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Food and Agriculture  
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Продовольственная и  
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منظمة  
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# FINANCE COMMITTEE

**Hundred and Eighty-fifth Session**

**22 - 26 March 2021**

**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 2020.
- Regular Programme Liquidity Position - As at 31 December 2020, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 287.2 million (USD 223.7 million at 31 December 2019).
- Staff Related Liabilities - The total liability of the four plans as at 31 December 2020 was USD 1 499.5 million of which USD 860.0 million was unfunded (After Service Medical Coverage accounted for USD 789.3 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 70.7 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 2020 amounted to USD 639.5 million (USD 553.1 million at 31 December 2019). The increase of USD 86.4 million reflected both increases in equity and fixed income valuations, and the increase in the value of the Euro against the United States Dollar.
- General and Related Fund deficit - The General Fund deficit decreased from USD 937.6 million as at 31 December 2019 to USD 895.8 million as at 31 December 2020.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 31 December 2020 and provide its guidance as deemed appropriate.

#### 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 is expected to be sufficient to cover operational needs through 31 December 2021;**
- **recognizing that the Organization's ongoing cash flow health is dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;**
- **noted that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities; and**
- **noted the additional information provided on TCP approval and expenditure rates and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference.**

## 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 year ended 31 December 2020. The report is organized as follows:

- Financial Results for the year ended 31 December 2020:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2020 presented by source of funds and including comparative balances as at 31 December 2019 - Table 1.
  - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the year ended 31 December 2020 presented by source of funds and including comparative balances for the year ended 31 December 2018 - Table 2.
- Summary Comment on Financial Results for the year ended 31 December 2020.
- Cash Flow for 2021 to 31 December 2021.

**Table 1**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
As at 31 December 2020

(USD 000)	Funds		Total	
	General and Related	Trust and UNDP	31 December 2020	31 December 2019
<b>ASSETS</b>				
Cash and Cash Equivalents	287,171	983,891	1,271,062	996,131
Investments - Held for Trading	-	588,199	588,199	594,459
Contributions Receivable from Member Nations and UNDP	218,802	57,626	276,428	236,746
less: Provision for Delays of Contributions	(39,306)	(10,397)	(49,703)	(36,966)
Accounts Receivable	45,158	2,269	47,427	51,250
Investments - Available for Sale	639,469		639,469	553,110
<b>TOTAL ASSETS</b>	<b>1,151,294</b>	<b>1,621,588</b>	<b>2,772,882</b>	<b>2,394,730</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	27,519	1,221,928	1,249,447	1,112,545
Unliquidated Obligations	58,829	377,545	436,374	399,591
Accounts Payable	68,898	-	68,898	59,930
Deferred Income	106,014	-	106,014	86,799
Staff Related Schemes	1,499,434	-	1,499,434	1,481,634
<b>TOTAL LIABILITIES</b>	<b>1,760,694</b>	<b>1,599,473</b>	<b>3,360,167</b>	<b>3,140,499</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	30,674	-	30,674	31,549
Capital Expenditure Account	61,949	-	61,949	49,671
Security Expenditure Account	48,556	-	48,556	22,229
Special Fund for Emergency and Rehabilitation Activities	-	22,115	22,115	35,627
Unrealised Gains / (Losses) on Investments	130,911	-	130,911	60,244
Actuarial (Gains)/ Losses	(11,469)	-	(11,469)	(33,245)
Fund Balances (deficit) , End of Period	(895,766)	-	(895,766)	(937,589)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>(609,400)</b>	<b>22,115</b>	<b>(587,285)</b>	<b>(745,769)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>1,151,294</b>	<b>1,621,588</b>	<b>2,772,882</b>	<b>2,394,730</b>

Table 2

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
for the year ended 31 December 2020

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2020	31 December 2018
<b>INCOME:</b>				
Assessment on Member Nations	480,804	-	480,804	495,581
Voluntary Contributions	105,276	987,825	1,093,101	902,955
Funds Received Under Inter-Oganizational Arrangements	39	502	541	693
Jointly Financed Activities	19,522	-	19,522	18,943
Miscellaneous	18,232	8,212	26,444	31,283
Return on Investments - Long-Term	15,442	-	15,442	15,434
Net Other Sundry Income	11,581	-	11,581	11,848
(Loss) / Gain on Exchange Differences	11,441	-	11,441	(6,727)
<b>TOTAL INCOME</b>	<b>662,337</b>	<b>996,539</b>	<b>1,658,876</b>	<b>1,470,010</b>
<b>EXPENDITURE:</b>				
Regular Programme	521,140	-	521,140	527,871
Projects	-	988,327	988,327	824,817
<b>TOTAL EXPENDITURE</b>	<b>521,140</b>	<b>988,327</b>	<b>1,509,467</b>	<b>1,352,688</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>141,197</b>	<b>8,212</b>	<b>149,409</b>	<b>117,322</b>
Actuarial Gains or Losses	531	-	531	2,068
Interest Cost of Staff Related Liabilities	(28,969)	-	(28,969)	(37,272)
Provision for Contributions Receivable and Other Assets	(13,990)	-	(13,990)	(1,046)
Deferred Income	(19,215)	-	(19,215)	(12,630)
Net Movement in Capital Expenditure Account	(12,278)	-	(12,278)	(5,833)
Net Movement in Utilisation of Security Expenditure Account	(26,328)	-	(26,328)	(135)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>40,948</b>	<b>8,212</b>	<b>49,160</b>	<b>62,474</b>
Transfer of Interest to Donor Accounts	-	(8,212)	(8,212)	(14,302)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	875	-	875	(705)
Fund Balances, Beginning of Period (as previously reported)	(937,589)	-	(937,589)	(899,303)
<b>FUND BALANCES, END OF PERIOD</b>	<b>(895,766)</b>	<b>-</b>	<b>(895,766)</b>	<b>(851,836)</b>

## Summary Comment on Financial Results for the year ended 31 December 2020

### Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 287.2 million at 31 December 2020. This compared with USD 223.7 million at 31 December 2019.

### Investments - held for trading

3. The value of “Investments - held for trading” as at 31 December 2020 amounted to USD 961.5 million and together with “term deposits” of USD 760.4 million (disclosed within cash and cash equivalents), for a total of USD 1 721.9<sup>1</sup> million (USD 1 484.84 million as at 31 December 2019) mainly represented unspent balances on Trust Fund projects.

4. FAO’s prudent, low risk investment style and the declining interest environment in the United States of America generated returns of 0.87 percent in 2020. These exceeded the benchmark returns by 42 basis points.

### 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 553.1 million at 31 December 2019 to USD 639.5<sup>2</sup> million as at 31 December 2020. The overall increase reflects both increase in equity and fixed income valuations, and the increase in the value of the Euro against the United States Dollar.

6. The return on the available-for-sale investment portfolio at the end of 2020 was 15.69 percent, versus a benchmark return of 19.26 percent, representing an underperformance of 357 basis points. This underperformance was driven by the market volatility as well as the underperformance of FAO’s equity portfolio. At the end of the first quarter 2020, the equity investments were transitioned from the legacy investment manager, Panagora, to transition accounts with the global custodian Northern Trust pending the reinvestment with target equity managers for which a procurement process is ongoing.

### 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)

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<sup>1</sup> USD 1 721.9 million reported in FC 185/2 differ from USD 1 731.6 million reported in FC 185/3 due to the differences in accounting classifications of: i) accrued interest income being reported within Accounts Receivable; and ii) NT Government Select Fund being reported within Cash and Cash equivalents.

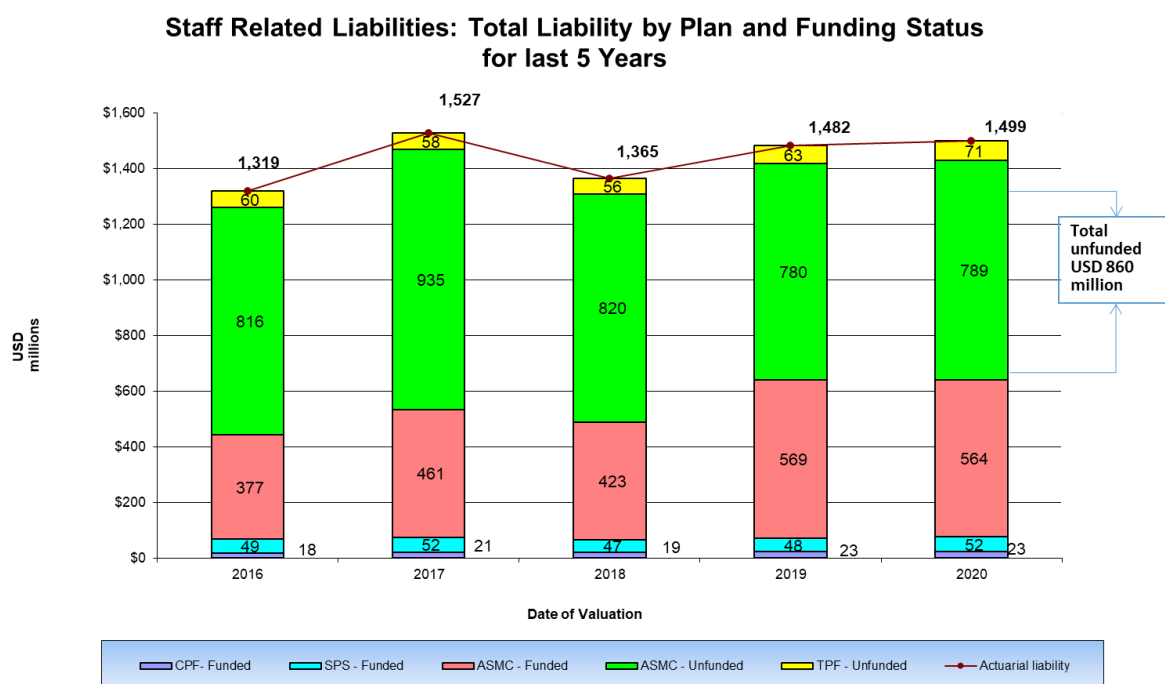
<sup>2</sup> USD 639.5 million reported in FC 185/2 differ from USD 641.4 million reported in FC 185/3 due to the differences in accounting valuation standards and the accounting classification of accrued interest income reported within Accounts Receivable.

8. The results of the latest actuarial valuation as at 31 December 2020 and related funding requirements and issues are presented to the 185th Session of the Finance Committee in document FC 185/4, 2020 Actuarial Valuation of Staff Related Liabilities.

9. The total liability of the Plans at 31 December 2020 amounted to USD 1 499.5 million, representing an increase of USD 17.9 million compared with the balance of USD 1 481.6 million as at 31 December 2019.

10. As at 31 December 2020, unfunded staff related liabilities amounted to USD 860.0 million, of which After Service Medical Coverage accounted for USD 789.3 million and the Termination Payments Fund accounted for USD 70.7 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

**Table 3**



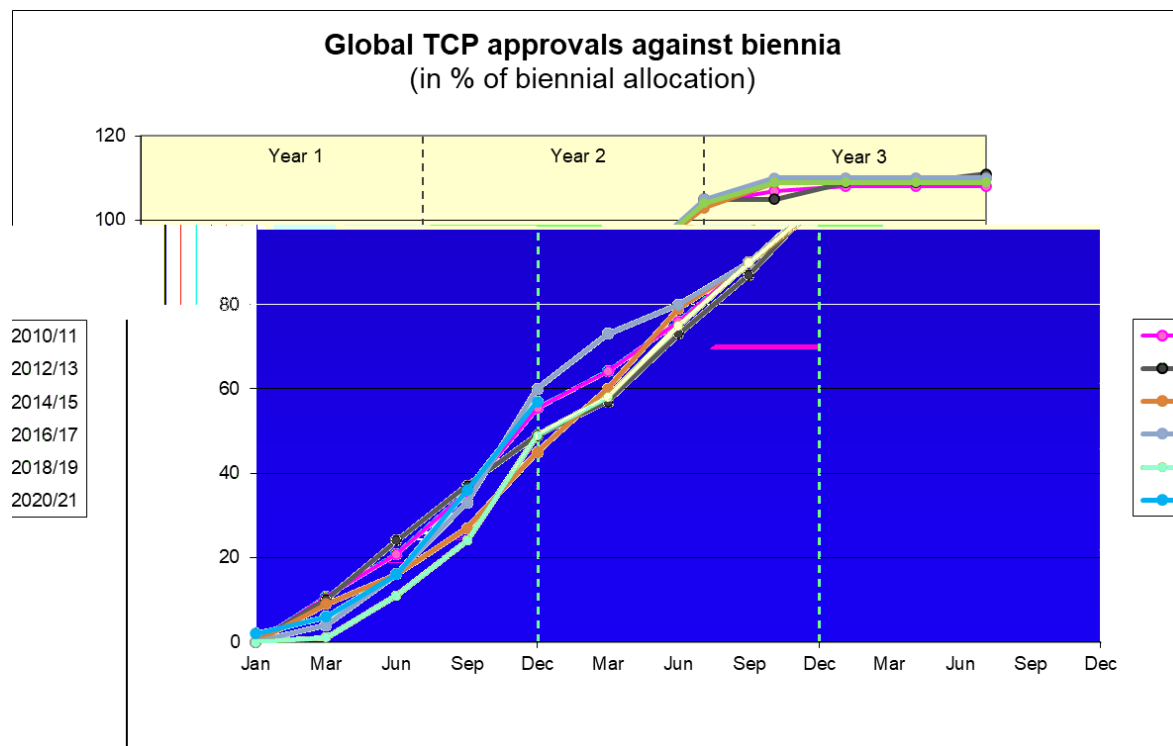
## General and Related Fund Balance

11. The General Fund deficit decreased from USD 937.6 million as at 31 December 2019 to USD 895.8 million as at 31 December 2020. A report on the forecasted 2020-21 biennial performance arising from implementation of the Programme of Work is presented to the 185th Session of the Finance Committee in document FC 185/9, Annual Report on Budgetary Performance and Programme and Budgetary Transfers for the 2020-21 Biennium.

## TCP Implementation

12. As can be seen in Table 4, TCP approvals against the 2020-21 biennium are high compared with previous biennia despite the difficulties of operating under lock-down conditions in many countries. The requests for assistance to address the COVID-19 crisis and the locust emergency have been addressed in good time.

**Table 4**



13. As of 31 December 2020, TCP projects for a total value of USD 148.1 million had been approved against the 2018-19 net appropriation of USD 135.8 million. This 9.0 percent over-programming aims to ensure the full expenditure of the appropriation by 31 December 2021 taking into account that the average expenditure rate of TCP projects is below 100 percent of their approved budgets.

14. As of 31 December 2020, TCP projects for a total value of USD 77.1 million had been approved against the 2020-21 net appropriation of USD 135.8 million, corresponding to an approval rate of 57 percent. The introduction of simplified procedures during 2019 has been another factor facilitating early approvals against 2020-21 despite COVID-19 related challenges. Full programming of the appropriation by the end of 2021 is expected.

15. Tables 5 and 6 provide approval data disaggregated by region as of December 2020. All regions have exceeded the 50 percent approval rate mark.

**Table 5 - TCP Approvals against the 2020-21 Appropriation (as of December 2020)**

Region	Allocation	Approvals	Appr/Alloc
<b>Development Support</b>			
Africa	44 280 717	22 808 000	51.5%
Asia	27 162 765	14 089 000	51.9%
Europe	11 070 179	5 850 000	52.8%
Interregional	4 050 066	1 000 000	24.7%
Latin America	19 926 323	14 360 000	72.1%
Near East	9 058 611	4 866 000	53.7%
<b>Sub-total</b>	<b>115 548 661</b>	<b>62 973 000</b>	<b>54.5%</b>
<b>Emergency Assistance</b>			
Africa		6 662 000	
Asia		4 200 000	
Europe		750 000	
Interregional		-	
Latin America		1 300 000	
Near East		1 200 000	
<b>Sub-total</b>	<b>20 250 328</b>	<b>14 112 000</b>	<b>69.7%</b>
<b>Grand Total</b>	<b>135 798 989</b>	<b>77 085 000</b>	<b>56.8%</b>

**Table 6 - TCP Approvals against the 2018-19 Appropriation (as of December 2020)**

Region	Allocation	Approval	Appr/Alloc
<b>Development Support</b>			
Africa	44 286 228	48 479 014	109.5%
Asia	27 171 737	29 230 813	107.6%
Europe	11 071 557	11 825 886	106.8%
Interregional	3 471 917	3 672 000	105.8%
Latin America	19 928 803	21 897 841	109.9%
Near East	9 057 246	10 289 121	113.6%
<b>Sub-total</b>	<b>114 987 488</b>	<b>125 349 675</b>	<b>109.1%</b>
<b>Emergency Assistance</b>			
Africa		11 145 000	
Asia		4 298 460	
Europe		500 000	
Interregional		0	
Latin America		4 150 000	
Near East		2 650 540	
<b>Sub-total</b>	<b>20 831 501</b>	<b>22 744 000</b>	<b>109.2%</b>
<b>Grand Total</b>	<b>135 818 989</b>	<b>148 138 675</b>	<b>109.1%</b>



16. The cumulative average monthly TCP expenditure during the year ended 31 December 2020 was USD 4.3 million. This compares with a cumulative average monthly TCP expenditure for the biennium ended 31 December 2019 of USD 5.1 million.

17. As can be seen from Table 7 below, there has been a decline in the expenditure rate against the 2018-19 biennium due to a slow-down of project activities associated with the COVID-19 crisis. Adjustments to implementation modalities in response to COVID-19 such as reliance on virtual meetings and remote backstopping are also generating cost savings for projects approved against the 2018-19 biennium appropriation. Early re-programming of these savings (in compliance with TCP criteria) is ongoing to ensure the timely and full commitment and utilization of the appropriation. This reprogramming consists mainly of changes in the modalities of implementation, and adjustments in the set of activities and inputs to better support stakeholders and vulnerable populations during COVID-19 early response and recovery.

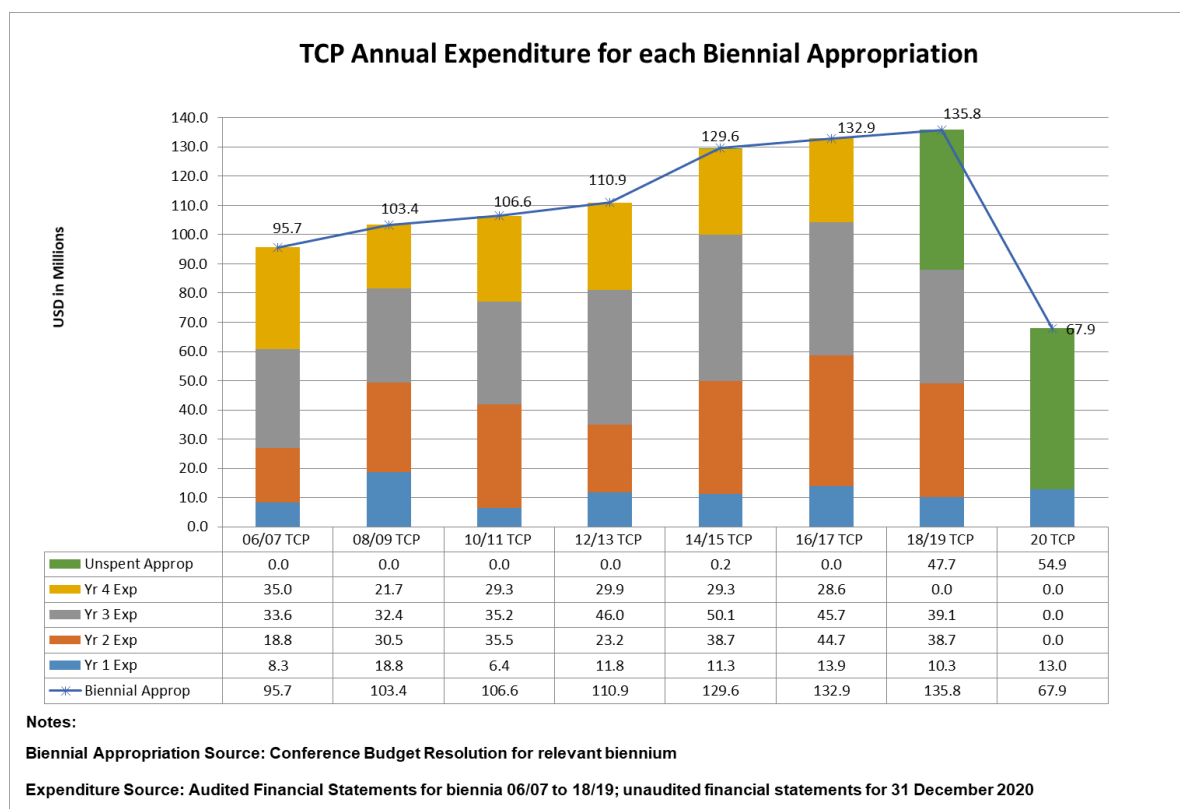
18. At the same time, the expenditure level against the 2020-21 appropriation compares favourably with previous biennia due to a large share of the approvals made against this appropriation in early 2020 being for emergency assistance projects. These projects tend to have large procurement components and are implemented quickly.

19. Financial Regulation 4.3 of the Organization provides *“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.

20. As at 31 December 2020, the available unspent appropriation from the 2018-19 biennium and the first year of the 2020-21 appropriation totalled USD 102.6 million (USD 86.8 million as at 31 December 2019). Of this amount, USD 47.7 million was related to the 2018-19 appropriation and USD 54.9 million to the 2020 appropriation.

21. Table 7 presents the TCP expenditure and the available appropriation for each appropriation period since 2006-07.

**Table 7**



### Losses on Exchange Differences

22. During the year ended 31 December 2020 the Organization recorded a net gain on exchange of USD 11.4 million, of which:

- USD 12.2 million of net gains were generated from Euro-Dollar translation differences<sup>3</sup> (non-cash); offset by
- USD 0.8 million actual cash backed foreign exchange net losses incurred by the Organization that were transferred to the Special Reserve Account.

### Voluntary Contributions

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

24. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 1 221.9 million at 31 December 2020 compared with USD 1 085.3 million at 31 December 2019. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

<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.

25. Table 8 presents an analysis of the Trust Fund contributions received<sup>4</sup> from donors during the year ended 31 December 2020. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium (12 months to 31 December 2018).

26. In Table 2, income reported from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure. Income reported on Trust Fund and UNDP projects for the year ended 31 December 2020 amounted to USD 988.3 million, compared with USD 824.8 million reported for the first year of the previous biennium (12 months to 31 December 2018).

**Table 8 - Analysis of Voluntary Contributions Received**

Twelve months to 31 December 2020	USD 000's	Twelve months to 31 December 2018	USD 000's
(1) United States	176,527	(1) European Union	184,268
(2) European Union	166,531	(2) United States	125,875
(3) Green Climate Fund (GCF)	84,270	(3) UN Office for the Coordination of Humanitarian Affairs (OCHA)	57,045
(4) Germany	83,589	(4) Global Environment Fund (GEF)	53,656
(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	61,271	(5) United Kingdom	44,042
(6) United Kingdom	57,998	(6) Sweden	43,854
(7) Global Environment Fund (GEF)	50,999	(7) Norway	27,209
(8) Sweden	33,438	(8) Germany	22,958
(9) Norway	31,993	(9) Netherlands	19,955
(10) UNDP Administered Donor Joint Trust Fund	29,950	(10) Colombia	18,922
(11) Netherlands	19,672	(11) UNDP Administered Donor Joint Trust Fund	18,006
(12) Italy	18,957	(12) Japan	17,202
(13) Republic Of Korea	17,702	(13) Pakistan	15,872
(14) World Bank	14,041	(14) Guyana Redd Investment Fund (GRIF)	14,792
(15) World Food Programme, Administered Trust Fund	14,011	(15) Japan International Cooperation Agency (JICA)	14,753
(16) Peace Building Fund (PBF)	13,552	(16) Canada	13,554
(17) Global Development Program Of The Bill & Melinda Gates Foundation (BM)	12,864	(17) Least Developed Countries Fund For Climate Change (LDCF)	13,380
(18) Japan	11,574	(18) World Bank	12,772
(19) Switzerland	10,491	(19) Belgium	12,704
(20) Mastercard	10,000	(20) China	11,711
(21) Russian Federation	10,000	(21) Italy	10,728
(22) Canada	9,584	(22) Mexico	10,177
(23) Colombia	9,576	(23) Peace Building Fund (PBF)	8,803
(24) Denmark	8,666	(24) Switzerland	8,714
(25) Japan International Cooperation Agency (JICA)	8,021	(25) Global Agriculture And Food Security Programme (GAF)	8,460
<b>Top 25</b>	<b>965,277</b>	<b>Top 25</b>	<b>789,412</b>
Multi-donor	62,911	Multi-donor	54,980
Other donors	142,258	Other donors	171,924
<b>Total</b>	<b>1,170,446</b>	<b>Total</b>	<b>1,016,316</b>

<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.

### 2020 Cash Flow Forecast (Regular Programme)

27. 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 2021 and comparative figures for 2020. All figures are expressed in United States Dollars millions.

28. The opening cash flow position was USD 287.2 million as at 31 December 2020 compared with USD 223.7 million at 31 December 2019. The percentage of 2020 assessed contributions paid to the Organization by Member Nations as at 31 December 2020 was 70.29 percent, a lower rate of receipts than the equivalent figure of 74.84 percent for the previous year. Further details on the status of current assessments and arrears as at 31 December 2020 are presented in document FC 185/INF/2.

29. Based on Members' past payment patterns and the Regular Programme cash level as at 31 December 2020, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2021. The current forecast is based on a similar trend as in the previous Conference year (2019) 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 2021.

**Table 9**

