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Продовольственная и  
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منظمة  
الغذية والزراعة  
للأمم المتحدة

# FINANCE COMMITTEE

**Hundred and Sixty-fourth Session**

**Rome, 7 - 11 November 2016**

**Financial Position of the Organization**

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### EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 30 June 2016.
- Regular Programme Liquidity Position - As at 30 June 2016, the balance of Regular Programme cash, cash equivalents and short term deposits increased to USD 209.4 million (USD 113.3 million at 31 December 2015).
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2016 was USD 1,138.9 million of which USD 701.8 million was unfunded (After Service Medical Coverage accounted for USD 642.9 million of the unfunded liability, whilst the Terminal Payments Fund accounted for the remaining unfunded portion of USD 58.9 million). The underfunding of the After Service Medical Coverage (ASMC) liability continues to be a cause of major structural deficit on the General Fund.
- Available-for-sale Investments - The value of long term investments at 30 June 2016 amounted to USD 437.2 million (USD 414.3 million at 31 December 2015). The increase of USD 22.9 million was due to several factors including a strong performance for the Euro based fixed income investments, a slightly stronger Euro against the US Dollar and additional ASMC funding of approximately USD 3.7 million.
- General and Related Fund deficit - The General Fund deficit decreased from USD 922.2 million as at 31 December 2015 to USD 688.1 million as at 30 June 2016 due to the recognition of a full year of 2016 Member Nations assessments compared to six months of expenditure in 2016. The deficit as at 31 December 2016 is forecasted to be approximately USD 955.0 million.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to note that while the liquidity position of the Organization is stable, its on-going cash flow health is dependent on the timely payment of assessed contributions, and to urge all Member Nations to make timely and full payment of assessed contributions;
- The Committee is also invited to take note of the decrease in the deficit of the Organization to USD 688.1 million as at 30 June 2016 from USD 922.2 million as at 31 December 2015 which occurred due to the fact that only 6 months of expenditures had been incurred against a full year of assessed contributions. The General Fund deficit is forecasted to continue to increase and reach a level of USD 955.0 million at 31 December 2016 due to an additional 6 months' expenditures and the lack of funding available to offset charges for the After Service Medical Coverage Scheme and the Terminal Payments Fund

Draft Advice

**The Committee:**

- **urged all Member Nations to make timely and full payment of assessed contributions to ensure that FAO continued to meet the operating cash requirements for the Programme of Work; and**
- **took note of the level of the General Fund deficit which was forecasted to continue to grow principally due to unfunded Staff Related Liability charges.**

## **Introduction and Contents**

1. The update of the Report on the Financial Position of the Organization presents an overview of the unaudited results as at and for the six months ended 30 June 2016. The report is organized as follows:

- Financial Results for the six months ended 30 June 2016:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2016 presented by source of funds and including comparative balances as at 31 December 2015 - Table 1.
  - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the six months ended 30 June 2016 presented by source of funds and including comparative balances for the six months ended 30 June 2014 - Table 2.
- Summary Comment on Financial Results for the six months ended 30 June 2016
- Cash Flow Forecast to 31 December 2016

Table 1

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
As at 30 June 2016  
(USD 000)

	Funds		UNAUDITED Total	
	General and Related	Trust and UNDP	30 June 2016	31 December 2015
<b>ASSETS</b>				
Cash and Cash Equivalents	209,384	264,189	473,573	561,885
Investments - Held for Trading	-	663,663	663,663	519,974
Contributions Receivable from Member Nations and UNDP	297,255	12,514	309,769	128,037
less: Provision for Delays of Contributions	(11,838)	(7,743)	(19,581)	(19,587)
Accounts Receivable	44,824	-	44,824	108,036
Investments - Available for Sale	437,159	-	437,159	414,263
<b>TOTAL ASSETS</b>	<b>976,784</b>	<b>932,623</b>	<b>1,909,407</b>	<b>1,712,608</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	37	718,056	718,093	795,083
Unliquidated Obligations	32,109	187,168	219,277	261,415
Accounts Payable	55,436	-	55,436	55,086
Deferred Income	115,338	-	115,338	79,676
Staff Related Schemes	1,138,959	-	1,138,959	1,124,720
<b>TOTAL LIABILITIES</b>	<b>1,341,879</b>	<b>905,224</b>	<b>2,247,103</b>	<b>2,315,980</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	27,521	-	27,521	26,864
Capital Expenditure Account	34,677	-	34,677	27,188
Security Expenditure Account	26,346	-	26,346	19,403
Special Fund for Emergency and Rehabilitation Activities	-	27,399	27,399	38,604
Unrealised Gains / (Losses) on Investments	38,819	-	38,819	11,109
Actuarial (Gains)/ Losses	169,904	-	169,904	169,897
Fund Balances (deficit) , End of Period	(688,107)	-	(688,107)	(922,182)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>(365,095)</b>	<b>27,399</b>	<b>(337,696)</b>	<b>(603,372)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>976,784</b>	<b>932,623</b>	<b>1,909,407</b>	<b>1,712,608</b>

Table 2

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
for the six months ended 30 June 2016  
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2016	30 June 2014
<b>INCOME:</b>				
Assessment on Member Nations	483,174	-	483,174	527,091
Voluntary Contributions	20,522	325,221	345,743	333,018
Funds Received Under Inter-Oganizational Arrangements	64	829	893	1,274
Jointly Financed Activities	10,691	-	10,691	9,513
Miscellaneous	3,874	977	4,851	411
Return on Investments - Long-Term	(8,442)	-	(8,442)	15,150
Net Other Sundry Income	5,013	-	5,013	4,195
(Loss) / Gain on Exchange Differences	1,378	-	1,378	(2,271)
<b>TOTAL INCOME</b>	<b>516,274</b>	<b>327,027</b>	<b>843,301</b>	<b>888,381</b>
<b>EXPENDITURE:</b>				
Regular Programme	213,603	-	213,603	226,119
Projects	-	326,050	326,050	312,739
<b>TOTAL EXPENDITURE</b>	<b>213,603</b>	<b>326,050</b>	<b>539,653</b>	<b>538,858</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>302,671</b>	<b>977</b>	<b>303,648</b>	<b>349,523</b>
Actuarial Gains or Losses	-	-	-	-
Interest Cost of Staff Related Liabilities	(17,816)	-	(17,816)	(24,862)
Provision for Contributions Receivable and Other Assets	-	-	-	(575)
Deferred Income	(35,662)	-	(35,662)	(37,206)
Net Movement in Capital Expenditure Account	(7,489)	-	(7,489)	(9,036)
Net Movement in Utilisation of Security Expenditure Account	(6,943)	-	(6,943)	(5,418)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>234,732</b>	<b>977</b>	<b>235,709</b>	<b>272,426</b>
Transfer of Interest to Donor Accounts	-	(977)	(977)	(69)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(651)	-	(651)	(2,118)
Fund Balances, Beginning of Period (as previously reported)	(922,188)	-	(922,188)	-
Fund Balances, Beginning of Period				(875,304)
<b>FUND BALANCES, END OF PERIOD</b>	<b>(688,107)</b>	<b>-</b>	<b>(688,107)</b>	<b>(605,065)</b>

## Summary Comment on Preliminary Results of the six months ended 30 June 2016

### Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 209.4 million at 30 June 2016 (USD 113.3 million as at 31 December 2015).

### Investments - held for trading

3. The value of Investments - held for trading as at 30 June 2016 amounted to USD 663.7 million and together with term deposits of USD 402.2 million (disclosed within cash and cash equivalents), for a total of USD 1,065.9 million represented mainly unspent Trust Fund balances held pending disbursements on project implementation (USD 1,026.0 as at 31 December 2015).

4. FAO's prudent, low risk investment style and the continuing near zero interest rate environment for the first half of 2016 kept the returns on the held for trading investment portfolio very low, with a return of 0.38% through June 2016. This however, exceeded the benchmark return for 2016 of 0.10% by 0.28%.

### Investments - available-for-sale

5. Available-for-sale investment portfolios, which represent those investments set aside to fund the Organization's Staff Related Schemes, increased in value from USD 414.3 million at 31 December 2015 to USD 437.2 million as at 30 June 2016. The increase was due to several factors including a strong performance for the Euro based fixed income investments, a slightly stronger Euro against the US Dollar and additional ASMC funding of approximately USD 3.7 million.

- The Euro/US Dollar foreign exchange rate favourably impacted the investment performance for the first 6 months of 2016 whereby the Euro gained approximately 2.2% against the US Dollar.
- Overall performance of the long term funds was approximately 4.24%
- Additional funding of USD 1.5 million and Euro 2.0 million were injected into the portfolio towards the ASMC liability.

## Staff Related Schemes

6. FAO has four staff-related plans (the “Plans”) that provide benefits to staff members either upon completion of service or as a result of work related illness or injury. The Plans are as follows:

- After-service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

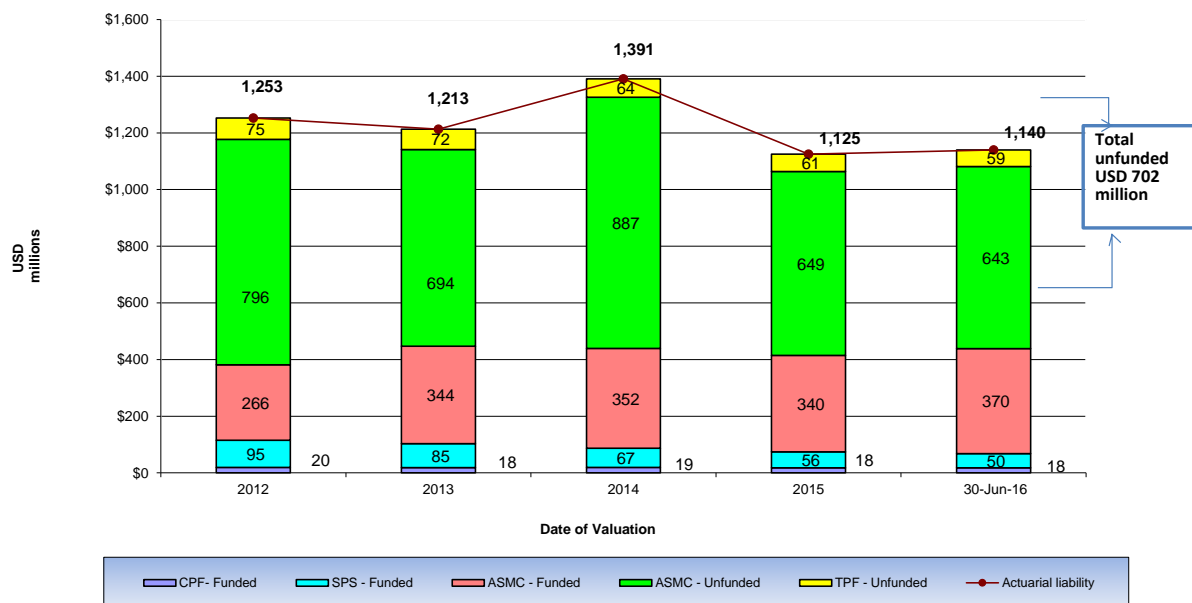
7. The results of the latest actuarial valuation as at 31 December 2015 and related funding requirements and issues were presented to the 161st Session of the Finance Committee in document FC 161/4, 2015 Actuarial Valuation of Staff-Related Liabilities.

8. The total liability of the Plans at 30 June 2016 amounted to USD 1,138.9 million, representing an increase of USD 14.2 million compared to the balance of USD 1,124.7 million as at December 2015.

9. As at 30 June 2016, unfunded staff related liabilities amounted to USD 701.8 million, of which After Service Medical Coverage accounted for USD 642.9 million and the Terminal Payments Fund accounted for USD 58.9 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3

**Staff Related Liabilities: Total Liability by Plan and Funding Status for last 4.5 Years**



## General and Related Fund Balance

10. The General Fund deficit decreased from USD 922.2 million as at 31 December 2015 to USD 688.1 million as at 30 June 2016 due to the recognition of a full year of 2016 Member Nations assessments compared to six months of expenditure in 2016. The deficit as at 31 December 2016 is forecasted to be approximately USD 955.0 million.



## TCP Expenditure and Deferred Income

11. During the six months ended 30 June 2016, TCP expenditure charged against the 2016-17 appropriation amounted to USD 3.3 million whilst that against the 2014-15 appropriation amounted to USD 27.2 million. The average monthly TCP expenditure during the period was USD 5.1 million as at 30 June 2016 compared to an average of USD 5.2 million during the biennium ended 31 December 2015. As at 30 June 2016, the TCP deferred income (i.e. the available appropriation) totalled 115.3 million of which the 2016-17 appropriation amounted to USD 63.1 million, whilst the 2014-15 appropriation amounted to 52.4 million. The TCP deferred income remained at the same level as compared to the last biennium for the same period, despite the increase in the appropriation between 2014-15 (USD 129.6 million) and 2016-17 (132.9 million).

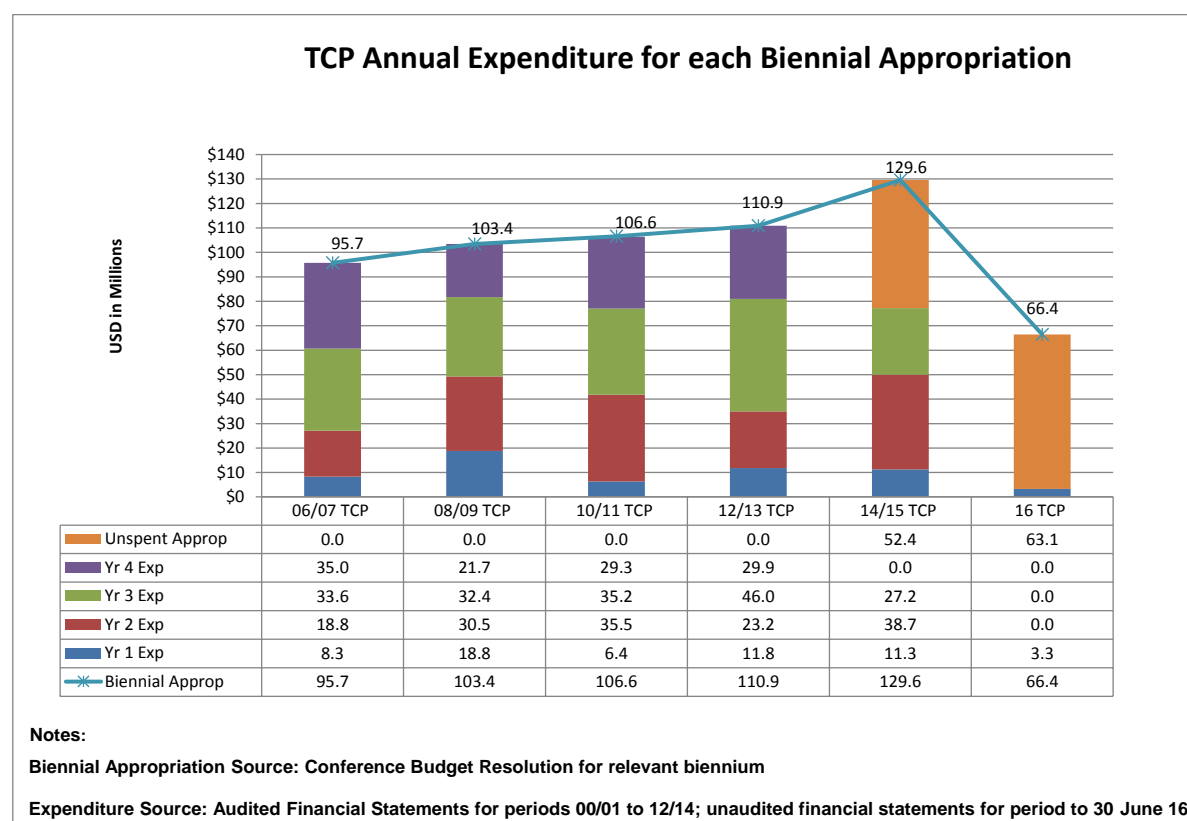
12. The average monthly TCP expenditure of all appropriations is shown in Table 4 below:

Table 4

Average monthly expenditure	Average monthly TCP expenditure					
	Time period					
	30-Jun-16 6 months	2014-15 24 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months
	5.1	5.2	4.1	4.0	4.9	2.5

13. Table 5 presents the TCP expenditure (including accruals) for all appropriation periods and TCP available appropriation (i.e. deferred income) for each year from 1 January 2002 to 30 June 2016. The expenditure incurred during the six months ended 30 June 2016 against the 2014-15 appropriation represented 34.2% of the balance carried forward at the end of 2015. The balance of the 2014-15 appropriation is available for expenditure through 31 December 2017.

Table 5



### **Losses on Exchange Differences**

14. During the biennium ended 30 June 2016 the Organization recorded a net gain on exchange of USD 1.4 million which was mainly generated from Euro-Dollar translation differences (non-cash).

### **Voluntary Contributions**

15. “Trust Funds and UNDP” comprise activities funded from voluntary contributions through projects, including those funded by the United Nations Development Programme.

16. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 718.0 million at 30 June 2016 compared to USD 755.7 million at 31 December 2015. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

17. In accordance with FAO's accounting policy, income from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure.

18. Income reported on Trust Fund and UNDP projects for the six months to 30 June 2016 amounted to USD 326.0 million, compared with combined USD 312.7 million reported for the six months to 30 June 2014.

19. Table 6 presents an analysis of the Trust Fund contributions received<sup>1</sup> from donors during the six months ended 2016. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 30 June 2014.

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<sup>1</sup> For operational purposes FAO also maintains a comprehensive tracking of the approval of voluntary contributions, counted at the time when trust funds are both approved by the resource partner and have become operationally active. At that time, part but frequently not all of the funds have been received by FAO. The phased model of funds receipt for trust funds explains the difference between the figures reported in this document for “Contributions Received” and the figures for “Contributions Approved” published elsewhere.

Table 6 - Analysis of Voluntary Contributions Received

6 Months to 30 June 2016	USD 000's	6 Months to 30 June 2014	USD 000's
(1) European Union	72,777	(1) Global Environment Fund (GEF)	59,121
(2) United States	43,788	(2) European Union	57,369
(3) United Kingdom	23,056	(3) United Kingdom	41,748
(4) UN Office for the Coordination of Humanitarian Affairs (OCHA)	18,387	(4) United States	37,005
(5) Japan	17,958	(5) Canada	21,188
(6) Saudi Arabia	12,544	(6) UNDP Administered Donor Joint Trust Fund	13,788
(7) Canada	10,262	(7) UN Office for the Coordination of Humanitarian Affairs (OCHA)	13,696
(8) Germany	8,948	(8) Saudi Arabia	13,333
(9) Global Environment Fund (GEF)	8,300	(9) Belgium	12,333
(10) Least Developed Countries Fund For Climate Change (Ldcf)	7,924	(10) Japan	10,177
(11) UNDP Administered Donor Joint Trust Fund	7,817	(11) The Common Fund for Humanitarian Action in Sudan (CHF)	9,654
(12) Switzerland	7,337	(12) Brazil	9,052
(13) The World Bank	6,463	(13) Denmark	6,417
(14) Sweden	6,122	(14) Afghanistan	5,968
(15) Brazil	5,931	(15) The World Bank	5,949
(16) Mexico	5,191	(16) Central African Republic	5,750
(17) Venezuela	5,000	(17) Italy	5,712
(18) FAO	3,595	(18) Norway BMG - Global Development	5,038
(19) Special Climate Change Fund (SCCF)	3,420	(19) Program Of The Bill & Melinda Gates Foundation	4,030
(20) France	3,111	(20) Germany	3,826
(21) The Common Fund for Humanitarian Action in Sudan (CHF)	2,932	(21) Columbia	3,065
(22) Belgium	2,905	(22) Switzerland	3,008
(23) Norway	2,842	(23) CAC - Commission Des Forêts D'Afrique Centrale	2,951
(24) CropLife International	2,621	(24) United Arab Emirates	2,150
(25) UNICEF	2,609	(25) Angola	2,039
<b>Top 25</b>	<b>291,840</b>	<b>Top 25</b>	<b>354,367</b>
<u>Multi-donor:</u>		<u>Multi-donor:</u>	
Contributions to African Solidarity Fund	-	Contributions to African Solidarity Fund	-
Other Multi-donor	24,456	Other Multi - Donor	18,809
Other donors	46,315	Other donors	37,004
<b>Total</b>	<b>362,611</b>	<b>Total</b>	<b>410,180</b>

### 2016 Cash Flow Forecast (Regular Programme)

20. Table 7 below presents the Organization's consolidated Regular Programme month end short term liquidity position (which includes cash and cash equivalents) from 1 January 2016 through 30 June 2016 and a forecast through 31 December 2016. All figures are expressed in millions of USD and the main points arising and assumptions included in the 2016 forecast data are as follows:

21. The percentage of 2016 assessed contributions paid to the Organization by Member Nations as at 30 June 2016 was 53 %, a lower rate of receipts than the equivalent figure of 62 % for the previous year.

22. Based on Members' past payment patterns and the Regular Programme cash level as at 30 June 2016, the Organization's liquidity is expected to be sufficient to cover operational needs though the end of 2016. The current forecast reflects the 2015 payment patterns of the largest contributors and is subject to change upon receipt of confirmation from the Members of their expected payment dates. Consequently, the accuracy of the forecast in Table 7 below is dependent on the actual timing of the receipts of the most significant contributions in 2016.

Table 7

