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

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UNFPA – Annual report of the Executive Director

**United Nations Population Fund
Statistical and financial review, 2023**

Summary

This review summarizes the financial performance of UNFPA in 2023 and its financial position as at 31 December 2023. Figures in this report are consistent with the full accrual basis of accounting unless stated otherwise. All data in the document is provisional, subject to external audit and, because of rounding, may not add up to the totals.

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. The impact of this change is two-fold: (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 year(s). Because of this change, to allow easier comparisons to strategic plan figures and with the resource allocation and management process, this report presents both revenue figures (i.e., amounts recognized as revenue in the year in which the agreements are signed and become binding, rather than the years for which the contributions are intended), and contributions received (i.e., the amount of cash transferred to UNFPA in any particular year). UNFPA gross revenue for 2023 amounted to \$1,454.4 million (2022: 1,661.5 million restated). Throughout this report, revenue and expense figures for 2022 have been restated to adjust for the recording of: (a) one contribution agreement signed in 2022 but received in 2023 that should have been recognized as revenue in 2022; (b) one multi-year contribution agreement where an amendment was issued in 2023 after the statistical and financial review was finalized but included in the financial statements for 2022; and (c) the effect of the adoption of International Public Sector Accounting Standards (IPSAS) 41: financial instruments.

UNFPA gross contributions received for 2023 amounted to \$1,424.5 million, surpassing the strategic plan target of \$1,208.8 million by 17.8 per cent but 3.6 per cent less than the 2022 contributions received of \$1,477.9 million. The decrease is attributable to a decrease in gross contributions received for regular resources, which fell to \$383.9 million (decreasing by 12.2 per cent), and a marginal decrease in other resources received, which reached \$1,040.6 million (a decrease of 0.03 per cent).

Expenses for 2023 increased by 2.6 per cent to \$1,510.4 million (2022 restated: \$1,472.1 million), 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 upfront when a binding donor agreement is signed, and expenses are recognized at a later date when goods and services are delivered.

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



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 \$192.7 million as at 31 December 2023 (2022: \$188.0 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 \$1,542.9 million as at 31 December 2023 (2022: \$1,551.1 million restated); this includes contributions of \$656.0 million not yet collected and thus not available for spending (2022: \$494.4 million).

While UNFPA closed 2023 with a positive resource mobilization performance and in strong financial health, the outlook for 2024 and beyond continues to be fluid due to changes in the geopolitical context, an increase in the need for humanitarian interventions due to protracted and emergent 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. 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 to sustain UNFPA operations and achieve its strategic objectives.

Elements of a decision

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

Report of the Executive Director

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I. Introduction

1. This review summarizes the financial performance of UNFPA in 2023 and its financial position as at 31 December 2023. 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 2023 is provided in annex 1, table 1, for regular, other and total resources. The statement of financial position as at 31 December 2023 is provided in annex 1, table 2¹.
3. The figures presented have been prepared on the accrual basis of accounting, except for table 2, which presents contributions received by UNFPA (cash basis), and annex 1, table 12, which presents 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’ and gross contributions received. Gross contribution revenue refers 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 contribution revenue refers to gross contribution revenue reduced by the amount of refunds to donors, cost-recovery charges, allowances for doubtful contributions receivable, and income tax reimbursements to taxpayers of one Member State. Gross contributions received refers to amounts received by UNFPA in its bank account and applied to a specific contribution agreement.
5. Figures presented throughout this document for 2022 differ from those presented in the statistical and financial review issued in the previous year in document DP/FPA/2023/4 (Part I/Add.1). Figures for 2022 have been restated: (a) due to the adoption of International Public Sector Accounting Standard (IPSAS) 41: financial instruments, and (b) 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) one multi-year contribution agreement where an amendment was issued in 2023 after the 2022 statistical and financial review was finalized, which reduced the overall contribution to UNFPA in the period 2022 to 2025, but which was included in the financial statements for the year ended 31 December 2023. Both items in (b) required restating the revenue in 2022, and the resulting contributions receivable and foreign exchange gains or losses, the latter of which are included in other income or other expenses.

II. Total resources

A. Revenue and contributions received

6. In 2022 a revised accounting policy was introduced, in line with IPSAS, changing the definition of ‘revenue’ and the timing of when revenue was recognized for regular resources. Since 2022, gross revenue for regular resources has been 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 has been two-fold: (a) revenue for regular resources has been recognized in the year the agreement is signed; and (b) the full value of the agreement has been recognized as revenue, even when the agreement is a multi-year agreement, and the amounts are intended for future year(s). The revised accounting policy did not change the basis of accounting for other resources. Accordingly, table 1 below presents gross ‘revenue’ for regular resources based on the accounting policy modified in 2022, along with gross revenue for other resources. The revenue amounts are as reported in the statement of financial performance for the year ended 31 December 2023.
7. Revenue presented in table 1 has been restated to adjust for recording of: (a) one contribution agreement signed in 2022 but received in 2023 that should have been recognized as revenue in

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

2022; and (b) one multi-year contribution agreement where an amendment was issued in 2023 after the statistical and financial review was finalized, which reduced the overall revenue to UNFPA in the period 2022 to 2025. Both items required restating the revenue in 2022.

Table 1
Gross contribution revenue for 2021–2023

	Millions of United States dollars		
	2023	2022 (restated)	2021 (restated)
Regular resources – gross revenue	364.1	482.0	525.0
Other resources – gross revenue	1,090.3	1,179.5	1,051.5
Total gross contributions revenue	1,454.4	1,661.5	1,576.5
<i>Other resources, as percentage of total contribution revenue</i>	75.0%	70.9%	66.7%

8. Detailed commentary on regular resources revenue and other resources revenue is provided in section III on regular resources and section IV on other resources, respectively.

9. 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.

10. Cost recovery charges increased by \$8.9 million to \$75.1 million for 2023 (2022: \$66.2 million) based on the higher level of expenses incurred in 2023 compared to 2022 for other resources. Net foreign exchange gains, arising primarily from the revaluation of contributions receivable in currencies other than the United States dollar, amounted to \$40.9 million in 2023 as a result of the weakening of the United States dollar in relation to other key contribution currencies, compared to net losses of \$37.7 million (restated) in 2022, that are presented under other expenses.

11. 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 through 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), netting them off against realized regular resources investment gains reported as other revenue in 2022.

12. Table 2 below presents gross contributions for regular and other resources based on cash received by UNFPA in a bank account and applied to a specific contribution agreement, given that this is more applicable to resource management than revenue. This differs from the information presented in this table in previous years, which was based on the year for which the contribution was intended.

Table 2
Gross contributions received for 2022 – 2023

	Millions of United States dollars	
	2023	2022
Regular resources - gross	383.9	437.0
Other resources - gross	1,040.6	1,040.9
Total gross contributions	1,424.5	1,477.9
<i>Other resources, as percentage of total contributions</i>	73.1%	70.4%

13. In 2023, UNFPA gross contributions received were \$1,424.5 million, (2022: \$1,477.9 million) surpassing \$1.0 billion for the seventh year in a row.

14. Gross contributions received for regular resources were \$383.9 million (2022: \$437.0 million), exceeding the strategic plan target of \$378.3 million by 1.1 per cent. In 2023, UNFPA received contributions from 81 donors for regular resources (2022: 82 donors), of which the top 10 donors represented 86.0 per cent (2022: 88.8 per cent).

15. In 2023, \$251.5 million or 65.8 per cent of regular resource contributions were received by UNFPA during the first half of the year (2022: \$138.9 million, or 31.8 per cent). UNFPA appreciates early payment of donor contributions as this facilitates more effective management of financial resources by UNFPA, including the mitigation of foreign currency exchange risks. UNFPA will continue to advocate with donors for early payment of their contributions.

16. Gross contributions received for other resources were \$1,040.6 million (2022: \$1,040.9 million), enabling UNFPA to surpass its strategic plan target of \$830.5 million by 25.3 per cent. Contributions received for thematic trust funds and pooled funds reduced by \$79.5 million or 27.3 per cent to \$211.2 million (2022: \$290.7 million). Resources received through other United Nations organizations increased by \$16.6 million or 9.9 per cent to \$183.7 million (2022: \$167.1 million) and remained the largest donor to UNFPA, reflecting a strong commitment to United Nations development system reform. Contributions received for highly earmarked funding instruments increased by \$78.6 million or 10.6 per cent and amounted to \$822.4 million (2022: \$743.8 million), representing 79.0 per cent of the 2023 gross contributions received for other resources and 57.7 per cent of total gross contributions received.

17. In 2023, the share of regular resources as a percentage of total gross contributions received was 26.9 per cent, below the United Nations Funding Compact target of 30.0 per cent². While both core and non-core contributions received are appreciated by UNFPA, a concern remains that the percentage of regular resources continues to decline and remains below the United Nations Funding Compact target. This situation impacts programme flexibility and creates higher administrative costs, as well as presents 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.

B. Expenses

18. Expenses for 2022 have been restated to adjust for foreign exchange losses resulting from: (a) revenue and contributions receivable from: (i) one contribution agreement signed in 2022 but received in 2023 that should have been recognized as revenue in 2022; and (ii) one multi-year contribution agreement where an amendment was issued in 2023 after the statistical and financial review was finalized, which reduced the overall contribution to UNFPA in the period 2022 to 2025; and (b) the effect of the adoption of IPSAS 41: financial Instruments.

19. Total expenses increased by 2.6 per cent in 2023 to \$1,510.4 million (2022: \$1,472.1 million restated), as summarized in table 3 below.

Table 3
Total expenses

	Millions of United States dollars		Percentage	
	2023	2022 (restated)	2023	2022 (restated)
Programme and institutional budget	1,497.6	1,403.2	99.2	95.3
Country programmes, global and regional programmes (GRP) and other programme activities	1,295.8	1,214.2	85.8	82.5
Institutional budget - gross	201.8	189.0	13.4	12.8
Corporate	12.8	68.9	0.8	4.7
Corporate	12.8	68.9	0.8	4.7
Total expenses	1,510.4	1,472.1	100.0	100.0

² [A/74/73/Add.1](#).

20. 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 2023 is the second year of the current strategic plan, two years 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 2023	Cumulative 2022 (restated) - 2023	
	Millions of United States Dollars	Percentage	Millions of United States Dollars	Millions of United States Dollars	Percentage
<i>Outcome 1: The reduction in the unmet need for family planning accelerated</i>	1719.0	40	428.6	830.2	33.4
<i>Outcome 2: The reduction of preventable maternal deaths accelerated</i>	1,504.1	35.0	347.8	700.2	28.2
<i>Outcome 3: The reduction in gender-based violence and harmful practices accelerated</i>	1,074.5	25.0	504.9	951.9	38.4
Total	4,297.6	100.0	1,281.3	2,482.3	100.0
Organizational effectiveness and efficiency (OEE)	873.6		216.3	418.5	
Total	5,171.2		1,497.6	2900.8	

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

	Indicative resources 2022–2025		Actual 2023		Cumulative 2022 (restated) - 2023	
	Millions of United States dollars	Percentage	Millions of United States dollars	Percentage	Millions of United States dollars	Percentage
Development outputs						
<i>Output 1: Policy and accountability</i>	417.8	9.7	98.8	7.7	210.7	8.5
<i>Output 2: Quality of care and services</i>	1,470.1	34.2	562.8	43.9	1,063.1	42.8
<i>Output 3: Gender and social norms</i>	402.5	9.4	217.2	17.0	414.9	16.7
<i>Output 4: Population change and data</i>	528.2	12.3	71.5	5.6	157.0	6.3
<i>Output 5: Humanitarian action</i>	1,255.5	29.2	225.9	17.6	421.2	17.0
<i>Output 6: Adolescents and youth</i>	223.5	5.2	105.1	8.2	215.4	8.7
Sub-total	4,297.6	100.0	1,281.3	100.0	2,482.3	100.0
Organizational efficiency and effectiveness outputs						
<i>OEE1: Improved programming for results</i>	189.9	21.7	50.2	23.3	96.4	23.0
<i>OEE2: Optimized management of resources</i>	515.1	59.0	120.8	55.8	237.6	56.8
<i>OEE3: Expanded partnerships for impact</i>	168.6	19.3	45.3	20.9	84.5	20.2
Sub-total	873.6	100.0	216.3	100.0	418.5	100.0
Total	5,171.2		1,497.6		2,900.8	

21. 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	
	2023	2022 restated	2023	2022 restated
Country and regional offices activities	1,193.1	1,149.7	79.7	81.9
East and Southern Africa	276.4	284.2	18.6	20.3
West and Central Africa	182.8	194.3	12.2	13.8
Arab States	192.3	230.6	12.8	16.4
Asia and the Pacific	315.0	249.7	21.0	17.8
Latin America and the Caribbean	98.8	97.2	6.6	6.9
Eastern Europe and Central Asia	127.9	93.7	8.5	6.7
Global activities³	304.5	253.5	20.3	18.1
Total programmes and institutional budget	1,497.6	1,403.2	100.0	100.0

22. 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). Given the cross-cutting nature of outcomes and outputs in the UNFPA strategic plan, it is important to note that the humanitarian response and expenses are reflected in all outputs of the strategic plan, not just in output 5.

23. Three regions incurred higher expenses in 2023 as compared to 2022. The largest rates of increase were seen in the Asia and the Pacific region (an increase of \$64.6 million or 25.8 per cent), and the Eastern Europe and Central Asia region (an increase of \$33.9 million or 36.1 per cent). Expenses in the Asia and Pacific region decreased for development activities by \$9.5 million (or 7.1 per cent) and increased for humanitarian activities by \$73.0 million (or 74.6 per cent), resulting in an increase in expenses for output 5 – humanitarian action of \$52.1 million (or 144.4 per cent) – and output 3 – 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 output 5 – humanitarian action of \$32.5 million (or 228.9 per cent) – and output 2 – 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).

24. Three regions incurred lower expenses in 2023 as compared to 2022. The largest rates of decrease were seen in the Arab States region (a decrease of \$39.0 million or 16.9 per cent); followed by expenses in the West and Central Africa region, which decreased by \$12.1 million or 6.2 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; resulting in a decrease in expenses for all outputs except two. The main decreases in expenses incurred were in output 2, quality of care and services of \$14.5 million or 15.7 per cent, and output 5, humanitarian action of \$20.4 million or 54.7 per cent. The largest decrease in expenses were incurred in Somalia, Sudan and Syria, (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.

25. 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 output 1, policy and accountability of \$8.9 million or 45.2 per cent, and a decrease in output 5, humanitarian action of \$13.5 million or 52.9 per cent, partially offset by an increase in expenses for output 6, adolescents and youth of \$5.2

³ Expenses for global programmes includes the cost of reproductive health commodities procured by the UNFPA Supplies Partnership programme for distribution to country offices for an amount of \$133.5 million in 2023 and \$125.9 million in 2022.

million or 31.7 per cent. The largest decrease in expenses were incurred in Cameroon, Mali and Nigeria with decreases of \$2.4 million, 2.6 million and 4.8 million, respectively.

26. Expenses for global activities increased, primarily from the larger procurement of reproductive health commodities by the UNFPA Supplies Partnership for subsequent delivery to and distribution to beneficiaries in the programme's priority countries.

27. The business model of the UNFPA Strategic Plan, 2022–2025, classifies all countries/territories where UNFPA operates into three tiers (I, II and III) depending on whether all transformative results have not been achieved (tier I), two transformative results have not been achieved (tier II), or one or zero transformative results has not been achieved (tier III).⁴ Total programme and institutional budget expenses for 2023 by tier are summarized in table 7 below. Given that this is the second year of the new strategic plan and the tier classification, expenses for 2022 and 2023 are presented.

Table 7

	Millions of United States dollars		Millions of United States dollars	
	2023	Percentage	2022 restated	Percentage
Country expenses	1,121.8	74.9	1,084.4	77.3
Tier I	740.2	49.4	728.8	51.9
Tier II	215.5	14.4	224.8	16.0
Tier III	141.7	9.5	109.3	7.9
Multi-country programmes	24.4	1.6	21.5	1.5
Global and regional interventions	375.8	25.1	318.8	22.7
Regional	71.3	4.8	65.3	4.7
Global ^(*)	304.5	20.3	253.5	18.0
Total programmes and institutional budget	1,497.6	100.0	1,403.2	100.0

^(*) Expenses for global programmes include the cost of reproductive health commodities procured by the UNFPA Supplies Partnership for distribution to country offices for an amount of \$133.5 million in 2023 and \$125.9 million in 2022.

Programme and institutional budget expenses by tier

28. Programme expenses funded from regular resources in 59 countries/territories classified as either 'least developed' or 'landlocked developing countries' amounted to \$140.1 million in 2023 (2022: \$155.5 million) or 48.0 per cent of total programme expenses funded from regular resources (2022: 50.0 per cent). This represents an absolute decrease of \$15.4 million but only a slight decrease, 2.0 per cent, in the percentage of total programme expenses funded from regular resources and is mainly driven by less available regular resources due to lower contributions. Conversely, programme expenses funded from other sources increased from \$503.6 million in 2022 to \$526.7 million in 2023, indicating an absolute increase of \$23.1 million (4.5 per cent).

29. Programme expenses in 'small island developing States' funded from regular resources amounted to \$16.6 million in 2023, 12.9 per cent more than the \$14.7 million spent in 2022.

30. Expenses for humanitarian interventions increased in both absolute and relative terms to \$671.1 million or 51.8 per cent of total programme expenses (2022: \$527.2 million or 43.3 per cent of total programme expenses). Most humanitarian expenses were incurred for output 2, provision of quality care and services (46.1 per cent) and output 5, humanitarian action (32.8 per cent).

31. 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

⁴ UNFPA tier definition and classification, as well as the business model are provided in the UNFPA Strategic Plan, 2022–2025, in Executive Board document DP/FPA/2021/8.

primary objective or made a significant contribution to gender equality (2022: \$804.6 million or 66.1 per cent).

32. 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 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).

33. Reflecting UNFPA commitment 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) for a number of programmes, the largest of which is for a census-based project in Brazil (\$1.1 million).

34. The cost of the collection and management of the resident coordinator system levy under the agency-administered option has been estimated at \$125,000 (2022: \$109,200) and continued to be managed within the existing administrative resources following the processes established in 2020.

35. Annex 1, tables 3 through 10, 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; and annex 1, table 11 provides a breakdown of 2023 expenses by country/territory.

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

Table 8
Total expenses by nature

	Millions of United States dollars		Percentage	
	2023	2022 restated	2023	2022 restated
Staff costs	380.4	350.7	25.2	23.8
Reproductive health and other programme supplies	276.5	215.4	18.3	14.6
Cash assistance programmes	6.0	9.7	0.4	0.7
Contracted and professional services	338.3	309.2	22.4	21.0
Development and training of counterparts	162.5	169.0	10.8	11.5
Supplies, materials and operating costs	258.1	266.2	17.1	18.1
Travel	67.8	59.9	4.5	4.1
Other general expenses ⁵	20.8	92.0	1.3	6.2
Total	1,510.4	1,472.1	100.0	100.0

37. Staff costs increased by \$29.7 million or 8.5 per cent (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.

38. 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, resulting in longer transit and delivery times and an increase in inventory levels at the year end (refer to section VI).

39. 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.

⁵ Including depreciation, amortization, impairment and finance costs.

However, new and/or scaled-up programmes were implemented in the Islamic Republic of Iran, Moldova, Sri Lanka, the State of Palestine and Ukraine.

40. 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 contacted and professional services was as a result of accelerated programme delivery in 2023.

41. 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. Programme activities represent training activities designed to prevent and respond to gender-based violence, and support sexual and reproductive health, and the empowerment of youth. Many countries, particularly those in humanitarian contexts, saw an increase in delivery similar to 2022; with some countries noting a scale down in activities and lower expenses, such as in Liberia for its 2019 population and housing census programme, and in Somalia.

42. Expenses for supplies, materials and operating costs decreased by 2.4 per cent to \$258.1 million (2022: \$264.4 million restated). The decrease of \$6.3 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 (ERP) system launched in 2023, and transport costs.

43. 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, for both daily subsistence allowance (DSA) (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 due to inflation, resulting in higher ticket and DSA 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.

44. 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: financial instruments.

C. Fund balances and reserves

45. Fund balances for 2022 have been restated: (a) due to the introduction of IPSAS 41: financial instruments, which requires that unrealized gains or losses on investments measured at fair market value no longer be recognized in net assets but included in the statement of financial performance; and (b) to adjust for recording revenue from (i) one contribution agreement signed in 2022 but received in 2023 that should have been recognised as revenue in 2022; and (ii) the amendment of one contribution agreement signed in 2023 which reduced the overall contribution to UNFPA in the period 2022 to 2025.

46. Reserves and fund balances as at 31 December 2023 increased by 3.2 per cent to \$2,408.0 million (2022: \$2,333.8 million restated). Details are provided in table 9 below.

Table 9
Reserves and fund balances

	Millions of United States dollars	
	2023	2022 restated
Operational reserve	76.7	87.7
Humanitarian response reserve	5.5	5.5
Reserve for field accommodation	5.0	5.0
Designated regular resources fund balances	118.9	103.5
Undesignated regular and other resources fund balances		
Regular resources	659.1	581.0
Other resources	1,542.9	1,551.1
Total	2,408.0	2,333.8

47. The operational reserve, set at 20.0 per cent of net annual regular resource contributions received as established in the UNFPA financial regulations and rules, decreased by \$11.0 million or 12.5 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. The methodology for calculating the operational reserve remains the same as in 2022, which is based on net contributions received. This is to ensure that the reserve level can be held in irrevocable and immediately available liquid assets, as required.

48. The humanitarian response reserve,⁶ which operates as a revolving fund, was used to provide \$13.1 million in pre-financing for humanitarian activities (2022: \$25.0 million) while remaining within the level approved by the Executive Board (\$5.5 million)..

49. 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 Syria Arab Republic, as well as renovations of UNFPA owned premises in Somalia and Peru. The reserve was replenished to the level approved by the Executive Board (\$5.0 million).

50. Designated regular resources fund balances are funds set aside by management for special purposes and not available for programming. This includes fund balances for: (a) supply chain management services; (b) cost recovery above the budgeted level; (c) information communications technology transformation; (d) 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, 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.

51. Undesignated regular resources comprise: (a) the programmable fund balance; and (b) after service health insurance and employee benefits funds. Collectively, these increased by 13.4 per cent to \$659.1 million (2022: \$581.0 million, restated), mainly due to the following: excess revenue over expenses of \$57.1 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.

52. 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

⁶ 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.

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.

53. 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.

D. Integrated budget

54. 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.

55. Annex 1, table 12 presents information on the actual utilization of resources for the strategic plan cycle for 2022–2025, noting that this is the second year of the plan. Information presented in this table reflects the modified accrual basis of accounting, consistent with the budget presentation.

E. Cost-recovery

56. 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. The policy reaffirmed a general, harmonized indirect cost-recovery⁷ rate of 8.0 per cent for contributions to other resources; a differentiated indirect cost-recovery rate for thematic trust funds, government cost-sharing, South–South and private-sector contributions, and legacy agreements; and the UNFPA Executive Director’s authority to waive the cost-recovery rates on a case-by-case basis.

57. The Executive Board also 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 2 respond to this request.

58. Table 10 below summarizes the financial impact of differentiated cost-recovery rates and approved waivers for the fiscal year 2023. Further detail on the specific agreements can be found in annex 2.

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 2023 cost-recovery rate</i>
Thematic trust funds ⁸	15,201.8	17,373.5	2,171.7	7.0
Umbrella agreements ⁹	15,277.5	17,459.0	2,182.5	7.0

⁷ Cost recovery is a mechanism put in place for recovering direct programme costs as well as the costs of running the organization that cannot be directly linked to a programme (indirect costs).

⁸ 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.

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

Preferential rates (programme governments, South-South and triangular cooperation)	3,252.6	5,204.1	1,951.6	5.0
Multilateral agreements with inherited reduced cost-recovery rates ¹⁰	378.7	439.5	60.8	6.8
Indirect cost-recovery waivers	445.9	540.1	94.1	6.6
Total	34,556.5	41,017.2	6,460.7	

59. 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 2021-2023

Percentage				
	2023	2022	2021	2021 - 2023 (weighted average)
UNFPA	7.37%	7.32%	7.25%	7.31%

60. In 2023, UNFPA granted six cost-recovery waivers, double the number in 2022 (three with a reduced cost-recovery rate of 7.0 per cent, one with a reduced rate of 5.0 per cent, one with a rate of 1.0 per cent and one with a 0 per cent cost-recovery rate). This resulted in a loss of cost-recovery income for UNFPA of \$0.1 million in 2023 (2022: \$0.0 million). Furthermore, the application of the waivers granted in previous years resulted in cost recoveries \$0.06 million lower than what would have been due without the waivers (2022: \$0.05 million).

61. Annex 2 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 2023.

III. Regular resources

62. A summary of revenue, expenses and surplus under regular resources for 2023 and 2022 is presented in the table below.

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

	Millions of United States dollars	
	2023	2022 restated
Revenue		
Gross revenue for regular resources	364.1	482.0
Less: transfer to other revenue for reimbursement of tax charges	(4.2)	(5.5)
Other revenue	197.0	78.1
Total revenue	556.9	554.6
Expenses		
Programme expenses	291.8	308.1
Country programmes and other programme activities (excluding Emergency Fund)	230.9	252.9

¹⁰ 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. Effective 2019, such arrangements are disclosed separately from other differentiated cost-recovery rates categories, in recognition of the fact that the reduced rates do not result from decisions made by UNFPA.

Emergency fund	10.5	8.5
Global and regional programmes	50.4	46.7
Institutional budget expenses	201.8	189.0
Institutional budget expenses	201.8	189.0
Corporate expenses	6.2	57.2
After-service health insurance and other employee benefits charges (credits) to corporate resources	(2.7)	1.3
Other corporate expenses	8.9	55.9
Total expenses	499.8	554.3
Surplus for the year	57.1	0.3

63. The revenue figures for both 2023 and 2022 as stated in table 12 are based on the modified accounting policy introduced in 2022. Additionally, the 2022 revenue figures were restated in 2023 to correct revenue for two multi-year agreements.

64. In 2023, gross revenue 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 a result of the change in the revenue recognition policy introduced in 2022 in line with International Public Sector Accounting Standards, 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.

65. Other revenue increased by 152.2 per cent to \$197.0 million (2022: \$78.1 million restated). The main components of other revenue in 2023 relate to: (a) cost-recovery charges amounting to \$75.1 million in 2023 (2022: \$66.2 million), the increase attributable on the higher level of expenses incurred for other resources; and (b) net investment income of \$82.7 million (2022: \$0.0 million, restated), as an outcome of the higher yield on fixed income securities and increase in the market value of bonds and equities held in the UNFPA investment portfolios, as well as the impact of the adoption of IPSAS 41 (refer to the detailed commentary provided in paragraph 11).

66. Programme expenses decreased by 5.3 per cent to \$291.8 million in 2023 (2022: \$308.1 million), due to lower expenses in several country offices as an outcome of the lower level of regular resources received.

67. 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 \$10.5 million (2022: \$8.5 million), incurred following resource allocations to 31 field offices (2022: 25 field offices). Expenses exceeded the ceiling of \$10.0 million due to an additional exceptional allocation provided to the Emergency Fund in line with the Executive Board decision 2021/18, reaffirming the existing authorization for the Executive Director to increase the emergency fund by up to \$2 million beyond the ceiling in a given year if the number and extent of the emergencies so warrant.

68. Institutional budget expenses increased by 6.8 per cent to \$201.8 million in 2023 (2022: \$189.0 million) due to an increase in staff costs of \$14.7 million. Non-pension related employee benefit costs increased by 13.5 per cent to \$46.2 million (2022: \$40.7 million), pension contributions increased by 11.2 per cent to \$19.8 million (2022: 17.8 million) and staff salary costs increased by 8.9 per cent to \$88.0 million (2022: \$80.8 million).

69. The significant decrease in corporate expenses to \$6.2 million in 2023 (2022: \$57.2 million, restated) is mainly a consequence of the adoption of IPSAS 41: financial instruments (refer to the detailed commentary provided in paragraph 11). Under IPSAS 41, investment losses of \$38.9 were included in the restated balance of 2022. However, in 2023 investment gains of \$82.7 were recognized and presented as other revenue, which are not included in corporate expenses.

70. Annex 1, tables 3 through 10 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

71. Other resources comprise trust funds and special funds. Trust funds include thematic funds, United Nations pooled funds ¹¹ and inter-agency transfers, and other co-financing funds. Special funds include the junior professional officer programme, contributions-in-kind, services for third-party procurement and other funds.

72. A summary of revenue, expenses and annual surplus for other resources for 2023 and 2022 is presented in the table below.

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

	Millions of United States dollars	
	2023	2022 restated
Revenue		
Gross revenue for contributions	1,090.3	1,179.5
Less: refunds to donors	(33.2)	(9.9)
Less: indirect costs	(75.1)	(66.2)
Less: allowance for doubtful contributions receivable	0.7	2.1
Other revenue	25.7	13.4
Total revenue	1,008.4	1,118.9
Expenses		
Programme expenses	1,004.0	906.1
Trust funds	1,078.9	972.0
Less: indirect costs	(74.9)	(65.9)
Corporate expenses	6.6	11.7

¹¹ 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.

Special funds	6.8	12.0
Less: indirect costs	(0.2)	(0.3)
Total expenses	1,010.6	917.8
Surplus (deficit) for the year	(2.2)	201.1

73. Total revenue for other resources in 2023 of \$1,008.4 million, reduced by 9.8 per cent compared to 2022 (2022: \$1,118.9 million). This 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, primarily due 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).

74. Revenue recorded for flexible instruments, such as thematic and pooled funds, decreased by 33.5 per cent to \$230.6 million in 2023 (2022: \$347.0 million restated). Contributions made through United Nations pooled funds and inter-agency transfers also decreased by 15.1 per cent to \$183.2 million (2022: \$215.7 million) but remained the top donor to UNFPA other resources for the seventh year in a row. These decreases were partially offset by a 1.8 per cent increase in standard co-financing from donor governments to \$520.9 million in 2023 (2022: \$511.5 million restated), and a 57.9 per cent increase in funding received from the European Commission to \$54.0 million in 2023 (2022: \$34.2 million).

75. 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.

76. Gross revenue for other resources included \$455.6 million, or 41.8 per cent of the total, for humanitarian purposes, an amount less than 2022, but the highest percentage of humanitarian funding generated by UNFPA in any single year to date (2022: \$478.7 million or 40.7 per cent, restated). Significant contributions were intended for humanitarian interventions in Afghanistan, Bangladesh, Sudan, Ukraine and Yemen.

77. Total expenses funded from other resources in 2023 increased by 10.1 per cent to \$1,010.6 million (2022: \$917.8 million restated). Annual expenses exceeded annual revenue by \$2.2 million (2022: Annual revenue exceeded annual expenses by \$197.1 million restated), 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.¹²

78. A large part of the increase in programme expenses is attributable to increases of \$29.0 million in contracted and professional services and of \$61.0 million in reproductive health and other programme related goods, partially offset by a reduction of \$20.5 million in other expenses.

79. Annex 1, tables 3 through 10 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 decreased by \$8.1 million (less than 1 per cent) to \$1,709.6 million as at 31 December 2023 (2022: \$1,717.6 million). Cash and cash equivalents decreased by \$181.4 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 portfolio is managed by 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.

¹² A summary of UNFPA accounting policies is provided in note 2 to the UNFPA financial statements.

81. Of the total cash and investments, \$593.4 million are restricted in use (2022: \$523.6 million). Of this amount, \$87.2 million has been allocated to reserves (see section C: fund balances and reserves); \$452.9 million has been set aside to fund employee benefits liabilities; \$33.2 million corresponds to the net principal and interest amount of a private endowment trust; and \$20.1 million is held by UNFPA in its capacity as administrative agent for joint programmes.

82. 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 \$1,351.3 million as at 31 December 2023 (2022: \$1,392.7 million restated) and generated an average yield of 2.98 per cent for the year (2022: 1.2 per cent).

83. The second portfolio is for after-service health insurance liabilities and other end-of-service entitlements. This portfolio is further sub-categorized 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 transferred \$220.0 million to this portfolio; no additional transfers were made in 2023. The combined fair market value of both portfolios was \$346.2 million as at 31 December 2023 (2022: \$300.5 million), 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.

VI. Other major assets and liabilities

84. 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), due to higher procurement levels, including in humanitarian settings like Afghanistan, Nigeria, Pakistan, 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.

85. Net contributions receivable (current and non-current combined) increased by 10.0 per cent to \$967.4 million as at 31 December 2023 (2022 restated: \$879.1 million). A number of new agreements were signed in 2023, thereby increasing contributions receivable. Contributions receivables 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.

86. 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 \$16.5 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 \$5.7 million as at 31 December 2023 (2022: \$7.8 million).

87. 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 reimbursement 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 ERP to the new ERP 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.

88. A full actuarial valuation was conducted for year-end 2023, as led by the United Nations Secretariat. Employee benefits liabilities (current and non-current combined) remained similar in 2023 and increased only by \$3.9 million to \$351.9 million as at 31 December 2023 (2022: \$348.0 million). The largest portion of the liability relates to the after-service health insurance (ASHI) liability, valued at \$274.0 million in 2023 (2022: \$278.4 million). The net decrease of this liability results primarily from the net service and interest cost accrued in 2023 of \$23.8 million; actuarial losses of \$22.7 million, due to a marginal increase 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; off-set by actuarial gains of \$40.5 million arising from lower per-capita claims for certain medical plans, changes in demographic assumptions and experience adjustments. Valuation of this liability is heavily impacted by changes in annual interest rates. If current projections of central bank interest rate cuts materialise in 2024, the ASHI liability is expected to increase again.

89. Employee benefits liabilities remain fully funded at 31 December 2023, with a surplus of \$101.0 million (2022: surplus, \$29.9 million). The surplus 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.

VII. Conclusion

90. 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 due to changes in the geopolitical context, an increase in the need for humanitarian interventions due to protracted and emergent 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.
