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**UNFPA – Annual report of the Executive Director**

**United Nations Population Fund**

**Statistical and financial review, 2022**

**Report of the Executive Director**

*Summary*

This review summarizes the financial performance of UNFPA in 2022 and its financial position as at 31 December 2022. Figures in this report are consistent with the full accrual basis of accounting. All data in the document is provisional, subject to external audit.

In 2022, UNFPA was requested by the United Nations Board of Auditors to modify its accounting policy for revenue recognition for contributions to regular resources. Previously, UNFPA recognized revenue in the year for which the contribution was intended. This resulted in revenue being recognized based on the schedule of payments indicated by a donor in the agreement, where contributions for regular resources were intended for a particular year. This is now referred to as ‘contributions received’ while ‘revenue’ now refers to an amount recognized in the year the agreement becomes binding. The impact of this change is two-fold: (i) revenue for regular resources is recognized in the year the agreement is signed; and (ii) 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 year(s).

UNFPA gross contributions received for 2022 were the highest on record, amounting to \$1,551.2 million, surpassing the Strategic Plan target by 40.3 per cent and exceeding the 2021 contributions received (\$1,464.1 million) by 5.9 per cent. The increase is attributable to increases in gross contributions for regular resources, which rose to \$442.5 million (an increase of 7.2 percent), and other resources, which reached \$1,108.7 million (an increase of 5.4 per cent).

Expenses for 2022 increased by 11.8 per cent to \$1,453.8 million (2021: \$1,300.7 million), partly because of scaled-up programme interventions in humanitarian contexts in the provision of quality care and services.

UNFPA reserves and fund balances as at 31 December 2022 amounted to \$2,235.4 million (2021: \$1,727.8 million). Regular resources available for programming increased to \$188.0 million as at 31 December 2022 (2021: \$181.2 million), partly due to prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in the future. Other resources fund balances increased to \$1,480.3 million as at 31 December 2022 (2021: \$1,356.1 million); this includes contributions of \$494.4 million not yet collected and thus not available for spending (2021: \$421.2 million).

While UNFPA closed 2022 with a positive resource mobilization performance and in strong financial health, the outlook for 2023 and beyond continues to be fluid due to ongoing risks to peace and stability, and continued funding adjustments as global economies adapt to the post-pandemic period. In this context, timely inflows of predictable contribution revenue, especially from regular resources but also from more flexible other resources and from a broader group of donors, are critical for sustaining UNFPA operations and the achievement of its strategic objectives.

*Elements of a decision*

The Executive Board may wish to take note of the present report.

*Note: The present document was processed in its entirety by UNFPA.*



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## I. Introduction

1. This review summarizes the financial performance of UNFPA in 2022 and its financial position as at 31 December 2022. This information is provided for activities funded by both regular and other resources. All figures in this document are provisional, subject to external audit and, because of rounding, may not add up to the totals.
2. The statement of financial performance for the year ended 31 December 2022 is provided in Annex 1, Table 1, for regular, other and total resources. The statement of financial position as at 31 December 2022 is provided in Annex 1, Table 2. The statement of changes in net assets for the year ended 31 December 2022 is provided in Annex 1, Table 3.<sup>1</sup>
3. The figures presented have been prepared on the accrual basis of accounting, except for Annex 1, tables 14, 15 and 16, which present resource utilization in the integrated resource plan on a budgetary comparable basis (modified accrual basis).
4. Throughout the report, reference is made to contribution revenue as ‘gross’ or ‘net’. Gross contributions refer to the amounts specified in agreements signed with donors, recognized as revenue consistent with UNFPA accounting policies, regardless of the period of implementation and payment schedule. Net contributions are gross contributions reduced by amounts of refunds to donors, cost-recovery charges, allowances for doubtful contributions receivable and, in 2022, income tax reimbursements to taxpayers of one Member State.

## II. Total resources

### A. Contributions received and revenue

5. In 2022 UNFPA was requested by the United Nations Board of Auditors to modify its accounting policy for revenue recognition for contributions to regular resources. Under the previous policy, UNFPA recognized revenue in the year the contribution was intended, based upon the receipt of cash or the signing of a binding agreement, whichever came first. However, revenue for regular resources was deferred when contributions were given explicitly for a specific future year, including through multi-year agreements. This resulted in revenue for regular resources being recognized based on the schedule of payments indicated by a donor in the agreement. The modified accounting policy is related to the presentation of accounting information and does not change the way in which the organization operates or interacts with donors. UNFPA continues to advocate for donors to sign multi-year agreements and provide early payment of contributions.
6. Table 1 below presents gross contributions for regular resources for the past five years based on the previous accounting policy. Resources are recognized as contributions in the year for which the contribution is intended; these resources are referred to as ‘contributions’. This information is provided for comparability purposes based on revenue presented in previous Statistical and Financial Review papers.
7. Under the modified accounting policy, revenue for both regular resources and other resources is recognized in the same way. Revenue is recognized in full, at the time an agreement is entered into unless the agreement includes conditions and the donor has previously enforced such conditions. Where contribution agreements include conditions, UNFPA recognizes a liability, and revenue recognition is deferred until such conditions are met. The impact of the change in policy is two-fold: (i) revenue for regular resources is recognized in the year the agreement is signed; and (ii) the full value of the agreement is recognized as revenue, even when the agreement is a multi-year agreement and the amounts are intended for future year(s).
8. Under International Public Sector Accounting Standards (IPSAS), UNFPA is required to restate the comparable figures for 2021 in its financial statements, as well as the figures for 2022, based on the modified accounting policy. Accordingly, Table 2 below presents gross revenue for regular resources based on the modified accounting policy. The change in accounting policy resulted in

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<sup>1</sup> The annexes to this report are available on the UNFPA [Executive Board website](#).

revenue being reduced by \$51.6 million for 2022 and increased by \$192.4 million for 2021. These adjustments are the net impact of revenue being recognized earlier, based on when the agreements were signed rather than in the year for which the contributions were intended.

Table 1  
Gross contribution revenue for 2018-2022

	Millions of United States dollars				
	2022	2021	2020	2019	2018
Regular resources - gross	442.5	412.6	416.8	373.5	378.8
Other resources - gross	1,108.7	1,051.5	850.9	996.7	876.8
<b>Total gross contributions</b>	<b>1,551.2</b>	<b>1,464.1</b>	<b>1,267.7</b>	<b>1,370.2</b>	<b>1,255.6</b>
<i>Other resources, as percentage of total contributions</i>	<i>71.5%</i>	<i>71.8%</i>	<i>67.1%</i>	<i>72.7%</i>	<i>69.8%</i>

Table 2  
Gross revenue for 2021-2022

	Millions of United States dollars	
	2022	2021
Regular resources - gross	390.9	605.0
Other resources - gross	1,108.7	1,051.5
<b>Total gross contributions</b>	<b>1,499.6</b>	<b>1,656.5</b>
<i>Other resources, as percentage of total contributions</i>	<i>73.9%</i>	<i>63.2%</i>

9. The information presented in the remainder of this section is based on contributions (Table 1) rather than on the revenue recorded under the new accounting policy (Table 2).

10. In 2022, UNFPA gross contributions increased by 5.9 per cent to \$1,551.2 million (2021: \$1,464.1 million). This is the highest level of contribution revenue recorded in any year and surpasses \$1.0 billion for the sixth year in a row.

11. Gross contributions for regular resources increased by 7.2 per cent to \$442.5 million (2021: \$412.6 million), surpassing the Strategic Plan target of \$376.7 million by 17.5 per cent. This increase was mainly due to additional contributions received from four Member States.

12. In 2022, only 30.6 per cent of regular resource contributions were disbursed to UNFPA during the first half of the year, little more than half the percentage received in 2021 (2021: 59.4 per cent). UNFPA continues to advocate with donors for early payment of their contributions as this facilitates more effective management of financial resources by UNFPA, including the mitigation of foreign currency exchange risks.

13. Gross other resources contributions increased by 5.4 per cent to \$1,108.7 million (2021: \$1,051.5 million), enabling UNFPA to surpass its Strategic Plan target of \$728.8 million by 52.1 per cent. This increase was mainly attributable to a significant rise in contributions to thematic trust funds and an increase in resources received through other United Nations agencies. Contributions received for highly earmarked funding instruments decreased to 37.8 per cent of the 2022 gross contribution revenue (2021: 41.0 per cent); this decrease was attributable to the growth in thematic funding and the increase in funding received through other United Nations agencies and departments.

14. Due to the above trends, the share of regular resources as a percentage of total gross contributions increased marginally by 0.3 percentage points to 28.5 per cent (2021: 28.2 per cent) but remained below the United Nations Funding Compact target of 30.0 per cent.<sup>2</sup>

<sup>2</sup> [A/74/73/Add.1](#)

15. While the overall increase in resources is appreciated by UNFPA, a concern remains that the growth rate of regular resources remains below the growth rate of other resources. This situation impacts programme flexibility and creates higher administrative costs, as well as presenting challenges and risks to programme planning, implementation and continuity. Therefore, UNFPA continues to advocate with its donors, including through the structured funding dialogue, to increase contributions to flexible funding sources and instruments, especially to regular resources, which remain the bedrock of UNFPA operations.

16. Other revenue increased by \$13.2 million in 2022 to \$111.7 million (2021: 98.5 million restated). This was mainly due to restating other revenue in 2021 from \$112.4 million to \$98.5 million resulting from the modified accounting policy (refer to Section III), partially offset by increases in indirect cost recovery and the sale of UNFPA inventory.

## B. Expenses

17. Total expenses increased by 11.8 per cent in 2022 to \$1,453.8 million (2021: \$1,300.7 million), as summarized in Table 3 below.

Table 3  
Total expenses

	Millions of United States dollars		Percentage	
	2022	2021	2022	2021
<b>Programme and institutional budget</b>	<b>1,407.3</b>	<b>1,273.1</b>	<b>96.8</b>	<b>97.9</b>
Country programmes, global and regional programmes (GRP) and other programme activities	1,218.3	1,086.4	83.8	83.5
Institutional budget - gross	189.0	186.7	13.0	14.4
<b>Corporate</b>	<b>46.5</b>	<b>27.6</b>	<b>3.2</b>	<b>2.1</b>
Corporate	46.5	27.6	3.2	2.1
<b>Total expenses</b>	<b>1,453.8</b>	<b>1,300.7</b>	<b>100.0</b>	<b>100.0</b>

18. Expenses from the programme and institutional budget resources incurred in furtherance of development outcomes and organizational effectiveness and efficiency outputs, as reflected in the integrated results and resources framework of the UNFPA Strategic Plan, 2022–2025, are summarized in tables 4 and 5 below. As 2022 is the first year of the new strategic plan, only one year of information is presented.

Table 4  
Programme and institutional budget expenses by outcomes of the integrated results and resources framework

	Indicative resources 2022–2025		Actual 2022	
	Millions of United States Dollars	Percentage	Millions of United States Dollars	Percentage
<i>Outcome 1: The reduction in the unmet need for family planning has been accelerated</i>	1719.0	33.2	402.9	28.6
<i>Outcome 2: The reduction of preventable maternal deaths has accelerated</i>	1,504.1	29.1	353.7	25.1
<i>Outcome 3: The reduction in gender-based violence and harmful practices has accelerated</i>	1,074.4	20.8	448.6	31.9
<b>Organizational effectiveness and efficiency (OEE) outputs</b>	<b>873.6</b>	<b>16.9</b>	<b>202.2</b>	<b>14.4</b>
<b>Total expenses</b>	<b>5,171.1</b>	<b>100.0</b>	<b>1,407.3</b>	<b>100.0</b>

Table 5  
**Programme and institutional budget expenses by outputs of the  
integrated results and resources framework**

	Indicative resources 2022–2025		Actual 2022	
	Millions of United States dollars	Percentage	Millions of United States dollars	Percentage
<b>Development outputs</b>	<b>4,297.6</b>	<b>83.1</b>	<b>1,205.1</b>	<b>85.6</b>
<i>Output 1: Policy and accountability</i>	417.8	8.1	112.2	8.0
<i>Output 2: Quality of care and services</i>	1,470.1	28.4	502.0	35.7
<i>Output 3: Gender and social norms</i>	402.5	7.8	198.4	14.1
<i>Output 4: Population change and data</i>	528.2	10.2	85.8	6.1
<i>Output 5: Humanitarian action</i>	1,255.5	24.3	196.0	13.9
<i>Output 6: Adolescents and youth</i>	223.5	4.3	110.7	7.9
<b>Organizational efficiency and effectiveness outputs</b>	<b>873.6</b>	<b>16.9</b>	<b>202.2</b>	<b>14.4</b>
<i>OEE1: Improved programming for results</i>	189.9	3.7	42.4	3.0
<i>OEE2: Optimized management of resources</i>	515.1	10.0	152.0	10.8
<i>OEE3: Expanded partnerships for impact</i>	168.6	3.3	7.8	0.6
<b>Sub-total</b>	<b>873.5</b>			
<b>Total</b>	<b>5,171.1</b>	<b>100.0</b>	<b>1,407.3</b>	<b>100.0</b>

19. Programme and institutional budget expenses by region are summarized in Table 6 below.

Table 6  
**Programme and institutional budget expenses by region**

	Millions of United States dollars		Percentage	
	2022	2021	2022	2021
<b>Country and regional offices activities</b>	<b>1,153.1</b>	<b>1,007.3</b>	<b>81.9</b>	<b>79.1</b>
East and Southern Africa	285.1	241.5	20.3	19.0
West and Central Africa	194.9	206.3	13.8	16.2
Arab States	231.3	217.6	16.4	17.1
Asia and the Pacific	250.4	197.9	17.8	15.5
Latin America and the Caribbean	97.5	76.9	6.9	6.0
Eastern Europe and Central Asia	94.0	67.1	6.7	5.3
<b>Global activities</b>	<b>254.2</b>	<b>265.8</b>	<b>18.1</b>	<b>20.9</b>
<b>Total programmes and institutional budget</b>	<b>1,407.3</b>	<b>1,273.1</b>	<b>100.0</b>	<b>100.0</b>

20. UNFPA remains committed to directing maximum resources towards supporting its field office operations. In 2022, \$1,153.1 million, or 81.9 per cent, of the total programme and institutional budget expenses were incurred in the field (2021: \$1,007.3 million, or 79.1 per cent).

21. All regions but one incurred higher expenses in 2022 as compared to 2021. The largest rates of increase were seen in the Eastern Europe and Central Asia region (an increase of \$26.9 million or 40.1 per cent) and the Asia and the Pacific region (an increase of \$52.5 million or 26.5 per cent). Expenses in Eastern Europe and Central Asia rose due to scaled-up programme interventions for humanitarian assistance, for which expenses increased from \$13.7 million in 2021 to \$38.1 million in 2022. Expenses in the Asia and the Pacific region increased for both development and humanitarian activities; development expenses rose from \$110.8 million in 2021 to \$134.0 million in 2022, and humanitarian activities increased from \$67.2 million in 2021 to \$97.9 million in 2022.

22. Expenses in the West and Central Africa region fell by \$11.4 million (5.5 per cent), mainly due to a decrease in development assistance expenses (from \$131.7 million in 2021 to \$104.0 million in 2022), which was partially offset by an increase in humanitarian expenses (from \$54.8 million in 2021 to \$69.5 million in 2022).

23. The business model of the UNFPA Strategic Plan, 2022–2025 classifies all countries/territories where UNFPA operates into three tiers (I, II and III) based on whether they reach or exceed thresholds relating to the three transformative results outlined in the plan.<sup>3</sup> Total programme and institutional budget expenses for 2022 by tier are summarized in Table 7 below. Given that this is the first year of the new strategic plan and the tier classification, only 2022 expenses are presented.

Table 7  
Programme and institutional budget expenses by tier\*

	Millions of United States dollars	
	2022	Percentage 2022
<b>Country expenses</b>	<b>1,087.5</b>	<b>77.3</b>
Tier I	730.9	51.9
Tier II	225.4	16.0
Tier III	109.6	7.8
Multi-country programmes	21.5	1.5
<b>Global and regional interventions</b>	<b>46.7</b>	<b>3.3</b>
Regional	27.3	1.9
Global	19.4	1.4
<b>Other global and regional expenses<sup>(*)</sup></b>	<b>273.1</b>	<b>19.4</b>
Regional	38.3	2.7
Global	234.8	16.7
<b>Total programmes and institutional budget</b>	<b>1,407.3</b>	<b>100.0</b>

(\*) Includes expenses of regional offices and headquarters not related to global and regional interventions, such as programme activities funded from other resources and the institutional budget.

24. Programme expenses funded from regular resources in 59 countries/territories classified as either ‘least developed’ or ‘landlocked developing countries’ amounted to \$155.5 million in 2022 (50.0 per cent of total programme expenses funded from regular resources), an increase of 30.0 per cent as compared to 2021 (\$119.5 million or 48.0 per cent).

25. Programme expenses in ‘small island developing States’ funded from regular resources amounted to \$14.7 million in 2022, 2.8 per cent more than the \$14.3 million spent in 2021.

26. Expenses for humanitarian interventions increased in both absolute and relative terms to \$527.2 million or 43.3 per cent of total programme expenses (2021: \$393.6 million or 36.2 per cent of total programme expenses). Most humanitarian expenses, 41.5 per cent, were incurred for the provision of quality care and services.

27. UNFPA continues to prioritize gender equality and the empowerment of women and girls in its programme activities. In 2022, \$804.6 million or 66.1 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 (2021: \$729.7 million or 67.2 per cent).

28. UNFPA works closely with the country programme governments and national and international non-governmental organizations to implement its programme activities. Total programme expenses

<sup>3</sup> The list of all countries/territories where UNFPA operates and their classification as per the business model of the UNFPA Strategic Plan, 2022–2025, is provided in Annex 2.

incurred by these partners increased for the sixth year in a row, both in absolute terms and as a percentage of total programme expenses, and in 2022 amounted to \$467.6 million or 38.4 per cent of total programme expenses (2021: \$408.0 million or 37.6 per cent).

29. Reflecting UNFPA commitment to the advancement of the United Nations development system reform and collaboration with other United Nations organizations, UNFPA maintained expenses for programme activities implemented through other United Nations organizations in 2022 at a level similar to – although slightly below – that of 2021 at \$18.3 million (2021: \$19.4 million). The largest share of these expenses related to the joint implementation with the World Food Programme of a programme to reduce gender-based violence and harmful practices through capacity development in the Syrian Arab Republic (\$7.2 million).

30. The cost of the collection and management of the resident coordinator system levy under the agency-administered option has been estimated at \$109,200 (2021: \$105,000) and continued to be managed within the existing administrative resources following the processes established in 2020.

31. Annex 1, tables 4 through 11, present further details of the programme and institutional budget expenses by outcome, output and tier of the Strategic Plan, 2022–2025 and by region, type of assistance, implementation modality and the gender marker. Annex 1, Table 12 provides a breakdown of 2022 expenses by country/territory, and Annex 1, Table 13 provides a breakdown of programme expenses funded from regular resources for the least developed and landlocked developing countries.

32. Table 8 below provides a breakdown of total expenses by their nature.

Table 8  
Total expenses by nature

	Millions of United States dollars		Percentage	
	2022	2021	2022	2021
Staff costs	350.7	335.1	24.1	25.8
Reproductive health and other programme supplies	215.4	232.8	14.8	17.9
Cash assistance programmes	9.7	7.7	0.7	0.6
Contracted and professional services	309.2	297.6	21.3	22.9
Development and training of counterparts	169.0	137.8	11.6	10.6
Supplies, materials and operating costs	266.2	216.4	18.3	16.6
Travel	59.9	36.3	4.1	2.8
Other general expenses <sup>4</sup>	73.6	37.0	5.1	2.8
<b>Total</b>	<b>1,453.8</b>	<b>1,300.7</b>	<b>100.0</b>	<b>100.0</b>

33. Staff costs rose by 4.7 per cent, reflecting a reduction in the global vacancy rate in 2022 and an increase in staff remuneration in some locations as established by the International Civil Service Commission.

34. Expenses for reproductive health commodities and other programme supplies fell by 7.5 per cent to \$215.4 million (2021: \$232.8 million). While the value of programme supplies procured in 2022 increased, the delivery of supplies to implementing partners decreased in 2022 resulting in lower programme supply expenses and a higher inventory balance at year end (refer to Section VI). This is due to several factors, including the timing of when humanitarian activities are needed and initiated given that supplies remain as UNFPA inventory while in transit until they are handed over to the implementing partner – and longer supply chain timelines for goods in transit.

35. Cash assistance programme expenses increased by 26.0 per cent to \$9.7 million in 2022 (2021 \$7.7 million), reflecting the UNFPA strategy to implement and promote the use of cash and voucher assistance to improve the access of women and youth, especially in humanitarian settings, to services and goods related to sexual and reproductive health and gender-based violence-prevention and response. The number of countries implementing cash assistance programmes increased from 24 in

<sup>4</sup> Includes finance costs, depreciation and amortization, impairment of assets and other expenses.



2021 to 34 in 2022. A large part of the 2022 expenses related to cash voucher assistance programmes in Afghanistan, Moldova, Myanmar, South Sudan, Sri Lanka, the State of Palestine and the Syrian Arab Republic.

36. Expenses for contracted and professional services increased by 3.9 per cent to \$309.2 million (2021: \$297.6 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.

37. Expenses for the development and training of counterparts increased in 2022 by 22.6 per cent to \$169.0 million (2021: \$137.8 million), with part of the increase attributable to activities designed to prevent and respond to gender-based violence in the Democratic Republic of the Congo and Somalia, and census activities in Liberia.

38. Expenses for supplies, materials and operating costs rose by 23.0 per cent to \$266.2 million (2021: \$216.4 million). The increase of \$49.8 million was largely attributable to an increase in programme implementation as restrictions related to the COVID-19 pandemic eased, with higher levels of expenditure recorded for land transportation (including maintenance and fuel), office machinery in support of implementing partners and common services and premises. The increase also reflects the share of UNFPA costs for the new enterprise resource planning system.

39. As global travel restrictions associated with the pandemic were largely lifted, expenses for travel rose by 65.0 per cent to \$59.9 million in 2022 (2021: \$36.3 million), the increase attributable to both local and international travel. This amount represented only 93.0 per cent of pre-pandemic travel expenses from 2019 despite global inflation and cost increases, which nonetheless remained reflective of UNFPA efforts to decrease its carbon footprint while ensuring representation and visibility in advancement of its mission.

40. Other general expenses increased by 98.9 per cent to \$73.6 million (2021: \$37.0 million). This was due to the change in accounting policy for revenue previously mentioned. The accounts receivable balance was restated for 2021 to include donor commitments expected to be received in future years based on signed multi-year agreements. Most of these agreements are denominated in non-USD currencies. Given the strength of the United States dollar throughout 2022 against other currencies, revaluing the adjusted contributions receivable resulted in \$31.3m of additional unrealized losses.

### C. Fund balances and reserves

41. Reserves and fund balances as at 31 December 2022 increased by 35.2 per cent to \$2,235.4 million (2021: \$1,727.8 million). Details are provided in Table 9 below.

Table 9  
Reserves and fund balances

	Millions of United States dollars	
	2022	2021
Operational reserve	87.7	82.2
Humanitarian response reserve	5.5	5.5
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances	103.5	92.7
Undesignated regular and other resources fund balances		
Regular resources	553.5	186.3
Other resources	1,480.3	1,356.1
<b>Total</b>	<b>2,235.4</b>	<b>1,727.8</b>

42. 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, increased by 6.7 per cent to

\$87.7 million, as at 31 December 2022 (2021: \$82.2 million) on account of the higher level of contributions received for regular resources in 2022.

43. Despite the change in accounting policy for recognizing revenue, the methodology for calculating the operational reserve remains the same as in 2021, which is based on net contribution revenue received. This is to ensure that the reserve level can be held in irrevocable and immediately available liquid assets, as required. The modified accounting policy records revenue for regular resources based on 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 are 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.

44. The humanitarian response reserve,<sup>5</sup> which operates as a revolving fund, was used to provide \$25.0 million in pre-financing for humanitarian activities (2021: \$14.5 million) and replenished to the level approved by the Executive Board (\$5.5 million).

45. Designated regular resources fund balances<sup>6</sup> increased by 11.7 per cent to \$103.5 million (2021: \$92.7 million), owing primarily to a \$14.2 million increase in cost recoveries above the budgeted level, offset by an allocation of \$8.0 million used in the design and implementation of the new enterprise resource planning platform, both set aside into separate funds.

46. Undesignated regular resources increased by 197.1 per cent to \$553.5 million (2021: \$186.3 million), due to the following: (i) the restating of the opening balance for an adjustment of \$367.5 million resulting from the change in revenue accounting policy – this adjustment does not represent a receipt of cash but the recording of revenue for multi-year commitments for regular resources, where the inflow of cash is expected to be transferred to UNFPA between 2022 to 2027; and (ii) a deficit of revenue over expenses of \$47.3 million in the programmable fund balance owing mainly to the change in accounting policy for revenue recognition. An adjustment in revenue of \$51.6 million was reversed in 2022 and recognized in 2021 based on when the agreements were signed, resulting in higher restated revenue in 2021 and lower revenue in 2022 despite the resources being received in 2022.

47. Total regular resources funds available for programming as at 1 January 2023 increased by 3.8 per cent to \$188.0 million (2022: \$181.2 million), mainly because of prudent financial management aimed at ensuring the continuity of UNFPA operations in case of potential funding shortages in future years and due to the receipt of some contributions above the Strategic Plan target. Annex 1, Table 19 provides a reconciliation between designated and undesignated regular resources fund balances and funds available for programming as at 1 January 2023. As part of risk-mitigating measures against unfavourable revenue trends and foreign currency exchange rate fluctuations, 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 new strategic plan and integrated budget cycle.

48. As at 31 December 2022, undesignated fund balances of other resources increased by 9.2 per cent to \$1,480.3 million (2021: \$1,356.1 million), representing resources received for the implementation of programme activities under multi-year agreements, as well as future contributions receivable of \$494.4 million and thus not available for programming (2021: \$421.2 million)

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<sup>5</sup> The humanitarian response reserve was established by the Executive Board to serve as a source of pre-financing resources for emergency relief interventions, pending the receipt of funding committed in signed donor agreements. The reserve is replenished once donor funding is received.

<sup>6</sup> Designated regular resources are funds set aside by management for special purposes and not available for programming.

## D. Integrated budget

49. In its decision 2021/18 the Executive Board approved the UNFPA integrated budget, 2022–2025 (DP/FPA/2021/9), aligned with the UNFPA Strategic Plan, 2022–2025. The integrated budget encompasses all cost categories and results of UNFPA within a single, integrated framework.

50. Annex 1, Table 14 presents information on the actual utilization of resources for the strategic plan cycle for 2022–2025, noting that this is the first year of the new plan.

51. Annex 1, tables 14 – 17 provide further details on the expenses of the integrated resource plan and the programme and institutional budget components of the integrated budget. Information presented in tables 14 to 16 reflects the modified accrual basis of accounting, consistent with the budget presentation. Information in Table 17 uses the full accrual basis of accounting, consistent with the financial statements.

## E. Cost-recovery

52. In decision 2013/9, the Executive Board endorsed a general, harmonized cost-recovery<sup>7</sup> rate of 8.0 per cent for contributions to other resources. The same decision also approved a differentiated cost-recovery structure for thematic trust funds, government cost-sharing, South–South and private-sector contributions, and legacy agreements. The UNFPA Executive Director was given the authority to waive the cost-recovery rates on a case-by-case basis.

53. In decision 2020/12, the Executive Board approved the joint comprehensive cost-recovery policy (DP/FPA-ICEF-UNW/2020/1), including cost-classification categories, methodology and rates, effective 1 January 2022, and requested UNFPA to report on the progress of implementation of the policy, including the financial impact of the harmonized differentiated rates applied and waivers granted, the resulting effective cost-recovery rates and cost-recovery amounts realized, and provide details on each waiver/discount, including the donor and programme name, amount of the contribution, cost-recovery rate and amount of the waiver/discount. This chapter and the accompanying Annex 3 respond to this request.

54. Table 10 below summarizes the financial impact of differentiated cost-recovery rates and approved waivers for the fiscal year 2022. Further detail on the specific agreements can be found in Annex 3.

Table 10  
Financial impact of differentiated cost-recovery rates and approved waivers

	Thousands of United States dollars			Percentage
	<i>Actual cost-recovery</i>	<i>Cost-recovery at harmonized 8 per cent rate</i>	<i>Difference</i>	<i>Effective 2022 cost-recovery rate</i>
Thematic trust funds <sup>8</sup>	12,866	14,704	1,838	7.0
Umbrella agreements <sup>9</sup>	16,713	18,987	2,274	7.0
Preferential rates (programme governments, South-South and triangular cooperation)	3,137	5,020	1,882	5.0
Multilateral agreements with inherited reduced cost-recovery rates <sup>10</sup>	436	494	58	6.5

<sup>7</sup> Cost recovery is a mechanism put in place for recovering the costs of running the organization that cannot be directly linked and traceable to a programme.

<sup>8</sup> Thematic trust funds or thematic funds are thematic single-agency commingled contributions to a single-entity funding mechanism designed to support high-level outcomes within a strategic plan, of which UNFPA is the fund administrator.

<sup>9</sup> Umbrella agreements are broader agreements reached jointly with one (or more) United Nations organization vis-a-vis bilateral or multilateral donors.

<sup>10</sup> Multilateral agreements with inherited reduced cost-recovery rates are agreements involving the transfer of resources from other United Nations organizations to UNFPA, from funding with lower cost-recovery rates. The transfer of those lower rates to UNFPA is contractually binding on the transferring United Nations organizations.

Indirect cost-recovery waivers	236	284	49	6.1
<b>Total</b>	<b>33,388</b>	<b>39,489</b>	<b>6,101</b>	

55. Comparative information about the effective cost-recovery rates over the last three years is summarized in Table 11 below:

Table 11  
Effective cost-recovery rates for 2020-2022

Percentage				
	2020	2021	2022	2020-2022 (weighted average)
UNFPA	7.22%	7.25%	7.32%	7.26%

56. In 2022, UNFPA granted three cost-recovery waivers, the same number as in 2021 (two of them with a reduced cost-recovery rate of 7.0 per cent and the other without any cost-recovery rate). This resulted in a loss of cost-recovery income for UNFPA of \$10,059 in 2022 (2021: \$0.0 million). Furthermore, the application of the waivers granted in previous years resulted in cost recoveries \$0.05 million lower than what would have been due without the waivers (2021: \$0.3 million).

57. Annex 3 provides the justification for all new waivers and includes detailed disclosure of the financial impact of differentiated cost-recovery rates and the waivers applied in 2022.

### III. Regular resources

58. A summary of revenue, expenses and surplus under regular resources for 2022 and 2021 is presented in the table below.

Table 12  
Revenue, expenses and surplus for the year – regular resources

	Millions of United States dollars	
	2021	2020
<b>Revenue</b>		
Gross revenue for regular resources	390.9	605.0
Less: transfer to other revenue for reimbursement of tax charges	(5.5)	(4.7)
Other revenue	98.3	81.0
<b>Total revenue</b>	<b>483.7</b>	<b>681.3</b>
<b>Expenses</b>		
<b>Programme expenses</b>	<b>308.1</b>	<b>249.2</b>
Country programmes and other programme activities (excluding Emergency Fund)	252.0	197.9
Emergency fund	9.3	10.2
Global and regional interventions	46.8	41.1
<b>Institutional budget expenses</b>	<b>189.0</b>	<b>186.7</b>
Institutional budget expenses	189.0	186.7
<b>Corporate expenses</b>	<b>34.7</b>	<b>13.8</b>
After-service health insurance and other employee benefits expenses charged to corporate resources	1.3	8.0
Other corporate expenses	33.4	5.8
<b>Total expenses</b>	<b>531.8</b>	<b>449.7</b>
<b>Surplus for the year</b>	<b>(48.1)</b>	<b>231.6</b>

59. The revenue figures stated in Table 12 are based on the modified accounting policy introduced in 2022. As a result, the 2021 figures have been restated in line with the modified accounting policy as previously discussed in section II. The following two paragraphs refer to contributions received rather than revenue.

60. In 2022, 82 donors deposited contributions to UNFPA regular resources (2021: 96 donors), with 10 donors accounting for 88.8 per cent of the total regular resources contribution revenue (2021: 87.3 per cent). Annex 1, Table 18 provides a summary of regular resource contributions deposited above \$1.0 million.

61. Among the top 10 donors, eight donors paid their contributions in currencies other than United States dollars. UNFPA actively manages its net foreign currency exchange exposure, including by hedging, when justified, and by advocating for early payment of the contributions to provide increased flexibility as regards the management of foreign currency position.

62. Other revenue increased by 21.4 per cent to \$98.3 million (2021: \$81.0 million restated). This was due to the restating of other revenue in 2021 from \$103.9 million to \$81.0 million based on the modified accounting policy, which resulted in a larger unrealized exchange rate loss being recorded given the strengthening of the United States dollar against other major currencies. Cost-recovery charges amounted to \$65.9 million (67.0 per cent of other revenue) in 2022 (2021: \$58.7 million, or 56.5 per cent), the largest other revenue component.

63. Total regular resources expenses increased by 18.3 per cent in 2022 to \$531.8 million (2021: \$449.7 million), owing mainly to higher country programme and other programme activities expenses, and higher other corporate costs, relating to losses on the disposal of assets transferred to programme expenses, as well as losses on investments.

64. Programme expenses increased by 23.6 per cent to \$308.1 million in 2022 (2021: \$249.2 million), mainly due to higher expenses in several country offices.

65. Expenses funded from the Emergency Fund, the internal funding mechanism approved by the Executive Board to provide UNFPA field offices with initial funding to jump-start humanitarian activities before other resources become available, amounted to \$9.3 million (2021: \$10.2 million), incurred following resource allocations to 25 field offices (2020: 36 field offices).

66. Institutional budget expenses increased by 1.2 per cent to \$189.0 million in 2022 (2021: \$186.7 million) owing to increased travel costs as travel restrictions were lifted globally post pandemic; the increase also reflects a rise in the write-down of assets including in Burkina Faso, Peru, Somalia and Yemen.

67. Corporate expenses increased by 142.0 per cent to \$33.4 million (2021: \$13.8 million), owing mainly to a significant increase in unrealized foreign exchange losses on contributions receivable caused by the strengthening of the United States dollar against other major currencies.

68. Annex 1, tables 4 through 11 delineate programme and institutional budget expenses funded through regular resources; these are presented by outcomes and outputs of the integrated results and resources framework of the UNFPA Strategic Plan, 2022–2025 as well as by country tier, type of assistance, implementation modality and the gender marker.

#### **IV. Other resources**

69. Other resources comprise trust funds and special funds. Trust funds include thematic funds, United Nations pooled funds<sup>11</sup> and inter-agency transfers, and other co-financing funds. Special funds

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<sup>11</sup> United Nations pooled funds are commingled contributions to a multi-entity funding mechanism and not earmarked for a specific United Nations entity. Funds are held by a United Nations fund administrator, and fund allocations are made by a United Nations-led governance mechanism for activities specifically aimed at promoting sustainable development of programming countries, with a focus on long-term impacts.

include the junior professional officer programme, contributions-in-kind, procurement services and other funds.

70. A summary of revenue, expenses and annual surplus for other resources for 2022 and 2021 is presented in the table below.

Table 13  
Revenue, expenses and surplus for the year – other resources

	Millions of United States dollars	
	2022	2021 <sup>12</sup>
<b>Revenue</b>		
Gross revenue for contributions	1,108.7	1,051.5
Less: refunds to donors	(9.9)	(6.4)
Less: indirect costs	(66.2)	(58.9)
Less: allowance for doubtful contributions receivable	2.1	(1.2)
Other revenue	13.4	8.5
<b>Total revenue</b>	<b>1,048.1</b>	<b>993.5</b>
<b>Expenses</b>		
<b>Programme expenses</b>	<b>910.2</b>	<b>837.2</b>
Trust funds	976.1	895.9
Less: indirect costs	(65.9)	(58.7)
<b>Corporate expenses</b>	<b>11.7</b>	<b>13.8</b>
Special funds	12.0	14.0
Less: indirect costs	(0.3)	(0.2)
<b>Total expenses</b>	<b>921.9</b>	<b>851.0</b>
<b>Surplus for the year</b>	<b>126.2</b>	<b>142.5</b>

71. The change in accounting policy for revenue discussed in Section II did not impact other resources. Therefore, the 2021 revenue figures in Table 11 have not been restated and remain on a comparable basis for 2022.

72. Total revenue for other resources in 2022 increased by 5.5 per cent to \$1,048.1 million (2021: \$993.5 million), mainly because of a 41.5 per cent increase in contributions to thematic funds; this was partially offset by a \$16.6m reduction (amounting to a 2.7 per cent decrease) in contributions from co-financing arrangements and a \$28.7 million reduction (amounting to an 11.6 per cent decrease) in contributions made through United Nations pooled funds and inter-agency transfers. United Nations system organizations (including pooled funds and interorganizational transfers) remained the top donor to UNFPA other resources for the sixth year in a row, contributing \$218.7 million in 2022 (2021: \$247.4 million).

73. In 2022, 75.7 per cent of gross other resources contributions originated from the top 10 donors, 5.7 percentage points higher than in 2021, when the top 10 donors accounted for 70.0 per cent of the total. Agreements for 44.0 per cent of gross contribution revenue from the top 10 donors were denominated in non-United States dollar currencies, an increase of 3.0 percentage points from 2021.

74. Gross contribution revenue included \$467.6 million, or 41.0 per cent of the total, for humanitarian purposes, the highest level of humanitarian funding generated by UNFPA in any single year to date (2021: \$348.6 million or 33.2 per cent). Significant new contributions were intended for humanitarian interventions in Afghanistan, the Syrian Arab Republic and Yemen.

<sup>12</sup> Figures for the year ended 31 December 2021 in Table 13 have not been restated as there were no adjustments to other resources resulting from the change in accounting policy for revenue.

75. Other revenue increased by 57.6 per cent to \$13.4 million (2021: \$8.5 million), mainly due to increased income of \$3.3 million for interest on bank accounts given the rise in interest rates in 2022 (2021: \$0.9 million); realized foreign currency exchange gains of \$4.7 million (2021: \$3.5 million); and increased revenue of \$4.7 million from the sale of UNFPA inventory (2021: \$3.5 million).

76. Total expenses funded from other resources in 2022 increased by 8.3 per cent to \$921.9 million (2021: \$851.0 million). Annual revenue exceeded annual expenses by \$126.2 million, owing mainly to timing differences in the recognition of revenue and expenses, as most revenue is recognized upon the signature of binding donor agreements, and expenses are recognized as incurred upon delivery of relevant goods and services.<sup>13</sup>

77. A large part of the increase in programme expenses is attributable to increases of \$31.6 million in supplies, materials and operating costs and of \$20.3 million in the development and training of counterparts, as already highlighted as part of the analysis on expenses presented in Section B above.

78. Corporate expenses decreased to \$11.7 million in 2022 (2021: \$13.8 million) mainly due to higher allocation of procurement support services costs to programme activities in 2022.

79. Annex 1, tables 4 through 11 delineate trust fund expenses by outcomes and outputs of the integrated results and resources framework of the UNFPA Strategic Plan, 2022–2025 as well as by country tier, type of assistance, implementation modality and the gender marker.

## V. Cash and investments

80. Cash and investments held by UNFPA increased by \$27.6 million to \$1,717.6 million as at 31 December 2022 (2021: \$1,690.0 million), owing mainly to an increase in cash and cash equivalents held at the year-end as part of the investment portfolio. The UNFPA treasury portfolio is managed by UNDP under a service-level agreement following UNDP treasury guidelines. Maintaining a higher level of cash equivalents was an intentional strategy given rising short-term interest rates.

81. Of the total cash and investments, \$523.6 million are restricted in use (2021: \$548.1 million). Of this amount, \$98.2 million has been allocated to reserves (see Section C: Fund balances and reserves); \$378.0 million has been set aside to fund employee benefits liabilities; \$33.8 million corresponds to the principal amount of a private endowment trust; and \$13.7 million is held by UNFPA in its capacity as administrative agent for joint programmes.

82. UNFPA maintains its investments in two separate portfolios. 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 \$1,392.5 million as at 31 December 2022 (2021: \$1,285.1 million) and generated an average yield of 1.2 per cent throughout the year (2021: 0.70 per cent).

83. Two separate portfolios, established in 2016 and 2021 jointly with several other United Nations organizations and managed by two independent investment managers, invests 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 transferred \$220.0 million to this portfolio; no additional transfers were made in 2022. The combined fair market value of both portfolios reached \$300.5 million as at 31 December 2022 (2021: \$347.7 million), after negative annual rates of return ranging between 14.5 per cent and 14.3 per cent in 2022 (2021: growth of 5.2 per cent to 9.2 per cent). However, this did not impact the level of funding coverage for the employee benefits liability, given the significant reduction in employee benefit actuarial valuation for 2022 (refer to Section VI for further information).

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<sup>13</sup> A summary of UNFPA accounting policies is provided in note 2 to the UNFPA financial statements.

## VI. Other assets and liabilities

84. The total 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 \$89.3 million as at 31 December 2022 (2021: \$78.3 million). This is attributable to several factors such as ongoing global supply chain disruptions resulting in longer supply chain timelines for goods in transit; and increased inventory as part of UNFPA support for humanitarian activities in Afghanistan, Ethiopia and Pakistan which include substantial programme components for the procurement and delivery of humanitarian programme supplies for programmes initiated later in 2022.

85. Contributions receivable (current and non-current combined) increased by \$358.6 million to \$780.7 million as at 31 December 2022 (2021: \$422.1 million) due to the change in accounting policy for revenue. Multi-year agreements remain essential to ensuring the predictability and financial sustainability of the organization. Contributions receivable are presented net of allowances for doubtful accounts of \$4.8m million (2021: \$7.0 million), established after a careful review of all receivables for collectability.

86. Total operating fund advances outstanding at the year-end increased by \$3.4 million to \$22.1 million as at 31 December 2022 (2021: \$18.7 million) due to an increase in advances outstanding from governments and non-governmental organizations. These grew by \$4.9 million, amounting to \$15.2 million as at 31 December 2022 (2021: \$10.3 million). Ahead of the launch of the new enterprise resource planning system (ERP), UNFPA authorized a higher level of advances to implementing partners in quarters three and four as a risk mitigation mechanism to enable programme continuity during the transition from the old ERP to the new ERP. Despite the higher level of advances during 2022, activities were implemented and the balance of operating fund advances had reduced to a reasonable level by the year-end, indicating that this was an effective risk management decision. Gross advances outstanding held by United Nations organizations implementing programme activities on behalf of UNFPA decreased by \$0.6 million, amounting to \$7.8 million as at 31 December 2022 (2021: \$8.4 million).

87. Prepayments and other assets amounting to \$16.5 million as at 31 December 2022 remained consistent with the amount in 2021 (2021: \$16.2 million). Most prepayments relate to costs for common services/premises that remain unspent at the year-end, prepaid education grants for UNFPA staff and other prepaid expenses.

88. Accounts payable and accruals decreased by \$19.8 million to \$97.8 million as at 31 December 2022 (2021: \$117.6 million), owing mainly to a decrease in accounts payable and a decrease in liabilities for procurement services. The decrease in accounts payable was an intentional strategy to pay suppliers and implementing partners earlier at the end of 2022 before transitioning from the old ERP to the new ERP as a risk mitigation mechanism to ensure business continuity in early 2023. 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.

89. Other liabilities and deferred revenue fell by \$0.2 million to \$14.1 million as at 31 December 2022 (2021: \$14.3 million). This amount refers mainly to deferred revenue, which comprises contributions received early and liabilities owed from derivatives as part of the investment portfolio.

90. Employee benefits liabilities decreased by \$97.7 million to \$348.0 million as at 31 December 2022 (2021: \$445.7 million), owing mainly to an \$88.7 million decrease in the after-service health insurance (ASHI) liability, and a \$7.6m decrease in the end-of-service relocation and repatriation liability. The decrease in these liabilities is mainly due to an increase in the discount rate, which is heavily impacted by annual interest rates. Global inflation and the resulting rise in the interest rates set by major central banks as part of fiscal policy in 2022 has increased the interest rate used in the actuarial valuation from 3.3 per cent in 2021 to 5.3 per cent in 2022. Once global inflation eases and fiscal policies return to lower interest rates, the ASHI liability is expected to increase again. A full actuarial valuation will be commissioned for year-end 2023.



91. Employee benefits liabilities are fully funded for 2022 resulting in a surplus of \$29.9 million (2021: unfunded amount, \$39.7 million), even after a combined loss of \$23.7 million in 2022 to the ASHI and end-of-service investment portfolios caused by market volatility resulting from unexpected global events and slow market recovery post pandemic. The surplus is partially attributable to the decrease in employee benefits liabilities given the change in assumptions in the actuarial valuation referred to above, as well as the strategy put in place by UNFPA to fund employee benefits liabilities. However, the funding level is highly sensitive to future trends and events that affect the key financial assumptions used for the measurement of the liabilities. This high funding ratio is expected to reverse in 2023 and beyond once fiscal policies for inflation change and global interest rates reduce, which will increase the liability amounts. However, this should be partially offset by improved performance in the investment portfolio once global markets recover post pandemic. UNFPA will continually monitor the situation to ensure that liabilities remain fully funded, as far as possible, without the build-up of any surpluses.

## **VII. Conclusion**

92. UNFPA closed 2022 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 2023 and beyond continues to be fluid due to ongoing risks to peace and stability, and continued funding adjustments as global economies adapt to post-pandemic conditions. 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.

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