



联合国
粮食及
农业组织

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 Ninety-fourth Session

Rome, 7-11 November 2022

Financial Position of the Organization

Queries on the substantive content of this document may be addressed to:

Mr Aiman Hija
Director and Treasurer, Finance Division
Tel: +3906 5705 4676 - Email: Aiman.Hija@fao.org

EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 30 June 2022.
- Regular Programme Liquidity Position - As at 30 June 2022, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 388.9 million (USD 305.7 million at 31 December 2021).
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2022 was USD 1 566.7 million of which USD 1 028.5 million was unfunded (After Service Medical Coverage accounted for USD 951.7 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 76.8 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 2022 amounted to USD 538.3 million (USD 671.5 million at 31 December 2021). The decrease of USD 133.2 million reflected a decline in the value of both fixed income and equity securities.
- General and Related Fund deficit - The General Fund deficit decreased from USD 964.3 million as at 31 December 2021 to USD 742.0 million as at 30 June 2022, mainly due to the recognition as income of a full year of Member Nations assessments compared with six months of expenditure in 2022.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 30 June 2022 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 was expected to be sufficient to cover operational needs through 31 December 2022;**
- **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 that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities; and**
- **noted the 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 six months ended 30 June 2022. The report is organized as follows:

- Financial Results for the six months ended 30 June 2022:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2022 presented by source of funds and including comparative balances as at 31 December 2021 - Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the six months ended 30 June 2022 presented by source of funds and including comparative balances for the six months ended 30 June 2020 - Table 2.
- Summary Comment on Financial Results for the six months ended 30 June 2022.
- Cash Flow for 2022 to 31 December 2022.

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 30 June 2022

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2022	31 December 2021
ASSETS				
Cash and Cash Equivalents	388,865	921,631	1,310,496	1,487,787
Investments - Held for Trading	-	1,127,826	1,127,826	625,664
Contributions Receivable from Member Nations and UNDP less: Provision for Delays of Contributions	322,350 (57,370)	17,347 (10,808)	339,697 (68,178)	278,846 (73,547)
Accounts Receivable	43,702	1,621	45,323	37,295
Investments - Available for Sale	538,256	-	538,256	671,478
TOTAL ASSETS	1,235,803	2,057,617	3,293,420	3,027,523
LIABILITIES				
Contributions Received in Advance	-	1,683,785	1,683,785	1,497,119
Unliquidated Obligations	46,472	350,895	397,367	489,976
Accounts Payable	80,215	-	80,215	70,278
Deferred Income	125,162	-	125,162	90,121
Staff Related Schemes	1,566,747	-	1,566,747	1,539,784
TOTAL LIABILITIES	1,818,596	2,034,680	3,853,276	3,687,278
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	36,127	-	36,127	35,135
Capital Expenditure Account	56,724	-	56,724	53,713
Security Expenditure Account	23,721	-	23,721	26,224
Special Fund for Emergency and Rehabilitation Activities	-	22,937	22,937	32,323
Unrealised Gains / (Losses) on Investments	32,508	-	32,508	147,073
Actuarial (Gains)/ Losses	(15,634)	-	(15,634)	(15,634)
Fund Balances (deficit) , End of Period	(741,984)	-	(741,984)	(964,334)
TOTAL RESERVES AND FUND BALANCES	(582,793)	22,937	(559,856)	(659,755)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,235,803	2,057,617	3,293,420	3,027,523

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for six months ended 30 June 2022

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2022	30 June 2020
INCOME:				
Assessment on Member Nations	484,517	-	484,517	480,804
Voluntary Contributions	26,440	500,187	526,627	449,875
Funds Received Under Inter-Oganizational Arrangements	30	697	727	146
Jointly Financed Activities	10,498	-	10,498	12,279
Miscellaneous	(4,241)	(1,270)	(5,511)	14,652
Return on Investments - Long-Term	(18,642)	-	(18,642)	(16,215)
Net Other Sundry Income	7,327	-	7,327	8,497
(Loss) / Gain on Exchange Differences	(11,787)	-	(11,787)	27,920
TOTAL INCOME	494,142	499,614	993,756	977,958
EXPENDITURE:				
Regular Programme	218,903	-	218,903	205,525
Projects	-	500,884	500,884	427,414
TOTAL EXPENDITURE	218,903	500,884	719,787	632,939
EXCESS OF INCOME OVER EXPENDITURE	275,239	(1,270)	273,969	345,019
Actuarial Gains or Losses	-	-	-	-
Interest Cost of Staff Related Liabilities	(16,349)	-	(16,349)	(14,485)
Provision for Contributions Receivable and Other Assets	-	-	-	-
Deferred Income	(35,041)	-	(35,041)	(42,554)
Net Movement in Capital Expenditure Account	(3,011)	-	(3,011)	(6,548)
Net Movement in Utilisation of Security Expenditure Account	2,504	-	2,504	(477)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	223,342	(1,270)	222,072	280,956
Transfer of Interest to Donor Accounts	-	1,270	1,270	(927)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(992)	-	(992)	4,316
Fund Balances, Beginning of Period (as previously reported)	(964,334)	-	(964,334)	(937,589)
FUND BALANCES, END OF PERIOD	(741,984)	-	(741,984)	(653,244)

Summary Comment on Financial Results for the six months ended 30 June 2022

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 388.9 million at 30 June 2022. This compared with USD 305.7 million at 31 December 2021.

Investments - held for trading

3. The value of "Investments - held for trading" as at 30 June 2022 amounted to USD 1 128.1 million and together with "term deposits" and "liquidity funds" of a combined USD 1 197.3 million (disclosed within cash and cash equivalents), for a total of USD 2 325.4 million (USD 2 033.1 million as at 31 December 2021) mainly represented unspent balances on Trust Fund projects.

4. Given the steady increase in interest rates in the United States of America, and the negative price effect of this increase on fixed income securities, FAO's prudent, low risk investment style generated returns of -0.04 percent in the six months to June 2022. These returns exceeded the weighted average benchmark return of -0.08 percent by 4 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, decreased in value from USD 671.5 million at 31 December 2021 to USD 538.3 million as at 30 June 2022.

6. The return on the available-for-sale investment portfolio as at 30 June 2022 was -19.73 percent, versus a benchmark return of -19.78 percent exceeding the combined benchmark by 5 basis points.

7. The value of the long-term portfolio declined in line with the decline in value of both its fixed income component (-4.87 percent as at 30 June 2022), as a result in the increase in interest rates worldwide causing debt security prices to fall, and the volatile equity valuations (-19.73 percent as at 30 June 2022), fuelled by concerns over the Ukraine-Russia conflict, the rise in inflation and in commodity prices.

Staff Related Schemes

8. 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:

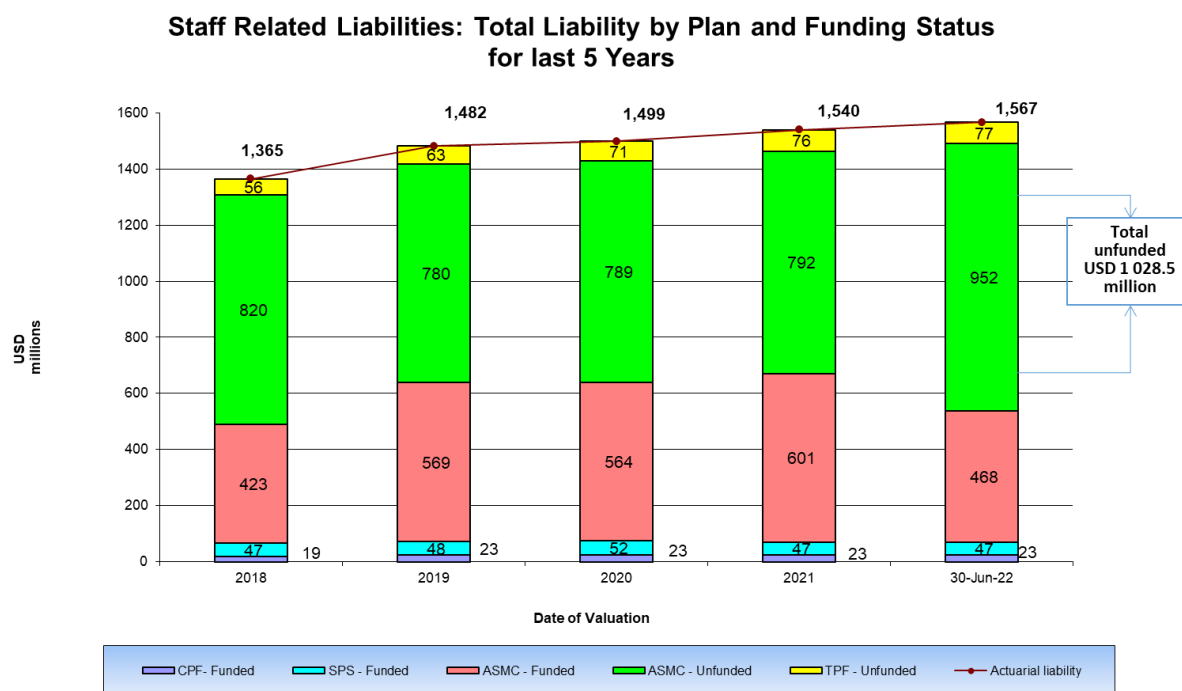
- After Service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

9. The results of the latest actuarial valuation as at 31 December 2021 and related funding requirements and issues were presented to the 191th Session of the Finance Committee in document FC 191/4, *2021 Actuarial Valuation of Staff Related Liabilities*.

10. The total liability of the Plans at 30 June 2022 amounted to USD 1 566.7 million, representing an increase of USD 27.1 million compared with the balance of USD 1 539.8 million as at 31 December 2021.

11. As at 30 June 2022, unfunded staff related liabilities amounted to USD 1 028.5 million, of which After Service Medical Coverage accounted for USD 951.7 million and the Termination Payments Fund accounted for USD 76.8 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3



General and Related Fund Balance

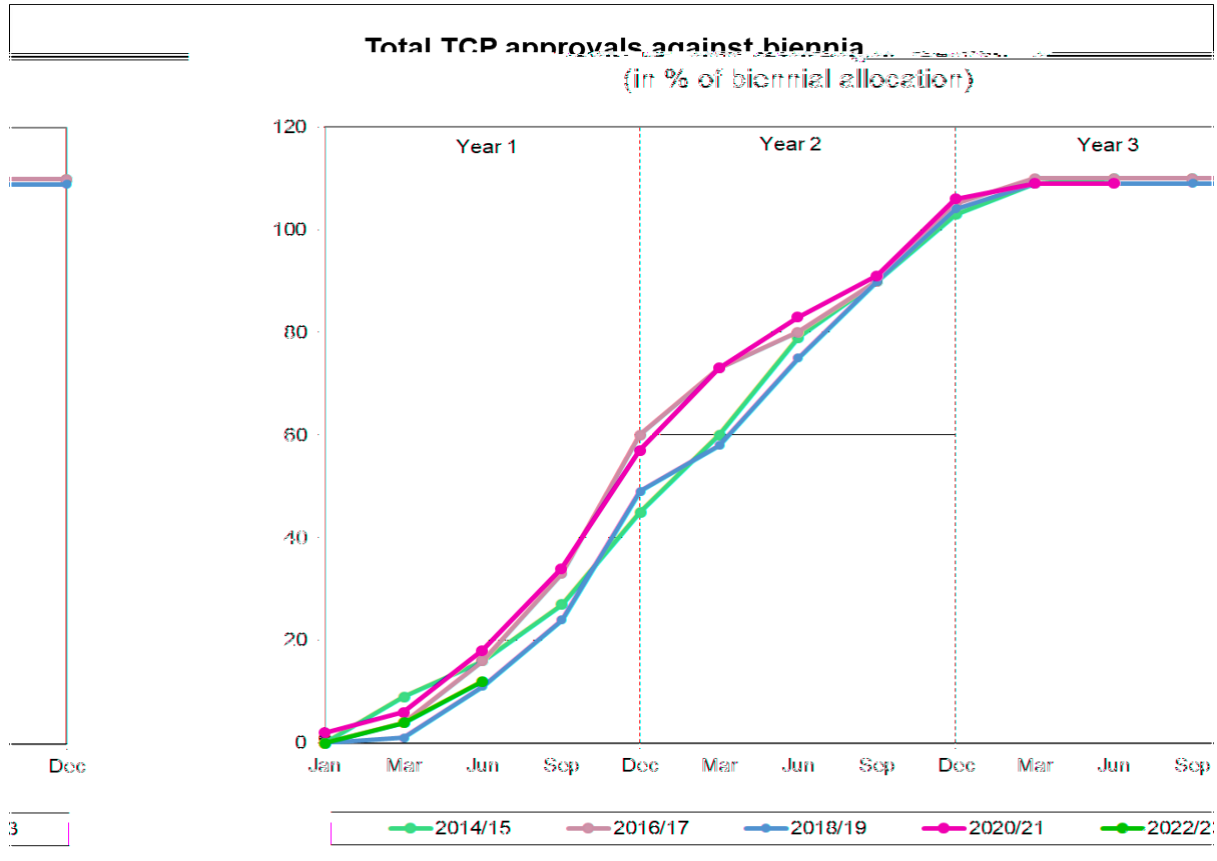
12. The General Fund deficit at 30 June 2022 was USD 742.0 million. This compared with USD 964.3 million at 31 December 2021 and USD 653.2 million at 30 June 2020, the comparative period in the 2020-21 biennium.

13. The reduction of USD 222.3 million in General Fund deficit at 30 June 2022 versus 31 December 2021 is the result of recognizing the revenue for a full year of Member Nations Assessed contributions compared with only six months of expenditures at the reporting date. The deficit will therefore increase as the remainder of the year progresses and is expected to close at the end of 2022 at a value slightly higher than the deficit reported at 31 December 2021. As in previous years, unbudgeted costs associated with the Staff Related liability plans, continue to be the main reason for the General Fund deficit.

TCP Implementation

14. As can be seen in Table 4, TCP approvals against the 2022-23 appropriation have followed a pattern comparable with previous biennia. At this stage, no particular issues are observed, and the release of streamlined operational procedures, in April 2022, is expected to accelerate the pace of approvals.

Table 4



15. As of 30 June 2022, TCP projects for a total value of USD 148.1 million had been approved against the 2020-21 net appropriation of USD 135.8 million. The 9 percent over-programming aims at ensuring the full expenditure of the appropriation by 31 December 2023 taking into account that the average expenditure rate of TCP projects is below 100 percent of their approved budgets.

16. As of 30 June 2022, TCP projects for a total value of USD 15.5 million had been approved against the 2022-23 net appropriation of USD 135.8 million, corresponding to an approval rate of 11.4 percent. Approvals are expected to accelerate and reach levels comparable with previous biennia by the end of 2022.

17. Tables 5 and 6 provide approval data disaggregated by region as of 30 June 2022. All regions have exceeded a 100 percent approval rate against the 2020-21 appropriation.

Table 5 TCP Approvals against the 2020-21 Appropriation (as of 30 June 2022)

Region	Allocation	Approvals	Appr/Alloc
Development Support			
Africa	44 280 717	48 790 000	110.2%
Asia	27 162 765	29 217 000	107.6%
Europe	11 070 179	12 155 000	109.8%
Interregional	4 050 066	1 000 000	24.7%
Latin America	19 926 323	22 068 000	110.8%
Near East	9 058 611	9 994 984	110.3%
Subtotal	115 548 661	123 224 984	106.7%
Emergency Assistance			
Africa		9 712 000	
Asia		6 800 000	
Europe		2 050 000	
Interregional		-	
Latin America		4 300 000	
Near East		2 008 000	
Subtotal	20 250 328	24 870 000	122.8%
Grand Total	135 798 989	148 094 984	109.1%

Table 6 TCP Approvals against the 2022 Appropriation (as of 30 June 2022)

Region	Allocation	Approval	Appr/Alloc
Development Support			
Africa	44 280 717	4 189 000	9.5
Asia	27 162 765	1 957 000	7.2
Europe	11 070 179	365 000	3.3
Interregional	4 050 066	500 000	12.4
Latin America	19 926 323	2 870 000	14.4
Near East	9 058 611	467 000	5.2
Subtotal	115 548 661	10 348 000	9.0
Emergency Assistance			
Africa		2 350 000	
Asia		500 000	
Europe		1 300 000	
Interregional		-	
Latin America		500 000	
Near East		500 000	
Subtotal	20 250 328	5 150 000	25.4%
Grand Total	135 798 989	15 498 000	11.4%

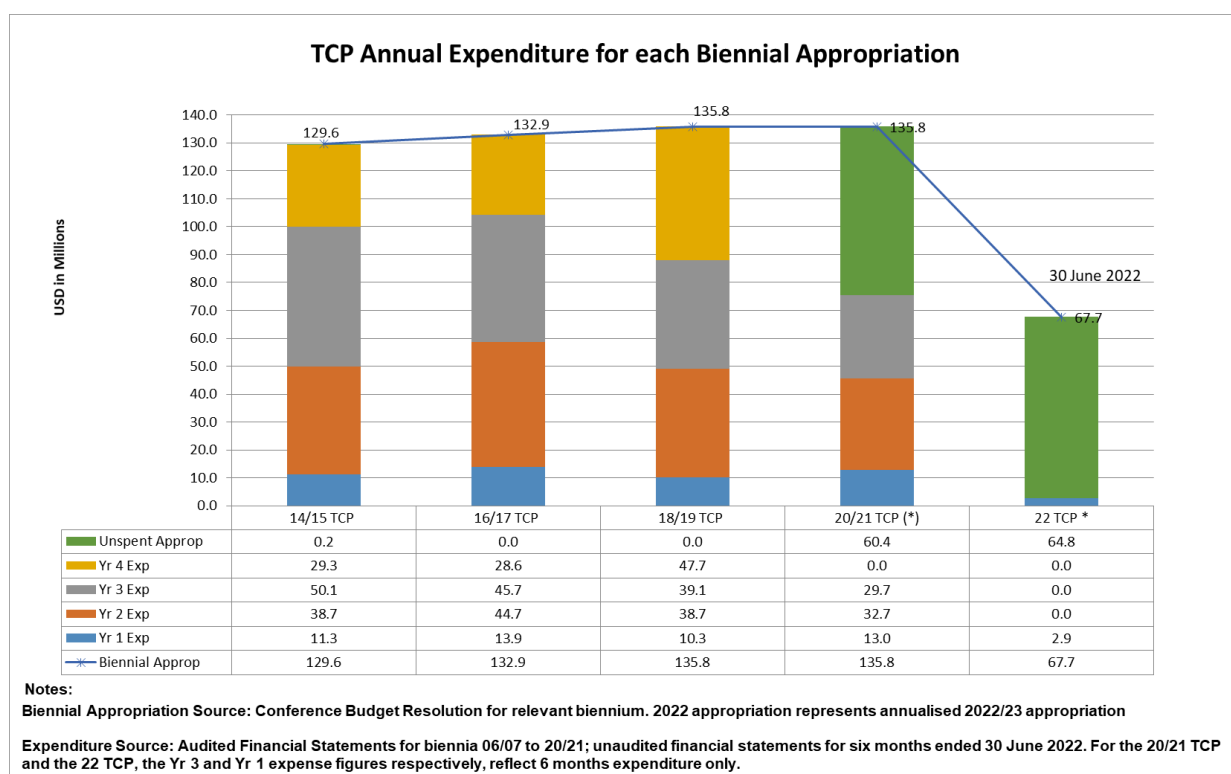
18. The cumulative average monthly TCP expenditure for the six months ended 30 June 2022 was USD 5.4 million. This is in line with the cumulative average monthly TCP expenditure for the biennium ended 31 December 2021 of USD 5.5 million, and compares favourably with the average monthly expenditure of USD 4.8 million for the equivalent six month period ended 30 June 2020 in the previous biennium.

19. The unspent balance on the 2020-21 biennium appropriation amounted to USD 60.4 million as at 30 June 2022, which represented 67 percent of the amount carried forward at 31 December 2021 for utilization in the 2022-23 biennium of USD 90.1 million. At this stage, it is expected that the appropriation will be fully expended by the end of 2023, as allowed under Financial Regulation 4.3 of the Organization, which provides that the *“appropriations 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.”*

20. As at 30 June 2022, the available unspent appropriation on the first year of the 2022-23 appropriation totalled USD 64.8 million (compared to USD 64.3 that was available on the first year of the 2020-21 appropriation as at 30 June 2020). This amount is available for utilization until 31 December 2025.

21. Table 7 presents the TCP expenditure and the available appropriation for each appropriation period since 2014-15.

Table 7



Losses on Exchange Differences

22. During the six months ended 30 June 2022, the Organization recorded a net loss on exchange of USD 11.8 million, of which:

- USD 12.8 million of net losses were generated from Euro-Dollar translation differences¹ (non-cash); and
- USD 1.0 million were actual cash backed foreign exchange net gains 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 1 683.8 million at 30 June 2022 compared with USD 1 464.9 million at 31 December 2021. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

25. Table 8 presents an analysis of the Trust Fund contributions received² from donors during the six months ended 30 June 2022. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium.

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 8 - Analysis of Voluntary Contributions Received

Six Months to 30 June 2022		USD 000's	Six Months to 30 June 2020		USD 000's
1	Green Climate Fund (AMA)	98,407	1	United States of America	81,228
2	European Union	86,136	2	European Union	46,669
3	United States of America	69,878	3	Germany	40,394
4	Asian Development Bank	60,020	4	UN Office For The Coordination Of Humanitarian Affairs (OCHA)	38,237
5	Global Environment Fund (GEF)	58,800	5	Global Environment Fund (GEF)	30,006
6	World Bank	52,159	6	United Kingdom	20,515
7	UN Office For The Coordination Of Humanitarian Affairs (OCHA)	41,424	7	Global Development Program of The Bill & Melinda Gates Foundation	12,026
8	China	30,469	8	Italy	10,434
9	Germany	28,729	9	UNDP Administered Donor Joint Trust Fund	10,058
10	Saudi Arabia	15,333	10	Mastercard Foundation	10,000
11	Netherlands	14,074	11	Sweden	9,145
12	South Sudan	13,654	12	Green Climate Fund (AMA)	8,618
13	Cenrtal African Rep	13,635	13	World Bank	8,390
14	UNDP Administered Donor Joint Trust Fund	13,489	14	Korea Republic Of	8,310
15	Sweden	12,971	15	Norway	8,039
16	Least Developed Countries Fund For Climate Change (LDCF)	10,500	16	Least Developed Countries Fund For Climate Change (Ldcf)	7,214
17	Korea Republic Of	8,142	17	Netherlands	6,032
18	Japan	7,658	18	Peace Building Fund (PBF)	5,281
19	United Kingdom	6,944	19	World Food Programme Administered Trust Fund	5,097
20	Madagascar	6,811	20	Japan	4,913
21	Colombia	6,756	21	Pakistan	4,837
22	Peace Building Fund (PBF)	6,154	22	Denmark	4,513
23	Congo, The Democratic Republic	5,791	23	Canada	4,419
24	Mastercard Foundation	5,616	24	The Common Fund For Humanitarian Action In Sudan	3,319
25	Green Climate Fund (Readiness)	5,560	25	Switzerland	3,180
Top 25		679,109	Top 25		390,873
	Multi-donor	29,874		Multi-donor	34,466
	Others	78,328		Others	40,683
Total		787,312	Total		466,022

26. The increase in funds received in the six months ended 30 June 2022 compared with the six months ended 30 June 2020, reflects the overall increase in voluntary contributions mobilized by FAO. Contributions received during the first six months of 2022 reflect in particular a significant increase in the value of funds received from the Green Climate Fund as well as contributions received to fund emergency interventions in Afghanistan, including USD 60 million from the Asia Development Bank and USD 49 million from the World Bank.

27. 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 six months ended 30 June 2022 amounted to USD 500.9 million, compared with USD 427.4 million reported for the six months ended 30 June 2020.

2022 Cash Flow Forecast (Regular Programme)

28. Table 9 below presents the Organization's actual consolidated Regular Programme month-end short-term liquidity position (which includes cash and cash equivalents) from 1 January through 30 June 2022 and forecast until 31 December 2022, with comparative figures for 2021. All figures are expressed in millions United States Dollars.

29. The percentage of 2022 assessed contributions paid to the Organization by Member Nations as at 30 June 2022 was 51.81 percent, a higher rate of receipts than the equivalent figure of 49.25 percent for the previous year. Further details on the status of current assessments and arrears as at 30 June 2022 are presented in document FC 194/INF/2.

30. Based on Members’ past payment patterns and the Regular Programme cash level as at 30 June 2022, the Organization’s liquidity is expected to be sufficient to cover operational needs through the end of 2022. 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 through the end of the year.

Table 9

