

Annex I to DP/2022/28

Detailed annual review of the financial situation, 2021

Summary

The report on the annual review of the financial situation presents a comprehensive review and analysis of UNDP activities at the global and aggregate levels from a financial perspective. The overview assesses funding performance by nature - regular resources, other resources - and provides a summary of the financial position of UNDP at the end of 2021 with prior year comparatives

To streamline documentation for the Executive Board per their Decision 2019/18, the annual review of the financial situation is integrated with DP/2022/28 - Structured Funding Dialogue (SFD).

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I. Introduction

1. This Annex provides an overview of the financial position of UNDP – including the United Nations Volunteers (UNV) and the United Nations Office for South-South Cooperation (UNOSSC) at the end of 2021.
2. Appendices I-VI are available on the Executive Board web page. Tables 1-10, in Appendix VII, provide further details of the activities undertaken by UNDP.
3. In accordance with Executive Board decision 2013/28, this report includes a comparative overview of actual 2021 utilization compared to the resource planning figures in the UNDP Integrated resources plan and integrated budget estimates, 2018-2021 (DP/2017/39), and the corresponding appendix II. It includes appendices III.A and III.B in the format of the UNDP integrated resources plan. Appendix III.C provides the resources allocated to posts, by location. Appendix IV provides annual contributions (regular resources) from top 10 donors, and an update on general management services cost-recovery waivers is described in Appendix V. The detailed agenda of Appendices can be found in Section VIII.

II. Overview

4. Financial stability remained a top corporate priority in 2021 for UNDP. UNDP continued to focus on the effective implementation of its programmatic activities, with the support from partners/donors as we continued operating in the pandemic.
5. Total revenue, including voluntary contributions, was \$5.6 billion, a decrease of \$1.0 billion (15 per cent) from 2020. Voluntary contributions were \$5.3 billion, a decrease of \$1.0 billion (16 per cent) from 2020. The decrease in voluntary contributions was primarily the result of UNDP entering into fewer multi-year agreements in 2021.
6. Total expenses, including programme delivery, were \$5.4 billion, an increase of \$334 million (7 per cent) from 2020. Programme expenses (i.e., delivery) were \$4.7 billion, an increase of \$263 million (6 per cent) from 2020. This represents UNDP's highest level of delivery in over a decade.
7. Total revenue, less total expenses resulted in a surplus (i.e., funds available for programming in future years) of \$252 million, compared to a surplus of \$1.6 billion in 2020. This 2021 surplus increased the 2020 accumulated surplus balance, a trend which is expected to be reversed with increased programme delivery.
8. The 2021 Institutional Budget (IB) was balanced (five years in a row) with a gross carry-over balance of \$38.3 million (\$35.8 million in net terms when adjusted for use of 'stocks' totalling \$2.5 million). This gross carry-over balance comprises \$6.3 million in core and \$32.0 million in non-core resources.
9. 66 per cent of core (regular) resources were allocated to development programmes (69 per cent in 2020), and 34 per cent of core resources were allocated to institutional activities in 2021 (31 per cent in 2020). The increase reflected UNDP's decision to use carry-over core institutional budget resources from 2020 for institutional activities in 2021. By the end of 2021, the 4-year allocation of regular resources to programmatic activities is 66 per cent, which is above the 65 per cent indicated in the 2018-2021 Integrated Resources Plan and Integrated Budget. In 2021, 91 cents of every dollar spent went to programmes and services to achieve development results, unchanged from prior years.

10. Total accumulated surpluses were \$11.3 billion (2020: \$11.0 billion), of which the non-core surpluses were \$10.4 billion, an increase of 1 per cent over 2020 (\$10.3 billion). The \$11.3 billion total accumulated surpluses include: \$4.8 billion of receivables, \$1.1 billion of investments for after-service health insurance (ASHI) and end-of-service (EoS) portfolios and \$5.4 billion of accumulated surpluses (funds available for programming in future years), of which core resources were \$0.9 billion. The main reason for increase in funds available for programming in future is that programme delivery lags against contributions, due primarily to the accounting of multi-year agreements.
11. Total UNDP cash and investments (excluding MPTFO), including the ASHI and EoS portfolio, increased by \$416 million to \$8.5 billion (2020: \$8.0 billion).
12. The liability for ASHI is valued at \$1.19 billion (\$1.17 billion in 2020), an increase of 1 per cent. The increase of \$16 million in the ASHI liability is largely due to an increase in the health-care cost trend and higher number of participants, partly offset by an increase in the discount rate. The ASHI investments increased by 10 per cent to \$1.0 billion. This resulted in a funding position of 85 per cent (2020: 78 per cent). In 2022, UNDP made a one-time cash injection of \$49.7 million to further fund ASHI liability and decrease proforma costs charged to the budget. This cash injection increased the funded position to 89 per cent.
13. UNDP created an external investment portfolio in 2021 for its EoS liabilities. UNDP previously held this amount i.e., \$70 million within its 'payroll reserves' and in essence changed investment managers (from internal to external) with a view to matching the investment and liability periods, increasing returns, and reducing future proforma costs. EoS investments are managed by the same external investment managers as for the ASHI portfolio and on the same terms.
14. UNDP incurred net Foreign Exchange (FX) losses of \$18 million (2020: \$23 million net FX gains) to core resources. FX volatility declined from its peak at the beginning of the pandemic. It was highlighted in 2020 that the large FX gain to core recorded in 2020 was not anticipated going forward. Overall, in 2021 UNDP had a net foreign exchange loss of \$23 million which is low in consideration to the value of the investment portfolio of UNDP.
15. Figure I (a) -I (c) illustrates the trend of total revenue and total expenses.

Figure I (a). UNDP total revenue trend

(In millions of United States dollars)

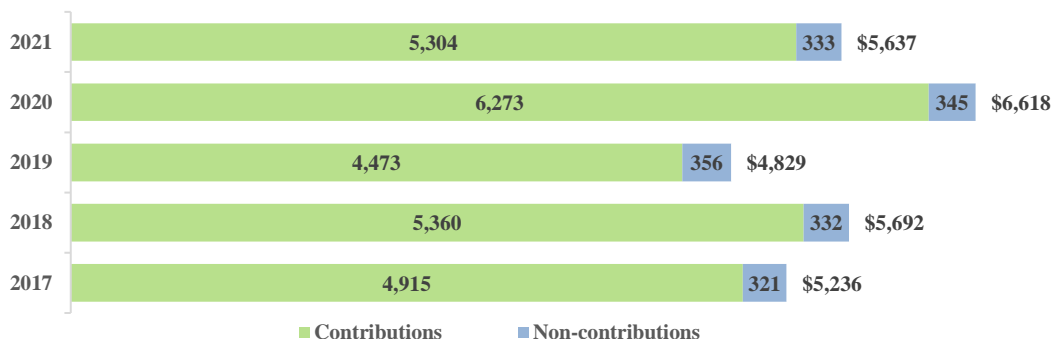
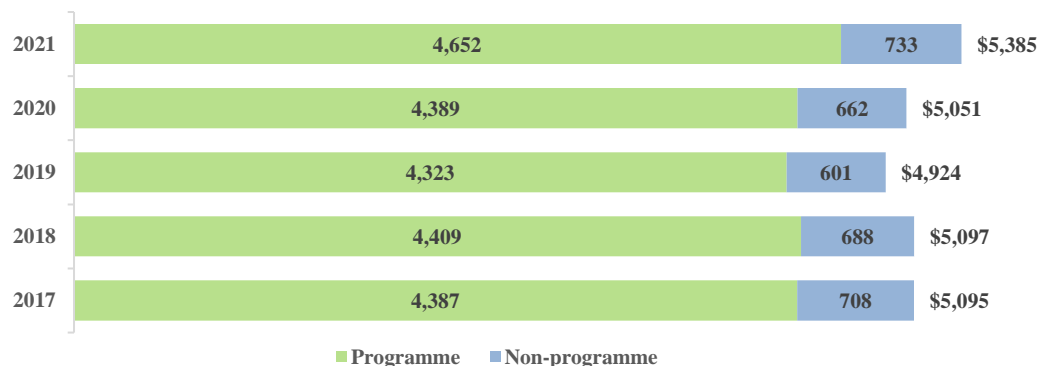


Figure I (b). UNDP total expenses trend

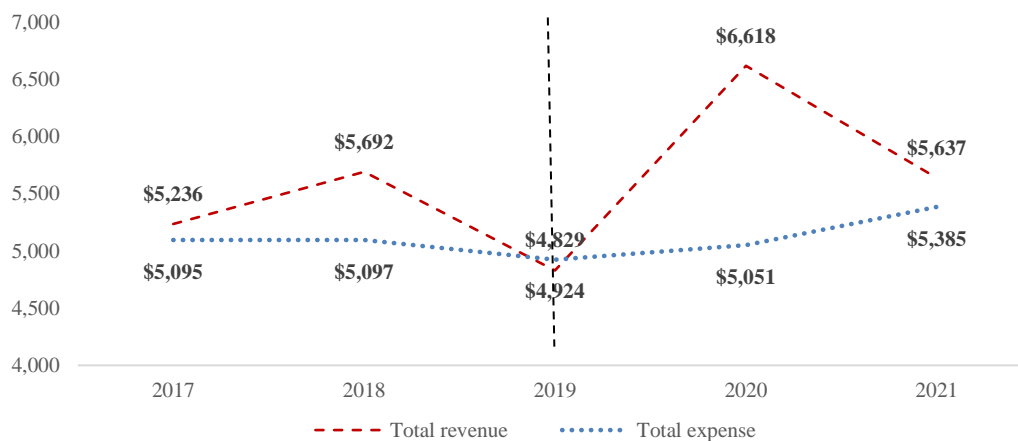
(In millions of United States dollars)



Note: Non-programme expenses consist of development effectiveness, United Nations development coordination, management and special purpose classifications.

Figure I (c). Total revenue and expenses trend, 2017-2021

(In millions of United States dollars)



Note: In 2019, UNDP changed its accounting policy for revenue recognition, hence figures from 2018 onward are not comparable with those of prior years. This accounting policy change, in line with IPSAS 23, has resulted in revenue being recorded in full when agreements with donors are signed, provided certain criteria are met.

III. Financial highlights for 2021

A. Summary of UNDP financial situation

Table 1. UNDP financial situation, 2020-2021

(In millions of United States dollars)

	2021	2020	Increase/ (Decrease)	Percentage change
Revenue^a	5 637	6 618	(981)	(15%)
Expenses^a	5 385	5 051	334	7%
Net revenue	252	1 567	(1 315)	(84%)
Assets	15 151	14 299	852	6%
Liabilities	3 574	3 029	545	18%
Net assets	11 577	11 270	307	3%
Composed of:				
Accumulated balance	11 275	10 968	307	3%
Reserves¹	302	302	-	-
	11 577	11 270	307	3%

^a Revenue and expense amounts are after elimination of internal cost recovery of \$261 million in 2021 and \$256 million in 2020.

Before elimination: Total revenue: \$5,898 million in 2021; \$6,874 million in 2020
Total expense: \$5,646 million in 2021; \$5,307 million in 2020

B. Revenue

16. Total revenue (including contributions, investment revenue, exchange revenues, etc.) in 2021 was \$5.6 billion, a decrease of \$1.0 billion or 15 per cent from 2020 revenue of \$6.6 billion.

Voluntary Contributions

17. Voluntary Contributions reported in the financial statements in 2021 totalled \$5.3 billion, a decrease of \$1.0 billion (16 per cent) from the 2020 amount of \$6.3 billion. Of \$5.3 billion net voluntary contributions, \$882 million were contributions to regular (core) resources and \$4.4 billion were contributions to other (non-core) resources. The decrease in voluntary contributions was primarily the result of fewer multi-year agreements. UNDP funding is received on a cyclical basis: at times multi-year agreements with donors are signed and the revenue for these multi-year agreements is recorded upon signing, provided certain criteria are met. As a result, the top three donors in 2020 contributions reduced by \$1.0 billion in 2021. UNDP also noted a decrease in the Law-and-Order Trust Fund for Afghanistan (LOTFA) contribution due to the political situation which caused a decrease in the annual contribution revenue of \$112 million.

¹ On calculating the operational reserves for 2021, a net transfer of \$0.7 million was made from accumulated surpluses which does not show in the table above due to rounding. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly.

18. Voluntary contributions represent 94 per cent (2020: 95 per cent) of the total revenue, with the remaining 6 per cent largely consisting of other revenue and investment revenue, as set out in table 2a below.
19. Based on the UNDP's accounting policy on IPSAS 23 for recognizing revenue from voluntary contributions effective in 2019, UNDP records the full value of the contributions agreements signed (including multi-year agreements) being recognized as revenue in the year an agreement is signed. Under UNDP's Financial Regulations and Rules, UNDP is only permitted to spend up to the amount of cash received; hence, in the following section of this document, where applicable, 'Annual contributions' are presented to align with the past revenue recognition policies for contributions (i.e., cash received in a reporting year, plus receivables due in a reporting year).

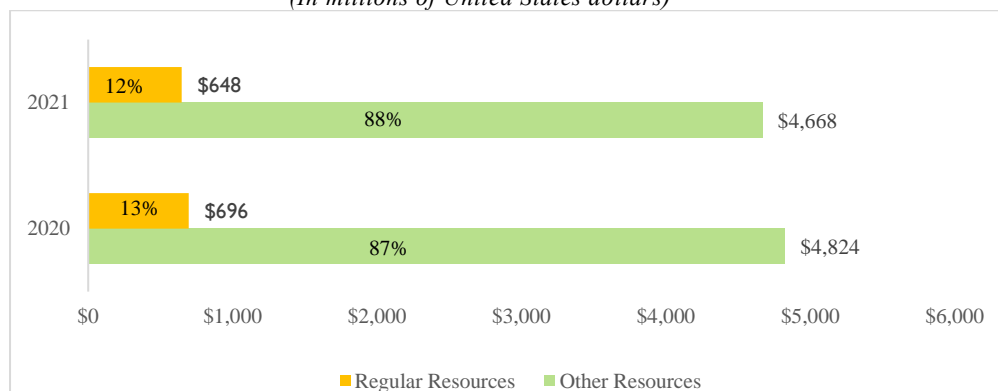
Table 2a. UNDP revenue, 2021
(In millions of United States dollars)

Resources	2021	2020	Increase/ (Decrease)	Percentage change
REVENUE				
Voluntary contributions				
Annual contributions	5 316	5 520	(204)	(4%)
Net movement of future due contributions	(12)	768	(780)	-
Subtotal: voluntary contributions	5 304	6 288	(984)	(16%)
GLOC	25	19	6	32%
Net contributor countries contributions	9	7	2	29%
Upper-middle-income-country contributions	9	9	-	-
Contributions in kind	22	15	7	47%
Transfer of funds and refunds to donors	(65)	(65)	-	-
Voluntary contributions, net	5 304	6 273	(969)	(15%)
Investment revenue	135	118	17	14%
Other revenue	459	483	(24)	(5%)
Total revenue before elimination	5 898	6 874	(976)	(14%)
Elimination – internal UNDP cost recovery	(261)	(256)	(5)	(2%)
Total revenue after elimination	5 637	6 618	(981)	(15%)

* 2020 total amount was restated from \$5,563 million to \$5,520 million to accurately reflect annual contribution received in the year.

20. During 2021, UNDP's annual contributions were \$5.3 billion, a decrease of \$204 million or 4 per cent from the 2020 amount of \$5.5 billion. Figure II sets out the level of annual contributions of regular (core) resources in comparison to other (non-core) resources in 2021. In 2021, the ratio between regular and other resources was 12 per cent and 88 per cent respectively.

Figure II. Annual regular and other resources ratio, 2021
(In millions of United States dollars)

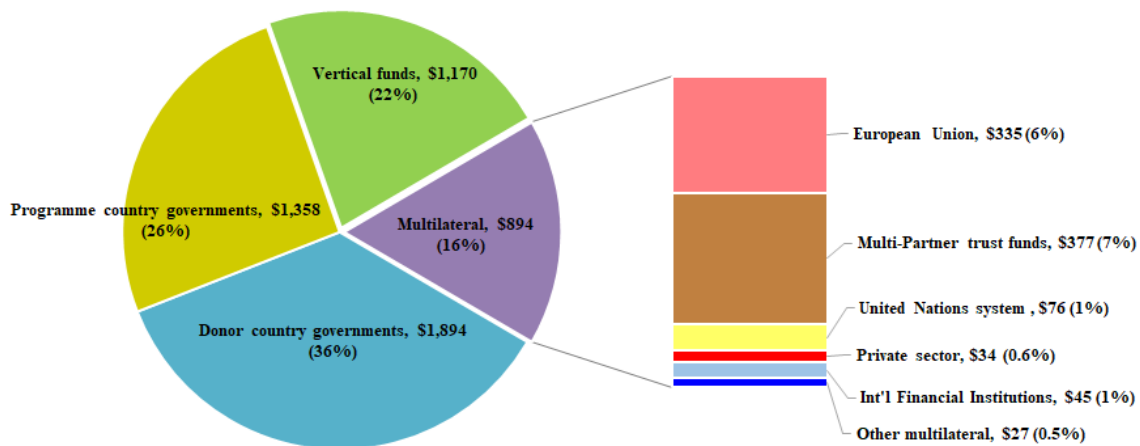


21. Regular resources annual contributions received decreased to \$648 million from \$696 million in 2020. UNDP continues to rely on the support of Member States to meet the targets of the funding compact.
22. Annual contributions to other resources decreased by 3 per cent to \$4.7 billion from \$4.8 billion in 2020. Other resources are ‘earmarked’ for individual programmes or projects and are important complements to the ‘un-earmarked’ regular resources base. It consists of cost-sharing, trust funds, and reimbursable support services and miscellaneous activities. UNDP is committed to working with Member States to improve the flexibility of this funding.
23. Annual Contributions are provided by the funding partners per table 2b and Figure III (a) below:

Table 2b. UNDP annual contributions by funding partners, 2020-2021
(In millions of United States dollars)

	2021			2020			Total Increase	Percentage Change
	Regular Resources	Other Resources	Total	Regular Resources	Other Resources	Total		
Donor Country Governments	631	1,263	1,894	673	1,469	2,142	(248)	(12%)
Programme Country Governments	17	1,341	1,358	23	1,198	1,221	137	11%
Multilateral Partners	-	2,064	2,064	-	2,157	2,157	(93)	(4%)
Total	648	4,668	5,316	696	4,824	5,520	(204)	(4%)

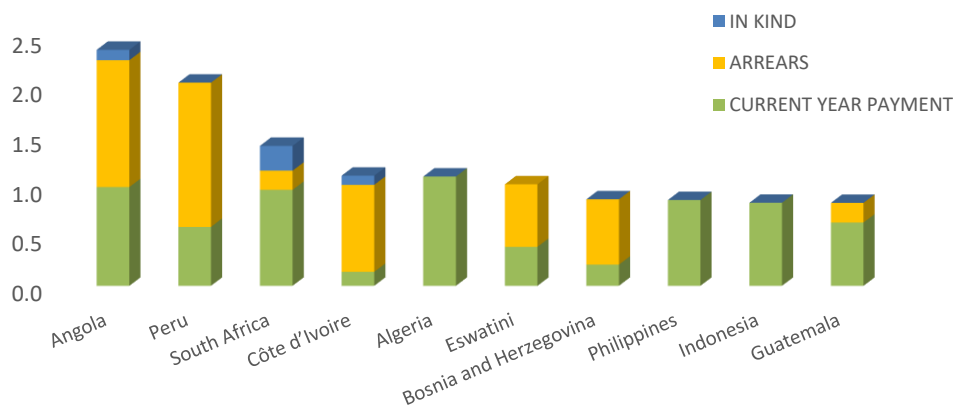
Figure III (a). Annual contributions by funding partners, 2021
(In millions of United States dollars)



Government contributions to local office costs

24. Annual government contributions to local office costs (GLOC) are an important source of revenue and can take the form of in-kind or cash contributions by host governments. In the low and middle-income countries categories, \$33 million was received in 2021 (2020: 27 million), consisting of cash contributions of \$26 million (\$16 million for 2021 targets and \$10 million against arrears) and in-kind contributions of \$7 million for premises and utilities. The top 10 contributors are shown in figure III (b).

Figure III (b). Annual GLOC contributions by top 10 host governments, 2021
(In millions of United States dollars)



25. Tables 8(a), 8(b) and 8(c) in appendix VII provide information on 2021 government cash contributions to local office costs in regular resources by countries in low and middle-income categories, cumulative arrears, and contributions towards arrears.

Net contributor country contributions

26. Net contributor programme country governments contributed \$9 million, an increase of \$2 million (29 per cent). (See details in appendix VII).

Upper-middle income country contributions

27. Contributions from Upper-middle income programme countries with GNI per capita above \$6,660 contributed \$9 million, at the same level as 2020. (See details provided in appendix VII).

Investment revenue

28. Total investment revenue totalled \$135 million (2020: \$118 million). The increase in UNDP's overall investment income of \$17 million (14 per cent) owing to the higher realized gain on sale of investments.
29. Hedging programme - UNDP incurred net Foreign Exchange (FX) losses of \$18 million (2020: \$23 million net FX gains) to core resources. FX volatility declined from its peak at the beginning of the pandemic. Overall, in 2021 UNDP had a net foreign exchange loss of \$23 million which is low in consideration to the value of the investment portfolio of UNDP.

Other revenue

30. Other revenue totalled \$459 million (2020: \$483 million), mainly consisting of: cost recovery revenue of \$349 million; for instance, \$52 million revenue for providing services to the United Nations system; and miscellaneous revenue, such as foreign exchange gains.

Cost-recovery

31. UNDP made every effort to recover the general management support and implementation costs associated with the delivery of other resources-funded programmes and projects and with United Nations entities.
32. UNDP recovered \$245 million through general management support service fees, \$9 million higher than in 2020. Total cost recovery revenue increased by 1 per cent to \$349 million, (2020: \$344 million), reflecting a change in mix of resources. Table 3 shows the breakdown of these revenues.

Table 3. Cost recovery, 2021
(In millions of United States dollars)

	Programme and project delivery	Reimbursable support services	Total
Revenue			
General management support services	245	-	245
United Nations organizations – reimbursable services	-	52	52
Administrative agent fees	10	-	10
NCC contributions	9	-	9
Upper MIC contributions	9	-	9
Interest	4	-	4
Other	20	-	20
Total revenue	297	52	349
Expenditure			
Total expenditure	323	47	370

33. UNDP made every effort to attain full compliance with the cost recovery rate and seeks to further reduce the number of waivers. While infrequent, General Management Support (GMS) waivers continue to be requested by funding partners. During 2021, there was no new waiver on the general management support fee granted for new projects. The details of GMS waivers issued in 2021 and prior to 2021 for activities ongoing in 2021 are described in Appendix V.

C. Expenses

34. In 2021, total expenses, after elimination, increased by 7 per cent or 334 million, to \$5.4 billion (2020: \$5.1 billion).
35. Out of this total of \$5.4 billion, \$4.7 billion was for programme expenses, which represents 86 per cent of total expenses. The amount of \$5.6 billion, before elimination, is composed of \$834 million for regular resources and \$4.8 billion for other resources.

Table 4. UNDP overall expenses, 2021
(In millions of United States dollars)

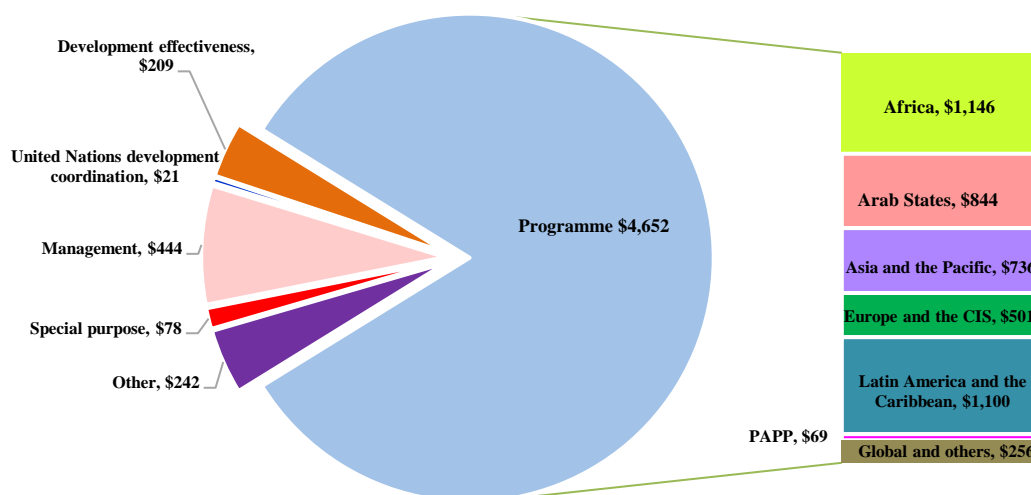
Resources	2021	2020	Increase/ (Decrease)	Percentage change
Expenses				
Development activities				
Programme	4,652	4,389	263	6%
Development effectiveness	209	181	28	16%
Subtotal – development activities	4,861	4,570	291	6%
United Nations development coordination activities	21	15	6	38%
Management activities	444	446	(2)	-
Special purpose activities	78	66	12	18%
Other activities	242	210	32	15%
Total expenses before elimination	5,646	5,307	339	6%
Elimination	(261)	(256)	(5)	(2%)
Total expenses	5,385	5,051	334	7%

36. Pursuant to Board decision 2010/32, expenditure is reported in four harmonized cost-classification categories: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. Expenditure outside those

classifications is reported under ‘other activities’ and are included as part of overall expenditure. Programme expenses are defined as development subtracting development effectiveness.

37. The composition of total expenses and harmonized cost classification activities is shown in figure IV (a); comparison of programme expenses by region between 2020 and 2021 is shown in figure IV (b).

Figure IV (a). Total expenses by cost classification and programme expenses by region, 2021
(In millions of United States dollars)



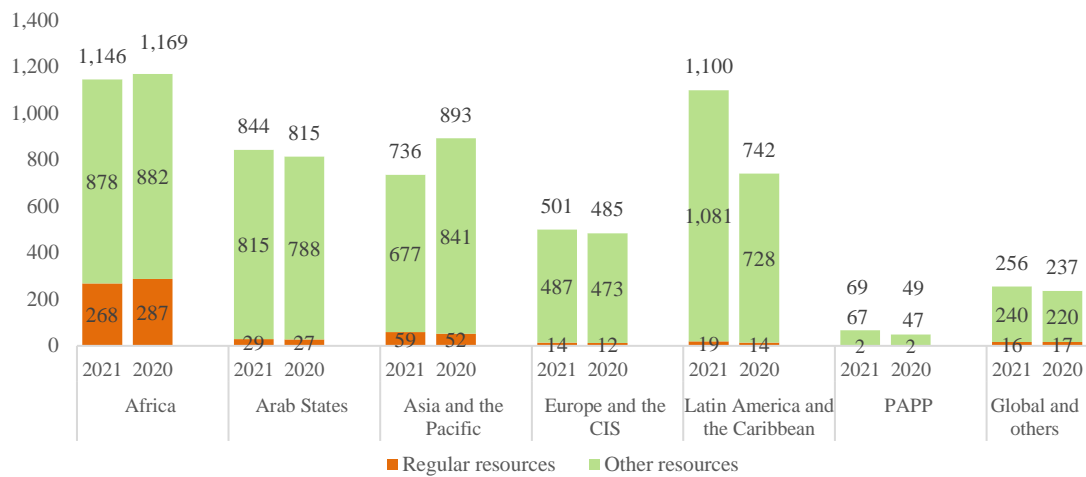
Development expenses

38. Development expenses consist of programme expenses of \$4.7 billion and development effectiveness of \$209 million.

Programme expenses

39. Programme expenses (i.e., delivery) were \$4.7 billion, an increase of \$263 million (6 per cent) from 2020. This represents UNDP’s highest level of delivery in over a decade.
40. UNDP took measures to curtail expenses, reflecting its focus on efficiency while shielding programme components, such as target for resource assignment from the core TRAC-1, TRAC-2, TRAC-3, South-South cooperation, and the Human Development Report Office, including multi-year allocations from TRAC-2.
41. The \$4.7 billion programme expenses include \$1.9 billion related to donor cost-sharing, \$1.3 billion related to government cost-sharing, \$833 million related to vertical funds, including the Global Fund to Fight AIDS, Tuberculosis and Malaria (\$367 million), the Global Environment Facility (\$298 million), the Green Climate Fund (\$116 million) and the Montreal Protocol (\$26 million), and \$74 million relating to the Law and Order Trust Fund for Afghanistan. A total of 35 per cent of UNDP programme expenses (\$1.6 billion of \$4.7 billion) was attributed to the 10 largest country offices, in Iraq, Afghanistan, Dominican Republic, Argentina, Zimbabwe, Ukraine, Colombia, Yemen, the Sudan, and Nigeria.

Figure IV (b). Programme expenses by region, 2020-2021
(In millions of United States dollars)



Comparison of programme expenses by region, 2020-2021

42. Overall programme delivery in the Africa region decreased by 2.0 per cent. The top three countries with the largest programme delivery in 2021 were Zimbabwe (\$208 million), Nigeria (\$83 million) and Ethiopia (\$54 million). Of the \$208 million delivery in Zimbabwe, \$178 million (85 per cent) was funded by the Global Fund. Of the top seven Country Offices within this region with more than \$40 million delivery; Zimbabwe increased delivery by \$37 million (22 per cent) and Nigeria by \$30 million (56 per cent), while Ethiopia, South Sudan, Democratic Republic of Congo, Burundi decreased by \$3 million (5 per cent), by \$4 million (7 per cent), by \$37 million (44 per cent), and by \$9 million (18 per cent) respectively. Chad delivery remained at the same level as prior year, at \$42 million.
43. Overall programme delivery in the Arab States region increased by 3.5 per cent. Iraq has the largest programme delivery in UNDP. Iraq delivered a total of \$276 million, an increase of 17 per cent from the 2020 delivery of \$236 million. Of that amount, 96 per cent was funded by donor country governments under third-party cost-sharing arrangements. Yemen was also one of the top ten countries, with total programme delivery of \$97 million, of which 47 per cent were funded by the World Bank Group.
44. Overall programme delivery in the Asia and the Pacific region decreased by 17.6 per cent. Of the seven Country Offices with more than \$30 million delivery, Afghanistan, Pakistan and China have decreased their delivery by \$186 million (44 per cent), \$7 million (15 per cent) and \$5 million (14 per cent) respectively. Afghanistan delivered the second highest level of programme expenses in UNDP at \$235 million, including \$150 million under cost-sharing agreements and \$74 million for the Law and Order Trust Fund for Afghanistan. India, Fiji, and Indonesia – these countries have increased their delivery by \$17 million (45 per cent), \$5 million (14 per cent) and \$8 million (27 per cent). Bangladesh remained at the same level of delivery as prior year, at \$61 million.
45. Overall programme delivery in the Europe and the Commonwealth of Independent States (CIS) region increased by 3.4 per cent. Ukraine has the highest programme

delivery in the region at \$113 million, and the highest increase in programme delivery in this region was in Albania, which increased to \$32 million from \$11 million in 2020.

46. In the Latin America and the Caribbean region, overall programme delivery increased by 48.3 per cent, as a result of the resource mobilization effort emanating from programmatic response to COVID-19 pandemic as well as support for the digitalization to promote access to information and communication technologies in the region. Dominican Republic has the highest programme delivery, at \$221.4 million, an increase of 232 per cent from the 2020 delivery of \$67 million. The second highest delivery is Argentina, which increased to \$221.1 million from \$180 million in 2020. Colombia has the third largest delivery of \$98 million, and Honduras, as the next largest delivery country increased its programme delivery to \$76 million from \$48 million in 2020.

United Nations development coordination expenses

47. UNDP continued to support the repositioning of the United Nations development system, in line with General Assembly resolution 72/279. In 2021, UNDP provided an annual contribution of \$10.3 million (2020: \$10.3 million) to the United Nations Sustainable Development Group through the cost-sharing arrangement among United Nations development system entities. The Contribution will be used by the United Nations exclusively to cover costs of UN development coordination activities of the Resident Coordinator system

Management expenses

48. Management expenses decreased slightly to \$444 million (2020: \$446 million), remaining within the parameters of the integrated resources plan, 2018-2021.

Special purpose expenses

49. Special purpose expenses totalled \$78 million (2020: \$66 million). This amount includes expenses of \$64 million for reimbursable support services, \$3 million related to capital investments, \$9 million related to UNV and \$2 million related to UNCDF.

Other expenses

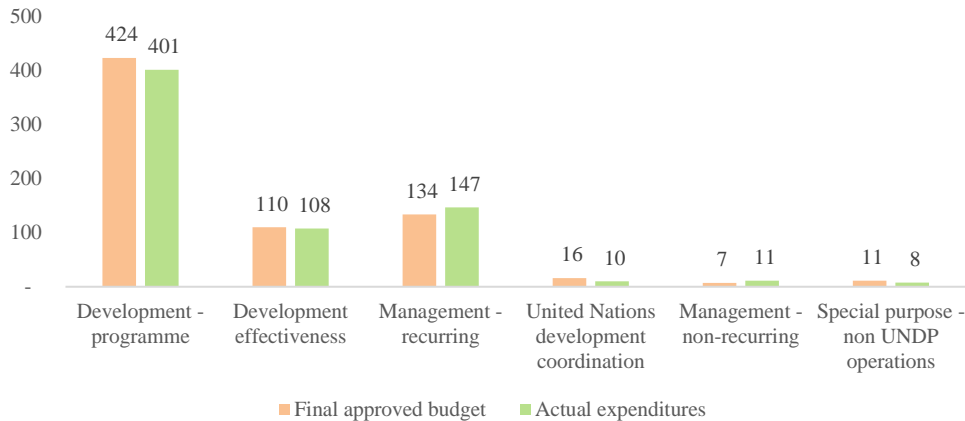
50. Other expenses totalled \$242 million (2020: \$210 million), of which \$34 million (2020: \$33 million) related to after-service health insurance, \$34 million (2020: \$36 million) to common services, \$18 million (2020: \$34 million) to security-related activities, \$16 million (2020: \$17 million) to the junior professional office programme, and \$52 million (2020: 15 million) to currency revaluation and exchange rate fluctuations to voluntary contributions, \$13 million (2020: \$15 million) to the support fee for the Joint Programme, and \$6 million (2020: \$13 million) to Management Service Agreement related activities.

Regular resources and integrated budget expenditure

51. For activities reported in 2021, UNDP operates within the integrated budget, 2018-2021, as approved by the Executive Board in decision 2017/31, for regular resources - financed activities: (a) programmatic components; and (b) institutional components.
52. Appendix II (a) and figure V below compare the final 2021 approved budget, covering both programmatic and institutional components, with the actual expenditure amounts, calculated on the same basis as the corresponding budget for regular resources (modified accruals basis).

53. Appendix II (b) compares final approved budget for the four-year period 2018-2021 with the actual expenditure amounts covering both institutional and programmatic component, calculated on modified accruals basis.

Figure V. Regular resources, comparison of budget to actual expenditure, 2021
(In millions of United States dollars)



54. UNDP's performance in 2021 should be considered against the backdrop of two contexts:
- The overarching objective of the UNDP budget was to ensure financial sustainability with respect to the institutional and programmatic components, achieve a better equilibrium between regular and other resources, and increase productivity over time; and
 - General Assembly resolution 72/279 of 31 May 2018 on the repositioning of the United Nations development system. UNDP continued to support the functioning of the independent and reinvigorated resident coordinator system, helping to ensure that Resident Coordinators and their offices are able to carry out their critical coordination functions seamlessly. At the same time, UNDP maintained its business continuity and continued successfully to drive forward the Strategic Plan, 2018-2021.
55. Table 5 below compares actual expenditure for 2020 and 2021. In 2021, the share of regular resources spent for institutional activities was \$239 million, which was \$23 million or 11 per cent more, compared to \$216 million in 2020. The share of regular resources spent for programmatic activities was \$456 million, which was \$32 million or 7 per cent less, compared to \$488 million in 2020.
56. For the four-year period 2018-2021, expenditures for all cost classification categories remained within 2018-2021 approved budget. During 2021, the last year of quadrennium, UNDP revised the annual spending limits for the programmatic and institutional components of the integrated budget upward, based on the level of voluntary contributions received and the liquidity requirement for regular resources, including the level of expenditures in the first three years of the four-year period of the strategic plan. This resulted in higher expenditures for management activities compared with those under the 2021 annualized budget (see figure V), whilst for the quadrennium 2018-2021, management activities remained within the approved budget (see appendix II (b)).

Table 5. Integrated budget expenditure, by cost classification category, 2020-2021*
(In millions of United States dollars)

Regular resources	2021 actual Expenditures	2020 actual expenditures
Programmatic component	456	488
Institutional component	239	216
Total	695	704

Cost classification category	2021 actual expenditures	2020 actual expenditures
Development activities	523	529
United Nations coordination activities	10	10
Management activities	154	157
Special purpose activities	8	8
Total	695	704

*Expenditure is presented by budget period.

57. Appendix III.A presents the integrated resources plan that covers regular and other resources for 2018-2021 and compares the plan with 2018-2021 actuals. This comparison shows that:

- (a) activities reported in 2018-2021 remain within the integrated resources plan.
- (b) at the end of 2021, the expenditure ratio for management activities (regular (core) and other (non-core)) to total activities (i.e., management efficiency ratio) was 7.4 per cent (2020:7.5 per cent).

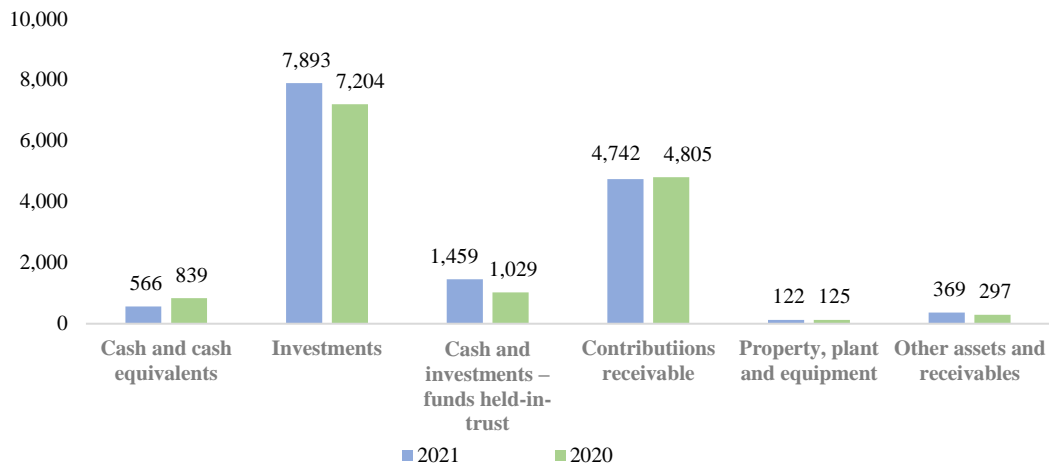
58. Appendix III.B presents 2018-2021 actuals versus estimates of the institutional components of the integrated resources plan by category of expenditures, while appendix III.C presents information on resources allocated to posts by location.

IV. Financial position

A. Assets

59. Total assets registered \$15.2 billion (2020: \$14.3 billion), representing an increase of 6 per cent. UNDP assets consist mainly of investments to fund known liabilities, as well as contributions receivable, as set out below.

Figure VI. UNDP assets, 2020-2021
(In millions of United States dollars)



Cash and investments

60. Total cash and cash equivalents and investments amounted to \$566 million and \$7.9 billion, respectively.
61. The majority of investments and cash and cash equivalents in other resources are earmarked for programme activities funded through cost-sharing and trust fund agreements with donors. The investments and cash equivalents in regular resources and other resources also includes \$1.1 billion for after-service health insurance (ASHI) and end-of-service (EoS), the amount invested for the Executive Board mandated operational reserves of \$298 million and the Programme of Assistance to the Palestinian People (PAPP) Endowment Fund of \$3 million.
62. The total cash and investments for Multi-Partner Trust Fund Office of \$1.5 billion (cash and cash equivalents of \$397 million and investments of \$1.1 billion) represent funds provided to UNDP by funding partners to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments.

Contributions receivable

63. Contributions receivable from funding partners registered \$4.7 billion, a decrease of \$63 million (1 per cent) from the 2020 amount of \$4.8 billion.
64. Contributions receivable amount is recognized in full, including for multi-year contributions, at the time the agreement is signed, except for programme government contribution agreements and agreements that have performance conditions beyond the control of UNDP. As these funds are not yet received, they are not available for utilization.
65. Contributions receivable of \$4.7 billion include \$4.6 billion committed to UNDP by donors in future years, as set out in the payment schedule in signed agreements. This receivable amount is programmed accordingly for delivery in future years and consists of \$380.3 million receivable for regular resources and \$4.4 billion for other resources.

66. Of the \$380.3 million regular resources contributions receivable, \$381.2 million is due in future years, and the balance of -\$880 thousands is allowance for the receivables due in 2021. Of the \$4.4 billion other resources contributions receivable, \$130 million is past due, \$2.2 billion is due in 2022, and the balance of \$2.0 billion is due in future years. The top three donors, accounting for 50 per cent (2020: 48 per cent) of the outstanding non-exchange receivable balances, are all multilateral donors. This provides visibility of future year funding available for programme pipeline.

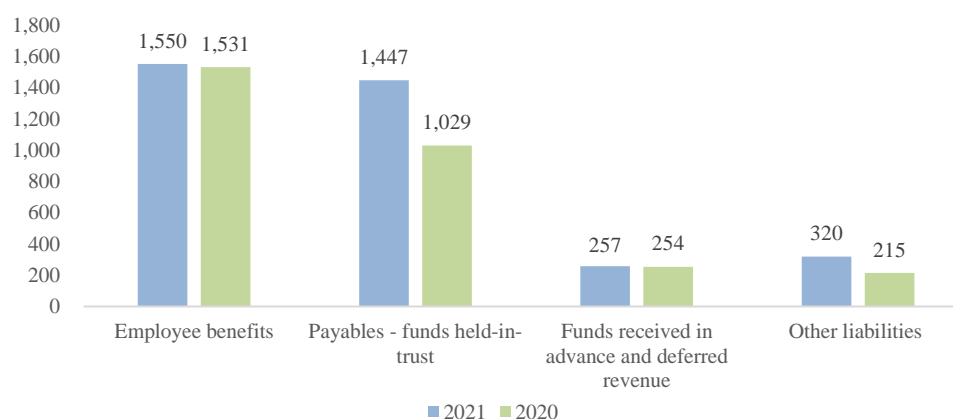
Table 6. Contributions receivable, 2020-2021
(In millions of United States dollars)

Contributions receivable	2021	2020	increase/ (decrease)
Contributions past due	129	133	(4)
Contributions due in future periods	4,613	4,672	(59)
Total contributions receivables	4,742	4,805	(63)

B. Liabilities

67. The total liabilities of UNDP increased by \$545 million, or 18 per cent, from \$3.0 billion in 2020 to \$3.6 billion in 2021. The change is attributable mainly to funds held in trust for the Multi-Partner Trust Fund Office, which increased by \$418 million, accounts payable which increased by \$80 million and employee benefits which increased by \$19 million.
68. Funds received in advance and deferred revenue of \$257 million comprises of \$3 million funds received in advance for future periods specified in donor contribution agreements, \$31 million deferred revenue for contributions, \$ 104 million for common services to United Nations entities, and \$119 million for clearing accounts with United Nations entities.

Figure VII. UNDP liabilities, 2020-2021
(In millions of United States dollars)



69. UNDP liabilities also include \$1.6 billion (2020: \$1.5 billion) in liabilities for employee benefits, of which \$1.2 billion is for after-service health insurance (ASHI). In 2021, ASHI liabilities increased by \$16 million (1 per cent), resulting in an increase in the proportion of the liability funded fully by UNDP from 78 per cent in 2020 to 85 per

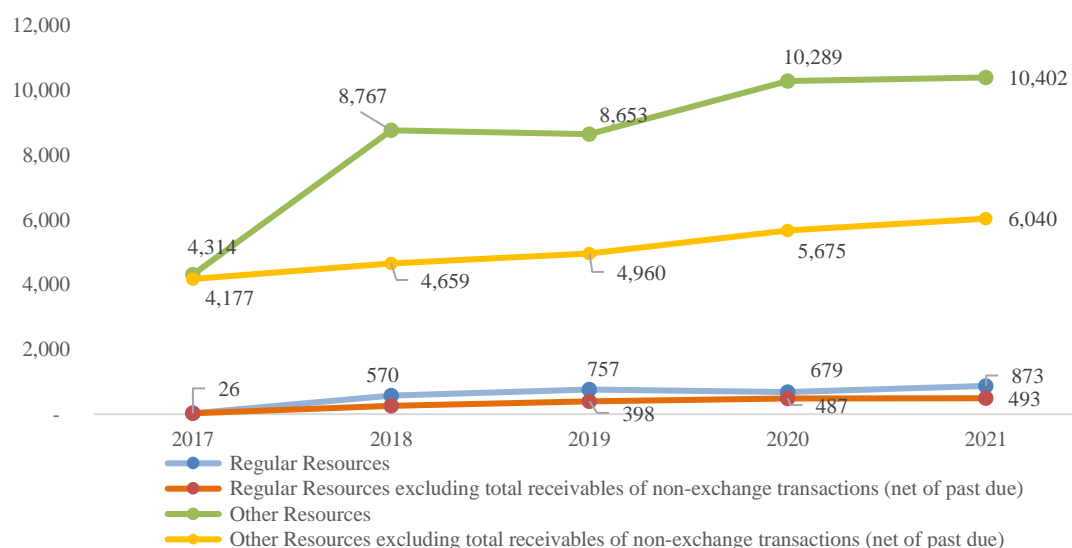
cent in 2021. UNDP participates in the United Nations system-wide valuation of post-retirement benefits, performed by an independent actuary. The increase of \$16 million (1 per cent) in the liability was due largely to an increase in the health-care cost trend and higher number of participants, partly offset by an increase in the discount rate.

70. UNDP holds \$1.0 billion in cash and investments to fund its after-service health insurance liabilities (85 per cent funded) (2020: \$917.8 million and 78 per cent funded). In 2022, UNDP made a one-time cash injection of \$49.7 million to further fund the after-service health insurance liability, thereby increasing the funded position to 89 per cent. UNDP continues to bridge the funding gap based on the full funding strategy, which is informed by a periodic asset-liability study. The investment management of this portfolio is fully outsourced to external managers to ensure an adequate level of investment return given the longer-term nature of the liabilities. UNDP, UNFPA, UNCDF, the United Nations Children’s Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) collaborate in this arrangement.
71. In 2021, UNDP created an external investment portfolio for its end-of-service/repatriation liabilities. UNDP previously held this amount i.e. \$70 million within its ‘payroll reserves’ and essentially changed investment managers (from internal to external). These investments are managed by the same external investment managers as for the ASHI portfolio and on the same terms.
72. Payables (funds held in trust) represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. The amount of \$1.4 billion in figure VII shows \$1,447 million for multi-partner trust funds that UNDP administers.

C. Accumulated surplus

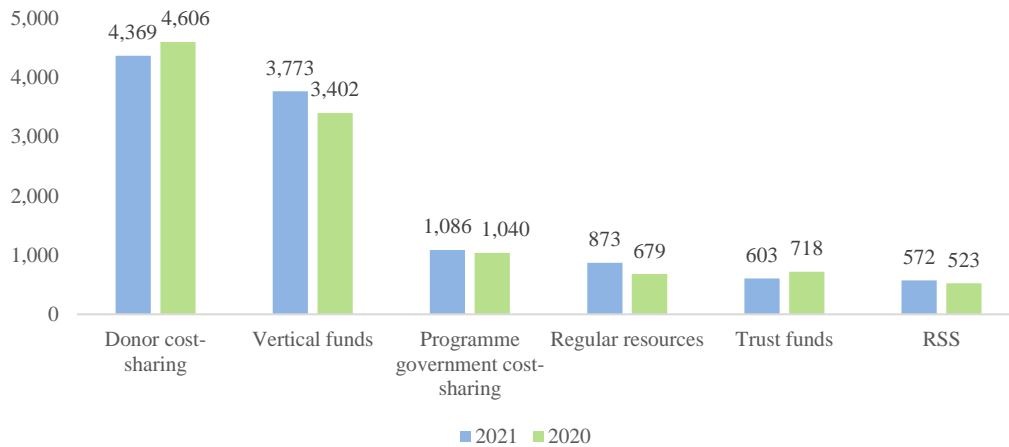
73. The financial regulations and rules of UNDP require it to operate on a fully funded basis for activities funded by other resources. In accordance with partnership agreements, all project balances are segregated for accounting and reporting purposes, with no commingling of balances between projects. Appropriate cash balances are held for settling liabilities.
74. UNDP receives programmatic resources for multi-year programmes linked to individual programmes or projects. Hence, in any given year, there is an excess of resources over expenditure. This excess of resources is referred to as the accumulated surplus, which consists mainly of resources committed for future programme delivery.
75. At 31 December 2021, the accumulated balance, excluding reserves, increased by 3 per cent, to \$11.3 billion (2020: \$11.0 billion). The increase in accumulated balance from 2017 is mostly attributed to the increase in receivables as a result of the change in the revenue recognition policy due to International Public Sector Accounting Standards. Accordingly, the accumulated surplus includes receivables from non-exchange transactions (net of past due) of \$4.7 billion as at 31 December 2021 (2020: \$4.8 billion). Under UNDP’s Financial Regulations and Rules, the organization is only permitted to spend when the cash is received. i.e., the organization is not permitted to spend the \$4.7 billion stated above. Figure VIII (a) below illustrates the trend in the accumulated balances, and the impact of changes in the receivables of non-exchange transactions.

Figure VIII (a). Accumulated balance, regular resources and other resources
(In millions of United States dollars)



76. Available total accumulated resources increased by \$307 million in 2021 which is mainly attributed to a surplus of \$252 million, of which regular resource constitute \$192 million and other resource are \$60 million, a net increase of \$45 million in aggregate mostly as a result of the fair value adjustment of ASHI investments and the net actuarial revaluation and an increase of \$9 million for funds with specific purposes. In 2021, \$0.7 million (2020: \$16 million) was released to the accumulated surpluses from the operational reserve, in accordance with the operational reserve formula approved by the Executive Board in decision 1999/9.
77. In addition, in line with Board decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditures. UNDP maintained the year-end core liquidity position at 6.4 months of working capital, above the minimum threshold (2020: 7.2 months).
78. The attribution of the accumulated balance to the various funding sources for future delivery is set out in figure VIII (b) below. This comprises of donor cost-sharing balance of \$4.4 billion (2020: \$4.6 billion), vertical funds balance of \$3.8 billion (2020: \$3.4 billion), programme cost-sharing balance of \$1.1 billion (2020: \$1.0 billion), regular resources balance of \$873 million (2020: \$679 million), trust funds balance of \$603 million (2020: \$718 million), and reimbursable support services balance of \$572 million (2020: \$523 million).

Figure VIII (b). Accumulated balance by funding source, 2020-2021
(In millions of United States dollars)



79. Accumulated resources of vertical funds increased by \$371 million, of which \$166 million is composed of the multi-year contribution agreements from the Green Climate Fund and \$143 million from the Global Fund to Fight AIDS, Tuberculosis and Malaria. Accumulated resources of donor cost-sharing decreased by \$237 million which is due to resources reduced from third-party cost-sharing agreements.

V. Others

Management service agreements

80. Management service agreement contributions totalled -\$4 million (2020: -\$1 million), total expenses registered \$6 million (2020: \$13 million), and the accumulated balance further decreased to \$24 million (2020: \$34 million). Details are provided in document Appendix VII to Annex I to DP/2021/31.

United Nations Volunteers

81. In 2021, the financial value of UNV activities totalled \$270 million, an increase of \$32.6 million, or 13.7 per cent, from \$237.4 million in 2020.
82. UNV continued to monitor its costs and align them with financial resources and future projections. Correspondingly, the total cost from core, extrabudgetary, cost-recovery funds and the Special Voluntary Fund increased by only 5 per cent in 2021.
83. Un-earmarked contributions from Member States form the bedrock of the UNV institutional budget. In 2021, Member States contributed regular resources to UNV through UNDP amounting to \$8.6 million. This was consistent with the annual average in the Strategic Framework period, 2018-2021, of \$8.67 million, and a 15 per cent decrease compared to the annual average of the previous Strategic Framework period, 2014-2017.
84. UNV continues to rely on the Special Voluntary Fund for research on and promotion of volunteerism, emergency and crisis response, and innovative solutions. In 2021,

contributions to the fund came from nine donors – Bangladesh, China, the Czech Republic, France, Germany, Ireland, Kazakhstan, Switzerland, and Thailand – as well as from individual donations through the Digital Giving platform. Contributions totalled \$4.8 million, inclusive of interest, of which over 97 per cent of Voluntary Fund contributions came from three donors – Germany, Switzerland, and France, in order of magnitude.

85. Contributions to the UNV full funding programme amounted to \$25.1 million in 2021 (an increase of 21 per cent over 2020).

United Nations Office of South-South Cooperation

86. The United Nations Office for South-South Cooperation implemented its strategic framework through an allocation of \$2.3 million (2020: \$2.3 million) from the UNDP institutional budget and \$3.4 million (2020: \$3.7 million) in regular resources.
87. In addition, the office received \$15.7 million in contributions from partners through its four trust funds: \$10.6 million from the India-UN Development Partnership Fund; \$3.0 million from the United Nations Fund for South-South Cooperation; \$2.0 million from the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation; and \$0.1 million from the Pérez-Guerrero Trust Fund for South-South Cooperation.
88. In 2021, it achieved 126 per cent (\$15.7 million) of its non-core resource mobilization target for 2021, based on the annual target of \$12.5 million in the strategic framework. Favoured by the lifting of COVID-19 restrictions that impacted project delivery, implementation of South-South trust fund resources exceeded \$16.5 million, bringing total delivery of the Office to \$22.2 million, with sound financial management ensuring compliance and sustainability.

VI. United Nations reform and support to United Nations organizations

89. UNDP undertakes many activities in partnership with and support to the United Nations system at large.

A. UNDP administrative agent function

90. UNDP supports joint programming through its role in fund design and administration of joint programmes and multi-partner trust funds on behalf of the United Nations system, and through its programme implementation role as a participating United Nations organization. In 2021, contributions received for multi-partner trust funds on behalf of the UN system increased by 17 per cent, to \$1.8 billion (2020: \$1.5 billion). This growth can be attributed to the positive policy environment for United Nations pooled funding and the strong performance of a broad range of country funds, as well as global and regional funds channelling substantial resources to joint UN action on the ground, such as the Peacebuilding Fund, the Spotlight Initiative, the Joint SDG Fund, the Central African Forest Initiative, and the ongoing humanitarian portfolio. The net value of funds transferred by the Multi-Partner Trust Fund Office in its role as administrative agent for all participating organizations was \$1.4 billion (2020: \$1.4 billion).

B. Support to United Nations organizations

91. UNDP continued to be the operational backbone of the United Nations system in 2020. UNDP supported \$2.82 billion in financial transactions for approximately 118 United Nations and other agencies in over 170 countries. UNDP provided common premises for other agencies in at least 126 countries, where they could avail of common services, including travel management.

C. United Nations development coordination activities

92. UNDP continued to support the repositioning of the United Nations development system, in line with General Assembly resolution 72/279. In 2021, UNDP provided an annual contribution of \$10.3 million (2020: \$10.3 million) to the United Nations Sustainable Development Group through the cost-sharing arrangement among United Nations development system entities. UNDP collected and transferred \$6.9 million to the United Nations Secretariat as part of the 1 per cent levy on tightly earmarked other resources contributions.

D. United Nations-mandated security costs

93. In 2021, UNDP spent \$28.4 million (2020: \$27.6 million) for security costs, of which \$18.7 million (2020: \$18.0 million) was associated with its share of the United Nations field security coordination programme; and \$9.7 million (2020: \$9.6 million) with security advisory services and investments to ensure compliance with minimum operating security standards, as well as staff safety and duty-of-care measures in response to the COVID-19 pandemic.

VII. ‘Greening’ UNDP

94. During 2021, UNDP has continued its progress towards its ambitious ‘Greening Moonshot’ targets, committing to reduce Greenhouse Gas (GHG) emissions from global operations by 25 per cent by 2025 and 50 per cent by 2030. Between the corporate Moonshot Facility, Regional Bureau and Country Office funding, another 24 projects and \$1.3 million were funded in 2021. With this, the first two years of Moonshot Facility funding have resulted in a projected 8 per cent reduction in UNDP’s annual electricity carbon footprint while saving over \$600,000 in annual energy costs while increasing business continuity and improving the well-being and safety of our staff. If Moonshot investments can be maintained at this or higher levels through 2030, UNDP will be on track to halve its facilities (electricity, generator fuels) footprint, a major contribution to the overall Moonshot target.
95. UNDP also continued to improve its environmental reporting compliance in order to credibly track progress towards Moonshot progress and support GHG reduction claims: 92 per cent of UNDP offices have finalized their 2020 report in UNDP’s Environmental Management Tool (EMT), and 2018/2019 Moonshot baseline reporting is even higher with 98 per cent.
96. UNDP continued to maintain climate neutrality in its global operations: The organization-wide 2020 carbon footprint of 27,086 tonnes CO₂e was offset with Certified Emission Reductions (CERs) from the Adaptation Fund established under the Kyoto Protocol of the United Nations Framework Convention on Climate Change. Similarly, 2021 GHG emission data are collected during 2022 and UNDP’s 2021 Carbon Footprint is expected to be assessed, reported and offset by end of 2022.

97. UNDP cooperated again with UNEP to update the ‘Greening the Blue’ tutorial which was originally launched in 2014. In December 2021 the Administrator announced that the ‘Greening the Blue’ tutorial is now mandatory for all UNDP personnel and encouraged other UN agencies to follow this example in a joint letter with UNEP Executive Director Inger Andersen. The tutorial is further made publicly available.
98. Noting that GHG emissions from UNDP's largest source - air travel - were reducing by 80 per cent during the pandemic, the Administrator called on all personnel, offices and Bureaus to build forward better and utilize the new reality of virtual communications proven successful during the pandemic to keep duty travel to a minimum: He reminded everybody that in order to achieve the 2030 reduction goal, air travel GHG emission must stay below 45 per cent of pre-pandemic levels across the organization.

VIII. Appendices (available on the UNDP Executive Board web page)

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