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Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Sixty-ninth Session

Rome, 6 - 10 November 2017

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 2017.
- Regular Programme Liquidity Position - As at 30 June 2017, the balance of Regular Programme cash, cash equivalents and short term deposits amounted to USD 215.4 million (USD 234.3 million at 31 December 2016).
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2017 was USD 1 341.9 million of which USD 852.7 million was unfunded (After Service Medical Coverage accounted for USD 793.7 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 2017 amounted to USD 489.3 million (USD 443.6 million at 31 December 2016). The increase of USD 45.7 million was due to several factors including performance, favourable exchange rates and additional ASMC funding.
- General and Related Fund deficit - The General Fund deficit decreased from USD 907.1 million as at 31 December 2016 to USD 646.8 million as at 30 June 2017 due to the additional full year of Member Nation Assessments versus six months of additional expenditure. The forecast deficit for 31 December 2017 is expected to be approximately USD 900 million due to the additional expenditures and unfunded Staff Related Liability charges.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to note that while the liquidity position of the Organization is stable, its ongoing 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 646.8 million as at 30 June 2017 from USD 907.1 million as at 31 December 2016. The forecast deficit for 31 December 2017 is approximately USD 900 million.

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 amount of the General Fund deficit which was 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 eighteen months ended 30 June 2017. The report is organized as follows:

- Financial Results for the eighteen months ended 30 June 2017:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2017 presented by source of funds and including comparative balances as at 31 December 2016 - Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the eighteen months ended 30 June 2017 presented by source of funds and including comparative balances for the eighteen months ended 30 June 2015 - Table 2.
- Summary Comment on Financial Results for the eighteen months ended 30 June 2017.
- Cash Flow for 2017 to 31 December 2017.

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 30 June 2017
(USD 000)

	Funds		UNAUDITED	AUDITED
	General and Related	Trust and UNDP	30 June 2017	31 December 2016
ASSETS				
Cash and Cash Equivalents	215,424	356,074	571,498	681,222
Investments - Held for Trading	-	668,052	668,052	527,792
Contributions Receivable from Member Nations and UNDP	318,348	8,791	327,139	93,145
less: Provision for Delays of Contributions	(12,088)	(8,545)	(20,633)	(31,805)
Accounts Receivable	52,181	508	52,689	45,330
Investments - Available for Sale	489,287	-	489,287	443,641
TOTAL ASSETS	1,063,152	1,024,880	2,088,032	1,759,325
LIABILITIES				
Contributions Received in Advance	70	758,673	758,743	763,134
Unliquidated Obligations	38,109	242,146	280,255	263,248
Accounts Payable	59,782	-	59,782	59,021
Deferred Income	110,691	-	110,691	84,561
Staff Related Schemes	1,341,946	-	1,341,946	1,319,199
TOTAL LIABILITIES	1,550,598	1,000,819	2,551,417	2,489,163
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	28,236	-	28,236	25,895
Capital Expenditure Account	39,163	-	39,163	33,327
Security Expenditure Account	12,118	-	12,118	19,564
Special Fund for Emergency and Rehabilitation Activities	-	24,061	24,061	30,924
Unrealised Gains / (Losses) on Investments	54,602	-	54,602	42,255
Actuarial (Gains)/ Losses	(472)	-	(472)	(472)
Fund Balances (deficit) , End of Period	(646,839)	-	(646,839)	(907,076)
TOTAL RESERVES AND FUND BALANCES	(487,446)	24,061	(463,385)	(729,838)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,063,152	1,024,880	2,088,032	1,759,325

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the eighteen months ended 30 June 2017
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2017	30 June 2015
INCOME:				
Assessment on Member Nations	957,124	-	957,124	1,014,517
Voluntary Contributions	78,724	1,053,239	1,131,963	1,137,221
Funds Received Under Inter-Oganizational Arrangements	248	2,576	2,824	3,888
Jointly Financed Activities	30,129	-	30,129	27,946
Miscellaneous	15,968	1,837	17,805	14,401
Return on Investments - Long-Term	20,740	-	20,740	8,844
Net Other Sundry Income	(47,935)	-	(47,935)	16,554
(Loss) / Gain on Exchange Differences	8,613	-	8,613	(26,539)
TOTAL INCOME	1,063,611	1,057,652	2,121,263	2,196,832
EXPENDITURE:				
Regular Programme	699,654	-	699,654	784,415
Projects	-	1,055,815	1,055,815	1,051,091
TOTAL EXPENDITURE	699,654	1,055,815	1,755,469	1,835,506
EXCESS OF INCOME OVER EXPENDITURE	363,957	1,837	365,794	361,326
Actuarial Gains or Losses	-	-	-	(1,061)
Interest Cost of Staff Related Liabilities	(53,156)	-	(53,156)	(69,135)
Prior service credit on Staff Related Liabilities	-	-	-	-
Provision for Contributions Receivable and Other Assets	(1,121)	-	(1,121)	(1,779)
Deferred Income	(31,015)	-	(31,015)	(43,164)
Net Movement in Capital Expenditure Account	(11,974)	-	(11,974)	(18,761)
Net Movement in Utilisation of Security Expenditure Account	7,284	-	7,284	(9,218)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	276,721	1,837	278,559	218,208
Transfer of Interest to Donor Accounts	-	(1,837)	(1,837)	(912)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(1,372)	-	(1,372)	(3,948)
Fund Balances, Beginning of Period (as previously reported)	(922,188)	-	(922,188)	(875,366)
FUND BALANCES, END OF PERIOD	(646,839)	-	(646,838)	(875,361)

Summary Comment on Preliminary Results of the eighteen months ended 30 June 2017

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 215.4 million at 30 June 2017 (USD 234.3 million as at 31 December 2016).

Investments - held for trading

3. The value of "Investments - held for trading" as at 30 June 2017 amounted to USD 668.1 million and together with "term deposits" of USD 514.7 million (disclosed within cash and cash equivalents), for a total of USD 1 182.8 million (USD 1 126.7 million as at 31 December 2016) mainly represented unspent balances on Trust Fund projects.

4. FAO's prudent, low risk investment style and the continuing near zero interest rate environment throughout 2016 and the first half of 2017 kept the returns on the held for trading investment portfolio very low, with an average return of 0.63 percent in 2016, falling to 0.44 percent in the six months ended 30 June 2017. These, however, exceeded the benchmark returns of 0.21 percent and 0.3 percent, respectively.

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 443.6 million at 31 December 2016 to USD 489.3 million as at 30 June 2017. The overall increase was due to a combination of positive performance and favourable foreign exchange rates, in particular;

- overall performance of the long-term funds was approximately 9.68 percent for the six months ended 30 June 2017, with equity investments generating an annualised return of 11.02 percent;
- performance was positively affected by the strength of the EUR versus the USD. As at 30 June 2017, the EUR gained more than 8.5 percent versus the USD;
- additional funding of USD 0.9 million and EUR 2.2 million was 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)

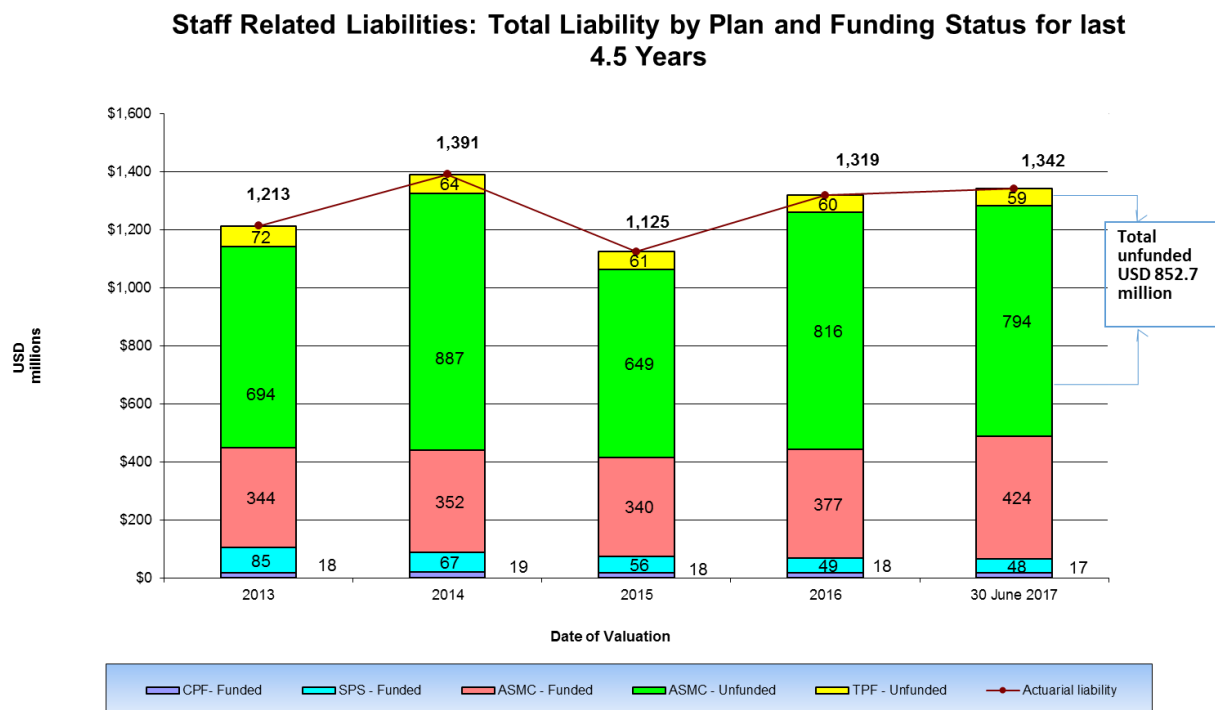
7. The results of the latest actuarial valuation as at 31 December 2016 and related funding requirements and issues were presented to the 166th Session of the Finance Committee in document FC 166/5, 2016 Actuarial Valuation of Staff-Related Liabilities.

8. The total liability of the Plans at 30 June 2017 amounted to USD 1 341.9 million, representing an increase of USD 22.7 million compared with the balance of USD 1 319.2 million as at December 2016.

9. As at 30 June 2017, unfunded staff related liabilities amounted to USD 852.7 million, of which After Service Medical Coverage accounted for USD 793.7 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



General and Related Fund Balance

10. The General Fund deficit decreased from USD 907.1 million as at 31 December 2016 to USD 646.8 million as at 30 June 2017 due to the additional year of assessed contributions versus only six months' additional expenditures.

TCP Expenditure and Deferred Income

11. During the eighteen months ended 30 June 2017, TCP expenditure charged against the 2016-17 appropriation amounted to USD 36.4 million whilst that against the 2014-15 appropriation amounted to USD 67.0 million. The average monthly TCP expenditure during the period continued to steadily progress up to USD 5.7 million as at 30 June 2017 compared with an average of USD 5.0 million for the eighteen month period ended 30 June 2015, and USD 5.2 million by the end of that biennium. As at 30 June 2017, the TCP deferred income (i.e. the available appropriation from the prior biennium and from 2016-17) totalled USD 109.2 million, of which the 2016-17 share of the appropriation amounted to USD 96.5 million, whilst that of the 2014-15 appropriation amounted to USD 12.6 million.

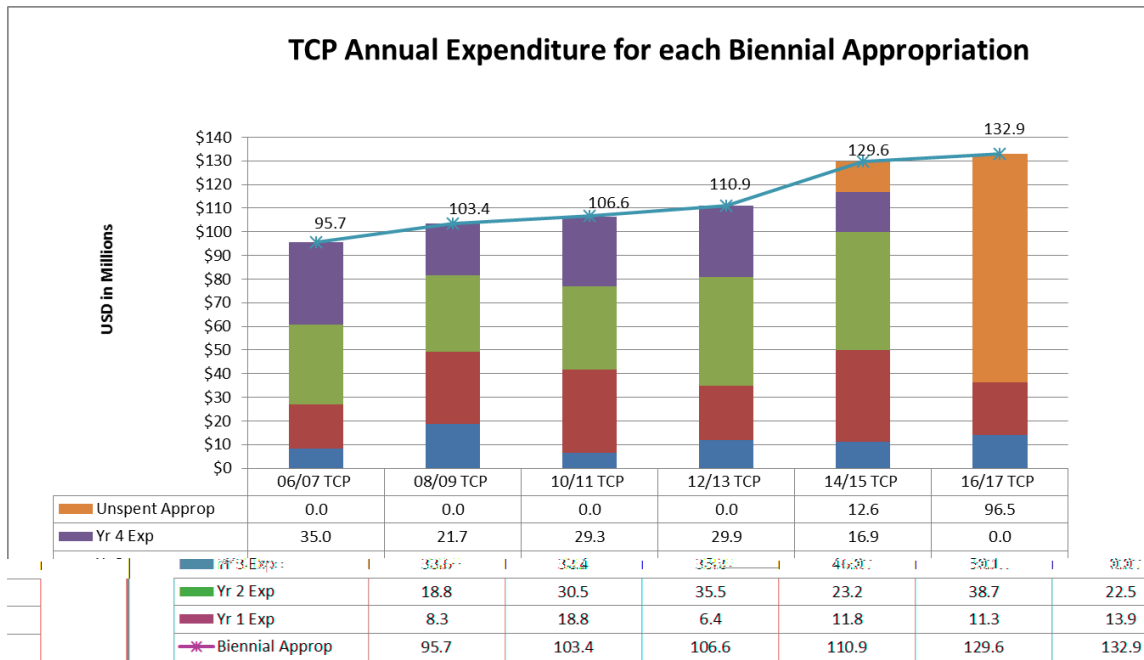
12. The average monthly TCP expenditure of all appropriations is shown in Table 4 below:

Table 4

Average monthly expenditure	Average monthly TCP expenditure					
	Time period					
	2016-17 18 months	2014-15 24 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months
	5.7	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 2017. The expenditure incurred during 2016-17 against the 2014-15 appropriation represented 84.0 percent of the available brought forward balance of the appropriation. This balance is available for expenditure through 31 December 2017. The expenditure incurred in 2016-17 against the 2016-17 share of the appropriation represented 27.4 percent of that share, while the remaining USD 96.5 million is available for spending until 31 December 2019.

Table 5



Notes:

Biennial Appropriation Source: Conference Budget Resolution for relevant biennium

o 30 Jun 2017 **Expenditure Source:** Audited Financial Statements for periods 00/01 to 12/16; unaudited financial statements for period t

14. Early approval of the TCP appropriation is essential for early delivery. The timing of TCP approvals has shown encouraging developments during the 2016-17 biennium, with 80 percent of available resources from the 2016-17 appropriation (USD 106 million) being approved by the end of June 2017. Continuing efforts to streamline approval procedures aim at achieving further efficiency gains and an earlier commitment of the TCP appropriation for the coming biennia.

Gains on Exchange Differences

15. During the eighteen months ended 30 June 2017 the Organization recorded a net gain on exchange of USD 8.6 million, of which USD 7.2 million was generated from Euro-Dollar translation differences¹ (non-cash), and USD 1.4 million of actual cash backed foreign exchange net gains incurred by the Organization that were transferred to the Special Reserve Account.

Voluntary Contributions

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

17. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 758.7 million at 30 June 2017 compared to USD 732.9 million at 31 December 2016. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

18. Table 6 presents an analysis of the Trust Fund contributions received² from donors during the eighteen months ended 30 June 2017. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 30 June 2015.

19. 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.

20. Income reported on Trust Fund and UNDP projects for the eighteen months ended 30 June 2017 amounted to USD 1 055.8 million, compared with combined USD 1 051.1 million reported for the eighteen months ended 30 June 2015.

¹ The exchange differences are generated both as Assessments are received and also on the translation of the outstanding balance of Assessments at the period end.

² 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

Eighteen months ended 30 June 2017	USD 000's	Eighteen months to 30 June 2015	USD 000's
(1) European Union	207,150	(1) European Union	185,561
(2) United States	159,713	(2) United States	103,938
(3) United Kingdom	87,299	(3) United Kingdom	98,067
(4) Global Environment Fund (GEF)	77,487	(4) Global Environment Fund (GEF)	76,704
(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	62,059	(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	55,389
(6) UNDP Administered Donor Joint Trust Fund	59,348	(6) Japan	32,620
(7) Japan	34,514	(7) Germany	29,413
(8) Germany	31,444	(8) Norway	26,918
(9) Norway	30,462	(9) Saudi Arabia	26,365
(10) Netherlands	23,179	(10) Canada	25,464
(11) Switzerland	19,888	(11) UNDP Administered Donor Joint Trust Fund	31,031
(12) Sweden	17,721	(12) Belgium	22,205
(13) Italy	17,472	(13) Brazil	19,697
(14) All Regions	17,177	(14) World Bank	19,547
(15) Canada	15,362	(15) The Common Fund for Humanitarian Action in Sudan (CHF)	18,946
(16) Belgium	14,330	(16) Sweden	18,258
(17) Least Developed Countries Fund For Climate Change (LDCCF)	13,912	(17) Switzerland	17,868
(18) UN Children Fund (Unicef)	12,670	(18) Italy	16,664
(19) Brazil	12,582	(19) Netherlands	11,176
(20) World Bank	11,514	(20) Afghanistan	10,705
(21) Mexico	10,667	(21) Mexico	10,376
(22) Chad	10,201	(22) Colombia	8,782
(23) Global Development Program Of The Bill & Melinda Gates Foundation	9,029	(23) Denmark	8,353
(24) Afghanistan	8,548	(24) Cent Afr Rep	8,000
(25) The Common Fund for Humanitarian Action in Sudan (CHF)	7,711	(25) United Nations Children's Fund (UNICEF)	7,345
Top 25	971,439	Top 25	889,391
Multi-donor	111,657	Multi-donor	80,091
Other donors	177,322	Other donors	159,909
Total	1,260,418	Total	1,129,391

2017 Cash Flow Forecast (Regular Programme)

21. Table 7 below presents the Organization's actual consolidated Regular Programme month end short term liquidity position (which includes cash and cash equivalents) from 1 January 2017 through 30 June 2017 and forecast through 31 December 2017, with comparative figures for 2016. All figures are expressed in USD millions.

22. The percentage of 2017 assessed contributions paid to the Organization by Member Nations as at 30 June 2017 was 46.64 percent, a lower rate of receipts than the equivalent figure of 52.97 percent for the previous year. Further details on the status of current assessments and arrears as at 30 June 2017 are presented in document FC 169/INF/2.

23. Based on Members' past payment patterns and the Regular Programme cash level as at 30 June 2017, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2017. The current forecast reflects the 2016 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 2017.

Table 7

