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**Annex I to DP/2023/26**

**Detailed annual review of the financial situation, 2022**

*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 2022 with prior year comparatives.

To streamline documentation for the Executive Board per their Decision 2019/18, the annual review of the financialsituation is integrated with DP/2023/26 - Structured Funding Dialogue (SFD).

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1. Introduction
2. 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 2022.
3. 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.
4. In accordance with Executive Board decision 2013/28, this report includes a comparative overview of actual 2022 utilization compared to the resource planning figures in UNDP integrated resources plan and integrated budget estimates for 2022-2025 (DP/2021/29) 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.
5. Overview
6. Financial stability remained a top corporate priority in 2022 for UNDP. UNDP continued to focus on the effective implementation of its programmatic activities, with the support from partners/donors.
7. Total revenue, including voluntary contributions, was $5.3 billion, a decrease of $315 million (6 per cent) from 2021. Voluntary contributions were $5.0 billion, a decrease of $306 million (6 per cent) from 2021. The decrease in voluntary contributions was the result of lower revenue from regular resources and cost sharing contributions.
8. Total expenses, including programme expenses, were $5.3 billion, a decrease of $38 million (1 per cent) from 2021. Programme expenses were $4.6 billion, a decrease of $19 million (1 per cent) from 2021.
9. Total revenue less total expenses resulted in a deficit of $25 million, compared to a surplus of $252 million in 2021. The decrease is due to the nature of UNDP’s funding which is received on a cyclical basis, meaning the revenue from multi-year agreements with donors is recorded in full when those agreements are signed, provided that certain criteria are met. However, spending is only available to UNDP once cash is received from donors.
10. The 2022 institutional budget was fully balanced for the sixth consecutive year.
11. In 2022, 69 per cent of regular resources were allocated to development programmes (66 per cent in 2021), and 31 per cent to institutional activities (34 per cent in 2021). The increase reflects UNDP's decision to increase 2022 development programme allocations together with cost containment measures undertaken for institutional activities. The planned ratio of programmatic activities to institutional budget in the 2022 – 2025 Integrated Resources Plan and Integrated Budget is 68 per cent to 32 per cent.
12. In 2022, 91 cents of every dollar spent went to programmes and services to achieve development results, unchanged from prior years. Every regular resource dollar spent on programmes leveraged $10 in other resources.
13. Total accumulated surpluses excluding reserves, increased by 1 per cent, to $11.4 billion (2021: $11.3 billion). The accumulated surplus includes $5.1 billion of non-cash receivables (2021: $4.8 billion) and $978 million of cash and investments for after-service health insurance and end-of-service portfolios. A significant portion of accumulated surpluses is therefore not available for programme delivery. Under its Financial Regulations and Rules, UNDP is permitted to spend only when the cash is received. It should be noted that the present value of future after-service health insurance liabilities was reduced in 2022 due to the discount rate applied to the actuarial valuation of the liability. This had a positive financial impact on the accumulated surplus which is not expected to recur.
14. Total UNDP cash and investments (excluding MPTFO), including the after-service health insurance and end-of-service portfolio, decreased by $400 million to $8.1 billion (2021: $8.5 billion).
15. The liability for after-service health insurance was valued at $891 million as of 31 December 2022 ($1.2 billion in 2021), a decrease of 25 per cent. The decrease of $299 million in the after-service health insurance liability is due to a significant increase of single equivalent discount rate from 3.16 per cent (2021) to 5.21 per cent (2022) partially offset by an increase in health-care costs. The end-of-service/repatriation benefit liability was actuarially valued at $99 million (2021: $108 million).
16. UNDP holds $917 million in cash and investments to fund its after-service health insurance liabilities (103 per cent funded) (2021: $1.0 billion and 85 per cent funded) and $61 million in cash and investments to fund its end-of-service/repatriation liabilities (61 per cent funded) (2021: $70 million and 65 per cent funded). With the cash injection and the decrease in the 2022 after-service health insurance liability, based on a full actuarial valuation, this after-service health insurance liability is now fully funded, noting the excess in funding is temporary in nature and primarily due to the volatility of the actuarial valuation of the after-service health insurance liabilities.
17. UNDP incurred net Foreign Exchange (FX) gains of $13 million (2021: $18 million net FX losses) to core resources. Overall, in 2022 UNDP had a net foreign exchange loss of $4.4 million (2021: $22.4 million) which is low in consideration to the value of the investment portfolio of UNDP and speaks to the success of UNDP’s FX risk management.
18. 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 (a) development effectiveness; (b) United Nations development coordination; (c) management; (d) independent oversight and assurance; and (e) special purpose*.*

  **Figure I (c). Total revenue and expenses trend, 2018-2022**

*(In millions of United States dollars)*

*Note*: In 2019, UNDP changed its accounting policy for revenue recognition. 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.

1. Financial highlights for 2022
	1. Summary of UNDP financial situation

**Table 1. UNDP financial situation, 2021-20****22**

*(In millions of United States dollars)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***2022*** | ***2021*** | Increase/(Decrease) | Percentage change |
| **Revenue a** |  5 322  |  5 637  | (315) | (6%) |
| **Expenses a** | 5 347 | 5 385 | (38) | (1%) |
| **Net revenue** | (25) | 252 | (277) |  (110%) |
| **Assets** | 14 822 | 15 151 | (329) | (2%) |
| **Liabilities** | 3 073 | 3 574 | (501) | (14%) |
| **Net assets** | 11 749 | 11 577 | 172 | 1% |
| **Composed of:** |  |  |  |  |
| **Accumulated balance** | 11 440 | 11 275 | 165 | 1% |
| **Reserves****[[1]](#footnote-2)** | 309 | 302 | 7 | 3% |
|   | 11 749 | 11 577 | 172 | 1% |
| a Revenue and expense amounts are after elimination of internal cost recovery of $270 million in 2022 and $261 million in 2021. |
|  Before elimination: Total revenue: $5 592 million in 2022; $5 898 million in 2021 Total expense: $5 618 million in 2022; $5 646 million in 2021 |
|  |

* 1. Revenue
1. Total revenue (including contributions, investment revenue, exchange revenues, etc.) in 2022 was $5.3 billion, a decrease of $315 million or 6 per cent from 2021 revenue of $5.6 billion.

Voluntary Contributions

1. Voluntary Contributions reported in the financial statements in 2022 totalled $5.0 billion, a decrease of $306 million (6 per cent) from the 2011 amount of $5.3 billion. Of $5.0 billion net voluntary contributions, $609 million were contributions to regular (core) resources and $4.4 billion were contributions to other (non-core) resources. The decrease in voluntary contributions was the result of lower revenue from regular resources and cost sharing contributions. Due to the nature of cyclical funding, the top three donors' contributions increased by $103 million from $1.3 billion in 2021 to $1.4 billion in 2022, with a reduction in contributions from other donors.
2. Voluntary contributions represent 94 per cent (2021: 94 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.
3. 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 contribution 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, 2022**

*(In millions of United States dollars)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Resources** | **2022** | **2021** | **Increase/ (Decrease)** | **Percentage change** |
| **REVENUE** |  |  |  |  |
| Voluntary contributions |  |  |  |  |
|  Annual contributions | 4 934 | 5 316 | (382) | (7%) |
|  Net movement of future due contributions | 86 | (12) | 98 | - |
|  Subtotal: voluntary contributions | 5 020 | 5 304 | (284) | (5%) |
| GLOC | 21 | 25 | (4) | (14%) |
| Net contributor countries contributions | 9 | 9 | - | - |
| Upper-middle-income-country contributions | 9 | 9 | - | - |
| Contributions in kind  | 17 | 22 | (5) | (24%) |
| Transfer of funds and refunds to donors | (79) | (65) | (14) | (21%) |
| Voluntary contributions, net | 4 998 | 5 304 | (306) | (6%) |
| Investment revenue | 101 | 135 | (34) | (25%) |
| Other revenue | 493 | 459 | 34 | 7% |
| **Total revenue before elimination** | 5 592 | 5 898 | (306) | (5%) |
| **Elimination – internal UNDP cost recovery** | (270) | (261) | (9) | (3%) |
| **Total revenue after elimination** | 5 322 | 5 637 | (315) | (6%) |

1. During 2022, UNDP’s annual contributions were $4.9 billion, a decrease of $382 million or 7 per cent from the 2021 amount of $5.3 billion. Figure II sets out the level of annual contributions of regular (core) resources in comparison to other (non-core) resources in 2022. In 2022, the ratio between regular and other resources was 12 per cent and 88 per cent respectively.

**Figure II. Annual regular and other resources ratio, 2022**

 *(In millions of United States dollars)*

1. Regular resources annual contributions received decreased to $591 million from $648 million in 2021. UNDP continues to rely on the support of Member States to meet the targets of the funding compact.
2. Annual contributions pertaining to other resources decreased by 7 per cent to $4.3 billion from $4.7 billion in 2021. 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.
3. Annual contributions are provided by the funding partners per table 2b and Figure III (a) below:

**Table 2b. UNDP annual contributions by funding partners, 2021-2022**

*(In millions of United States dollars)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2022 | 2021 | Total Increase | Percentage Change |
| RegularResources | OtherResources | Total | RegularResources | OtherResources | Total |
| **Donor Country Governments** | 566 | 1 439 | 2 005 | 631 | 1,263 | 1,894 | 111 | 6% |
| **Programme Country Governments** | 25 | 1 175 | 1 200 | 17 | 1,341 | 1,358 | (158) | (12%) |
| **Multilateral Partners** | - | 1 729 | 1 729 | - | 2,064 | 2,064 | (335) | (16%) |
| **Total** | 591 | 4 343 | 4 934 | 648 | 4,668 | 5,316 | (382) | (7%) |

\*Annual contribution is presented by donor category not funding stream.

**Figure III (a). Annual contributions by funding partners, 2022**

*(In millions of United States dollars)*

Government contributions to local office costs

1. Annual government contributions to local office costs (GLOC) are 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, $29 million was received in 2022 (2021: 33 million), consisting of cash contributions of $22 million ($16 million for 2022 targets and $6 million against arrears including amount subsequently transferred to other funds) 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, 2022**

(*In millions of United States dollars)*

 \* Including amount subsequently transferred to other funds and excluding future year payments.

1. Tables 8(a), 8(b) and 8(c) in appendix VII provide information on 2022 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

1. Net contributor programme country governments contributed $9 million, at the same level as 2021 (See details in appendix VII).

Upper-middle income country contributions

1. Contributions from Upper-middle income programme countries with GNI per capita above $6,692 contributed $9 million, at the same level as 2021. (See details provided in appendix VII).

Investment revenue

1. Investment revenue totalled $101 million (2021: $135 million). The decrease in UNDP’s overall investment income of $34 million (25 per cent) is due to a lower realized gain on sale of investments for 2022, partially offset by higher interest rates for the year from the post-COVID-19 economic recovery situation.
2. Hedging programme - UNDP incurred net Foreign Exchange (FX) losses of $13 million (2021: $18 million net FX gains) to core resources. Overall, in 2022 UNDP had a net foreign exchange loss of $4.4 million (2021: $22.4 million) which is low in consideration to the value of the investment portfolio of UNDP and speaks to the success of UNDP’s FX risk management.

Other revenue

1. Other revenue (including revenue from exchange transactions) totalled $493 million (2021: $459 million), mainly consisting of: cost recovery revenue of $401 million; for instance, $56 million revenue for UNDP providing services to the United Nations system; and miscellaneous revenue, such as foreign exchange gains.

Cost-recovery

1. 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.
2. UNDP recovered $253 million through general management support service fees, $8 million higher than in 2021. Excluding UNV cost recovery of $38 million, the cost recovery revenue increased by 4 per cent to $363 million, (2021: $349 million), reflecting a change in mix of resources. Table 3 shows the breakdown of these revenues.

**Table 3. Cost recovery, 2022**

**(In millions of United States dollars)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Programme and project delivery** | **Reimbursable support services** | **Total** |
| ***Revenue*** |  |  |  |
| General management support services | 253  |  -  |  253 |
| United Nations organizations – reimbursable services |  -  |  56 | 56  |
| Administrative agent fees | 12  |  -  | 12  |
| NCC contributions  | 9  |  -  | 9  |
| Upper MIC contributions | 9 | - | 9 |
| Interest | 4  |  -  | 4  |
| Other |  20  |  38  | 58  |
| **Total revenue** | **307**  |  **94**  | **401**  |
| ***Expenditure*** |  |  |  |
| **Total expenditure** |  **328** | **95**  | **423**  |

1. 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 2022, there were three new waivers on the general management support fee granted for new projects. The details of GMS waivers issued in 2022 and prior to 2022 for activities on-going in 2022 are described in Appendix V.
	1. Expenses
2. In 2022, total expenses, after elimination of internal cost recovery decreased by 1 per cent or 38 million, to $5.3 billion (2021: $5.4 billion).
3. The amount of $5.6 billion, before elimination of internal cost recovery is composed of $803 million for regular resources and $4.8 billion for other resources. Out of this total of $5.6 billion, $4.6 billion was for programme expenses, which represents 82 per cent of total expenses.

**Table 4. UNDP overall expenses, 2022**

*(In millions of United States dollars)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Resources* | 2022 | 2021 | *Increase/ (Decrease)* | *Percentage change* |
| **Expenses**  |  |   |   |   |
| Development activities |  |   |   |   |
|  Programme | 4 632 | 4 652 | (19)  | (1%) |
|  Operational support to programme | 32 | - | 32 | - |
|  Development effectiveness | 188 | 209 | (21) | (10%) |
| Subtotal – development activities | 4 852 | 4 861 | (9) | - |
| United Nations development coordination activities | - | 21 | (21) | (100%) |
| Management activities | 463 | 413 | 50 | 12% |
| Independent oversight and assurance | 33 | 31 | 2 | 6% |
| Special purpose activities | 52 | 78 | (26) | (33%) |
| Other activities | 218 | 242 | (24) | (10%) |
| Total expenses before elimination | 5 618 | 5 646 | (29) | (1%) |
| Elimination | (270) | (261) | (9) | (3%) |
| Total expenses | 5 348 | 5 385 | (38) | (1%) |

 \* The amount is presented aligning with financial statements and may not add up due to rounding off.

1. In its decision 2020/12, the UNDP Executive Board endorsed the cost definitions and classification of activities and associated costs in the broad categories, as follows: (a) development, which encompass subcategories for programme activities, operational support to programme activities and development effectiveness activities; (b) United Nations development coordination; (c) management; (d) independent oversight and assurance; (e) special purpose. Expenditure outside those classifications is reported under ‘other activities’ and are included as part of overall expenditure.
2. The composition of total expenses and harmonized cost classification activities is shown in figure IV (a); comparison of programme expenses by region between 2021 and 2022 is shown in figure IV (b).

**Figure IV (a). Total expenses by cost classification and programme expenses by region, 2022**

*(In millions of United States dollars)*

Development expenses

1. Development expenses consist of programme expenses of $4.6 billion, operational support to programme of $32 million and development effectiveness of $188 million.

Programme expenses

1. Programme expenses were $4.6 billion, a decrease of $19 million (1 per cent) from 2021.
2. 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.
3. The $4.6 billion programme expenses include $1.9 billion related to donor cost-sharing, $1.1 billion related to government cost-sharing, $978 million related to vertical funds, including the Global Fund to Fight AIDS, Tuberculosis and Malaria ($472 million), the Global Environment Facility ($292 million), the Green Climate Fund ($166 million) and the Montreal Protocol ($26 million). 30 per cent of the UNDP programme expenses amounting to $1.4 billion was attributed to the 10 largest country offices, in Argentina, Iraq, Zimbabwe, Afghanistan, Yemen, Colombia, Lebanon, Nigeria, Egypt and Ukraine.

**Figure IV (b). Programme expenses by region, 2021-2022**

*(In millions of United States dollars)*

Comparison of programme expenses by region, 2021-2022

1. Overall programme delivery in the Africa region increased by 3.9 per cent. The top three countries with the largest programme delivery in 2022 were Zimbabwe ($174 million), Nigeria ($77 million) and Burundi ($72 million). Of the $174 million delivery in Zimbabwe, $141 million (81 per cent) was funded by the Global Fund. Of the top eight Country Offices within this region with more than $40 million delivery; Burundi increased delivery by $30 million (72 per cent), South Sudan by $17 million (32 per cent), Angola by $26 million (77 per cent), Democratic Republic of Congo by $7 million (14 per cent) and Chad by $8 million (19 per cent), while Zimbabwe, Nigeria and Ethiopia decreased by $35 million (17 per cent), by $6 million (7 per cent) and by $13 million (24 per cent) respectively.
2. Overall programme delivery in the Arab States region increased by 2.2 per cent. While Iraq had the second largest programme delivery in UNDP, the Country Office delivered a total of $263 million in 2022, a decrease of 5 per cent from the 2021 delivery of $276 million. Of that amount, 90 per cent was funded by donor country governments under third-party cost-sharing arrangements. Yemen was also one of the top ten countries in UNDP, with total programme delivery of $111 million, of which 47 per cent were funded by the World Bank Group.
3. Overall programme delivery in the Asia and the Pacific region decreased by 2.3 per cent. Of the six Country Offices with more than $30 million delivery, Afghanistan, Bangladesh and India have decreased their delivery by $63 million (27 per cent), $1 million (2 per cent) and $8 million (15 per cent) respectively. Afghanistan delivered the fourth highest level of programme expenses in UNDP at $172 million, including $149 million under cost-sharing agreements. Indonesia, Fiji, and Pakistan – these countries have increased their delivery by $31 million (81 per cent), $10 million (23 per cent) and $3 million (7 per cent).

1. Overall programme delivery in the Europe and the Commonwealth of Independent States (CIS) region increased by 4.6 per cent. Ukraine had the highest programme delivery in the region at $76 million, while it represented a decrease of 33 per cent from $113 million in 2021. The highest increase in programme delivery in this region was in Belarus, which increased to $40 million from $21 million in 2021.
2. In the Latin America and Caribbean region, overall programme delivery decreased by 12.6 per cent. Argentina had the highest programme delivery, at $266 million, an increase of 20 per cent from the 2021 delivery of $221 million. The second highest delivery was in Colombia, which decreased to $91 million from $98 million in 2021. EI Salvador had the third highest delivery of $59 million. Dominican Republic, as the largest delivery country in 2021 decreased its programme delivery to $44 million from $221 million.

Management expenses

1. Management expenses increased to $463 million (2021: $413 million) remaining within the parameters of the integrated resources plan, 2022-2025.

Independent oversight and assurance

1. $33 million was spent on independent oversight and assurance in 2022 (2021: 31 million).

Special purpose expenses

1. Special purpose expenses totalled $52 million (2021: $78 million). This amount includes expenses of $32 million for reimbursable support services, $4 million related to capital investments, $9 million related to UNV and $2 million related to UNCDF.

Other expenses

1. Other expenses totalled $218 million (2021: $242 million), of which $52 million (2021: $34 million) related to after-service health insurance, $37 million (2021: $34 million) to common services, $22 million (2021: $18 million) to security-related activities, $14 million (2021: $16 million) to the junior professional office programme, and $25 million (2021: 52 million) to currency revaluation and exchange rate fluctuations to voluntary contributions, $10 million (2021: $13 million) to the support fee for the Joint Programme, and $1 million (2021: $6 million) to Management Service Agreement related activities.

Regular resources and integrated budget expenditure

1. For activities reported in 2022, UNDP operates within the integrated budget, 2022-2025, as approved by the Executive Board in decision 2021/15, for regular resources -financed activities: (a) programmatic components; and (b) institutional components.
2. Appendix II and figure V below compare the 2022-2025 approved budget, covering both programmatic and institutional components, with the 2022 actual expenditure amounts, calculated on the same basis as the corresponding budget for regular resources (modified accruals basis).
3. The statement of activities and related budget expenditures presented in figure V are aligned with the harmonized cost classification categories specified in the [Joint comprehensive proposal on the cost-recovery policy](https://documents-dds-ny.un.org/doc/UNDOC/GEN/N20/177/48/PDF/N2017748.pdf?OpenElement), as endorsed by the Executive Board during its second regular session in 2020 (decision 2020/12).

**Figure V. Regular resources, comparison of budget to actual expenditure, 2022**

*(In millions of United States dollars)*

 \*Not including unbudgeted additional resources for security measures ($0.9 million).

1. UNDP’s performance in 2022 should be considered against the backdrop of two contexts:
2. 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
3. In 2022, 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, 2022-2025.
4. Table 5 below compares actual expenditure for 2022 and 2021. In 2022, the share of regular resources spent for institutional activities was $231 million, which was $8 million or 3 per cent less, compared to $239 million in 2021. The share of regular resources spent for programmatic activities was $515 million, which was $59 million or 13 per cent more, compared to $456 million in 2021.
5. For 2022, expenditures for all cost classification categories remained within 2022-2025 approved budget.

**Table 5. Integrated budget expenditure, by cost classification category, 2021-2022**

*(In millions of United States dollars)*

|  |  |  |
| --- | --- | --- |
| **Regular resources** | **2022 actual****Expenditures** | **2021 actual****expenditures** |
| Programmatic component | 515 | 456 |
| Institutional component | 231 | 239 |
| ***Total*** | **746** | **695** |
|  |  |
| **Cost classification category** | **2022 actual****expenditures** | **2021 actual****expenditures** |
| Development activities | 581 | 523 |
| United Nations coordination activities | 11 | 10 |
| Management activities | 128 | 154 |
| Independent oversight and assurance | 19 | n/a |
| Special purpose activities | 7 | 8 |
| ***Total*** | **746** | **695** |

1. Appendix III.A presents the integrated resources plan that covers regular and other resources for 2022-2025 and compares the plan with 2022 actuals. This comparison shows that: activities reported in 2022 remain within the integrated resources plan.
2. Appendix III.B presents 2022 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.
3. Financial position
	1. Assets
4. Total assets registered $14.8 billion (2021: $15.2 billion), representing a decrease of 2 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, 2021-2022**

*(In millions of United States dollars)*

Cash and investments

1. Total cash and cash equivalents and investments amounted to $621 million and $7.5 billion, respectively.
2. 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 $978 million for after-service health insurance and end-of-service, the amount invested for the Executive Board mandated operational reserves of $306 million and the Programme of Assistance to the Palestinian People (PAPP) Endowment Fund of $3 million.
3. The total cash and investments for Multi-Partner Trust Fund Office of $1.3 billion (cash and cash equivalents of $247 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

1. Contributions receivable from funding partners registered $5.0 billion, an increase of $224 million (5 per cent) from the 2021 amount of $4.7 billion.
2. 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.
3. Contributions receivable of $5.0 billion include $4.7 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 $369 million receivable for regular resources and $4.6 billion for other resources.
4. Of the $369 million regular resources contributions receivable, $364 million is due in 2023 and future years, $6 million is past due and the balance of -$880 thousands is allowance for the receivables due in 2022. Of the $4.6 billion other resources contributions receivable, $279 million is past due, $2.1 billion is due in 2023, $2.2 billion is due in future years and the balance of -$31 million is the impairment against the other resources receivable due in 2022. The top three donors, accounting for 44 per cent (2021: 50 per cent) of the outstanding non-exchange receivable balances, are multilateral or United Nations pooled funds donors. This provides visibility of future year funding available for programme pipeline.

**Table 6. Contributions receivable, 2021-2022**

*(In millions of United States dollars)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Contributions receivable** | **2022** | **2021** | **increase/ (decrease)** |
| Contributions past due | 253 | 129 | 124 |
| Contributions due in future periods | 4 713 | 4 613 | 100 |
| **Total contributions receivables**  | **4 966** | **4 742** | 224 |

* 1. Liabilities
1. The total liabilities of UNDP decreased by $501 million, or 14 per cent, from $3.6 billion in 2021 to $3.1 billion in 2022. The change is attributable mainly to funds held in trust for the Multi-Partner Trust Fund Office, which decreased by $155 million; accounts payable, which decreased by $75 million; and employee benefits, which decreased by $310 million.
2. Funds received in advance and deferred revenue of $281 million comprise of $1 million funds received in advance for future periods specified in donor contribution agreements, $31 million deferred revenue for contributions, $ 114 million for common services to United Nations entities, and $135 million for clearing accounts with United Nations entities.

**Figure VII. UNDP liabilities, 2021-2022**

*(In millions of United States dollars)*

1. UNDP liabilities also include $1.2 billion (2021: $1.6 billion) in liabilities for employee benefits, of which $891 million is for after-service health insurance. The after-service health insurance benefit liability, which was actuarially valued, stands at $891 million in 2022 (2021: $1.2 billion). The decrease of $299 million or 25% in the after-service health insurance liability in 2022 is due to significant increase of single equivalent discount rate from 3.16% (2021) to 5.21% (2022) partially offset by the increase of health-care cost. The end-of-service/repatriation benefit liability was actuarially valued at $99 million (2021: $108 million).
2. UNDP holds $917 million in cash and investments to fund its after-service health insurance liabilities (103 per cent funded) (2021: $1.0 million and 85 per cent funded) and $61 million in cash and investments to fund its end-of-service/repatriation liabilities (61 per cent funded) (2021: $70 million and 65 per cent funded). A one-time cash injection of $49.7 million coupled with the decrease in the 2022 after-service health insurance liability resulted in UNDP fully funding its after-service health insurance liability for the first time, noting the excess in funding is temporary in nature and primarily due to the volatility of the actuarial valuation of the after-service health insurance liabilities.
3. 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.
4. 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 $1.3 billion is the multi-partner trust funds that UNDP administers.
	1. Accumulated surplus
5. 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.
6. 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.
7. At 31 December 2022, the accumulated balance, excluding reserves, increased by 1 per cent, to $11.4 billion (2021: $11.3 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 $5.0 billion as at 31 December 2022 (2021: $4.7 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 $5.0 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)*

1. Available total accumulated resources increased by $165 million in 2022 as a result of the combined effect of the following factors: (a) deficit of $25.4 million; (b) decrease in fair value of available-for-sale investments of $186.3 million; (c) actuarial gains of $381.5 million; (d) decrease in funds with specific purposes of $46.6 million and (e) transfer between reserves and accumulated surplus of $49.7 million. In 2022, $8 million (2021: $0.7 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.
2. 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 5.0 months of working capital, above the minimum threshold (2021: 6.1 months).
3. 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 $4.7 billion (2021: $4.4 billion), vertical funds balance of $3.4 billion (2021: $3.8 billion), programme cost-sharing balance of $1.1 billion (2021: $1.1 billion), regular resources balance of $784 million (2021: $873 million), trust funds balance of $653 million (2021: $603 million), and reimbursable support services balance of $774 million (2021: $572 million).

**Figure VIII (b). Accumulated balance by funding source, 2021-2022**

 *(In millions of United States dollars)*

1. Accumulated resources of vertical funds decreased by $341 million is mainly due to a combination of multi-year contribution agreements reduction and expenses increase from the Global Fund and Green Climate Fund although Global Environment fund increased its multi-year contribution agreements of $156 million in 2022. Accumulated resources of donor cost-sharing increased by $293 million.
2. Others

Management service agreements

1. Management service agreement contributions totalled -$13 million (2021: -$4 million), total expenses registered $1 million (2021: $6 million), and the accumulated balance further decreased to $12 million (2021: $24 million). Details are provided in document Appendix VII to Annex I to [DP/2023/26](http://undocs.org/DP/2015/26/Add.1).

United Nations Volunteers

1. In 2022, the financial value of UNV activities totalled $287.6 million, an increase of $17.6 million, or 7 per cent, from $270 million in 2021, mainly reflecting an increase in volunteer mobilization by UN agencies, funds and programmes.
2. Thanks to its focus on operational efficiencies and customization of UNV services to specific partner and country contexts, UNV managed to maintain the recurring cost-recovery rate at 13 per cent. In line with the Strategic Framework target for achieving improved operational results, UNV will continue to focus on streamlining its services and procedures, with a view to improving the experiences of volunteers and partner entities, while achieving further efficiency gains by the end of 2025.
3. In 2022, Member States contributed regular resources amounting to $8.8 million to UNV through UNDP.
4. UNV continues to rely on the Special Voluntary Fund for research and promotion of volunteerism, emergency and crisis response and innovative solutions. In 2022, contributions to the fund totalled $5.2 million from ten donors: China, Czechia, France, Germany, India, Ireland, Kazakhstan, Sweden, Switzerland and Thailand – as well as from individual donations through the Digital Giving platform.
5. Contributions to the UNV full funding programme in 2022 amounted to $18.7 million, a decrease of 26 per cent from, 2021. This was mainly due to multi-year contributions from several partners received in 2021, changes in priorities of some funding partners, and exchange rate losses between the Euro and the US Dollar.

United Nations Office of South-South Cooperation

1. The United Nations Office for South-South Cooperation implemented its strategic framework through an allocation of $2.3 million (2021: $2.3 million) from the UNDP institutional budget and $3.6 million (2021: $3.4 million) in regular resources.
2. The office received $19.1 million in contributions through its trust funds: $15.0 million from the India-UN Development Partnership Fund; $3.1 million from the UN Fund for South-South Cooperation; $1.0 million from the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation Fund; and $160,000 from the Pérez-Guerrero Trust Fund for South-South Cooperation.
3. In 2022, the office achieved 152 per cent ($19.1 million) of its other resources mobilization target ($12.5 million). Implementation of South-South trust fund resources exceeded $17.7 million, bringing total delivery by the office to $23.3 million.
4. United Nations reform and support to United Nations organizations
5. UNDP undertakes many activities in partnership with and support to the United Nations system at large.
	1. UNDP administrative agent function
6. 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, in addition to its implementation role as a participating UN organization in multi-partner trust funds and joint programmes. In 2022, the net value of funds transferred to all participating organisations by the Multi-Partner Trust Fund Office increased to $1.7 billion (2021: $1.4 billion), marking the highest volume of administrative service provision to the United Nations system since the Office’s creation.
7. New contributions received for multi-partner trust funds and joint programmes decreased to $1.5 billion (2021: $1.8 billion). However, particular climate related pooled funds and new generation country level pooled funds supporting UNSDCF implementation, together with the majority of country based humanitarian funds experienced a growth in contributions.
	1. Support to United Nations organizations
8. UNDP continued to be the operational backbone of the United Nations system in 2022. It disbursed $1.9 billion in 114 currencies through its payroll system, more than half (53 per cent) of which was on behalf of partner organizations. UNDP supported $3.1 billion (2021: $2.8 billion) in financial transactions for approximately 118 United Nations entities and other agencies in over 170 countries. This included $46.2 million (2021: $57.9 million) of expenses related to services provided to the resident coordinator system.
9. In 2022, UNDP also provided common premises for other agencies in at least 126 countries, where they could avail of common services, including travel management.
	1. United Nations-mandated security costs
10. In 2022, UNDP spent $29.2 million (2021: $28.4 million) for security costs, of which $18.7 million (2021: $18.7 million) was associated with its share of the United Nations field security coordination programme; and $10.5 million (2021: $9.7 million) with security advisory services and investments to ensure compliance with minimum operating security standards.
11. ‘Greening’ UNDP
12. In 2022, UNDP continued to make substantial 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 21 solar energy and energy efficiency projects and 26 Electric Vehicles were funded with a total investment of $2,983,200 in 2022. With this, the first three years of Moonshot Facility funding have resulted in annual avoidance of 2,170 tCO2e, which reduces UNDP’s annual energy carbon footprint by 10.5% while saving the organization $900,000 in energy/fuel costs every year. In addition, secondary cost savings from improved business continuity, reduced loss of assets, improved security and staff well-being are expected. Over an average project lifetime of 15 years, this investment is projected to avoid 32,564 tCO2e– the equivalent of carbon absorbed by 538,000 trees – and to save the organization a minimum of $13.5 million in energy costs.
13. For the first time, in 2022 UNDP achieved 100% reporting compliance in its Environmental Management Tool (EMT) for its Moonshot baseline data (2018). Reported data includes carbon footprint, waste and water data from around 300 UNDP-managed facilities worldwide. This comprehensive data generates Business Intelligence to focus investments to where they make greatest, cost-effective impact and allows to detect areas of concern quickly.
14. UNDP continued to maintain climate neutrality in its global operations: The organization-wide 2021 carbon footprint of 37,961 tCO2e 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, 2022 GHG emission data are collected during 2023 and UNDP’s 2022 Carbon Footprint is expected to be assessed, reported and offset by end of 2023.
15. Responding to the challenge of increased contribution of cooling assets to global Greenhouse Gas emissions, UNDP developed and published a methodology for monitoring the carbon footprint of cooling assets including facility cooling, vehicle cooling and refrigeration. The methodology was programmed into the EMT software and UNDP offices will start reporting on these impacts in 2023. UNDP also developed procurement and management guidance to minimize the carbon footprint of UNDP cooling assets in the future.
16. Appendices (available on the UNDP Executive Board web page)

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6. Update on general management services cost-recovery waivers
7. Explanation of terms used in Annex I to DP/2023/26
8. Supporting information relating to the detailed annual review of the financial situation, 2022
1. On calculating the operational reserves for 2022, a net transfer of $8.0 million was made from accumulated surpluses which is shown as $7.0 million 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. [↑](#footnote-ref-2)