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粮食及
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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 Eightieth Session

Rome, 18 - 22 May 2020

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 31 December 2019 (the end of biennium 2018-19).
- Regular Programme Liquidity Position - As at 31 December 2019, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 223.7 million (USD 162.5 million at 31 December 2017 the end of the previous biennium).
- Staff Related Liabilities - The total liability of the four plans as at 31 December 2019 was USD 1 481.6 million of which USD 928.5 million was unfunded (After Service Medical Coverage accounted for USD 866.0 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 62.5 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 2019 amounted to USD 553.1 million (USD 534.3 million at 31 December 2017). The increase of USD 18.8 million reflected the positive performance of both equity and fixed income markets.
- General and Related Fund deficit - The General Fund deficit increased from USD 899.3 million as at 31 December 2017 to USD 937.6 million as at 31 December 2019.

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.

Draft Advice

The Committee:

- noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2020;
- recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;
- noted the increase in the General Fund deficit of the Organization to USD 937.6 million as at 31 December 2019 from USD 899.3 million as at 31 December 2017 and that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities; and
- noted the information provided on investment performance and that this matter would be considered in further detail by the Committee under the agenda item on the Report on Investments 2019.

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 2019. The report is organized as follows:

- Financial Results for the biennium ended 31 December 2019:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2019 presented by source of funds and including comparative balances as at 31 December 2017 - Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the biennium ended 31 December 2019 presented by source of funds and including comparative balances for the biennium ended 31 December 2017 - Table 2.
- Summary Comment on Financial Results for the biennium ended 31 December 2019.
- Cash Flow for 2020 to 31 December 2020

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 31 December 2019
(USD 000)

	Funds		UNAUDITED	AUDITED
	General and Related	Trust and UNDP	31 December 2019	31 December 2017
ASSETS				
Cash and Cash Equivalents	223,744	772,387	996,131	680,203
Investments - Held for Trading	-	594,459	594,459	509,278
Contributions Receivable from Member Nations and UNDP	182,340	54,406	236,746	227,618
less: Provision for Delays of Contributions	(27,706)	(9,260)	(36,966)	(31,329)
Accounts Receivable	43,029	8,221	51,250	42,984
Investments - Available for Sale	553,110		553,110	534,344
TOTAL ASSETS	974,517	1,420,213	2,394,730	1,963,098
LIABILITIES				
Contributions Received in Advance	27,252	1,085,293	1,112,545	797,791
Unliquidated Obligations	100,298	299,293	399,591	373,986
Accounts Payable	59,930	-	59,930	55,592
Deferred Income	86,799	-	86,799	74,344
Staff Related Schemes	1,481,634	-	1,481,634	1,527,423
TOTAL LIABILITIES	1,755,913	1,384,586	3,140,499	2,829,136
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	31,549	-	31,549	30,434
Capital Expenditure Account	49,671	-	49,671	39,307
Security Expenditure Account	22,229	-	22,229	18,263
Special Fund for Emergency and Rehabilitation Activities	-	35,627	35,627	34,993
Unrealised Gains / (Losses) on Investments	60,244	-	60,244	52,234
Actuarial (Gains)/ Losses	(33,245)	-	(33,245)	(167,712)
Fund Balances (deficit) , End of Period	(937,589)	-	(937,589)	(899,303)
TOTAL RESERVES AND FUND BALANCES	(781,396)	35,627	(745,769)	(866,039)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	974,517	1,420,213	2,394,730	1,963,097

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the biennium ended 31 December 2019
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2019	31 December 2017
INCOME:				
Assessment on Member Nations	981,134	-	981,134	957,124
Voluntary Contributions	150,530	1,657,811	1,808,341	1,613,217
Funds Received Under Inter-Oganizational Arrangements	116	1,237	1,353	3,139
Jointly Financed Activities	37,649	-	37,649	38,500
Miscellaneous	28,093	34,861	62,954	22,791
Return on Investments - Long-Term	8,150	-	8,150	66,621
Net Other Sundry Income	22,796	-	22,796	19,761
(Loss) / Gain on Exchange Differences	(9,901)	-	(9,901)	18,892
TOTAL INCOME	1,218,567	1,693,909	2,912,476	2,740,045
EXPENDITURE:				
Regular Programme	1,144,488	-	1,144,488	1,138,495
Projects	-	1,659,048	1,659,048	1,478,369
TOTAL EXPENDITURE	1,144,488	1,659,048	2,803,536	2,616,864
EXCESS OF INCOME OVER EXPENDITURE	74,079	34,861	108,940	123,181
Actuarial Gains or Losses	(2,354)	-	(2,354)	(3,898)
Interest Cost of Staff Related Liabilities	(75,903)	-	(75,903)	(70,276)
Provision for Contributions Receivable and Other Assets	(6,202)	-	(6,202)	(11,527)
Provision for Investments	-	-	-	2,746
Deferred Income	(12,460)	-	(12,460)	5,099
Net Movement in Capital Expenditure Account	(10,364)	-	(10,364)	(12,119)
Net Movement in Utilisation of Security Expenditure Account	(3,965)	-	(3,965)	1,139
EXPENDITURE	(37,169)	34,861	(2,308)	34,345
Transfer of Interest to Donor Accounts	-	(34,861)	(34,861)	(7,894)
Net Transfers from/(to) Reserves Special Reserve Account	(1,115)	-	(1,115)	(3,570)
Fund Balances, Beginning of Period (as previously reported)	(899,305)	-	(899,305)	(922,186)
FUND BALANCES, END OF PERIOD	(937,589)	0	(937,589)	(899,305)

Summary Comment on Financial Results for the biennium ended 31 December 2019

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 223.7 million at 31 December 2019. This compared with USD 162.5 million at 31 December 2017.

Investments - held for trading

3. The value of "Investments - held for trading" as at 31 December 2019 amounted to USD 811.64 million and together with "term deposits" of USD 673.2 million (disclosed within cash and cash equivalents), for a total of USD 1 484.84 million¹ (USD 1 052.3 million as at 31 December 2017) mainly represented unspent balances on Trust Fund projects.

4. FAO's prudent, low risk investment style and the interest environment in the United States of America generated returns of 1.98 percent in 2018 and 2.44 percent in 2019. These exceeded the benchmark returns by 16 basis points and 24 basis points in 2018 and 2019, 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 534.3 million at 31 December 2017 to USD 553.1 million² as at 31 December 2019. The overall increase reflects the positive market performance of both equity and fixed income markets.

6. During 2019 the available-for-sale investment portfolio yielded an annual return of 12.80 percent, versus a benchmark return of 14.04 percent, representing an underperformance of 124 basis points.

Staff Related Schemes

7. 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)

8. The results of the latest actuarial valuation as at 31 December 2019 and related funding requirements and issues are presented to the 180th Session of the Finance Committee in document FC 180/4, 2019 Actuarial Valuation of Staff Related Liabilities.

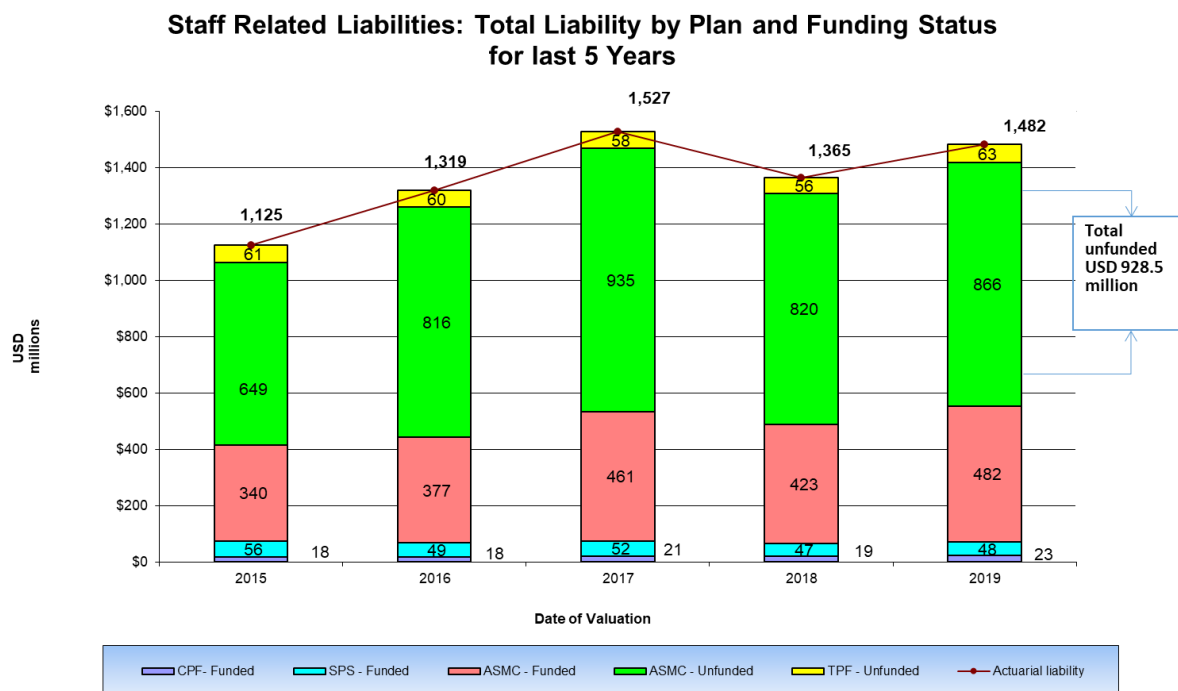
¹ USD 1 484.84 million reported in FC 180/2 differs from USD 1 539.4 million reported in FC 180/3 due to the differences in accounting classifications of: i) accrued interest income being reported within Accounts Receivable, and ii) NT Government Select Fund, and cash and cash equivalents from the Bank of International Settlements term deposits and from the HFT investment portfolios being reported within Cash and Cash equivalents.

² USD 553.1 million reported in FC 180/2 differs from USD 555.4 million reported in FC 180/3 due to the differences in accounting valuation standards and the counting classification of accrued interest income reported within Accounts Receivable.

9. The total liability of the Plans at 31 December 2019 amounted to USD 1 481.6 million, representing an decrease of USD 45.8 million compared with the balance of USD 1 527.4 million as at 31 December 2017.

10. As at 31 December 2019, unfunded staff related liabilities amounted to USD 928.5 million, of which After Service Medical Coverage accounted for USD 866.0 million and the Termination Payments Fund accounted for USD 62.5 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3



General and Related Fund Balance

11. The General Fund deficit increased from USD 899.3 million as at 31 December 2017 to USD 937.6 million as at 31 December 2019.

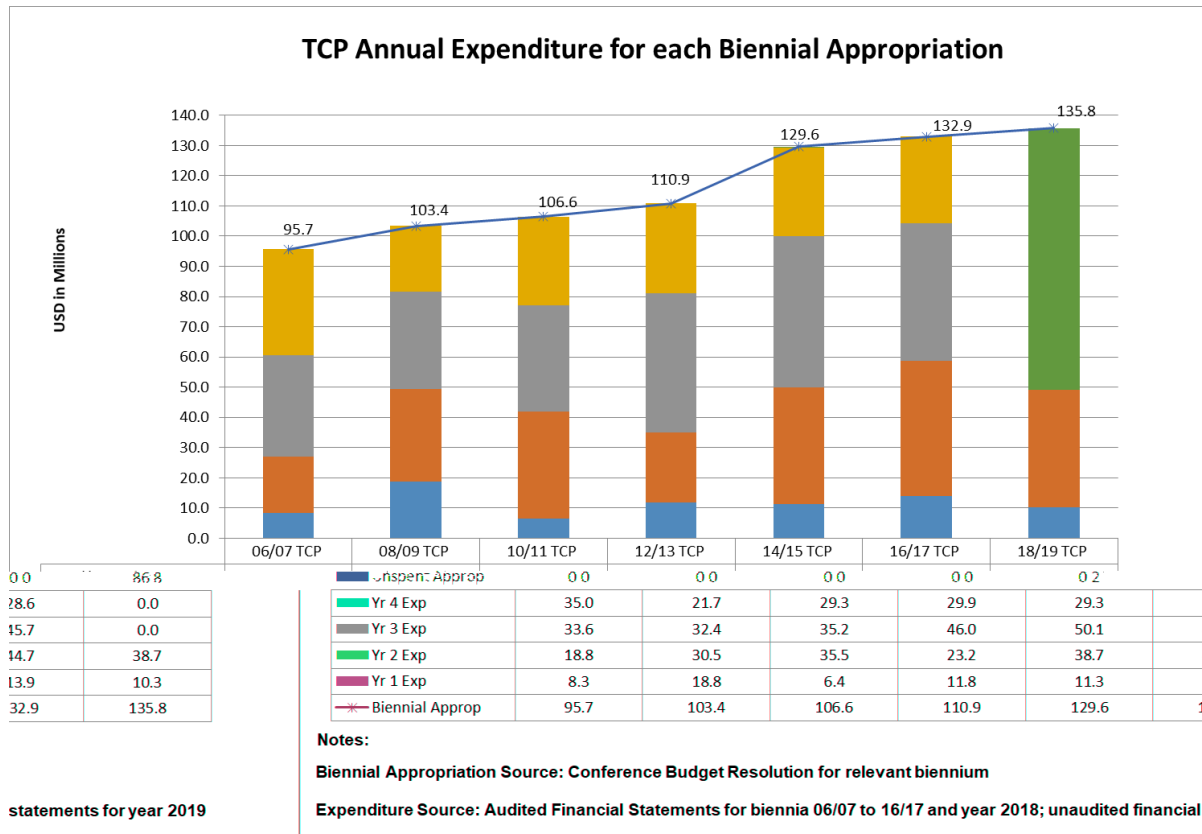
TCP Implementation

12. The cumulative average monthly TCP expenditure for the biennium ended 31 December 2019 was USD 5.1 million compared with an average of USD 5.8 million for the biennium ended 31 December 2017. The overall decline in the expenditure rate for the 2018-19 biennia compared with the 2016-17 biennia was mainly due to a large part of early approvals against the 2016-17 appropriation having been for emergency assistance projects as these projects tend to have large procurement components and are implemented quickly.

13. As at 31 December 2019, the available unspent appropriation from the 2018-19 biennium totalled USD 86.8 million (USD 74.5 million as at 31 December 2017). This amount was carried forward to 2020.

14. Table 4 presents the TCP expenditure for all appropriation periods and TCP available appropriation for each year from 1 January 2006 to 31 December 2019.

Table 4



15. Financial Regulation 4.3 of the Organization states "that the appropriation voted by the Conference for the Technical Cooperation Programme, together with any funds transferred to the Technical Cooperation Programme under Financial Regulation 4.5 (b), shall remain available for obligations during the financial period following that during which the funds were voted or transferred." This means that the TCP appropriation is available for expenditure on TCP projects during the four year period starting from the first year of the biennium for which the appropriation is approved.

16. A comparison of TCP approvals and expenditure rates for the current and previous four biennia is presented in Tables 5 and 6.

17. Table 5 on approval rates presents information on the pattern of approval of project budgets for each biennial appropriation 2010-11 to 2018-19. As can be seen from the table, the Organization has consistently achieved the target of approving budgets for more than 100 percent of the appropriation during the first two years for which it is available. As the average expenditure rate of TCP projects has historically been around 90 percent, this over-programming ensures that the appropriation will be fully expended by the end of the fourth year for which it is available.

18. Table 6 on expenditure rates presents the pattern of expenditures across the four year period for which each biennial appropriation 2010-11 to 2018-19 was available. This demonstrates that the expenditure rates and pattern expressed as a percentage of the appropriation have been generally consistent and maintained across biennia, despite the more than 30 percent increase in the appropriation over the last ten years.

Table 5

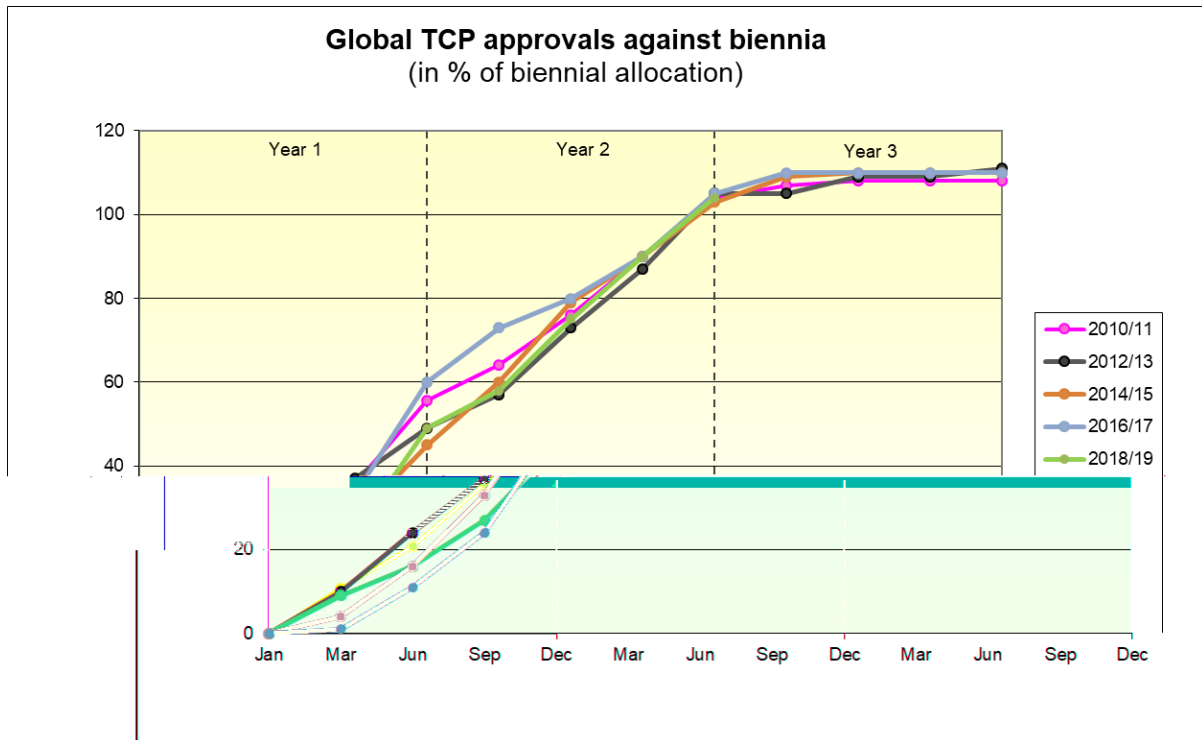
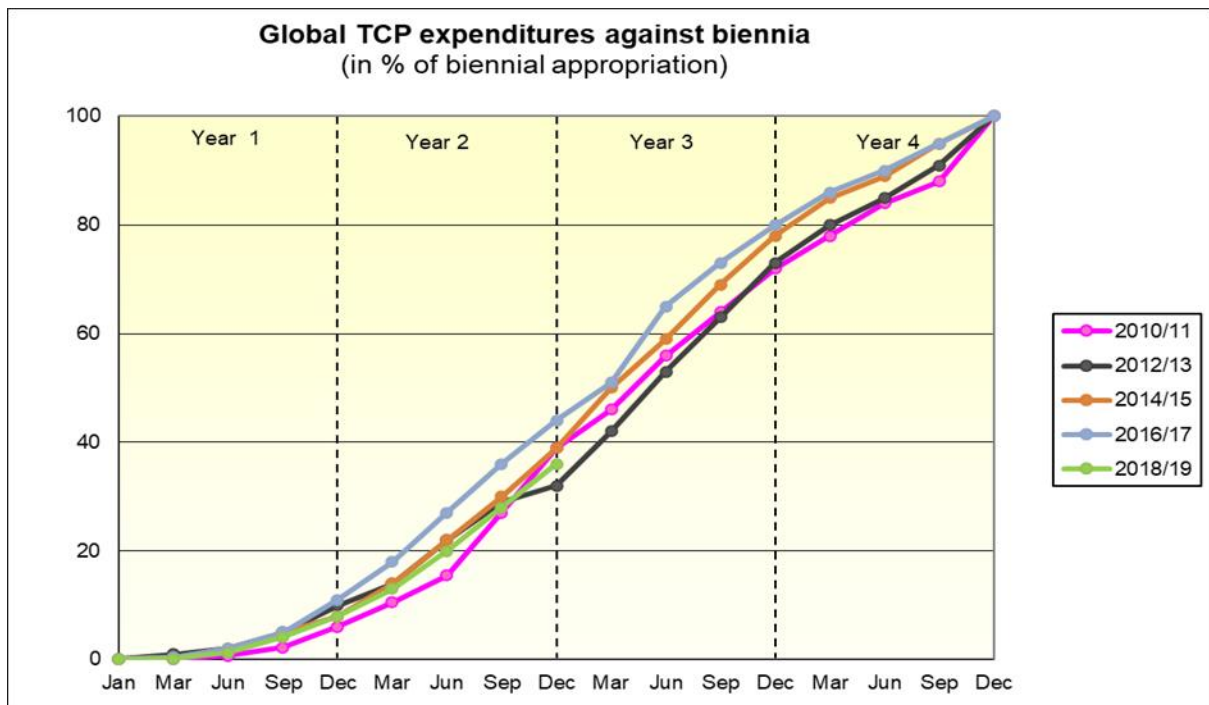


Table 6



19. Further information is provided below on the approval and expenditure rates for the 2016-17 and 2018-19 TCP appropriation periods. Table 7 presents the distribution of TCP approvals by region and type for these appropriation periods.

Table 7

Approvals by Region and Type (USD millions)

Region/Type	2016-17			2018-19		
	Allocation	Approval	Appr/Alloc	Allocation	Approval	Appr/Alloc
Development Support						
Africa	43.4	48.7	112.4%	44.3	45.4	102.6%
Asia	26.0	28.0	107.6%	27.2	27.4	101.0%
Europe	10.8	11.4	106.0%	11.1	11.5	103.8%
Interregional	4.0	1.9	47.1%	3.5	3.7	105.8%
Latin America	19.5	21.4	109.5%	19.9	21.2	106.2%
Near East	9.4	10.1	107.2%	9.1	9.7	107.3%
Development Support Total	113.1	121.5	107.4%	115.0	118.9	103.4%
Emergency Support						
Africa		11.9	60.3%		11.1	53.5%
Asia		4.2	21.5%		4.3	20.6%
Europe		0.5	2.3%		0.5	2.4%
Latin America		2.9	14.4%		3.9	18.7%
Near East		3.1	15.8%		2.7	12.7%
Emergency Support Total	19.8	22.6	114.4%	20.8	22.5	108.0%
Grand Total	132.9	144.2	108.5%	135.8	141.4	104.1%

Note: The percentage allocation of emergency funds represents the comparison of the regional emergency approvals to the total emergency support allocation.

TCP approvals and expenditures against the 2016-17 appropriation

20. As of 31 December 2019, 733 TCP projects have been approved against the 2016-17 net appropriation of USD 132.9 million, for a total value of USD 144.2 million. The 8.5 percent over-programming aims to ensure the full expenditure of the appropriation by 31 December 2019 taking into account that the average expenditure rate of TCP projects is below 100 percent of their approved budgets.

21. Expenditures against the 2016-17 appropriation had reached USD 132.9 million on 31 December 2019 representing 100 percent of the total appropriation.

TCP approvals and expenditures against the 2018-19 appropriation

22. As of 31 December 2019, a total of 749 projects for a value of USD 141.4 million had been approved against the 2018-19 TCP appropriation, representing 104.1 percent of the appropriation of USD 135.8 million.

23. Expenditures against the 2018-19 appropriation had reached USD 49.0 million on 31 December 2019 representing 36 percent of the total appropriation. The balance of USD 86.8 million is available for expenditure through 31 December 2021. This level of expenditure is in line with previous biennia.

24. The Secretariat and in particular the Regional Offices are following-up with budget holders and technical officers to encourage expeditious implementation of all projects.

Losses on Exchange Differences

25. During the biennium ended 31 December 2019 the Organization recorded a net loss on exchange of USD 9.9 million, of which:

- USD 11.0 million of net losses were generated from Euro-Dollar translation differences³ (non-cash); offset by
- USD 1.1 million actual cash backed foreign exchange net gains incurred by the Organization that were transferred to the Special Reserve Account.

Voluntary Contributions

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

27. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 1 085.3 million at 31 December 2019 compared with USD 752.5 million at 31 December 2017. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

28. Table 8 presents an analysis of the Trust Fund contributions received⁴ from donors during the biennium ended 31 December 2019. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 31 December 2017.

29. In Table 2, income reported from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure.

30. Income reported on Trust Fund and UNDP projects for the biennium to 31 December 2019 amounted to USD 1 657.8 million, compared with USD 1 478.4 million reported for the biennium to 31 December 2017.

³ 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.

⁴ 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 8 - Analysis of Voluntary Contributions Received

Biennium to 31 December 2019	USD 000's	Biennium to 31 December 2017	USD 000's
(1) European Union	389,801	(1) European Union	312,889
(2) United States	285,779	(2) United States	192,199
(3) UN Office for the Coordination of Humanitarian Affairs (OCHA)	123,342	(3) United Kingdom	110,330
(4) Global Environment Fund (GEF)	114,750	(4) Global Environment Fund (GEF)	104,290
(5) United Kingdom	91,175	(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	77,020
(6) Sweden	77,042	(6) UNDP Administered Donor Joint Trust Fund	48,558
(7) UNDP Administered Donor Joint Trust Fund	59,019	(7) Germany	43,042
(8) Norway	55,957	(8) World Bank	42,243
(9) Japan	51,491	(9) Norway	39,422
(10) Germany	45,650	(10) Colombia	36,792
(11) Colombia	43,783	(11) Netherlands	35,764
(12) Netherlands	35,973	(12) Sweden	33,228
(13) China	33,309	(13) Least Developed Countries Fund For Climate Change (LDCF)	28,882
(14) Least Developed Countries Fund For Climate Change (LDCF)	31,843	(14) Switzerland	28,036
(15) World Bank	23,788	(15) Belgium	23,828
(16) Canada	20,552	(16) Italy	22,487
(17) Switzerland	20,547	(17) Japan	22,030
(18) Italy	19,410	(18) Canada	16,980
(19) Mexico	16,494	(19) Japan International Cooperation Agency (JICA)	14,990
(20) Pakistan	15,872	(20) Saudi Arabia	13,106
(21) Belgium	15,281	(21) Global Development Program Of The Bill & Melinda Gates Foundation	12,218
(22) Korea Republic Of	15,197	(22) Mexico	11,461
(23) Peace Building Fund (PBF)	14,919	(23) Unicef	10,340
(24) Guyana Redd Investment Fund (GRIF)	14,758	(24) Pakistan	10,096
(25) Japan International Cooperation Agency (JICA)	14,753	(25) China	10,000
Top 25	1,630,485	Top 25	1,300,231
Multi-donor	131,538	Multi-donor	115,587
Other donors	337,155	Other donors	241,880
Total	2,099,178	Total	1,657,698

2020 Cash Flow Forecast (Regular Programme)

31. Table 9 below presents the Organization's actual consolidated Regular Programme month end short-term liquidity position (which includes cash and cash equivalents) with a forecast from 1 January through 31 December 2020 and comparative figures for 2019. All figures are expressed in United States Dollars millions.

32. The opening cash flow position was USD 223.7 million as at 31 December 2019 compared with USD 226.0 million at 31 December 2018. The percentage of 2019 assessed contributions paid to the Organization by Member Nations as at 31 December 2019 was 74.84 percent, a lower rate of receipts than the equivalent figure of 78.60 percent for the previous year. Further details on the status of current assessments and arrears as at 31 December 2019 are presented in document FC 180/INF/2.

33. Based on Members' past payment patterns and the Regular Programme cash level as at 31 December 2019, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2020. The current forecast is based on a similar trend as in the previous year 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 9 below is dependent on the actual timing of the receipts of the most significant contributions in 2020.

Table 9

