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Food and Agriculture
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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 Eighty-eighth Session

8-12 November 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 30 June 2021.
- Regular Programme Liquidity Position - As at 30 June 2021, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 387.3 million (USD 287.2 million at 31 December 2020).
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2021 was USD 1 522.8 million of which USD 858.8 million was unfunded (After Service Medical Coverage accounted for USD 785.5 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 73.3 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 2021 amounted to USD 663.2 million (USD 639.5 million at 31 December 2020). The increase of USD 24.5 million reflected the increase in equity valuations.
- General and Related Fund deficit - The General Fund deficit decreased from USD 895.8 million as at 31 December 2020 to USD 654.6 million as at 30 June 2021, mainly due to the recognition as income of a full year of Member Nations assessments compared with six months of expenditure in 2021.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 30 June 2021 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 2021;**
- **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 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 eighteen months ended 30 June 2021. The report is organized as follows:

- Financial Results for the eighteen months ended 30 June 2021:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2021 presented by source of funds and including comparative balances as at 31 December 2020 - Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the eighteen months ended 30 June 2021 presented by source of funds and including comparative balances for the eighteen months ended 30 June 2019 - Table 2.
- Summary Comment on Financial Results for the eighteen months ended 30 June 2021.
- Cash Flow for 2021 to 31 December 2021.

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 30 June 2021

(USD 000)

| | Funds | | Total | |
|--|---------------------|--------------------|---------------------|---------------------|
| | General and Related | Trust and UNDP | 30 June 2021 | 31 December 2020 |
| ASSETS | | | | |
| Cash and Cash Equivalents | 387,336 | 517,926 | 905,262 | 1,271,062 |
| Investments - Held for Trading | - | 1,092,148 | 1,092,148 | 588,199 |
| Contributions Receivable from Member Nations and UNDP less: Provision for Delays of Contributions | 349,149 (45,687) | 10,397 (10,397) | 359,546 (56,084) | 276,428 (49,703) |
| Accounts Receivable | 43,790 | 2,187 | 45,977 | 47,427 |
| Investments - Available for Sale | 663,194 | 0 | 663,194 | 639,469 |
| TOTAL ASSETS | 1,397,782 | 1,612,261 | 3,010,043 | 2,772,882 |
| LIABILITIES | | | | |
| Contributions Received in Advance | 94 | 1,205,980 | 1,206,074 | 1,249,447 |
| Unliquidated Obligations | 58,713 | 382,229 | 440,942 | 436,374 |
| Accounts Payable | 63,433 | - | 63,433 | 68,898 |
| Deferred Income | 134,992 | - | 134,992 | 106,014 |
| Staff Related Schemes | 1,522,802 | - | 1,522,802 | 1,499,434 |
| TOTAL LIABILITIES | 1,780,034 | 1,588,209 | 3,368,243 | 3,360,167 |
| RESERVES AND FUND BALANCES | | | | |
| Working Capital Fund | 25,745 | - | 25,745 | 25,745 |
| Special Reserve Account | 34,713 | - | 34,713 | 30,674 |
| Capital Expenditure Account | 57,935 | - | 57,935 | 61,949 |
| Security Expenditure Account | 19,025 | - | 19,025 | 48,556 |
| Special Fund for Emergency and Rehabilitation Activities | - | 24,052 | 24,052 | 22,115 |
| Unrealised Gains / (Losses) on Investments | 146,384 | - | 146,384 | 130,911 |
| Actuarial (Gains)/ Losses | (11,486) | - | (11,486) | (11,469) |
| Fund Balances (deficit) , End of Period | (654,568) | - | (654,568) | (895,766) |
| TOTAL RESERVES AND FUND BALANCES | (382,252) | 24,052 | (358,200) | (587,285) |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCES | 1,397,782 | 1,612,261 | 3,010,043 | 2,772,882 |

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the eighteen months ended 30 June 2021

(USD 000)

| | Funds | | Total | |
|---|---------------------|------------------|------------------|------------------|
| | General and Related | Trust and UNDP | 30 June 2021 | 30 June 2019 |
| INCOME: | | | | |
| Assessment on Member Nations | 982,437 | - | 982,437 | 981,134 |
| Voluntary Contributions | 113,681 | 1,473,947 | 1,587,628 | 1,292,497 |
| Funds Received Under Inter-Oganizational Arrangements | 53 | 783 | 836 | 1,141 |
| Jointly Financed Activities | 31,490 | - | 31,490 | 28,854 |
| Miscellaneous | 18,925 | 8,101 | 27,026 | 50,936 |
| Return on Investments - Long-Term | 24,840 | - | 24,840 | 6,532 |
| Net Other Sundry Income | 20,025 | - | 20,025 | 19,159 |
| (Loss) / Gain on Exchange Differences | 7,222 | - | 7,222 | (7,166) |
| TOTAL INCOME | 1,198,673 | 1,482,831 | 2,681,504 | 2,373,087 |
| EXPENDITURE: | | | | |
| Regular Programme | 797,009 | - | 797,009 | 787,621 |
| Projects | - | 1,474,730 | 1,474,730 | 1,195,505 |
| TOTAL EXPENDITURE | 797,009 | 1,474,730 | 2,271,739 | 1,983,126 |
| EXCESS OF INCOME OVER EXPENDITURE | 401,664 | 8,101 | 409,765 | 389,961 |
| Actuarial Gains or Losses | 531 | - | 531 | 2,068 |
| Interest Cost of Staff Related Liabilities | (41,834) | - | (41,834) | (56,588) |
| Provision for Contributions Receivable and Other Assets | (20,923) | - | (20,923) | (641) |
| Deferred Income | (48,193) | - | (48,193) | (52,294) |
| Net Movement in the SFDFA | - | - | - | 2,535 |
| Net Movement in Capital Expenditure Account | (8,264) | - | (8,264) | (13,089) |
| Net Movement in Utilisation of Security Expenditure Account | 3,203 | - | 3,203 | (489) |
| NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE | 286,185 | 8,101 | 294,285 | 271,463 |
| Transfer of Interest to Donor Accounts | - | (8,101) | (8,101) | (16,369) |
| Net Transfers from/(to) Reserves | | | | |
| Working Capital Fund | - | - | - | - |
| Special Reserve Account | (3,164) | - | 3,164 | (660) |
| Fund Balances, Beginning of Period (as previously reported) | (937,589) | - | (937,589) | (899,303) |
| Fund Balances, Beginning of Period | | | | |
| FUND BALANCES, END OF PERIOD | (654,568) | - | (654,568) | (644,869) |

Summary Comment on Financial Results for the eighteen months ended 30 June 2021

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 387.3 million at 30 June 2021. This compared with USD 287.2 million at 31 December 2020.

Investments - held for trading

3. The value of “Investments - held for trading” as at 30 June 2021 amounted to USD 1 092.2 million and together with “term deposits” of USD 854.6 million (disclosed within cash and cash equivalents), for a total of USD 1 946.8 million (USD 1 721.9 million as at 31 December 2020) mainly represented unspent balances on Trust Fund projects.

4. FAO’s prudent, low risk investment style and the extremely low interest rate environment in the United States of America generated returns of 0.07 percent in the first half of 2021. These exceeded the benchmark returns by 5 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 639.5 million at 31 December 2020 to USD 663.2 million as at 30 June 2021. The increase in value of this portfolio is mainly due to the increase in equity valuations.

6. The return on the available-for-sale investment portfolio as at 30 June 2021 was 3.77 percent, this matches the benchmark return of 3.77 percent.

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)

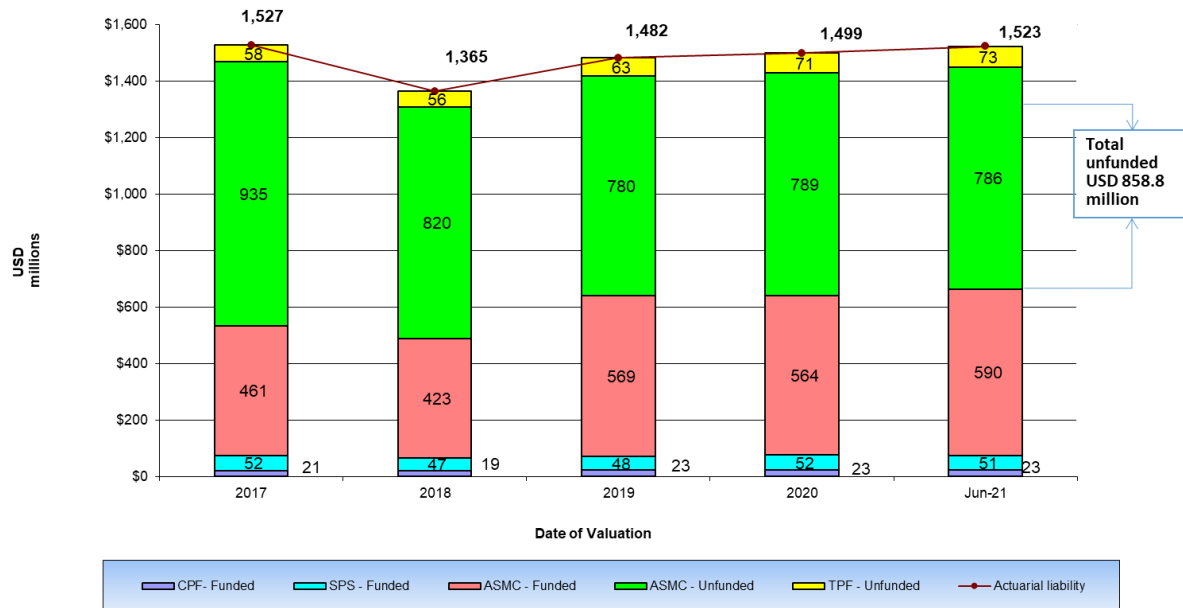
8. The results of the latest actuarial valuation as at 31 December 2020 and related funding requirements and issues were presented to the 185th Session of the Finance Committee in document FC 185/4, 2020 Actuarial Valuation of Staff Related Liabilities.

9. The total liability of the Plans at 30 June 2021 amounted to USD 1 522.8 million, representing an increase of USD 23.3 million compared with the balance of USD 1 499.5 million as at 31 December 2019.

10. As at 30 June 2021, unfunded staff related liabilities amounted to USD 858.8 million, of which After Service Medical Coverage accounted for USD 785.5 million and the Termination Payments Fund accounted for USD 73.3 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3

Staff Related Liabilities: Total Liability by Plan and Funding Status for last 5 Years



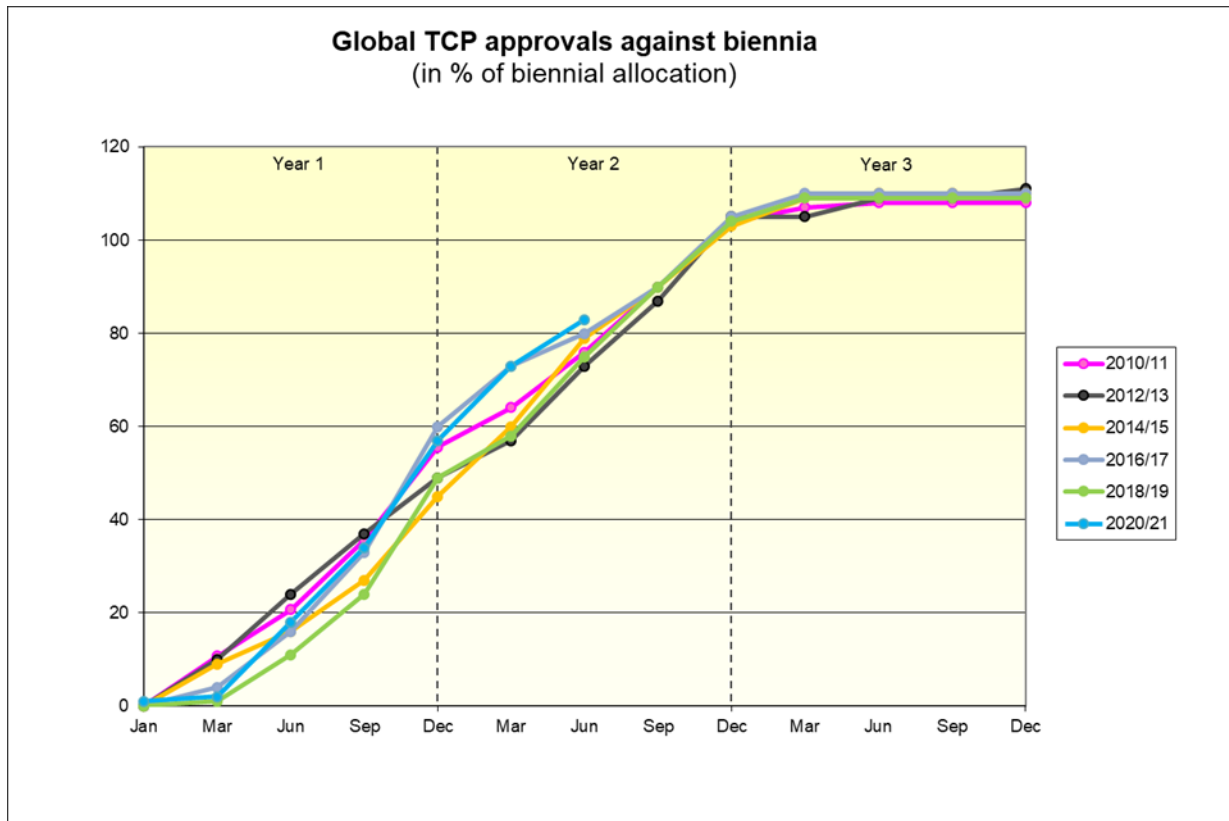
General and Related Fund Balance

11. The General Fund deficit decreased from USD 895.8 million as at 31 December 2020 to USD 654.6 million as at 30 June 2021 due to the recognition as income of a full year of Member Nations’ Assessments compared with six months’ expenditures in 2021. A report on the forecasted 2020-21 biennial performance arising from implementation of the Programme of Work was 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 continue to be 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 have been addressed in good time.

Table 4



13. As of 30 June 2021, TCP projects for a total value of USD 147.2 million had been approved against the 2018-19 net appropriation of USD 135.8 million. This 8.4 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 30 June 2021, TCP projects for a total value of USD 112.7 million had been approved against the 2020-21 net appropriation of USD 135.8 million, corresponding to an approval rate of 83 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 30 June 2021. All regions have exceeded a 75 percent approval rate at that date against the 2020-21 Appropriation.

Table 5 TCP Approvals against the 2020-21 Appropriation (as of 30 June 2021)

| Region | Allocation | Approvals | Appr/Alloc |
|-----------------------------|--------------------|--------------------|--------------|
| Development Support | | | |
| Africa | 44 280 717 | 38 723 000 | 87.5% |
| Asia | 27 162 765 | 21 182 000 | 78.0% |
| Europe | 11 070 179 | 8 312 000 | 75.1% |
| Interregional | 4 050 066 | 1 000 000 | 24.7% |
| Latin America | 19 926 323 | 18 465 000 | 92.7% |
| Near East | 9 058 611 | 7 104 984 | 78.4% |
| Subtotal | 115 548 661 | 94 786 984 | 82.0% |
| Emergency Assistance | | | |
| Africa | | 7 312 000 | |
| Asia | | 4 500 000 | |
| Europe | | 1 750 000 | |
| Interregional | | - | |
| Latin America | | 2 700 000 | |
| Near East | | 1 700 000 | |
| Subtotal | 20 250 328 | 17 962 000 | 88.7% |
| Grand Total | 135 798 989 | 112 748 984 | 83.0% |

Table 6 TCP Approvals against the 2018-19 Appropriation (as of 30 June 2021)

| Region | Allocation | Approval | Appr/Alloc |
|-----------------------------|--------------------|--------------------|---------------|
| Development Support | | | |
| Africa | 44 286 228 | 48 350 989 | 109.2% |
| Asia | 27 171 737 | 28 896 479 | 106.4% |
| Europe | 11 071 557 | 11 633 790 | 105.1% |
| Interregional | 3 471 917 | 3 672 000 | 105.8% |
| Latin America | 19 928 803 | 21 903 001 | 109.9% |
| Near East | 9 057 246 | 10 245 418 | 113.2% |
| Subtotal | 114 987 488 | 124 701 677 | 108.5% |
| Emergency Assistance | | | |
| Africa | | 11 008 959 | |
| Asia | | 4 207 262 | |
| Europe | | 500 000 | |
| Interregional | | 0 | |
| Latin America | | 4 139 976 | |
| Near East | | 2 622 794 | |
| Subtotal | 20 831 501 | 22 478 990 | 107.9% |
| Grand Total | 135 818 989 | 147 180 667 | 108.4% |

16. The cumulative average monthly TCP expenditure for the eighteen months ended 30 June 2021 was USD 5.1 million. This compares with a cumulative average monthly TCP expenditure for the eighteen months ended 30 June 2019 of USD 4.9 million.

17. As reported to previous sessions of the Finance Committee, there was a decline in the expenditure rate against the 2018-19 biennium appropriation due to a slow-down of project activities associated with the COVID-19 crisis with most projects requiring an extension due to delayed delivery. In addition, adjustments to implementation modalities in response to COVID-19 such as reliance on virtual meetings and remote backstopping generated cost savings for projects approved against the 2018-19 biennium appropriation and early re-programming of these savings (in compliance with TCP criteria) was encouraged to ensure the timely, relevant and full commitment and utilization of the appropriation. This reprogramming consisted mainly of adjustments in the set of activities and inputs to better support stakeholders and vulnerable populations during COVID-19 early response and recovery and of changes in the modalities of implementation.

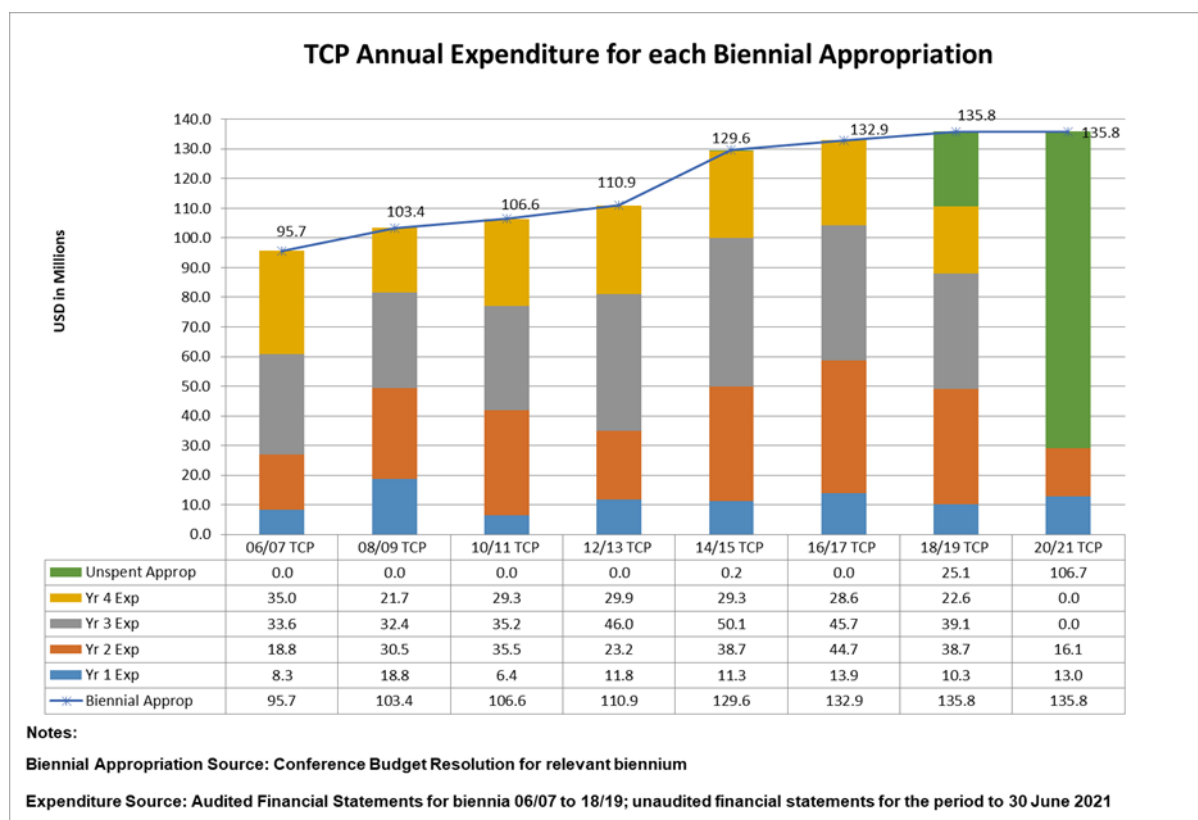
18. At the same time, the expenditure level against the 2020-21 biennium appropriation compares favourably with previous biennia due to a large share of the approvals made against this appropriation in early 2020 being for emergency assistance projects. These projects tend to have large procurement components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

19. Financial Regulation 4.3 of the Organization provides that the *“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.”* 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 30 June 2021, the available unspent appropriation from the 2018-19 biennium and the 2020-21 biennium totalled USD 131.8 million (USD 121.6 million as at 30 June 2019). Of this amount, USD 25.1 million was related to the 2018-19 appropriation and USD 106.7 million to the 2020-21 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 eighteen months ended 30 June 2021, the Organization recorded a net gain on exchange of USD 7.2 million, of which:

- USD 4.0 million of net gains were generated from Euro-Dollar translation differences¹ (non-cash); and
- USD 3.2 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 1 206.0 million at 30 June 2021 compared with USD 1 221.9 million at 31 December 2020. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

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.

25. Table 8 presents an analysis of the Trust Fund contributions received² from donors during the eighteen months ended 30 June 2021. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium (18 months to 30 June 2019).

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 eighteen months ended 30 June 2021 amounted to USD 1 474.7 million, compared with USD 1 195.5 million reported for the eighteen months ended 30 June 2019.

Table 8 - Analysis of Voluntary Contributions Received

| Eighteen months ended 30 June 2021 | USD 000's | Eighteen months ended 30 June 2019 | USD 000's |
|--|------------------|---|------------------|
| (1) European Union | 292,271 | (1) European Union | 243,781 |
| (2) United States | 256,750 | (2) United States | 202,982 |
| (3) Germany | 99,761 | (3) UN Office for the Coordination of Humanitarian Affairs (OCHA) | 89,135 |
| (4) Green Climate Fund (GCF) | 86,027 | (4) Global Environment Fund (GEF) | 72,140 |
| (5) UN Office for the Coordination of Humanitarian Affairs (OCHA) | 81,837 | (5) Sweden | 57,156 |
| (6) Global Environment Fund (GEF) | 78,242 | (6) United Kingdom | 53,891 |
| (7) United Kingdom | 67,542 | (7) Japan | 41,471 |
| (8) Sweden | 47,821 | (8) Norway | 32,447 |
| (9) Canada | 43,419 | (9) Germany | 31,513 |
| (10) UNDP Administered Donor Joint Trust Fund | 43,164 | (10) UNDP Administered Donor Joint Trust Fund | 26,690 |
| (11) Norway | 32,141 | (11) World Bank | 23,565 |
| (12) Italy | 28,260 | (12) Netherlands | 22,579 |
| (13) Netherlands | 27,818 | (13) Colombia | 20,623 |
| (14) Japan | 27,072 | (14) Italy | 17,500 |
| (15) World Food Programme, Administered Trust Fund | 26,356 | (15) Least Developed Countries Fund For Climate Change (LDCF) | 17,277 |
| (16) Republic of Korea | 25,198 | (16) Canada | 16,660 |
| (17) Saudi Arabia | 19,596 | (17) Pakistan | 15,872 |
| (18) World Bank | 19,159 | (18) Japan International Cooperation Agency (JICA) | 14,753 |
| (19) Global Development Program Of The Bill & Melinda Gates Foundation | 16,884 | (19) Guyana Redd Investment Fund (GRIF) | 14,692 |
| (20) Peace Building Fund (PBF) | 15,258 | (20) China | 13,786 |
| (21) Colombia | 13,973 | (21) Peace Building Fund (PBF) | 13,404 |
| (22) Switzerland | 13,328 | (22) Mexico | 13,244 |
| (23) Least Developed Countries Fund For Climate Change (LDCF) | 12,848 | (23) Switzerland | 12,308 |
| (24) Denmark | 12,205 | (24) France | 11,108 |
| (25) Russian Federation | 10,389 | (25) World Food Programme, Administered Trust Fund | 11,067 |
| Top 25 | 1,397,320 | Top 25 | 1,089,643 |
| Multi-donor | 99,923 | Multi-donor | 82,428 |
| Other donors | 252,493 | Other donors | 225,757 |
| Total | 1,749,736 | Total | 1,397,828 |

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.

2021 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) from 1 January through 30 June 2021 and forecast until 31 December 2021, with comparative figures for 2020. All figures are expressed in United States Dollars millions.

28. The percentage of 2021 assessed contributions paid to the Organization by Member Nations as at 30 June 2021 was 49.25 percent, a lower rate of receipts than the equivalent figure of 56.54 percent for the previous year. Further details on the status of current assessments and arrears as at 30 June 2021 are presented in document FC 188/INF/2.

29. Based on Members' past payment patterns and the Regular Programme cash level as at 30 June 2021, 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 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

