



### EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 31 December 2017 (the end of biennium 2016-17).
- Regular Programme Liquidity Position - As at 31 December 2017, the balance of Regular Programme cash, cash equivalents and short term deposits amounted to USD 162.5 million (USD 113.3 million at 31 December 2015, the end of the previous biennium).
- Staff Related Liabilities - The total liability of the four plans as at 31 December 2017 was USD 1 527.4 million of which USD 993.1 million was unfunded (After Service Medical Coverage accounted for USD 935.0 million of the unfunded liability, whilst the Terminal Payments Fund accounted for the remaining unfunded portion of USD 58.1 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 31 December 2017 amounted to USD 534.3 million (USD 414.3 million at 31 December 2015). The increase of USD 120.0 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 922.2 million as at 31 December 2015 to USD 893.1 million as at 31 December 2017 mainly due to the favourable returns on investments.

### 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 893.1 million as at 31 December 2017 from USD 922.2 million as at 31 December 2015.

### 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 biennium ended 31 December 2017. The report is organized as follows:

- Financial Results for the biennium ended 31 December 2017:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2017 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 biennium ended 31 December 2017 presented by source of funds and including comparative balances for the biennium 31 December 2015 - Table 2.
- Summary Comment on Financial Results for the biennium ended 31 December 2017.
- Cash Flow for 2018 to 31 December 2018.

Table 1

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
**As at 31 December 2017**  
**(USD 000)**

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2017 (Unaudited)	31 December 2015 (Audited)
<b>ASSETS</b>				
Cash and Cash Equivalents	162,482	517,721	680,203	561,885
Investments - Held for Trading	-	509,278	509,278	519,974
Contributions Receivable from Member Nations and UNDP	189,234	38,384	227,618	128,037
less: Provision for Delays of Contributions	(16,281)	(8,832)	(25,113)	(19,587)
Accounts Receivable	40,896	2,088	42,984	108,036
Investments - Available for Sale	534,344		534,344	414,263
<b>TOTAL ASSETS</b>	<b>910,675</b>	<b>1,058,639</b>	<b>1,969,314</b>	<b>1,712,608</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	45,323	752,468	797,791	795,083
Unliquidated Obligations	102,807	271,178	373,985	261,414
Accounts Payable	55,592	-	55,592	55,086
Deferred Income	74,344	-	74,344	79,676
Staff Related Schemes	1,527,423	-	1,527,423	1,124,720
<b>TOTAL LIABILITIES</b>	<b>1,805,489</b>	<b>1,023,646</b>	<b>2,829,135</b>	<b>2,315,979</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	30,434	-	30,434	26,864
Capital Expenditure Account	39,307	-	39,307	27,188
Security Expenditure Account	18,263	-	18,263	19,403
Special Fund for Emergency and Rehabilitation Activities	-	34,993	34,993	38,604
Unrealised Gains / (Losses) on Investments	52,234	-	52,234	11,109
Actuarial (Gains)/ Losses	(167,712)	-	(167,712)	169,897
Fund Balances (deficit) , End of Period	(893,085)	-	(893,085)	(922,182)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>(894,814)</b>	<b>34,993</b>	<b>(859,821)</b>	<b>(603,372)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>910,675</b>	<b>1,058,639</b>	<b>1,969,314</b>	<b>1,712,608</b>

Table 2

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
for the biennium ended 31 December 2017  
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2017	31/12/2015 (Audited)
<b>INCOME:</b>				
Assessment on Member Nations	957,124	-	957,124	1,014,517
Voluntary Contributions	137,655	1,475,563	1,613,218	1,514,125
Funds Received Under Inter-Oganizational Arrangements	333	2,806	3,139	5,048
Jointly Financed Activities	38,500	-	38,500	35,536
Miscellaneous	14,898	7,893	22,791	12,584
Return on Investments - Long-Term	66,621	-	66,621	4,853
Net Other Sundry Income	19,761	-	19,761	21,973
(Loss) / Gain on Exchange Differences	18,892	-	18,892	(23,314)
<b>TOTAL INCOME</b>	<b>1,253,784</b>	<b>1,486,262</b>	<b>2,740,046</b>	<b>2,585,322</b>
<b>EXPENDITURE:</b>				
Regular Programme	1,138,495	-	1,138,495	1,118,204
Projects	-	1,478,369	1,478,369	1,387,517
<b>TOTAL EXPENDITURE</b>	<b>1,138,495</b>	<b>1,478,369</b>	<b>2,616,864</b>	<b>2,505,721</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>115,289</b>	<b>7,893</b>	<b>123,182</b>	<b>79,601</b>
Actuarial Gains or Losses	(3,898)	-	(3,898)	(812)
Interest Cost of Staff Related Liabilities	(70,276)	-	(70,276)	(88,546)
Prior service credit on Staff Related Liabilities	2,746	-	2,746	5,337
Provision for Contributions Receivable and Other Assets	(5,310)	-	(5,310)	(968)
Deferred Income	5,099	-	5,099	(3,793)
Net Movement in Capital Expenditure Account	(12,119)	-	(12,119)	(16,056)
Net Movement in Utilisation of Security Expenditure Account	1,140	-	1,140	(10,860)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>32,671</b>	<b>7,893</b>	<b>40,564</b>	<b>(36,097)</b>
Transfer of Interest to Donor Accounts	-	(7,893)	(7,893)	(1,415)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(3,570)	-	(3,570)	(9,305)
Fund Balances, Beginning of Period (as previously reported)	(922,186)	-	(922,186)	875,365
<b>FUND BALANCES, END OF PERIOD</b>	<b>(893,085)</b>	<b>-</b>	<b>(893,085)</b>	<b>922,182</b>

## Summary Comment on Preliminary Results of the biennium ended 31 December 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 162.5 million at 31 December 2017. This compared to USD 234.3 million at 31 December 2016 and USD 113.3 million as at 31 December 2015 (end of the previous biennium).

### Investments - held for trading

3. The value of "Investments - held for trading" as at 31 December 2017 amounted to USD 509.3 million and together with "term deposits" of USD 381.6 million (disclosed within cash and cash equivalents), for a total of USD 1 052.3 million<sup>1</sup> (USD 1 026.0 million as at 31 December 2015) 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 2017 kept the returns on the held for trading investment portfolio very low, but the gradually increasing interest rate environment in the United States generated returns of 0.63 percent in 2016 and 1 percent in 2017. These however, exceeded the benchmark returns of 0.21 percent in 2016 and 0.80 percent in 2017 by 0.42 percent and 0.20 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 414.3 million at 31 December 2015 to USD 534.3 million<sup>2</sup> as at 31 December 2017, of which USD 90.7 million of the increase was generated in 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 19.56 percent for 2017, with equity investments generating a return of 22.92 percent;
- performance was positively affected by the strength of the EUR versus the USD. As at 31 December 2017, the EUR gained more than 14.15 percent versus the USD during 2017;
- additional funding of USD 4.2 million and EUR 7.5 million was injected over the biennium 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)

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<sup>1</sup> USD 1 052.3 million reported in FC 170/2 differs from USD 1 147.0 million reported in FC 170/3 due to the differences in accounting classifications of: i) accrued interest income being reported within Accounts Receivable, and ii) NT Government Select Fund, and cash and cash equivalents from the Bank of International Settlements term deposits and from the HFT investment portfolios being reported within Cash and Cash equivalents.

<sup>2</sup> USD 534.3 million reported in FC 170/2 differs from USD 536.7 million reported in FC 170/3 due to the differences in accounting valuation standards and the counting classification of accrued interest income reported within Accounts Receivable.

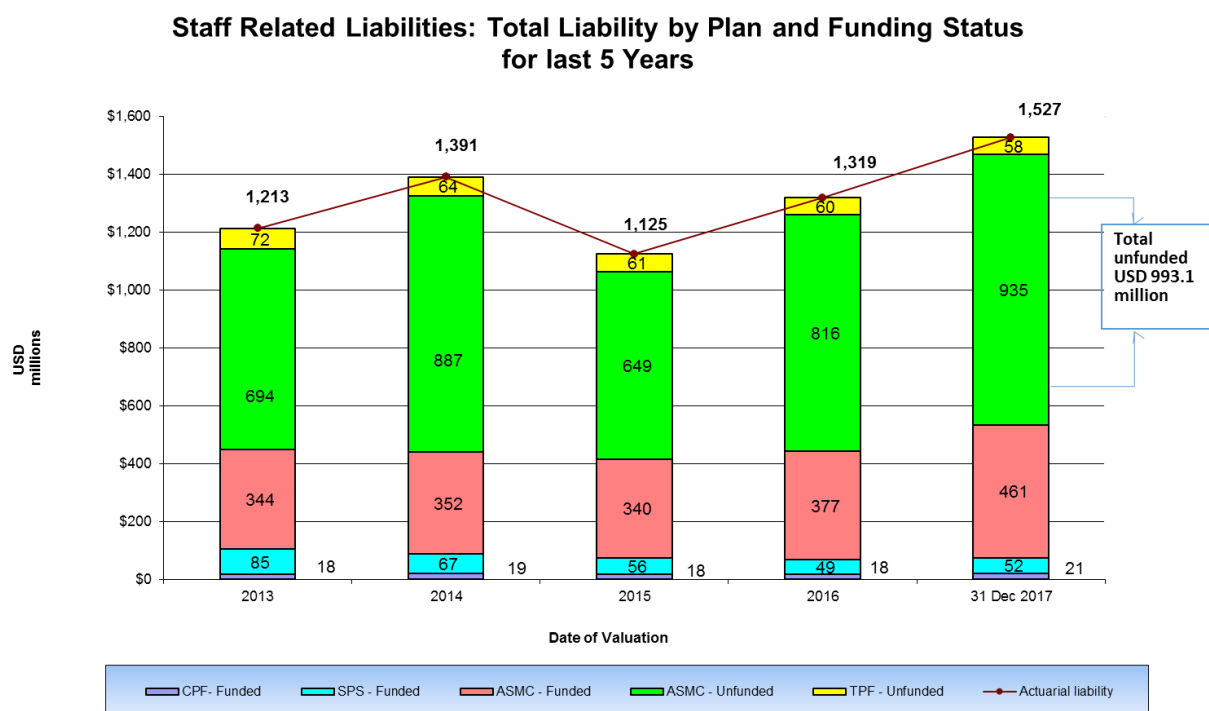
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

7. The results of the latest actuarial valuation as at 31 December 2017 and related funding requirements and issues are presented to the 170th Session of the Finance Committee in document FC 170/5, 2017 Actuarial Valuation of Staff-Related Liabilities.

8. The total liability of the Plans at 31 December 2017 amounted to USD 1 527.4 million, representing an increase of USD 402.6 million compared with the balance of USD 1 124.7 million as at 31 December 2015.

9. As at 31 December 2017, unfunded staff related liabilities amounted to USD 993.1 million, of which After Service Medical Coverage accounted for USD 935.0 million and the Terminal Payments Fund accounted for USD 58.1 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 922.2 million as at 31 December 2015 to USD 893.1 million as at 31 December 2017 mainly due to the favourable returns on investments.

### TCP Expenditure and Deferred Income

11. During the biennium ended 31 December 2017, TCP expenditure charged against the 2016-17 appropriation amounted to USD 58.6 million whilst that against the 2014-15 appropriation amounted to USD 79.4 million. The average monthly TCP expenditure during the period continued to steadily

progress up to USD 5.8 million as at 31 December 2017 compared with an average of USD 5.2 million during the biennium ended 31 December 2015. As at 31 December 2017, the TCP deferred income (i.e. the available appropriation from the prior biennium and from 2016-17) totalled USD 74.5 million. Of this amount, USD 74.3 million related to the 2016-17 appropriation and was carried forward to 2018 while the amount of USD 0.2 million relating to the 2014-15 appropriation was released to miscellaneous income.

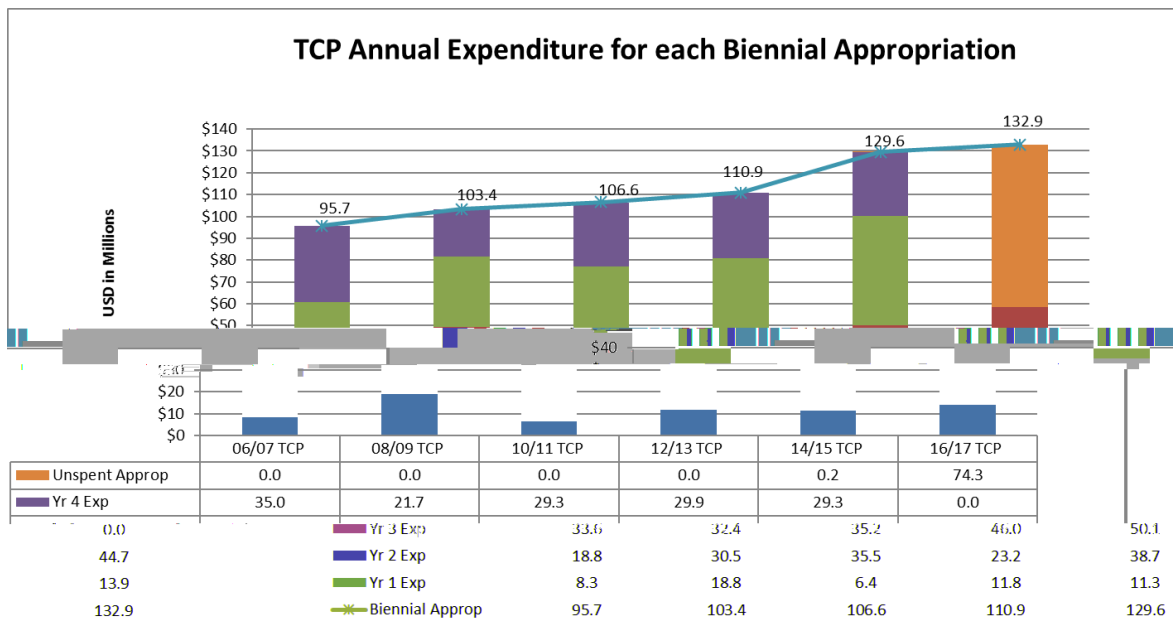
The average monthly TCP expenditure of all appropriations is shown in Table 4 below:

Table 4

Average monthly expenditure	Average monthly TCP expenditure					
	Time period					
	2016-17 24 months	2014-15 24 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months
	5.8	5.2	4.1	4.0	4.9	2.5

12. 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 2006 to 31 December 2017. The expenditure incurred during 2016-17 against the 2014-15 appropriation represented 99.7 percent of the available brought forward balance of the appropriation. The expenditure incurred in 2016-17 against the 2016-17 share of the appropriation represented 44.1 percent of that share, while the remaining USD 74.3 million is available for spending until 31 December 2019.

Table 5



Notes:

Biennial Appropriation Source: Conference Budget Resolution for relevant biennium

Financial statements for year 2017

Expenditure Source: Audited Financial Statements for biennia 06/07 to 14/15 and year 2016; unaudited financial statements for year 2017



### **Gains on Exchange Differences**

13. During the biennium ended 31 December 2017 the Organization recorded a net gain on exchange of USD 18.9 million, of which:

- USD 15.3 million was generated from Euro-Dollar translation differences<sup>3</sup> (non-cash); and
- USD 3.6 million reflected actual cash backed foreign exchange net gains incurred by the Organization and that were transferred to the Special Reserve Account.

### **Voluntary Contributions**

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

15. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 752.5 million at 31 December 2017 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.

16. Table 6 presents an analysis of the Trust Fund contributions received<sup>4</sup> from donors during the biennium ended 31 December 2017. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 31 December 2015.

17. In Table 2, income reported 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 biennium to 31 December 2017 amounted to USD 1 478.4 million, compared with USD 1 387.5 million reported for the biennium to 31 December 2015.

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<sup>3</sup> 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.

<sup>4</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

Biennium to 31 December 2017	USD 000's	Biennium to 31 December 2015	USD 000's
(1) European Union	312,889	(1) European Union	242,877
(2) United States	192,199	(2) United States	139,407
(3) United Kingdom	110,330	(3) United Kingdom	128,852
(4) Global Environment Fund (GEF)	104,290	(4) Global Environment Fund (GEF)	97,221
(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	77,020	(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	73,116
(6) UNDP Administered Donor Joint Trust Fund	48,558	(6) UNDP Administered Donor Joint Trust Fund	60,322
(7) Germany	43,042	(7) Norway	45,171
(8) World Bank	42,243	(8) Japan	44,110
(9) Norway	39,422	(9) Germany	42,044
(10) Colombia	36,792	(10) Switzerland	23,140
(11) Netherlands	35,764	(11) Canada	27,015
(12) Sweden	33,228	(12) Saudi Arabia	26,667
(13) Least Developed Countries Fund For Climate Change (LDCF)	28,882	(13) Italy	25,304
(14) Switzerland	28,036	(14) Brazil	21,277
(15) Belgium	23,828	(15) Sweden	21,075
(16) Italy	22,487	(16) Belgium	20,693
(17) Japan	22,030	(17) The Common Fund for Humanitarian Action in Sudan (CHF)	20,462
(18) Canada	16,980	(18) The World Bank	19,525
(19) Japan International Cooperation Agency (JICA)	14,990	(19) Netherlands	18,402
(20) Saudi Arabia	13,106	(20) Afghanistan	15,798
(21) Global Development Program Of The Bill & Melinda Gates Foundation	12,218	(21) Least Developed Countries Fund For Climate Change (LDCF)	12,123
(22) Mexico	11,461	(22) Colombia	12,105
(23) Unicef	10,340	(23) Mexico	11,140
(24) Pakistan	10,096	(24) Unicef	11,075
(25) China	10,000	(25) China	10,250
<b>Top 25</b>	<b>1,300,231</b>	<b>Top 25</b>	<b>1,169,170</b>
Multi-donor	115,587	Contributions to African Solidarity Fund	111
Other donors	241,880	Other Multi-donor	139,500
		Other donors	226,197
<b>Total</b>	<b>1,415,818</b>	<b>Total</b>	<b>1,534,978</b>

### 2018 Cash Flow Forecast (Regular Programme)

20. 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 2018 through 31 March 2018 and forecast through 31 December 2018, with comparative figures for 2017. All figures are expressed in United States Dollars millions.

21. The percentage of 2018 assessed contributions paid to the Organization by Member Nations as at 31 March 2018 was 24.47 percent, a slightly lower rate of receipts than the equivalent figure of 25.41 percent for the previous year. Further details on the status of current assessments and arrears as at 31 March 2018 are presented in document FC 170/INF/2.

22. Based on Members' past payment patterns and the Regular Programme cash level as at 31 March 2018, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2018. The current forecast reflects the 2017 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 2018.

Table 7

