19 281
Jordan	844	7 245	442	8 531	11 097
Lebanon	692	6 802	536	8 030	5 260
Libya	1 629	2 740	752	5 121	6 254
Morocco	1 347	1 669	673	3 689	3 307
Oman	300	1 329	300	1 929	1 597
Somalia	4 413	28 615	1 029	34 057	8 794
State of Palestine	1 798	4 887	1 103	7 788	25 611
Sudan	3 882	16 331	1 917	22 130	40 103
Syrian Arab Republic	2 751	21 157	900	24 808	1 357
Tunisia	665	702	139	1 506	49 013
Yemen	3 078	31 812	1 278	36 168	36 384
Subtotal	**25 940**	**146 867**	**11 263**	**184 070**	**221 474**
Regional activities	4 165	2 120	1 940	8 225	9 109
Total	**30 105**	**148 987**	**13 203**	**192 295**	**230 583**

	Programme activities			*Total*	
	Unearmarked	*Earmarked*	*Institutional budget*	*2023*	*2022 (restated)*
Asia and the Pacific					
Country/territory activities					
Afghanistan	4 501	96 299	1 182	101 982	51 226
Bangladesh	5 680	37 836	1 068	44 584	48 944
Bhutan	702	48	75	825	897
Cambodia	1 836	1 240	509	3 585	3 784
China	1 780	403	1 122	3 305	3 647
Democratic People’s Republic of Korea	639	107	562	1 308	1 146
India	7 156	4 989	866	13 011	9 888
Indonesia	3 464	1 731	826	6 021	7 776
Iran (Islamic Republic of)	1 631	1 445	535	3 611	3 821
Lao People’s Democratic Republic	1 374	2 416	569	4 359	4 278
Malaysia	570	162	361	1 093	922
Maldives	479	46	161	686	904
Mongolia	858	1 204	371	2 433	3 212
Myanmar	3 128	17 599	931	21 658	21 613
Nepal	2 927	6 519	871	10 317	10 640
Pacific Islands (multi-country)[a]	4 505	9 387	1 247	15 139	14 799
Pakistan	6 678	21 067	1 012	28 757	15 631
Papua New Guinea	1 739	7 333	1 208	10 280	8 523
Philippines	3 294	1 985	733	6 012	10 481
Sri Lanka	1 582	6 912	369	8 863	4 555
Thailand	1 044	749	311	2 104	1 183
Timor-Leste	1 562	2 628	771	4 961	3 910
Viet Nam	2 183	3 009	972	6 164	6 456
Subtotal	**59 312**	**225 114**	**16 632**	**301 058**	**238 236**
Regional activities	6 668	4 289	3 001	13 958	11 448
Total	**65 980**	**229 403**	**19 633**	**315 016**	**249 684**
Latin America and the Caribbean					
Country/territory activities					
Argentina	661	620	197	1 478	1 395
Bolivia (Plurinational State of)	1 376	3 519	609	5 504	6 118
Brazil	1 674	3 772	675	6 121	4 501
Caribbean (multi-country)[b]	3 153	5 027	1 052	9 232	6 748
Chile	174	–	–	174	152
Colombia	1 189	3 349	523	5 061	6 486
Costa Rica	685	71	257	1 013	1 000
Cuba	641	665	140	1 446	1 070
Dominican Republic	801	856	325	1 982	1 929
Ecuador	1 027	4 559	548	6 134	6 407
El Salvador	1 099	1 897	518	3 514	3 708
Guatemala	1 705	3 444	774	5 923	4 808
Haiti	1 745	6 652	1 429	9 826	12 603

	Programme activities			*Total*	
	Unearmarked	*Earmarked*	*Institutional budget*	*2023*	*2022 (restated)*
Honduras	1 073	2 303	443	3 819	3 612
Mexico	1 462	3 195	687	5 344	4 521
Nicaragua	897	1 868	595	3 360	3 142
Panama	664	540	244	1 448	1 219
Paraguay	806	1 742	322	2 870	4 858
Peru	1 223	1 526	622	3 371	3 912
Uruguay	834	1 708	575	3 117	3 025
Venezuela (Bolivarian Republic of)	1 067	6 804	542	8 413	7 303
Subtotal	**23 956**	**54 117**	**11 077**	**89 150**	**88 517**
Regional activities	5 006	1 274	3 324	9 604	8 725
Total	**28 962**	**55 391**	**14 401**	**98 754**	**97 242**
Eastern Europe and Central Asia					
Country/territory activities					
Albania	662	608	239	1 509	1 081
Armenia	1 372	702	217	2 291	1 630
Azerbaijan	638	513	260	1 411	1 440
Belarus	537	999	137	1 673	1 703
Bosnia and Herzegovina	729	1 168	563	2 460	1 957
Georgia	617	1 036	287	1 940	2 123
Kazakhstan	594	781	576	1 951	2 026
Kosovo[c]	721	246	171	1 138	1 039
Kyrgyzstan	891	1 545	190	2 626	2 435
North Macedonia	552	719	161	1 432	1 296
Republic of Moldova	624	10 545	516	11 685	10 743
Serbia	599	371	236	1 206	1 117
Tajikistan	870	2 002	177	3 049	2 693
Türkiye	2 649	28 000	852	31 501	26 121
Turkmenistan	678	975	189	1 842	2 003
Ukraine	994	46 341	661	47 996	23 699
Uzbekistan	976	980	553	2 509	2 523
Subtotal	**14 703**	**97 531**	**5 985**	**118 219**	**85 629**
Regional activities	3 962	3 566	2 136	9 664	8 096
Total	**18 665**	**101 097**	**8 121**	**127 883**	**93 725**
Global programme and other headquarters activities	20 719	179 217	104 556	304 492	253 454
Total programme and institutional budget	**291 757**	**1 003 995**	**201 824**	**1 497 576**	**1 403 236**

[a] The Pacific Islands multi-country programme implements programme activities in the following countries and territories: Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia (Federated States of), 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, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Sint Maarten, Suriname, Trinidad and Tobago, and Turks and Caicos Islands.

[c] References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Corporate expenses amounting to $12.8 million are excluded from the table above, as due to their nature, they cannot be assigned to any specific country or region. Schedule D provides a breakdown by nature of total programme activities and institutional budget expenses referenced above.

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2023, UNFPA had contingent assets for a total of $335.2 million (2022: $388.3 million (restated)), of which $329.3 million is related to contributions from signed donor agreements that do not meet the revenue recognition criteria as at the reporting date, all related to earmarked resources (2022: $383.4 million), and $5.9 million represents ongoing legal and administrative law claims (2022: $4.9 million (restated)).

As at 31 December 2023, UNFPA had a limited number of contingent liabilities that represented ongoing legal and administrative law claims. The total potential outflow for such claims as at 31 December 2023 was estimated at $0.8 million (2022: $0.9 million (restated)). Owing to the uncertainty of their outcomes, neither a liability nor a provision was recorded as at the reporting date, as the occurrence and timing of outflows is not certain. UNFPA does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	Key management personnel					
	Number of individuals	*Compensation and post adjustment*	*Staff assessment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2023	24	5 265	(876)	912	1 103	6 404
2022	25	5 200	(878)	921	1 078	6 321

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 2023 was estimated at $6.8 million (2022: $5.8 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 2023. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director by 30 April 2024.

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

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2023, 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 2023 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2023) and in statement IV (cash flow statement for the year ended 31 December 2023) 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. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(493 541)	(1 553)	–	(495 094)
Basis differences	5 672	759	–	6 431
Entity differences	405 112	(97 916)	–	307 196
Net increase/(decrease) in cash and cash equivalents (statement IV)	**(82 757)**	**(98 710)**	**–**	**(181 467)**

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 on revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventories.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**17 301**
Difference between revenue on accrual basis and final budgetary allocations	(25 935)
Difference between expenses on budgetary basis and an accrual basis	1 513
Actual net deficit on a financial reporting comparable basis for activities included in the scope of the budget	**(7 121)**

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 2023

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

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2023	*2022 (restated)*	*2023*	*2022 (restated)*	*2023*	*2022 (restated)*
Assets						
Current assets						
Cash and cash equivalents	78 815	140 669	102 947	222 476	181 762	363 145
Investments maturing within one year	267 275	163 767	349 106	259 002	616 381	422 769
Contributions receivable	174 103	109 129	467 452	351 478	641 555	460 607
Other receivables	28 818	13 404	34 847	15 093	63 665	28 497
Operating fund advances	1 832	1 742	20 395	20 345	22 227	22 087
Prepayments and other assets	12 632	11 527	8 611	4 929	21 243	16 456
Inventories	3 710	5 586	99 827	83 716	103 537	89 302
Total	**567 185**	**445 824**	**1 083 185**	**957 039**	**1 650 370**	**1 402 863**
Non-current assets						
Investments maturing after one year	395 194	360 919	516 193	570 805	911 387	931 724
Contributions receivable	141 355	204 721	184 491	213 760	325 846	418 481
Other non-current assets	24	18	–	–	24	18
Property, plant and equipment	34 982	33 982	726	533	35 708	34 515
Intangible assets	6 991	6 139	–	–	6 991	6 139
Total	**578 546**	**605 779**	**701 410**	**785 098**	**1 279 956**	**1 390 877**
Total assets	**1 145 731**	**1 051 603**	**1 784 595**	**1 742 137**	**2 930 326**	**2 793 740**
Liabilities						
Current liabilities						
Accounts payable and accruals	32 411	14 824	119 330	83 035	151 741	97 859
Employee benefits	34 701	33 205	16 860	13 961	51 561	47 166
Other current liabilities and deferred revenue	8 310	5 824	7 310	4 975	15 620	10 799
Total	**75 422**	**53 853**	**143 500**	**101 971**	**218 922**	**155 824**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2023	*2022 (restated)*	*2023*	*2022 (restated)*	*2023*	*2022 (restated)*
Non-current liabilities						
Employee benefits	202 130	211 790	98 212	89 049	300 342	300 839
Other non-current liabilities and deferred revenue	3 074	3 255	–	–	3 074	3 255
Total	**205 204**	**215 045**	**98 212**	**89 049**	**303 416**	**304 094**
Total liabilities	**280 626**	**268 898**	**241 712**	**191 020**	**522 338**	**459 918**
Net assets	**865 105**	**782 705**	**1 542 883**	**1 551 117**	**2 407 988**	**2 333 822**
Reserves and fund balances						
Reserves						
Operational reserve	76 677	87 696	–	–	76 677	87 696
Humanitarian response reserve	5 500	5 500	–	–	5 500	5 500
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**87 177**	**98 196**	**–**	**–**	**87 177**	**98 196**
Fund balances						
Designated unearmarked fund balances	118 855	103 502	–	–	118 855	103 502
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	659 073	581 007	–	–	659 073	581 007
Earmarked resources	–	–	1 542 883	1 551 117	1 542 883	1 551 117
Total fund balances	**777 928**	**684 509**	**1 542 883**	**1 551 117**	**2 320 811**	**2 235 626**
Total reserves and fund balances	**865 105**	**782 705**	**1 542 883**	**1 551 117**	**2 407 988**	**2 333 822**

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

(Thousands of United States dollars)

	Unearmarked resources[a]		*Earmarked resources*		*Total*	
	2023	*2022*	*2023*	*2022*	*2023*	*2022*
Property, plant and equipment	10 589	5 792	1 153	3 048	11 742	8 840
Intangible assets	1 699	3 271	–	–	1 699	3 271
Total	**12 288**	**9 063**	**1 153**	**3 048**	**13 441**	**12 111**

[a] Unearmarked resources include the corporate fund code on which the fixed and intangible assets are recorded for the purpose of capitalization in compliance with IPSAS requirements.

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2023

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2023	*2022 (restated)*	*2023*	*2022 (restated)*	*2023*	*2022*	*2023*	*2022 (restated)*
Contribution revenue								
Unearmarked contributions	364 139	481 990	–	–	–	–	364 139	481 990
Less: transfer to other revenue of income tax reimbursements	(4 181)	(5 466)	–	–	–	–	(4 181)	(5 466)
Subtotal	**359 958**	**476 524**	**–**	**–**	**–**	**–**	**359 958**	**476 524**
Earmarked contributions	–	–	1 090 282	1 175 495	(75 141)	(66 150)	1 015 141	1 109 345
Less: refunds to donors	–	–	(33 139)	(9 877)	–	–	(33 139)	(9 877)
Net movement in allowance for doubtful contributions receivable	–	–	677	2 135	–	–	677	2 135
Subtotal	**–**	**–**	**1 057 820**	**1 167 753**	**(75 141)**	**(66 150)**	**982 679**	**1 101 603**
Total contribution revenue	**359 958**	**476 524**	**1 057 820**	**1 167 753**	**(75 141)**	**(66 150)**	**1 342 637**	**1 578 127**
Other revenue	196 971	78 072	25 681	13 416	–	–	222 652	91 488
Total revenue	**556 929**	**554 596**	**1 083 501**	**1 181 169**	**(75 141)**	**(66 150)**	**1 565 289**	**1 669 615**
Expenses								
Staff costs	261 842	245 105	118 534	105 565	–	–	380 376	350 670
Reproductive health and other programme-related supplies	8 765	8 692	267 742	206 713	–	–	276 507	215 405
Cash assistance programmes	321	2 676	5 680	7 049	–	–	6 001	9 725
Development and training of counterparts	25 539	32 337	136 995	136 630	–	–	162 534	168 967
Supplies, materials and operating costs	79 622	92 246	253 634	240 126	(75 141)	(66 150)	258 115	266 222
Contracted and professional services	79 395	79 300	258 907	229 945	–	–	338 302	309 245
Finance costs	199	175	1 116	948	–	–	1 315	1 123
Travel	29 585	24 489	38 183	35 435	–	–	67 768	59 924
Depreciation and amortization	8 322	7 129	–	594	–	–	8 322	7 723
Impairment	564	10	56	50	–	–	620	60
Other expenses	5 666	62 102	4 892	20 965	–	–	10 558	83 067
Total expenses	**499 820**	**554 261**	**1 085 739**	**984 020**	**(75 141)**	**(66 150)**	**1 510 418**	**1 472 131**
Surplus for the year	**57 109**	**335**	**(2 238)**	**197 149**	**–**	**–**	**54 871**	**197 484**

[a] The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. The amounts in the elimination column represent the $75.1 million in cost-recovery charges.

Note 25
Financial risk management

This note presents information about the exposure of UNFPA to credit, liquidity and market risk arising in the normal course of its operations and the processes for measuring and managing risk.

Valuation

Financial assets

Financial assets held by UNFPA as at the reporting date, broken down on the basis of the IPSAS 41 classification adopted by UNFPA, were as follows:

(Thousands of United States dollars)

2023	*Hold to collect cash flows – measured at amortized cost*	*Hold for trading – measured at fair value through surplus or deficit*	*Total*
Cash and cash equivalents	172 789	8 973	181 762
Investments	1 190 563	337 205	1 527 768
Contributions receivable	967 401	–	967 401
Other accounts receivable	63 469	220	63 689
Total financial assets	**2 394 222**	**346 398**	**2 740 620**

(Thousands of United States dollars)

2022 (restated)	*Hold to collect cash flows – measured at amortized cost*	*Hold for trading – measured at fair value through surplus or deficit*	*Total*
Cash and cash equivalents	350 292	12 853	363 145
Investments	1 066 720	287 773	1 354 493
Contributions receivable	879 088		879 088
Other accounts receivable	28 467	48	28 515
Total financial assets	**2 324 567**	**300 674**	**2 625 241**

The carrying amount of financial assets held by UNFPA as at 31 December 2023 can be further categorized as follows:

	Hold for trading – measured at fair value through surplus or deficit			
Financial assets	*Hold to collect cash flows – measured at amortized cost*	*Designated as such upon initial recognition*	*Mandatorily measured at fair value through surplus or deficit*	*2023*
Cash and cash equivalents	172 789	8 973	–	181 762
Working capital investment portfolio	1 190 563	–	–	1 190 563
Contributions receivable	967 401	–	–	967 401
Other accounts receivable	63 469	220	–	63 689
Post-employment benefits investment portfolios	–	–	337 205	337 205
Total financial assets	**2 394 222**	**9 193**	**337 205**	**2 740 620**

The UNFPA financial assets classified as hold to collect cash flows are carried at amortized cost.

The working capital investment portfolio, which comprises bonds, commercial paper and time deposits held-to-maturity, constitutes the largest financial asset classified under this category; as at the reporting date, the book value of these assets exceeded their market value by $19.5 million (2022: the book value exceeded the market value by $45.9 million).

The UNFPA financial assets classified as hold for trading are carried at fair value through surplus or deficit. The post-employment benefits investment portfolios, which comprise cash equivalents, fixed-income securities and equities, are the only financial assets classified under this category.

The fair value of the instruments held in these portfolios was calculated in accordance with IPSAS 30: Financial instruments: disclosures, which 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 this IPSAS hierarchy.

The fair value of the financial assets represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Financial liabilities

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

(Thousands of United States dollars)

2023	*Measured at fair value through surplus or deficit*	*Measured at amortized cost*	*Total*
Accounts payable and accruals	–	151 741	151 741
Other liabilities (current and non-current)	1 590	6 683	8 273
Total financial liabilities	**1 590**	**158 424**	**160 014**

(Thousands of United States dollars)

2022	*Measured at fair value through surplus or deficit*	*Measured at amortized cost*	*Total*
Accounts payable and accruals	–	97 859	97 859
Other liabilities (current and non-current)	2 511	3 534	6 045
Total financial liabilities	**2 511**	**101 393**	**103 904**

As at the reporting date, UNFPA had $1.6 million in financial liabilities classified at fair value through surplus or deficit (2022: $2.5 million), arising from foreign currencies exchange contracts held as part of the post-employment benefits investment portfolios.

Financial liabilities classified as measured at amortized cost are carried at their nominal amounts, without discounting, as they are primarily due for settlement within 12 months from the reporting date.

Financial instruments gains and losses

The table below summarizes the net gains and losses recognized in surplus in the statement of financial performance for the different categories of financial instruments.

Net gains/(losses)	*2023*	*2022 (restated)*
Financial assets measured at amortized cost		
Contributions receivable	32 953	(41 385)
Cash and cash equivalents, working capital investment portfolio and other financial assets	1 034	(8 779)
Financial assets measured at fair value through surplus or deficit		
Post-employment benefits investment portfolios	39 941	(35 091)
Financial liabilities measured at amortized cost		
Other financial liabilities	3 223	3 750
Net gains/(losses)	**77 151**	**(81 505)**

Gains and losses recognized in surplus or deficit for the year for financial assets (contributions receivable, cash and cash equivalents, working capital investment portfolio and other financial assets) and financial liabilities (primarily accounts payable) measured at amortized cost reflect net foreign exchange gains, in 2023, and losses, in 2022, arising from the revaluation of financial instruments held in currencies other than the United States dollar.

The net 2023 gain of $39.9 million on the post-employment benefits investment portfolios represents unrealized securities and equities instruments investment gains of $39.6 million, partially offset by net realized losses from the sale of investments of $1.3 million (2022: net unrealized loss of $38.9 million, partially offset by realized gains of $1.8 million), as well as net exchange gains of $1.6 million (2022: $2.0 million) arising from the revaluation of financial instruments held in currencies other than the United States dollar.

Exposure to risks

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

(a) Credit risk: the risk that financial losses may arise from the failure of third parties to meet their financial/contractual obligations to UNFPA;

(b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;

(c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

There were no material changes in the exposure to credit risk and the policies and processes for managing and measuring the risk during the year under review.

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets of $2,741 million as at 31 December 2023 is the maximum exposure to credit risk faced by UNFPA (2022: $2,625 million).

(a) Investments

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the working capital and post-employment benefits investment portfolios and limit the extent of credit exposure to any single counterparty, by setting minimum credit quality requirements and limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings.

The working capital investment portfolio (77.9 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks. Ratings from the three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, are used to evaluate the credit risk of financial instruments. As at the reporting date, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using S&P Global Ratings' rating convention).

Concentration of fixed-income investments by credit rating, working capital investment portfolio[a]

(Thousands of United States dollars)

2023	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Bonds	509 931	172 987	73 639	125 899	21 158	29 685	–	933 299
Time deposits	–	50 000	–	–	–	35 000	–	85 000
Commercial paper	–	98 953	–	73 311	–	–	–	172 264
Total	**509 931**	**321 940**	**73 639**	**199 210**	**21 158**	**64 685**	**–**	**1 190 563**

(Thousands of United States dollars)

2022	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*Total*
Bonds	588 086	223 509	94 548	44 986	71 235	–	13 500	1 035 864
Time deposits	–	–	–	–	–	–	–	–
Commercial paper	–	24 856	–	–	6 000	–	–	30 856
Total	**588 086**	**248 365**	**94 548**	**44 986**	**77 235**	**–**	**13 500**	**1 066 720**

[a] Measured at amortized cost – excludes investments classified as cash and cash equivalents.

Concentration of fixed-income investments by credit rating, post-employment benefits investment portfolios[a]

(Thousands of United States dollars)

2023	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*BBB+*	*BBB*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	4 616	2 286	1 864	1 488	1 742	3 202	3 184	3 248	1 961	14 587	96 925	135 103
Total	**4 616**	**2 286**	**1 864**	**1 488**	**1 742**	**3 202**	**3 184**	**3 248**	**1 961**	**14 587**	**96 925**	**135 103**

(Thousands of United States dollars)

2022	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*A-*	*BBB+*	*BBB*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	3 997	2 078	398	3 079	1 846	2 096	2 286	2 762	676	11 124	85 348	115 690
Total	**3 997**	**2 078**	**398**	**3 079**	**1 846**	**2 096**	**2 286**	**2 762**	**676**	**11 124**	**85 348**	**115 690**

[a] Measured at fair value – excludes investments classified as cash and cash equivalents.

Of the $96.9 million in fixed-income securities held as at 31 December 2023 and not rated by S&P Global Ratings (2022: $85.3 million), instruments valued at $14.5 million were rated by Moody's (2022: $12.1 million), with assigned ratings ranging from Aaa to Aa3. The majority of other non-rated fixed-income securities represent investments in exchange-traded funds and mutual funds, comprising multiple instruments, which may be rated individually, but the overall funds are not rated.

The amount of expected credit losses for instruments measured at amortized cost calculated in line with the requirements of IPSAS 41 has been assessed as immaterial and therefore no allowance has been recognized in the financial statements.

(b) *Other financial assets*

A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations organizations, which have historically had very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities funding from other resources do not in general commence until cash is received. UNFPA monitors the level, age and collectability of contributions receivable balances on a regular basis, applying its past experience with donors in determining the risk of default posed by them. The approach for assessing outstanding contributions receivable for recoverability is described in note 2, and an analysis of the age of past-due contributions receivable and movements in allowance for doubtful accounts is provided in note 5 (a).

The debtor base of UNFPA reflected under other accounts receivable is diverse and consists of a relatively large number of individuals, companies, non-profit organizations, government entities and other United Nations organizations. It would not be feasible to obtain external credit ratings or otherwise assess the creditworthiness of all debtors because of the nature of the debtor base; further external credit ratings may not be readily available for all debtors. UNFPA monitors the level, age and collectability of debtor balances on a regular basis to determine the risk of default posed by them.

Analysis of liquidity risk

Liquidity risk is the risk of UNFPA not being able to meet its obligations as they fall due.

UNDP, which provides treasury management services to UNFPA and manages the working capital investment portfolio on its behalf, makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Sufficient funds are maintained in cash equivalents and short-term instruments at all times, to allow UNFPA to cover commitments as and when they are due, as shown in the following table:

(Thousands of United States dollars)

	31 December 2023	*Percentage*	*31 December 2022*	*Percentage*
Cash and cash equivalents	160 704	12	325 778	24
Subtotal	**160 704**	**12**	**325 778**	**24**
Current investments	613 545	45	421 267	30
Non-current investments	577 018	43	645 453	46
Subtotal	**1 190 563**	**88**	**1 066 720**	**76**
Total investments, cash and cash equivalents	**1 351 267**	**100**	**1 392 498**	**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 changes in interest rates, foreign exchange rates and equity 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 interest revenue cash flows. UNFPA is exposed to interest rate risk on its interest-bearing assets.

Financial instruments maintained in the working capital investment portfolio (77.9 per cent of the total investments), which are classified as hold to collect cash flows and thus normally held-to-maturity, are not marked to market and their carrying amounts are not affected by changes in interest rates (2022: 78.8 per cent).

Financial instruments maintained in the post-employment benefits investment portfolios (22.1 per cent of the total investments), which are classified as hold for trading, are carried at fair value (2022: 21.2 per cent). As at 31 December 2023, these portfolios included interest-bearing instruments valued at $135.1 million (8.8 per cent of the total investments), thus creating exposure to interest rate risk (2022: $115.7 million, 8.5 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	*2023* Surplus/deficit	*2022 (restated)* Surplus/deficit
100 basis point increase	(3 486)	(2 657)
50 basis point decrease	1 743	1 329

Note: Following the adoption of IPSAS 41, all changes in the fair value of financial instruments held in the post-employment benefits investment portfolios are recognized in surplus or deficit for the year.

As at 31 December 2023, UNFPA did not hold any investments in floating rate fixed-income securities as part of its working capital portfolio (2022: nil). These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest revenue.

(b) Foreign exchange risk

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. Year-end positions of UNFPA financial assets and liabilities by major currency were as follows:

(Thousands of United States dollars)

2023	*United States dollar*	*Pound sterling*	*Canadian dollar*	*Euro*	*Swedish krona*	*Other currencies*	*At 31 December 2023*
Cash and cash equivalents	173 703	1 683	93	288	348	5 647	181 762
Investments	1 440 359	21 330	3 785	43 767	971	17 556	1 527 768
Contributions receivable	297 568	35 233	50 875	222 552	97 727	263 446	967 401
Accounts payable and accruals	(128 397)	(48)	–	(914)	–	(22 382)	(151 741)
Other liabilities (including derivative liabilities)	(6 980)	–	(231)	(1 972)	305	605	(8 273)
Net exposure	**1 776 253**	**58 198**	**54 522**	**263 721**	**99 351**	**264 872**	**2 516 917**

(Thousands of United States dollars)

2022 (restated)	*United States dollar*	*Pound sterling*	*Canadian dollar*	*Euro*	*Swedish krona*	*Other currencies*	*At 31 December 2022*
Cash and cash equivalents	350 193	479	3	10 390	26	2 054	363 145
Investments	1 276 088	14 403	4 328	39 100	1 545	19 029	1 354 493
Contributions receivable	376 447	24 230	73 864	67 834	25 139	311 574	879 088
Accounts payable and accruals	(83 163)	21	(2)	(235)	–	(14 480)	(97 859)
Other liabilities (including derivative liabilities)	(5 406)	–	(9)	(630)	–	–	(6 045)
Net exposure	**1 914 159**	**39 133**	**78 184**	**116 459**	**26 710**	**318 177**	**2 492 822**

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges on behalf of UNFPA, to the extent possible, 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 2023, contribution receivables in eight different currencies were hedged.

The table below provides a sensitivity analysis of the impact on surplus or deficit for the year of movements on key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus or deficit 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*
2023	*Surplus/deficit*	*Surplus/deficit*
Pound sterling	(5 291)	6 466
Canadian dollar	(4 957)	6 058
Euro	(23 975)	29 302
Swedish krona	(9 032)	11 039

Note: Following the adoption of IPSAS 41, all changes in the fair value of financial instruments held in the post-employment benefits investment portfolios are recognized in surplus or deficit for the year.

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent	*Weakening of United States dollar by 10 per cent*
2022 (restated)	*Surplus/deficit*	*Surplus/deficit*
Pound sterling	(3 558)	4 348
Canadian dollar	(7 108)	8 687
Euro	(10 587)	12 940
Swedish krona	(2 428)	2 968

Note: Following the adoption of IPSAS 41, all changes in the fair value of financial instruments held in the post-employment benefits investment portfolios are recognized in surplus or deficit for the year.

The UNDP Treasury Division uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) Equity price risk

Equity price risk is the risk of decrease in the value of equities maintained in the investment portfolio due to changes in the value of individual stocks held.

About 59.9 per cent ($202.1 million) of the UNFPA post-employment benefits investment portfolios is composed of equities (2022: 59.8 per cent, $172.1 million), classified as hold for trading and thus marked to market through surplus or deficit. A 5 per cent increase or decrease in the market value of the equities held as at the reporting date would impact the surplus or deficit for the year, respectively, by $10.1 million (2022: $8.6 million).

Equity price risk is mitigated through the active monitoring of the composition and performance of the post-employment benefits investment portfolios by both the appointed investment managers and the investment committee.

Note 26
Commitments

As at 31 December 2023, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to $114.4 million (2022: $183.7 million).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedule A
Unearmarked resources – status of contributions for the year ended 31 December 2023

(Thousands of United States dollars)

Donor	*Restated balance due to UNFPA as at 1 January*	*Prior-year adjustments*[a]	*Current-year commitments (contribution revenue)*	*Realized exchange gains/(losses)*	*Unrealized exchange gains/(losses)*	*Payments received*	*Balance of contributions due to UNFPA as at 31 December*
Albania	–	–	5	–	–	5	–
Algeria	–	–	10	–	–	10	–
Armenia	6	–	–	–	–	3	3
Australia	25 675	–	–	(123)	579	6 610	19 521
Austria	–	–	284	–	–	284	–
Belgium	19 169	–	–	–	797	9 978	9 988
Bhutan	–	–	6	–	–	6	–
Bosnia and Herzegovina	–	–	5	–	–	–	5
Burundi	–	–	1	–	–	1	–
Cambodia	5	(5)	–	–	–	–	–
Cameroon	–	–	17	–	–	17	–
Canada	–	–	11 288	–	–	11 288	–
Central African Republic	17	(17)	–	–	–	–	–
Chile	–	–	12	–	–	12	–
China	–	–	1 410	–	–	1 410	–
Comoros	1	–	–	–	–	–	1
Costa Rica	–	–	5	–	–	5	–
Cuba	–	–	5	–	–	5	–
Cyprus	–	–	17	–	–	17	–
Denmark	–	96 608	–	–	3 504	33 078	67 034
Dominican Republic	–	–	15	–	–	15	–
Egypt	–	–	21	–	–	21	–
Equatorial Guinea	–	–	100	–	–	100	–
Eritrea	5	–	–	–	–	5	–
Estonia	–	–	33	–	(1)	32	–
Eswatini	–	–	10	–	–	9	1
Ethiopia	–	–	1	–	–	–	1
Finland	–	–	32 497	(523)	–	31 974	–
France	–	–	1 150	–	–	1 150	–
Gabon	–	–	66	–	–	66	–
Gambia	–	–	10	–	–	10	–
Georgia	40	–	–	–	–	20	20
Germany	–	–	51 796	1 032	(744)	52 084	–
Ghana	–	–	160	–	–	–	160
Guyana	–	–	10	–	–	–	10
Iceland	–	–	6 205	–	(49)	1 492	4 664
India	–	–	494	–	–	494	–
Indonesia	–	–	13	–	–	13	–

Donor	*Restated balance due to UNFPA as at 1 January*	*Prior-year adjustments*[a]	*Current-year commitments (contribution revenue)*	*Realized exchange gains/(losses)*	*Unrealized exchange gains/(losses)*	*Payments received*	*Balance of contributions due to UNFPA as at 31 December*
Iraq	130	–	–	–	–	70	60
Ireland	–	–	4 818	–	–	4 818	–
Italy	–	–	2 744	(47)	–	2 697	–
Japan	–	–	16 560	–	–	16 560	–
Jordan	50	–	50	–	–	50	50
Kazakhstan	–	–	10	–	–	10	–
Kenya	–	–	10	–	–	10	–
Kuwait	–	–	10	–	–	10	–
Lao People's Democratic Republic	6	–	–	–	–	6	–
Luxembourg	12 250	–	967	(10)	312	6 303	7 216
Malaysia	–	–	30	–	–	30	–
Maldives	5	–	–	–	–	–	5
Mauritius	1	4	–	–	–	2	3
Mexico	–	–	51	–	–	51	–
Micronesia (Federated States of)	–	–	3	–	–	3	–
Morocco	–	–	12	–	–	–	12
Nepal	–	–	5	–	–	5	–
Netherlands (Kingdom of the)	–	–	115 512	(951)	684	37 554	77 691
New Zealand	7 609	–	–	21	(45)	3 773	3 812
Nicaragua	–	–	3	–	–	3	–
Nigeria	–	–	150	–	–	–	150
North Macedonia	–	–	1	–	–	1	–
Norway	–	–	56 769	–	–	56 769	–
Oman	–	–	50	–	–	10	40
Panama	40	–	–	–	–	10	30
Peru	–	–	2	–	–	2	–
Philippines	86	–	–	–	1	25	62
Portugal	17	–	546	–	–	270	293
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	161	–	–	161	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	15	–	–	–	–	10	5
Sao Tome and Principe	18	(9)	–	–	(1)	–	8
Saudi Arabia	–	–	250	–	–	250	–
Serbia	–	–	5	–	–	5	–
Singapore	–	–	10	–	–	5	5
Slovakia	–	–	5	–	–	5	–
Slovenia	–	–	44	–	–	44	–
South Africa	–	–	35	–	–	35	–
Spain	107	–	800	22	–	929	–
Sri Lanka	18	–	–	–	–	–	18

Donor	*Restated balance due to UNFPA as at 1 January*	*Prior-year adjustments*[a]	*Current-year commitments (contribution revenue)*	*Realized exchange gains/(losses)*	*Unrealized exchange gains/(losses)*	*Payments received*	*Balance of contributions due to UNFPA as at 31 December*
Sweden	117 310	–	4 818	–	14 300	41 317	95 111
Switzerland	34 670	–	–	(332)	2 329	17 505	19 162
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	142	–	–	142	–
Trinidad and Tobago	–	–	5	–	–	5	–
Tunisia	18	–	–	–	–	18	–
Turkmenistan	–	–	8	–	–	8	–
Uganda	2	–	5	–	–	7	–
United Kingdom of Great Britain and Northern Ireland	–	–	19 583	347	425	10 139	10 216
United Republic of Tanzania	12	–	–	–	(1)	–	11
United States of America	–	–	30 600	–	–	30 600	–
Uruguay	–	–	10	–	–	10	–
Uzbekistan	–	–	30	–	–	10	20
Viet Nam	–	–	90	–	–	–	90
Private contributions	–	–	3 125	–	–	3 125	–
Subtotal	**217 282**	**96 581**	**364 016**	**(564)**	**22 090**	**383 927**	**315 478**
Government contributions to local office costs	–	–	123	–	–	123	–
Total	**217 282**	**96 581**	**364 139**	**(564)**	**22 090**	**384 050**	**315 478**[b]

[a] This column includes the movements in unearmarked contributions related to the prior-year revenue adjustment.
[b] This amount is presented gross of the allowance for doubtful accounts of $0.19 million.

Schedule B
Earmarked resources – revenue, expenses and fund balances for the year ended 31 December 2023

(Thousands of United States dollars)

	Restated 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.	422	1 020	11	–	–	1 453	476	977	–
AFP Popular	137	299	(7)	–	–	429	180	249	214
Agora, Inc.	142	–	–	–	–	142	82	60	–
Albania	1	–	–	–	–	1	–	1	–
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Angola	–	9 803	72	(10)	–	9 865	842	9 023	4 901
Anonymous	8 369	2 100	1	–	–	10 470	4 972	5 498	2 100
Argentina	456	100	4	–	–	560	272	288	–
Australia	35 015	61 426	1 965	(433)	–	97 973	33 051	64 922	41 349
Austria	4 080	4 028	26	–	–	8 134	2 397	5 737	2 774
Bangladesh	20 197	4 125	148	(24)	–	24 446	15 183	9 263	599
Bayer AG	5	781	–	–	–	786	76	710	395
Beifang International Education Group	142	812	–	–	–	954	169	785	553
Belgium	4 057	3 222	121	–	(7)	7 393	2 601	4 792	1 237
Benin	4 994	–	2	–	–	4 996	2 348	2 648	1 380
Bill & Melinda Gates Foundation	16 589	7 554	2	(30)	–	24 115	7 167	16 948	10 907
Bolivia (Plurinational State of)	–	778	–	–	–	778	299	479	391
Botswana	17	–	–	–	–	17	–	17	–
Brazil	9 379	3 858	38	(4 881)	–	8 394	3 165	5 229	–
Bulgaria	26	–	–	–	–	26	26	–	–
Burkina Faso	237	–	–	–	–	237	139	98	–
Cameroon	619	–	(4)	–	–	615	639	(24)	–
Canada	99 607	23 587	1 610	4	(4)	124 804	58 459	66 345	41 777
Central African Republic	2	–	–	–	–	2	–	2	–
Chad	47	9 282	1	–	–	9 330	1 394	7 936	1 348
Charities Aid Foundation	–	160	–	–	–	160	–	160	–
Children’s Investment Fund Foundation	2	5 125	–	–	–	5 127	–	5 127	–

	Restated 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	1 456	680	5	–	–	2 141	686	1 455	11
Chugai Pharmaceutical Co., Limited	53	365	–	–	–	418	52	366	–
Colombia	31	167	11	–	–	209	178	31	–
Congo	500	–	–	–	–	500	495	5	–
Côte d’Ivoire	2 376	–	59	–	–	2 435	722	1 713	1 434
Czechia	413	346	3	–	–	762	410	352	3
Democratic Republic of the Congo	23 561	–	–	–	–	23 561	16 070	7 491	2 793
Denmark	33 987	17 643	767	(102)	–	52 295	18 716	33 579	25 865
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	132	–	11	(115)	–	28	–	28	–
Department of Management Strategy, Policy and Compliance	482	–	–	–	–	482	478	4	–
Dominican Republic	152	164	(5)	–	–	311	149	162	43
Ecuador	834	6 654	–	–	–	7 488	5 651	1 837	–
El Salvador	4 478	844	–	–	–	5 322	928	4 394	4 097
Equatorial Guinea	80	–	–	–	–	80	38	42	–
Estonia	1	–	–	–	–	1	–	1	–
European Commission	20 733	54 006	921	–	(599)	75 061	44 807	30 254	9 644
Ferring	124	193	–	–	–	317	304	13	–
Finland	7 141	6 551	369	–	–	14 061	4 255	9 806	4 791
Fiotec	1	–	–	–	(1)	–	–	–	–
Flowminder Foundation	1	–	–	–	(1)	–	–	–	–
Fondation Orange Guinée	–	28	–	–	–	28	–	28	–
Food and Agriculture Organization of the United Nations	–	985	6	–	–	991	77	914	–
Ford Foundation	4	–	–	–	–	4	–	4	–
France	9 145	3 758	(11)	–	–	12 892	9 095	3 797	–
Fundación Popular	–	142	–	–	–	142	50	92	–
Gabon	–	592	8	–	–	600	40	560	–
Gambia	1	–	–	–	–	1	–	1	–
Gates Ventures, LLC	8	297	–	–	–	305	119	186	–
Germany	4 959	1 999	74	–	(3)	7 029	1 206	5 823	2 601
Gobi Oyu Development Support Fund	9	–	–	–	–	9	–	9	–
Guatemala	3 437	5 290	–	–	–	8 727	3 488	5 239	4 494

	Restated 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*
Guinea	–	6 349	–	–	–	6 349	180	6 169	448
Guinea-Bissau	–	779	–	–	–	779	–	779	779
Haiti	12 948	(275)	(1)	(12 462)	–	210	170	40	–
Honduras	4	1 798	(3)	–	–	1 799	378	1 421	–
Iceland	6 715	6 292	32	–	–	13 039	1 653	11 386	5 828
India	6 431	–	(19)	–	–	6 412	1 331	5 081	2 103
Individual Giving Programme	50	–	–	–	–	50	–	50	–
Indonesia	306	–	–	–	–	306	–	306	–
Indonesia AIDS Coalition	222	–	–	(72)	–	150	150	–	–
International Labour Organization	–	408	8	–	–	416	123	293	–
International Organization for Migration	589	557	–	–	–	1 146	508	638	–
International Planned Parenthood Federation	92	431	–	–	–	523	305	218	–
Inventories – other resources – programme	71 488	–	9	–	–	71 497	(16 652)	88 149	–
Ireland	2 888	2 184	31	(3)	(8)	5 092	3 862	1 230	–
Islamic Development Bank	170	(80)	–	(20)	–	70	27	43	35
Italy	20 837	10 803	455	(187)	(9)	31 899	13 122	18 777	12 967
Japan	32 160	23 107	185	(758)	–	54 694	23 178	31 516	22 107
Joint Programme-UNFPA: participating agent	11 199	21 630	104	–	–	32 933	24 950	7 983	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	6 240	6 150	11	(176)	–	12 225	5 452	6 773	5 390
Jordan	126	–	–	–	–	126	126	–	–
Kazakhstan	–	140	–	–	–	140	97	43	–
KfW	–	–	–	–	(2)	(2)	–	(2)	–
Korea Foundation for International Healthcare	(1)	–	(4)	–	–	(5)	–	(5)	–
Kuwait	27	–	–	–	–	27	–	27	–
La Croix–Rouge française	–	2 409	6	–	–	2 415	2 196	219	–
Lebanon	6	–	–	–	–	6	–	6	–
Liberia	493	–	–	–	–	493	299	194	–
Luxembourg	25 991	10 409	817	(1 755)	–	35 462	4 915	30 547	22 128
Madagascar	–	998	–	–	–	998	–	998	998
Malawi	6 039	–	–	(52)	–	5 987	4 220	1 767	–
Malaysia	552	1 200	(1)	–	–	1 751	171	1 580	–
Mali	523	–	(2)	–	–	521	350	171	–

	Restated 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*
Mauritania	5	–	–	–	–	5	3	2	–
Mauritius	294	–	(2)	(63)	–	229	25	204	130
Médecins sans frontières	190	–	–	–	–	190	27	163	–
Meiji Holdings	2	10	–	–	–	12	12	–	–
Merck Sharp & Dohme (Asia) Ltd.	1 390	108	1	–	–	1 499	859	640	–
Mexico	2 065	574	19	–	–	2 658	1 340	1 318	118
Morocco	2	–	–	–	–	2	–	2	–
Multi-donor funds	13 207	23 106	240	–	66	36 619	15 421	21 198	12 092
Netherlands (Kingdom of the)	44 993	37 025	172	–	(104)	82 086	21 535	60 551	38 382
New Zealand	866	2 680	12	–	(61)	3 497	1 334	2 163	–
Niger	1 478	–	2	–	–	1 480	938	542	532
Nigeria	309	103	1	–	–	413	142	271	–
Norway	44 140	34 227	(700)	(864)	–	76 803	30 180	46 623	14 602
Nutrition International	43	–	–	–	–	43	42	1	–
Office for the Coordination of Humanitarian Affairs	16 936	60 844	404	(3 045)	–	75 139	46 415	28 724	5 701
Office of the Secretary-General’s Envoy on Youth	87	–	–	–	–	87	61	26	–
Office of the Special Envoy of the Secretary-General for the Great Lakes Region	–	110	–	–	–	110	98	12	–
Office of the United Nations High Commissioner for Refugees	1 993	6 972	75	(47)	–	8 993	8 475	518	216
Olympic Refugee Foundation	1 030	–	11	–	–	1 041	385	656	150
Oman	114	–	–	–	–	114	–	114	–
Oman, basic terms cooperation agreement	1 374	860	–	–	–	2 234	1 315	919	–
Organon	137	377	–	–	–	514	106	408	188
Organon Comercializadora, S del R.L. de C.V.	519	–	18	–	–	537	268	269	–
Panama	884	100	–	–	–	984	163	821	299
Papua New Guinea	661	–	–	–	–	661	–	661	–
Paraguay	1 291	995	–	–	–	2 286	1 580	706	–
Portugal	22	109	(2)	–	–	129	–	129	–
Prada USA Corporation	312	307	5	–	–	624	340	284	–
Private individuals	25	–	(4)	–	–	21	–	21	–
Productora de Pulpas Soledad	9	15	–	–	–	24	33	(9)	–
Qatar	797	(500)	–	–	–	297	65	232	130

	Restated 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*
Reckitt Benckiser	1 555	1 710	(5)	–	–	3 260	810	2 450	1 526
Republic of Korea	48 252	16 135	85	(138)	–	64 334	23 869	40 465	26 183
Republic of Moldova	551	–	53	(2)	–	602	21	581	579
Romania	–	314	–	–	–	314	–	314	150
Russian Federation	5 509	–	35	–	–	5 544	3 212	2 332	–
Sabanci Foundation	88	52	(7)	–	–	133	133	–	–
Sao Tome and Principe	726	–	1	–	–	727	251	476	436
Saudi Arabia	1 507	3 255	–	–	–	4 762	2 247	2 515	1 895
Small contributions	1 804	3 020	3	(28)	80	4 879	2 554	2 325	178
Spain	5 173	12 296	9	–	–	17 478	5 216	12 262	2 219
Spain – Basque Country	–	12	–	–	–	12	6	6	–
Spain – Catalunya	426	–	–	–	–	426	–	426	–
Sweden	46 379	13 361	1 056	–	–	60 796	30 667	30 129	13 526
Switzerland	14 641	9 902	279	(559)	–	24 263	10 728	13 535	9 355
Tajikistan	176	–	–	–	–	176	161	15	–
Takeda Pharmaceutical Company Limited	7 430	–	(271)	–	–	7 159	711	6 448	5 624
The Foundation to Promote Open Society	658	1 584	–	–	–	2 242	194	2 048	384
Thematic trust funds – multi-donor	429 463	207 548	7 834	–	(4 967)	639 878	232 533	407 345	128 433
Timor-Leste	11	345	–	–	–	356	349	7	–
Turkmenistan	570	288	–	–	–	858	649	209	–
UNDP – multi-partner trust funds	52 202	21 975	71	(4 235)	–	70 013	43 861	26 152	207
Unilever Brazil Ltda.	–	190	8	–	–	198	16	182	(1)
United Arab Emirates	1 379	(200)	19	–	–	1 198	1 169	29	–
United Kingdom of Great Britain and Northern Ireland	53 236	41 862	1 593	(37)	–	96 654	45 421	51 233	25 073
United Nations Children's Fund	22 900	32 972	188	(53)	–	56 007	35 964	20 043	826
United Nations Development Programme	23 236	45 482	35	(468)	–	68 285	43 328	24 957	4 282
United Nations Educational, Scientific and Cultural Organization	18	158	–	–	–	176	113	63	–
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	4 862	4 373	10	–	–	9 245	2 362	6 883	4 259
United Nations Human Settlements Programme (UN-Habitat)	–	885	–	–	–	885	–	885	–
United Nations Office for Project Services	16 324	385	9	(280)	–	16 438	8 603	7 835	8 595

	Restated 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*
United Nations Office for South-South Cooperation	51	2 021	–	–	–	2 072	240	1 832	1 354
United Nations Resident Coordinator Office	4	–	–	–	–	4	–	4	–
United Nations trust fund for human security	347	–	(1)	–	–	346	313	33	–
United States of America	95 007	160 840	308	(2 281)	–	253 874	127 813	126 061	100 816
Uruguay	4 168	248	(2)	–	–	4 414	1 728	2 686	1 712
USA for UNFPA (formerly Friends of UNFPA)	965	1 037	(2)	53	(110)	1 943	1 264	679	72
Vital Strategies Health Systems (Asia Pacific) Limited	112	214	–	(16)	–	310	96	214	107
Vital Strategies, Inc.	225	322	–	–	–	547	91	456	203
Wesley Zaidan	223	–	–	–	–	223	100	123	33
West African Health Organization	10 370	–	(3)	–	–	10 367	4 420	5 947	4 300
World Bank	5	–	–	–	–	5	–	5	–
World Food Programme	301	634	1	–	–	936	576	360	129
World Health Organization	1 155	289	3	–	–	1 447	963	484	–
World Vision PNG Trust	602	–	–	–	–	602	356	246	–
Zimbabwe	135	709	–	–	–	844	848	(4)	–
Zonta International Foundation	1 359	–	–	–	–	1 359	689	670	–
Subtotal, trust funds	**1 514 017**	**1 086 293**	**19 397**	**(33 139)**	**(5 730)**	**2 580 838**	**1 078 869**	**1 501 969**	**653 479**
Special funds									
Bridge funding liability foreign currency exchange adjustments	177	–	–	–	–	177	–	177	–
Contribution in kind – earmarked (goods)	526	32	–	–	–	558	247	311	–
Donor reporting resources	874	–	486	–	–	1 360	459	901	14
European Union finance specialist post	162	–	–	–	–	162	4	158	–
Global Contraceptive Commodity Programme	5 000	–	–	–	(3 500)	1 500	15	1 485	–
Inventories – other resources – corporate	4 216	–	–	–	–	4 216	1 343	2 873	–
Junior Professional Officers programme	7 478	3 957	155	–	–	11 590	5 179	6 411	728
Pooled foreign exchange gains/losses for other resources	1 885	–	–	–	677	2 562	–	2 562	–
Population Award	1 829	–	40	–	–	1 869	–	1 869	–
Procurement administrative fund	–	–	3 437	–	(5 941)	(2 504)	(2 504)	–	–
Procurement services – non-third party services-related	18 134	–	2 142	–	8 500	28 776	2 127	26 649	1 312
Rafael M. Salas Endowment Fund	1 090	–	24	–	–	1 114	–	1 114	–

	Restated 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
United Nations Care Global Coordinator	9	–	–	–	–	9	–	9	–
Valuation adjustments for contributions receivable	(4 282)	677	–	–	–	(3 605)	–	(3 605)	(3 590)
Subtotal, special funds	**37 098**	**4 666**	**6 284**	**–**	**(264)**	**47 784**	**6 870**	**40 914**	**(1 536)**
Total	**1 551 115**	**1 090 959**	**25 681**	**(33 139)**	**(5 994)**	**2 628 622**	**1 085 739**	**1 542 883**	**651 943**

Note: Contributions and expenses as disclosed in this schedule include indirect cost-recovery charges of $75.1 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, which 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 2022 reclassified as liabilities	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2023*
Institutions						
Governments and intergovernmental institutions	8 865	44 278	99	53 242	44 793	8 449
UNDP and other United Nations organizations	4 020	4 283	101	8 404	7 883	521
Non-governmental organizations	2 379	6 444	(358)	8 465	11 108	(2 643)
Total	**15 264**	**55 005**	**(158)**	**70 111**	**63 784**	**6 327**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2023

(Thousands of United States dollars)

	Programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2023	*2022*	*2023*	*2022 (restated)*	*2023*	*2022*	*2023*	*2022 (restated)*	*2023*	*2022*	*2023*	*2022 (restated)*	*2023*	*2022 (restated)*
Staff costs	111 233	100 346	106 212	93 509	153 962	139 334	(3 354)	5 425	12 323	12 056	261 841	245 105	118 535	105 565
Reproductive health and other programme-related supplies	11 073	9 114	264 660	198 814	102	26	(2 410)	(448)	3 082	7 899	8 765	8 692	267 742	206 713
Cash assistance programmes	321	2 676	5 680	7 049	–	–	–	–	–	–	321	2 676	5 680	7 049
Development and training of counterparts	25 479	32 380	136 966	136 657	33	74	27	(117)	29	(27)	25 539	32 337	136 995	136 630
Supplies, materials and operating costs	59 452	65 542	190 049	183 125	27 541	27 417	(7 371)	(713)	(11 556)	(9 149)	79 622	92 246	178 493	173 976
Contracted and professional services	59 256	63 400	257 085	229 012	15 769	11 755	4 371	4 145	1 821	933	79 396	79 300	258 906	229 945
Finance costs	141	133	1 116	948	27	29	31	13	–	–	199	175	1 116	948
Travel	24 248	21 502	37 714	35 399	4 381	3 090	956	(103)	469	36	29 585	24 489	38 183	35 435
Depreciation and amortization	–	1 709	–	579	–	1 093	8 322	4 32715	8 322	7 129	–	594		
Impairment	13	21	33	44	–	–	551	(11)	23	6	564	10	56	50
Other expenses	541	11 298	4 480	21 006	9	6 153	5 116	44 651	412	(41)	5 666	62 102	4 892	20 965
Total expenses	**291 757**	**308 121**	**1 003 995**	**906 142**	**201 824**	**188 971**	**6 239**	**57 169**	**6 603**	**11 728**	**499 820**	**554 261**	**1 010 598**	**917 870**