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United Nations Population Fund**

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Financial, budgetary and administrative matters

Annual review of the financial situation, 2008*

Report of the Administrator

Summary

In 2008, the level of funding at UNDP further increased in aggregate terms and reached the overall funding targets as set out in the strategic plan, a trend UNDP wishes to continue.

Total income (contributions, interest and other income) in 2008 was \$6.03 billion. Total contributions increased by 8 per cent, from \$5.19 billion in 2007 (\$4.86 billion in real terms), to \$5.50 billion in 2008 (\$5.20 billion in real terms), attributable to growth in 'other' resources. Although some donors reduced their contributions in local currency to regular resources and the volatility of exchange rates also reduced the United States dollar value of some contributions, total contributions in 2008 met the targets of the strategic plan. However, with regular resources at \$1.10 billion and other resources at \$4.16 billion, the ratio between regular and other resources remained imbalanced. Regular resources are the bedrock of UNDP programmatic activities, giving the organization needed flexibility to respond to national priorities.

UNDP expenditures increased from \$4.77 billion in 2007 to \$5.39 billion in 2008, a 13 per cent increase. Expenditures related to regular resources increased by 15 per cent, from \$965 million in 2007 to \$1.1 billion in 2008.

The full impact of the global recession may not be felt fully until 2009 and 2010, but effects are already visible. For 2009, projections suggest a drop in total contributions to regular resources to \$995 million, due to reductions in local currency contributions and exchange rate volatility, significantly below the \$1.25 billion targeted in the strategic plan.

UNDP remains committed to its United Nations system-wide roles, and the optimization of its country-level coordination role in the support of national development efforts. The value of fund flows for multi-donor trust funds, joint programmes and support to other United Nations organizations totalled \$1.5 billion in 2008, compared to \$1.91 billion in 2007. This figure is composed of \$957 million for complex multi-donor trust funds and joint programmes for which UNDP serves as administrative agent, and \$537 million for management and operational services provided by UNDP. In addition, UNDP delivered \$41 million for programme support to the resident coordinator system.

Elements of a decision

The Executive Board may wish: (a) to take note of documents DP/2009/28 and DP/2009/28/Add.1 (b) as stated in the strategic plan and approved by the Executive Board in decision 2007/32, to urge all Member States to support UNDP in reaching resource targets set out in the plan and to commit, as early as possible, contributions to UNDP regular resources for 2009 and onwards, if possible through multi-year pledges; and (c) to recall the importance of funding predictability, since the timeliness of payments of contributions is essential to avoid liquidity constraints in regular resources.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.



Contents

<i>Chapter</i>	<i>Page</i>
I. Introduction	3
II. UNDP overall	3
III. Regular resources	4
A. Income	5
B. Expenditure	7
C. Balance of unexpended resources	8
IV. Other resources	9
A. Income	9
B. Expenditure	12
C. Balance of unexpended resources	13
D. Others	13
V. United Nations reform and support to other United Nations organizations	14
A. Joint programmes and UNDP administrative agent activities	14
B. Support to United Nations organizations	14
C. Programme support to the resident coordinator system	14
VI. International public sector accounting standards	14
VII. Funds administered by UNDP	14
A. United Nations Capital Development Fund	15
B. United Nations Development Fund for Women	15
Annexes	
1. UNDP overview	
A. Statement of income and expenditure for the year ended 31 December 2008, with comparative figures for 2007	16
B. Assets, liabilities and reserves, and fund balances as of 31 December 2008, with comparative figures for 2007	17
2. Definitions	18

I. Introduction

1. This report provides an overview of the financial position of UNDP at the end of 2008 and the comparative figures for the year 2007. The analyses of UNDP activities at the aggregate level are followed by analyses of regular resources, 'other' resources (broken down by source), and the funds established by the General Assembly – the United Nations Capital Development Fund (UNCDF) and United Nations Development Fund for Women (UNIFEM). Annex 1 reflects an overview of the aggregate figures and annex 2 contains the definitions of the terms used in this document. For ease of reading, figures have been restated in real terms only where there is a significant inflationary impact.

II. UNDP overall

2. 2008 marks the first year of the strategic plan and integrated resources framework for the period 2008-2011. The present chapter provides a financial picture of UNDP operational activities in 2008 at the aggregate level. In addition, table 1 of the addendum to the present report (DP/2009/28/Add.1) continues with a summary of all activities undertaken by UNDP.

3. Total income is defined as the sum of contributions, interest income and other income. In 2008, total income of \$6.03 billion was comprised of contributions (\$5.50 billion), interest (\$0.18 billion) and other income (\$0.36 billion). Total contributions to UNDP, in nominal terms, were \$5.50 billion, 6 per cent above the 2007 level of \$5.19 billion, due to growth in contributions to other resources. In real terms, the overall contributions to UNDP in 2008 were \$5.20 billion, almost unchanged from the nominal figure for 2007 of \$5.19 billion. Regular resources contributions to UNDP registered \$1.1 billion, amounting to 20 per cent of overall contributions, whereas other resources contributions reached \$4.16 billion, representing 75.5 per cent of total contributions in 2008. UNCDF at \$44 million, and UNIFEM at \$204 million, accounted for \$248 million in nominal terms, or 4.5 per cent of overall contributions to UNDP.

4. The continuing imbalance between contributions to regular and other resources remains of high concern to the organization. UNDP, with the support of Member States, continues to strive to reduce this imbalance over time as laid out in the strategic plan.

5. The overall increase in contributions is matched in absolute terms by an increase in expenditure. Overall expenditure in 2008 increased by 13 per cent, amounting to \$5.39 billion (\$4.77 billion in 2007). Aggregate programme expenditure, which includes programme support costs, programme support to the resident coordinator system, development support services and economist programme, amounted to \$4.53 billion, a 13 per cent increase over the 2007 expenditure of \$4.01 billion. Other non-programme expenditures in 2008 were \$0.86 billion (\$0.77 billion in 2007).

6. Programme expenditure was funded according to the following sources: \$617 million (14 per cent) was financed from regular resources of UNDP; \$3.78 billion (83 per cent) from other resources; \$31 million (1 per cent) from UNCDF and \$104 million (2 per cent) from UNIFEM.

7. UNDP remains committed to United Nations reform initiatives, and the optimization of its country-level coordination role in the support of national development efforts. UNDP encourages donors to maintain this commitment, reflected in the significant resources that UNDP administers on behalf of the United Nations system: the multi-donor trust fund portfolio, as at 31 December 2008, totalled almost \$3.8 billion. In 2008, income decreased to \$1.5 billion, compared to \$1.91 billion in 2007 – this was largely a result of the Spain UNDP Millennium Development Goal Achievement Fund having made a very significant, one-time contribution of \$695 million in 2007. The \$1.5 billion figure is composed of \$957 million for complex multi-donor trust funds and joint programmes, for which UNDP serves as administrative agent, and \$537 million for management and operational services provided by UNDP. In addition, UNDP delivered \$41 million for its programme support to the resident coordinator system.

8. The balance of unexpended resources at the end of 2008 was \$5.05 billion (\$4.52 billion in 2007). The balance of unexpended resources comprised \$0.5 billion under regular resources, \$4.30 billion under other resources, \$59 million under UNCDF and \$193 million under UNIFEM. In 2008, a total of \$1.95 billion or 35 per cent of 2008 contributions were received in the last quarter of 2008. (The breakdown of unexpended resources under other resources is shown in table 3 of DP/2009/28/Add.1.)

9. The integrated financial resources framework of the strategic plan, approved by the Executive Board in its decision 2007/32, shows that UNDP resource projections for the period 2008-2011 amount to \$20.6 billion, or an average of \$5.15 billion per year, ranging from \$5 billion in 2008 to \$5.3 billion in 2011. However, based on initial estimates, the current global financial crisis is likely to change projected growth. Contributions to UNDP, especially to regular resources, are expected to fall in 2009, with total regular resources contributions predicted to drop to \$995 million, short of the \$1.253 billion required by the strategic plan for the same year.

10. The investment portfolio of UNDP consists entirely of high quality fixed income investments. Thanks to an active shifting of investments, UNDP has not experienced any loss of principal as a result of the global financial crisis. However, these safe investments combined with the generally lower interest rate environment, will result in a significant negative impact on interest income, lasting at least through 2009.

11. The projected drop in regular resources in 2009, when combined with the trend of increased expenditure, leads to a drop in the level of liquidity to two and a half months, which is under the target level of three to six months. The impact on the organization will be compounded by the lack of fungibility of other resources, meaning that this income and its associated interest income cannot be apportioned to fund regular resource expenditures.

12. UNDP requests that donors continue to improve the timeliness of payment of regular resources contributions for several reasons: to mitigate the impact of exchange rate volatility, to facilitate improvement in the performance of UNDP hedges, and to manage the level of liquidity.

III. Regular resources

13. Compared to 2007, total income in nominal terms, inclusive of interest income and other income, increased by 6 per cent, from \$1.14 billion to \$1.21 billion. Total 2008 expenditure increased by 9 per cent, from \$965 million to \$1.05 billion. The available balance, exclusive of operational reserves, increased to \$499 million in 2008, from \$377 million in 2007 – in line with current prudent targets of three to six months of liquidity. However, this available balance is predicted to reduce to two-and-a-half months in 2009, based on current expenditure and contribution trends.

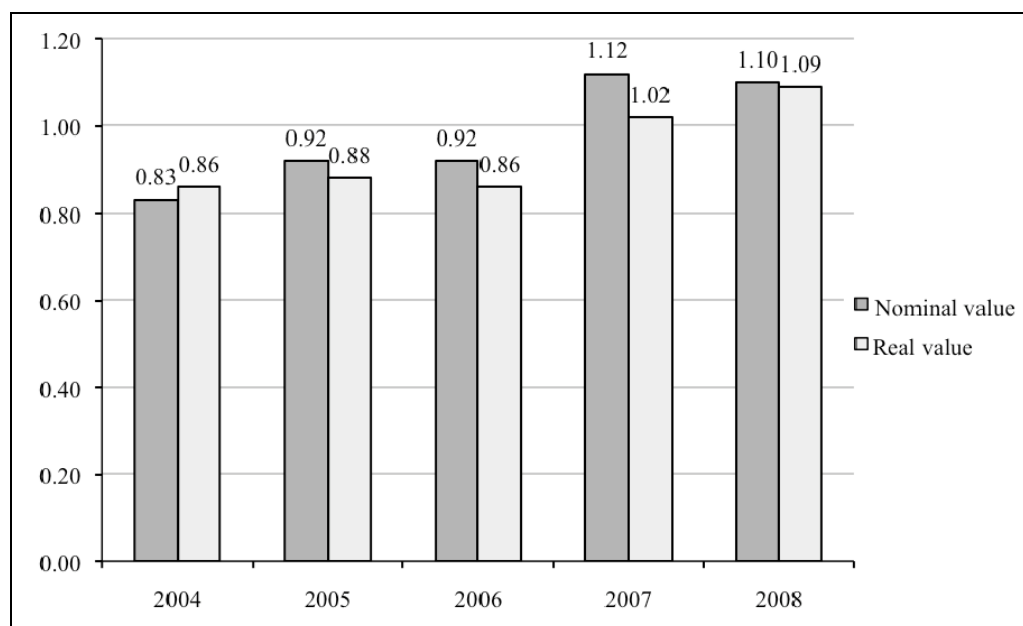
A. Income

14. Compared to 2007, total income for regular resources, in nominal terms, inclusive of interest income and other income, increased by 6 per cent from \$1.14 billion to \$1.21 billion, or by 3 per cent in real terms.

Contributions

15. Figure 1 shows regular resources contributions, expressed in nominal terms, which decreased by 2 per cent from \$1.12 billion in 2007 to \$1.10 billion in 2008. In real terms, 2008 contributions amounted to \$1.09 billion, and when compared to the 2007 nominal value of \$1.12 billion, the decrease in contributions would be 3 per cent. Mitigating exchange rate risk, through an active foreign exchange hedging programme, continues to be an important element of UNDP financial resource management strategy aimed at ensuring an adequate and predictable level of regular resources.

Figure 1. Overall regular resources contributions: five-year trend, 2004-2008
(in billions of dollars)



16. As at 1 June 2009, regular resources contributions of \$333 million have been received, compared to \$359 million, as at 1 June 2008.

17. As shown in table 1, contributions from the top 10 donors decreased slightly by 5 per cent in dollar terms, to \$859 million in nominal terms, from \$900 million in 2007. In real terms, 2008 contributions would be \$827 million, and the decrease would be 8 per cent. It should be noted that a number of the top 10 donors reduced their contributions in local currency in 2008. In a number of cases there were delays in remitting contributions to UNDP, and a request is made for a commitment from donors to pay early in the calendar year and in future years.

Table 1. Regular resources contributions of top 10 donors, 2007-2008

<i>Donor</i>	<i>contributions (local currency)</i>			<i>contributions (nominal value, in millions of dollars)</i>		
	<i>2007</i>	<i>2008</i>	<i>% change</i>	<i>2007</i>	<i>2008</i>	<i>% change</i>
Norway	770	771	-	132	138	5
Netherlands	92	90	(2)	125	117	(6)
Sweden	800	720	(10)	120	110	(8)
United States	107	97	(9)	107	97	(9)
United Kingdom	55	55	-	110	96	(13)
Japan ¹	75	73	(3)	75	73	(3)
Denmark	370	350	(5)	70	73	4
Canada	57	57	-	57	55	(4)
Spain	45	42	(7)	61	54	(11)
Switzerland	52	54	4	43	46	7
Total of top 10 donors				900	859	(5)
Source: DP/2009/28/Add.1						
<i>1 - contributions in local currency</i>						

18. Compared to 2007, regular resource contributions from programme countries increased from \$18 million to \$22 million in nominal terms (22 per cent).

Interest income

19. The interest income earned in 2008, after being allocated to other resources, was \$25 million. The investment portfolio of UNDP consists entirely of high quality fixed income instruments. UNDP has not experienced any loss of principal as a result of the 2007-2008 global recession. Financial market conditions and credit risk developments have been carefully monitored and the list of issuers in whose securities UNDP invests has been adjusted accordingly. In response to the heightened default risk for commercial banking institutions from mid-September 2008 onwards, maturing and new UNDP investments were shifted to more secure sovereign and supranational issuers. This more conservative approach is warranted due to the current unprecedented level of risk in credit markets. However, these comparatively safer investments have lower yields than the commercial bank investments they replaced. This fact, combined with the generally lower interest rate environment due to monetary policy easing, will result in a significant negative impact on interest income, lasting at least through 2009.

Other income

20. Other income in 2008 was \$97 million, a significant increase over 2007, which was \$20 million. The increase was due to the revaluation of currencies and gains on exchange during 2008.

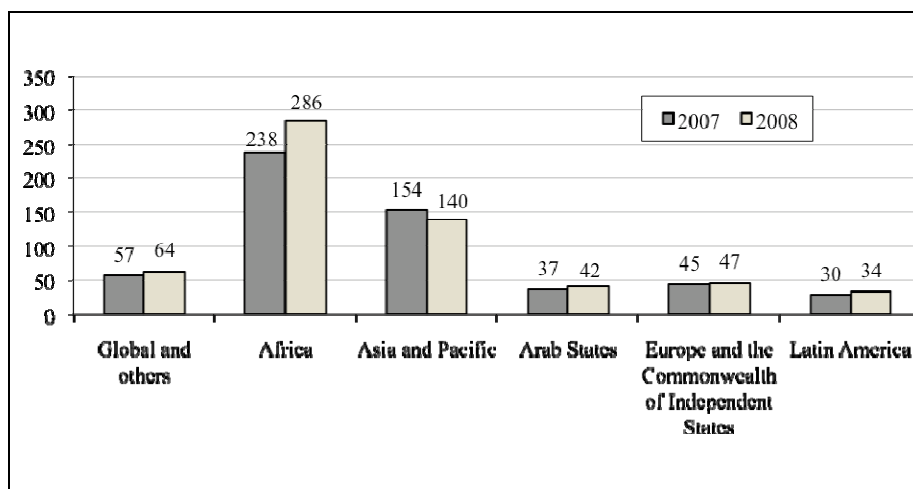
B. Expenditure

21. Expenditure is composed of programme expenditure, and other non-programme expenditure including the biennial support budget (forming the majority of this expenditure). Total 2008 expenditure increased by 9 per cent, from \$965 million to \$1.05 billion.

Programme expenditure

22. Programme expenditure, including programme support to the resident coordinator system, development support services, and UNDP economist programme, increased by 10 per cent, from \$561 million in 2007 to \$617 million in 2008. Programme expenditure by region, excluding the Programme of Assistance to Palestinian People (PAPP), is shown in figure 2. In 2008, programme expenditure for PAPP was \$4 million.

Figure 2. Regular resources programme expenditure^{a/} by region, 2007-2008
(in millions of dollars)



^{a/} includes programme support costs, programme support to resident coordinator system, development support services, and economists programme.

Biennial support budget

23. In the first year of the 2008-2009 biennium, the biennial support budget expenditure reached \$346 million, or 44 per cent of the authorized maximum limit approved by the Executive Board in decision 2008/1. This was at a similar level in 2007 (\$341 million) and in line with typical budgetary performance in the first year of a biennium, where investments endorsed by the Executive Board are implemented over two years. The endorsed investments were undertaken in the areas of assurance and oversight, support to operational activities of the United Nations system, strengthening country office capacities to deliver development results, and strengthening accountability and organizational effectiveness. These investments were offset by budget reductions in other areas implemented in the 2008-2009 biennial support budget.

24. By category, 74 per cent of the expenditure in 2008 was spent on the harmonized biennial support budget functions, 19 per cent on the UNDP-specific function of country office support to activities of the United Nations, 1 per cent on the United Nations Development Operations Coordination Office, 5 per cent on the United

Nations Volunteers (UNV) programme, and 1 per cent on the United Nations Capital Development Fund. In total, 62 per cent of biennial support budget expenditure relates to country offices, with the remaining 38 per cent attributed to headquarters locations, including UNV.

25. Government contributions towards local office costs (GLOC) represent an important source of income (cash and/or in kind) to UNDP by helping to defray biennial support budget costs. They also represent an acknowledgement by host governments of the value they place on the UNDP country office presence. The value placed on 2008 GLOC in kind contributions remained at approximately the same level in 2008 (\$10.4 million) as in 2007 (\$10.3 million).

26. GLOC cash contributions for 2008 increased by approximately \$4 million (18 per cent) over 2007 levels to \$26 million (\$22 million in 2007). Nevertheless, table 11 of DP/2009/28/Add.1 reflects large 2008 GLOC cash shortfalls totalling \$21 million (\$20 million in 2007), which place a strain on overall budgetary resources and directly reduces the ability of UNDP to adequately fund the operational capacities of its country office network. Accordingly, UNDP strongly urges host governments to increase their 2009 GLOC cash contributions in line with established targets.

Other expenditures

27. In comparison with 2007, 'other expenditures' under regular resources increased by \$26 million in 2008, to \$90 million. Of that amount, \$24 million was due to revaluation of currencies and exchange rate fluctuations.

28. An independent consulting actuary was engaged to undertake a valuation of after-service health insurance (ASHI) benefits, as of 31 December 2007. On the basis of that study, the actuarial report shows that the accrued liability estimate was \$466 million as at 31 December 2007. That represents an increase of \$59 million above the \$407 million estimate in the previous actuarial report of 31 December 2005. UNDP is funding ASHI liability from regular and other resources, which has resulted in an ASHI reserve of \$320 million as at 31 December 2008. The unfunded liability, as at 31 December 2008, stands at \$146 million, which represents the difference between the accrued liability of \$466 million and the ASHI reserve of \$320 million. Based on the current study, UNDP will fully cover past unfunded liabilities in 2012.

29. Consistent with prior years, the full ASHI liability is disclosed in a note to the financial statements. When the international public sector accounting standards (IPSAS) is fully adopted in 2012, the full amount of the ASHI liability will be shown as a liability in the statement of financial position.

C. Balance of unexpended resources

30. The balance of unexpended regular resources at the end of 2008 was \$499 million. This represented 10 per cent of the overall balance of unexpended resources.

31. At the end of 2008, and based on total expenditure of \$1.05 billion during the year, the UNDP liquidity position represented approximately seven months of working capital, an increase from the previous year. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for three to six months, implying a total liquidity between \$263 million and \$527 million at current expenditure levels, respectively. UNDP is also challenged by the amount of funds (\$631 million) or 58 per cent of 2008 contributions to regular resources that were received in the last quarter of 2008. Nevertheless, due to the increased rate of expenditure in 2008 the rate of increase in unexpended balances dropped when

compared to 2007 (from 54 per cent to 32 per cent). UNDP did not draw from its operational reserve in 2008.

32. In accordance with Executive Board decision 99/9, the formula for the calculation of the level of the UNDP regular resource operational reserve was amended on the basis of documents DP/1999/5/Rev.1 and DP/1999/CRP.9/Rev.1. Based on the final income and expenditure data for 2008, the operational reserve will be adjusted upwards to a new level of \$223 million, from \$208 million. The additional \$15 million will be transferred from the general resources of UNDP.

IV. Other resources

33. Other resources are composed of co-financing in the form of cost sharing, trust funds, reimbursable support services and miscellaneous activities, such as the Junior Professional Officer (JPO) programme, UNV, and management service agreements. Reimbursable support services and miscellaneous activities are shown as 'others' in figure 3.

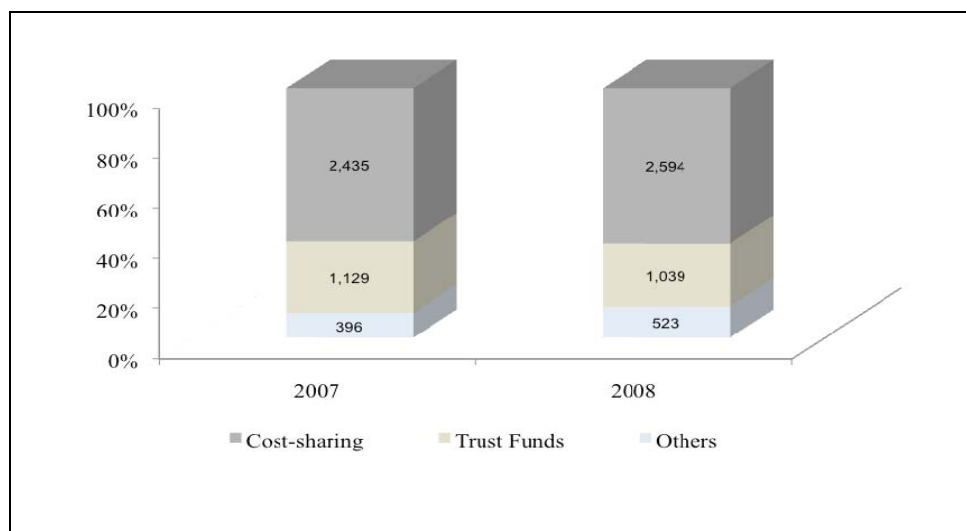
A. Income

34. Overall income of other resources increased by \$0.22 billion (5 per cent), from \$4.33 billion in 2007 to \$4.55 billion in 2008 (an increase of \$0.26 billion, or 6 per cent, from \$4.11 billion to \$4.37 billion in real terms).

Contributions

35. Other resources contributions by funding mechanism for 2007-2008 are shown in figure 3.

Figure 3. Other resources contributions by funding mechanism, 2007-2008
(in millions of dollars)



36. The other resources category of contributions in nominal terms received in 2008, totalled \$4.16 billion (an increase of 6 per cent from \$3.92 billion in 2007), whereas in real terms, they totalled \$3.98 billion (an increase of 8 per cent from \$3.70 billion in 2007). Comparison of other resources contributions between 2007 and 2008 by

funding source, excluding management service agreements, is given in table 2. Components in the other resources category include bilateral donors, non-bilateral/multilateral sources, local resources received from programme countries, and other sources.

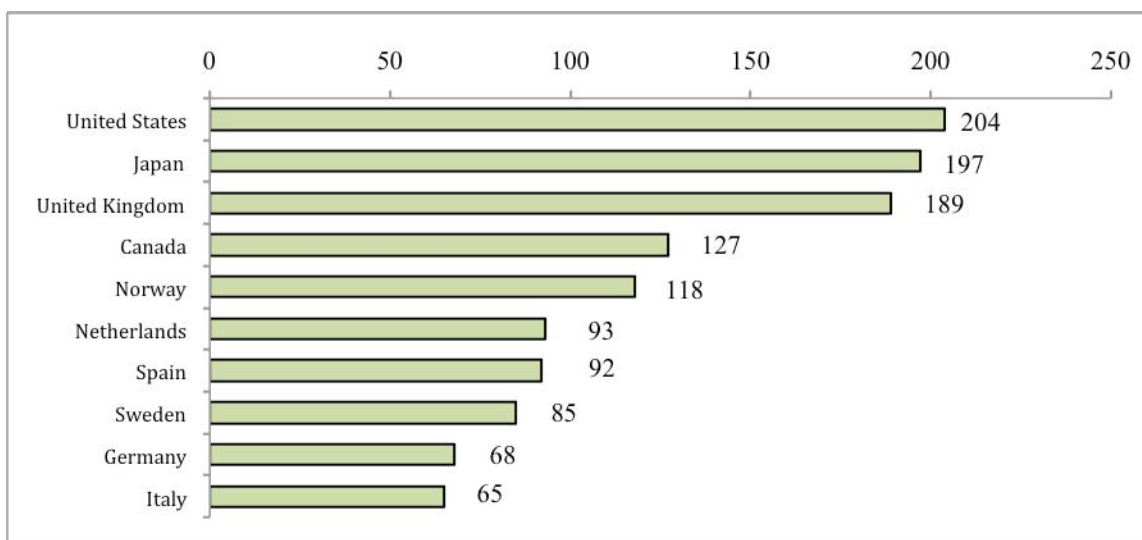
Table 2. Comparison of contributions by funding source, 2008-2007
(in billions of dollars)

Funding source	Nominal value of other resources			Real value of other resources		
	2007	2008	Percentage change	2007 Nominal	2008 Real	Percentage change from 2007
Bilateral donor governments	1.18	1.44	22%	1.18	1.4	19%
Non-bilateral/multilateral sources	1.32	1.35	2%	1.32	1.28	(3)%
Local resources	1.18	0.96	(19%)	1.18	0.9	(24)%
Other sources	0.24	0.41	71%	0.24	0.4	67%
Total	3.92	4.16	6%	3.92	3.98	(2)%

Bilateral donors

37. Other resources contributions received from bilateral donors recorded an increase of 22 per cent, from \$1.18 billion in 2007 to \$1.44 billion in 2008. Figure 4 represents the top 10 bilateral donors that contributed to other resources in 2008.

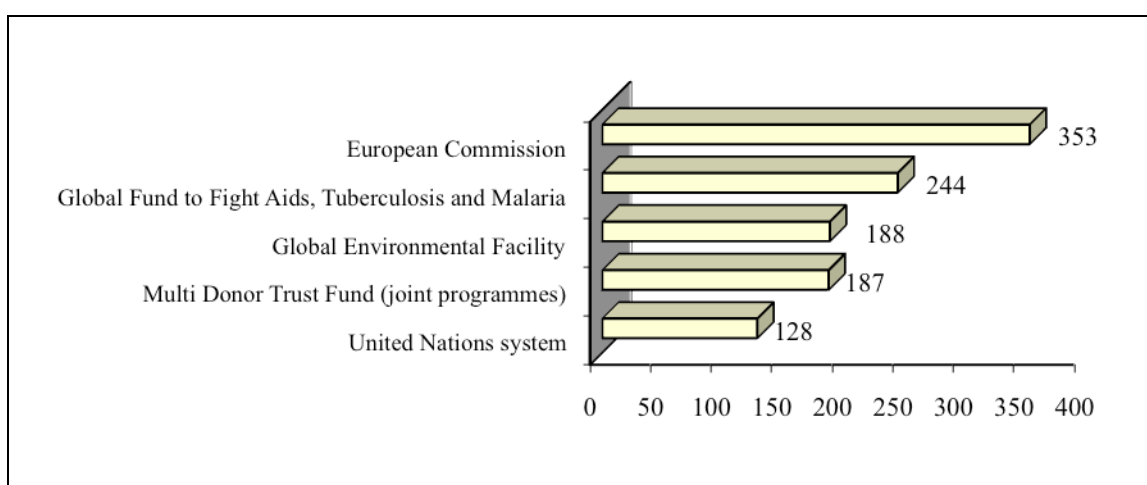
Figure 4. Other resources contributions, top ten bilateral donors, 2008
(in millions of dollars)



Non-bilateral/multilateral sources

38. Other resources entrusted to UNDP from non-bilateral/multilateral sources have increased to \$1.35 billion in 2008 (a 2 per cent increase, compared to \$1.32 billion in 2007). Figure 5 represents the top five non-bilateral/multilateral sources that contributed to other donor resources in 2008.

**Figure 5. Other resources contributions, top five non-bilateral/
multilateral sources, 2008**
(in millions of dollars)

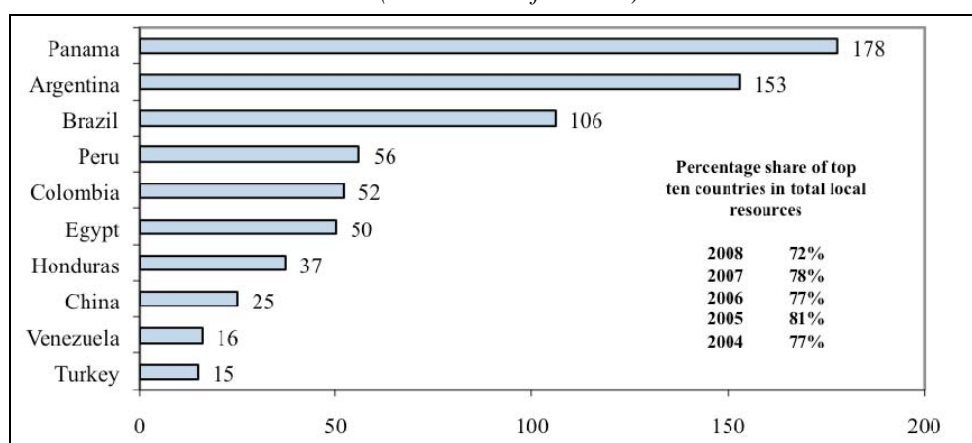


Local resources (governments)

39. Contributions from local resources, excluding management service agreements, represented 36 per cent of total other resources contributions received in 2008. This pool of resources decreased by 18 per cent, from \$1.18 billion in 2007 to \$0.96 billion in 2008.

40. About 72 per cent of local resources contributions came from the governments of 10 programme countries (see figure 6). Among the top 10 countries, Peru increased their contributions to other resources, from \$34 million to \$56 million. The percentage share of top 10 countries in total local resources decreased from 78 per cent in 2007, to 72 per cent in 2008. This decrease was due in part to a shift in programmatic priorities, with offices gradually moving away from providing procurement services to delivering strategic advice as envisaged in the strategic plan.

Figure 6. Local resources contributions (top 10 countries), 2008
(in millions of dollars)



41. In 2008, management service agreements contributions increased to \$407 million, from \$246 million in 2007, owing mainly to local contributions made by Peru in 2008, amounting to \$342 million. Distribution of management services agreement income by donor and recipient country is shown in table 13 in DP/2009/28/Add.1.

Interest income

42. Interest income in 2008 decreased by 11 per cent, from \$167 million to \$149 million. This was low, given the circumstances stated in paragraph 19.

Other income

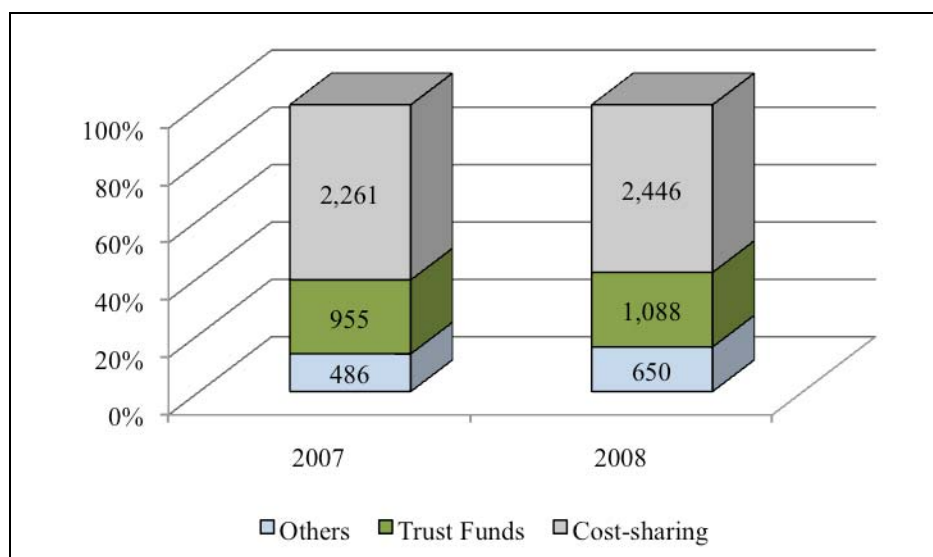
43. Other income was \$248 million for 2008. Other income is largely made up of fees for support services, field security through the United Nations Department of Safety and Security (UNDSS), other income generated by UNV and payroll management services. The increase in 2008 over 2007 related to increases from other United Nations organizations for common services, a larger transfer from UNDSS for the expanded field service office security programme, and increased fees relating to support service activities.

B. Expenditure

44. Overall expenditure of other resources was \$4.18 billion, a 13 per cent increase above the \$3.70 billion expended in 2007.

45. The combined total of programme expenditures, programme support costs, development advisory services, programme support to the resident coordinator system, and biennial support budget was \$4.18 billion. This combined total (exclusive of other expenditure) is provided with comparison to 2007 in figure 7.

Figure 7. Other resources expenditure by funding mechanism, 2007-2008
(in millions of dollars)



Other expenditures

46. Other expenditures increased by \$230,000 to \$408,000 in 2008. The increase relates to charges against closed projects within various funding mechanisms of other resources.

C. Balance of unexpended resources

47. The balance of unexpended other resources at the end of 2008 was \$4.30 billion (an increase of 7.5 per cent from \$4.0 billion at the end of 2007), or 85 per cent of the overall balance of unexpended resources. The unexpended resources have been fully attributed to trust funds and projects to be utilized for future years' delivery in countries and regions. A total of \$1.35 billion was received in the last quarter of 2008, which represents 32 per cent of total contributions received for other resources.

D. Others

United Nations Volunteers programme

48. In 2008, 7753 volunteers, representing 159 nationalities, carried out 7791 assignments in 132 countries. The total financial magnitude of their activities amounted to \$208 million. Of this, 8 per cent was covered from contributions that are made to UNV directly (special voluntary fund, cost sharing, trust funds and full funding arrangements), and the rest was covered by direct charges to programmes of the United Nations and other United Nations organizations, funds and programmes, including UNDP.

Junior Professional Officer programme

49. Twenty-three governments have signed agreements with UNDP for the provision of JPOs. As of 31 December 2008, UNDP administered 289 JPOs and 10 special assistants to the resident coordinator. The total number of JPOs and special assistants to the resident coordinator working with UNDP and affiliated funds and programmes as of 31 December 2008 was 194. Of these, 45 served in New York and other headquarters locations. UNDP administered 105 JPOs on behalf of other United Nations organizations and partners.

Reserve for field accommodation

50. In 1979, a reserve of \$25 million was established to finance the reserve for field accommodation, which provides for housing for internationally recruited, UNDP-financed field personnel and, exceptionally, for office accommodation. The unexpended resource balance in 2008, from operations of housing and office premises of the reserve for field accommodation, was \$9.60 million.

Direct budget support

51. With decision 2008/24, the Executive Board endorsed, in principle, a four-year pilot (commencing September 2008) that allows UNDP financial contributions to pooled funding and sector budget support, on a case-by-case basis upon the request of the recipient country, in accordance with the mandate and comparative advantage of UNDP, and in line with the guidance provided in DP/2008/36.

52. A request from the Government of Burkina Faso for the UNDP participation in sector budget support in two priority areas in the country was approved in 2009, including in HIV/AIDS, and human rights promotion. Each initiative falls within the core mandate of UNDP and currently represents an area where UNDP has an ongoing project. These two sector budgets in Burkina Faso, in the amount of \$100,000 each, are funded from regular resources, and are below the 10 per cent ceiling established by the Executive Board.

V. United Nations reform and support to other United Nations organizations

53. In addition to the elements of support described in previous chapters, UNDP plays a vital role in United Nations reform, coherence and support of other United Nations organizations. Based on the available data, the value of fund flows for multi-donor trust funds, joint programmes and support to other United Nations organizations totalled \$1.5 billion in 2008, compared to \$1.91 billion in 2007.

A. Joint programmes and UNDP administrative agent function

54. UNDP supports joint programming activities in many ways, including through its role as administrative agent of joint programmes and multi-donor trust funds. The total value of funds administered by UNDP on behalf of the UN System for joint programmes and MDTFs was \$957 million in 2008. This included \$259 million held for the Spain UNDP MDG Achievement Fund. The total value of administrative agent funds transferred to all participating organizations in 2008 was \$628 million, which includes funds transferred to UNDP for UNDP programmes of \$187 million (\$239 million in 2007).

B. Support to United Nations organizations

55. UNDP country offices provide operational support to other United Nations organizations. The funds for those services are recorded in agency services clearing accounts. In 2008, the value of fund flows towards support to other United Nations organizations, consisting of agency services clearing accounts was \$536 million, a drop of 5 per cent when compared to 2007 (\$565 million).

C. Programme support to the resident coordinator system

56. Overall expenditure for the programme support to the resident coordinator system in 2008 was \$41 million, a 24 per cent increase compared to \$33 million in 2007. This increase can be attributed to a combination of a 28 per cent increase in non-core funded programme support, and a 20 per cent increase in core funded programme support, as a consequence of the implementation of the 2008-2011 programming arrangements. .

VI. International public sector accounting standards

57. IPSAS represents a significant enhancement to UNDP accountability measures. UNDP will continue to enhance accountability through the adoption of IPSAS, the revision of its internal control framework, the accountability framework, and the results-based management budget paradigm. The current financial crisis has led UNDP to concentrate resources and personnel on other competing corporate initiatives in the current biennium, resulting in a rescheduling of IPSAS adoption to 2012. UNDP management views the new timetable for adoption as an opportunity to implement IPSAS in a more robust fashion than would otherwise have been possible.

58. In decision 2008/1, the Executive Board approved \$9 million from regular resources to cover the costs of introducing the IPSAS by the end of 2009. In 2008, UNDP spent \$2.7 million on preparations to adopt IPSAS.

VII. Funds administered by UNDP

59. Table 5(a) in the addendum to the present report (DP/2008/39/Add.1) provides detailed data for the two funds administered by UNDP.

A. United Nations Capital Development Fund

60. In 2008, UNCDF expanded its interventions to 38 least developed countries – up from 31 in 2007. UNCDF is making good progress towards expanding its programmes to 45 least developed countries by 2011, as set out in the UNCDF investment plan (2008-2011). The expansion of interventions was made possible in part by a substantial increase in contributions to UNCDF regular and other resources in 2008. Total contributions increased from \$28 million in 2007 to \$44 million in 2008 – a 57 per cent increase.

61. Total programme expenditure increased to \$31 million in 2008, compared to \$29 million in 2007. Other resources expenditures increased from \$14 million in 2008 compared to \$10 million in 2007 and accounted for 39 per cent of total programme resources. UNCDF also disbursed \$3 million in loans (together with \$16 million in grants, already reflected in expenditure) to microfinance institutions in Southern Sudan. The operational reserve remains at \$23 million, the same level as in previous years. Accordingly, UNCDF was able to deliver its planned development, management and financial results while sustaining its liquidity and financial soundness.

62. It should be noted that the \$31 million programme expenditure does not include \$6 million allocated to UNCDF by UNDP in accordance with the Executive Board decision 2007/34. This amount was fully expended by UNCDF but is being recorded and reported separately by UNDP. In addition, there was \$11 million in the UNDP biennial support budget for UNCDF management expenditure.

B. United Nations Development Fund for Women

63. UNIFEM increased its total contributions (excluding special trust funds) by 18 per cent in 2008, with total resources received amounting to \$121 million, comprising regular (core) resources of \$51 million, other (non-core) resources of \$65 million and contributions to UNIFEM trust funds of \$5 million. Core resources increased by \$7 million or 16 per cent compared to 2007, and other resources increased by \$12 million or 21 per cent compared to 2007. In 2008, UNIFEM instituted the practice of reporting separately on the UNIFEM-administered United Nations Trust Fund to Support Actions to Eliminate Violence Against Women, which received \$18 million, compared to \$16 million in 2007. This trust fund continues to attract new donors, leading to increased contributions. In late December 2008, UNIFEM received a \$65 million contribution from the Government of Spain to launch a new 'Gender Equality Fund'. The growth in total UNIFEM resources occurred despite the worldwide economic crisis and losses due to exchange-rate fluctuations that increased the value of the dollar, particularly against the Euro and other currencies of main donors.

64. Expenditures of regular resources in 2008 equalled \$42 million, representing an increase of \$21 million – which is double the amount in the previous year. The total expenditures of UNIFEM for 2008 (regular and other resources, excluding special trust funds) reached \$94 million, an increase of \$29 million, or 45 per cent, over the 2007 total of \$64 million.

65. The unexpended resource balance increased by \$95 million to \$193 million partly due to the receipt of \$114 million in other resources in the fourth quarter of 2008. These resources will be used to meet the requirements for 2009 and future years. The level of the UNIFEM operational reserve increased by \$600,000 to \$15 million at the end of 2008.

Annex 1

UNDP overview

A. Statement of income and expenditure for the year ended 31 December 2008, with comparative figures (in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2008	2007	+/-	2008	2007	+/-	2008	2007	+/-	2008	2007	+/-
Income												
Contributions	1,097,107	1,118,987	(2%)	4,155,735	3,921,243	6%	248,434	146,798	69%	5,501,276	5,187,028	6%
Less: transfer to biennial support budget	(9,537)	(10,780)	12%	-	-		-	-		(9,537)	(10,780)	12%
Contributions - net	1,087,570	1,108,207	(2%)	4,155,735	3,921,243	6%	248,434	146,798	69%	5,491,739	5,176,248	6%
Interest income	24,928	12,370	102%	149,109	167,169	(11%)	5,395	5,748	(6%)	179,432	185,287	(3%)
Other income - net	96,959	19,458	398%	248,270	242,256	2%	12,705	10,627	20%	357,934	272,341	31%
Total income	1,209,457	1,140,035	6%	4,553,114	4,330,668	5%	266,534	163,173	63%	6,029,105	5,633,876	7%
Expenditure												
Programme	590,437	536,662	10%	3,734,238	3,318,986	13%	135,463	95,555	42%	4,460,138	3,951,203	13%
Programme support costs	1	-	-	13,274	10,608	25%	-	-	-	13,275	10,608	25%
Programme support to resident coordinator	15,322	12,721	20%	25,632	19,942	29%	-	-	-	40,954	32,663	25%
Development support services	6,307	6,255	1%	6,005	5,340	12%	-	-	-	12,312	11,595	6%
Economist programme	5,118	5,225	(2%)	-	-		-	-		5,118	5,225	(2%)
Biennial support budget – net ^{al}	345,689	339,810	2%	404,437	346,886	-	15,851	12,214	30%	765,977	698,910	10%
Other expenditure	89,706	64,151	40%	408	178	-	2	3	(33%)	90,116	64,332	40%
Total expenditure	1,052,580	964,824	9%	4,183,994	3,701,940	13%	151,316	107,772	40%	5,387,890	4,774,536	13%
Excess (shortfall) of income over expenditure	156,879	175,211	-	369,120	628,728	-	115,218	55,401	-	641,215	859,340	-
Savings on obligations of prior biennium	51	(76)	-	-	(29)	-	-	-	-	51	(105)	-
Transfer (to)/from reserves	(16,000)	(11,000)	(45%)	(7,000)	(8,000)	13%	(600)	(5,200)	88%	(23,600)	(24,200)	2%
Refunds to donors and transfers (to)/from other funds	(19,337)	(31,583)	39%	(69,263)	(61)	-	(1,485)	(80)	-	(90,088)	(31,724)	-
Fund balances, 1 January	377,009	244,457	54%	4,006,439	3,385,801	18%	139,028	88,907	56%	4,522,476	3,719,165	22%
Fund balances, 31 December	498,602	377,009	32%	4,299,296	4,006,439	7%	252,161	139,028	81%	5,050,059	4,522,476	12%

Source: Table 1(a). DP/2009/28/Add.1
^{al} Includes country office administrative charge

B. Assets, liabilities and reserves and fund balances as at 31 December 2008, with comparative figures for 2007
(in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2008	2007	+/-	2008	2007	+/-	2008	2007	+/-	2008	2007	+/-
Assets												
Cash	850,822	1,119,543	-	180	25,296	-	7,194	4,959	45%	858,196	1,149,798	-
Government letters of credit				89,434	55,377	62%		-		89,434	55,377	62%
Investments held for												
Operational reserve	208,000	192,000	8%	-	-		-	-		208,000	192,000	8%
Regular resources	306,331	668,494	-	399,637	490,923	(19%)	294,450	189,266	56%	1,000,418	1,348,683	(26%)
Other	5,601,286	4,034,965	39%	-	-		-	-		5,601,286	4,034,965	39%
Subtotal investments	6,115,617	4,895,459	25%	399,637	490,923	(19%)	294,450	189,266	56%	6,809,704	5,575,648	22%
Total cash, letters of credit and investments	6,966,439	6,015,002		489,251	571,596	(14%)	301,644	194,225	55%	7,757,334	6,780,823	14%
Advances from governments and executing agencies	30,339	29,627	2%	140,068	149,509	(6%)	550	819	(33%)	170,957	179,955	(5%)
Accounts receivable and deferred charges	339,628	186,553	82%	4,328,456	3,849,152	12%	16,356	6,467	153%	4,684,440	4,042,172	16%
Accrued interest	45,204	46,288	(2%)	32,097	46,867	(32%)	1,230	2,298	(46%)	78,531	95,453	(18%)
Long-term accounts receivable				260	350	(26%)				260	350	(26%)
Loans to governments							2,695	-		2,695	-	
Special capitalized assets				33,973	33,982		-	-		33,973	33,982	
Reserve for Field Accommodation activities	1,570	1,570	-	806	806	-	-	-		2,376	2,376	-
Total assets	7,383,180	6,279,040	18%	5,024,911	4,652,262	8%	322,475	203,809	58%	12,730,566	11,135,111	14%
Liabilities												
Advances to Governments and executing agencies	529	1,748	(70%)	22,101	33,016	(33%)	849	849	-	23,479	35,613	(34%)
Unliquidated obligations	58,385	51,233	14%	365,329	247,498	48%	9,617	4,250	126%	433,331	302,981	43%
Accounts payable	129,385	123,095	5%	145,412	150,067	(3%)	6,278	22,982	(73%)	281,075	296,144	(5%)
Due to other resources	4,300,914	3,814,208	13%	45,182	70,489	(36%)	16,270	-		4,362,366	3,884,697	12%
Other Liabilities	2,185,795	1,718,177	27%	16,591	20,753	(20%)	-	-		2,202,386	1,738,930	27%
Total liabilities	6,675,008	5,708,461	17%	594,615	521,823	14%	33,014	28,081	18%	7,302,637	6,258,365	17%
Reserves and fund balances												
Operational reserve	208,000	192,000	8%	103,000	96,000	7%	37,300	36,700	2%	348,300	324,700	7%
Endowment fund	-	-		3,000	3,000	-	-	-		3,000	3,000	-
Reserve for field accommodation authorized level	-	-		25,000	25,000	-	-	-		25,000	25,000	-
Special capital resources	1,570	1,570	-	-	-		-	-		1,570	1,570	-
Balance of unexpended resources	498,602	377,009	32%	4,299,296	4,006,439	7%	252,161	139,028	81%	5,050,059	4,522,476	12%
Balance of unexpended resources and special capital resources	500,172	378,579	32%	4,299,296	4,006,439	7%	252,161	139,028	81%	5,051,629	4,524,046	12%
Total liabilities, reserves and balance of unexpended resources	7,383,180	6,279,040	18%	5,024,911	4,652,262	8%	322,475	203,809	58%	12,730,566	11,135,111	14%

Annex 2

Definitions

Total income: sum of contributions (net of transfer to biennial support budget), interest income and other income (net).

Contributions: resources entrusted to UNDP by Member States of the United Nations and other entities. Contributions are used to cover UNDP programme activities as well as programme support, management and administration, and support to operational activities of the United Nations, including costs associated with the administration of contributions received for special purposes.

Other income: sum of Department of Support Service of the Secretariat contribution for field security offices through the United Nations Security Coordinator budget, income from support and common services, income from procurement activities, miscellaneous income and exchange gain.

Overall UNDP expenditure: expenditure comprising programme expenditure, programme support costs, programme support to resident coordinator and other expenditure - development support services, UNDP economist programme, biennial support budget (net) and general operating expenses.

Overall UNDP contributions: contributions to UNDP, UNCDF, UNIFEM and other funds.

Regular resources: the resources of UNDP that are co-mingled and untied. They include pledges of voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income.

Other resources: the resources of UNDP, other than regular resources, that are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost sharing and trust funds established by the Administrator. For presentation purposes, bilateral donors, non-bilateral/multilateral sources, local resources, joint programmes and support to other United Nations organizations, the United Nations Volunteers programme, management services agreements, the Junior Professional Officer programme and the reserve for field accommodation are included in this category.

Biennial support budget: the budget of an organization covering programme support and management and administration of the organization.

Funds administered by UNDP: funds established by the General Assembly and administered by UNDP.

Bilateral donors: other resources received from 22 members of the Development Assistance Committee of the Organization for Economic Cooperation for Development.

Non-bilateral/multilateral sources: other resources received from all multilateral organizations, such as regional development banks, international financial institutions, United Nations organizations and the private sector.

Local resources: other resources received from programme countries.

Government contributions to local office cost (GLOC): contributions in the form of cash, or by provision in kind of specific goods, services and facilities that the host Government makes towards the expenses of maintaining the UNDP country office.

Joint programmes: the collective effort through which United Nations organizations and national partners work together to prepare, implement, monitor and evaluate the activities aimed at effectively and efficiently achieving the Millennium Development Goals and other international commitments arising from United Nations conferences, summits, conventions and human rights instruments.

Nominal value: the value of a contribution in dollars at the relevant United Nations operational rate of exchange.

Real value: quarterly average exchange rate of the previous year and the standard inflation rate are applied to the nominal value.

Standard inflation rate: average of estimated rates for UNDP headquarters (based on the basket of United States of America, Japan, Denmark, Germany, Switzerland and Belgium) and country offices for the years 2005 and 2006.

Assets: (a) *cash and investments* – the main liquid assets of UNDP; (b) *other assets, net of liabilities* – supplement investments to/from the balance of unexpended resources, including advances to executing agents and to other United Nations organizations.

Unliquidated obligations and other payables: expenditures that have been incurred but have yet to be disbursed.

International public sector accounting standards (IPSAS): high-quality, independently developed accounting standards considered as the best accounting practice by public sector organizations. IPSAS was developed for not-for-profit public sector organizations and are the only international accounting standards applicable to public sector and other not-for-profit organizations. The standards require accounting on a ‘full-accruals’ basis, which is considered best accounting practice by international organizations for the public as well as the private sector. IPSAS includes detailed requirements and guidance.

Other income: miscellaneous income and exchange gains and refunds from completed projects.

Net contributions: these are calculated after the application of the accounting linkage adjustment to the biennial support budget (a transfer of contributions to cover shortfalls in government local office contributions and reimbursement of tax charges).