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# FINANCE COMMITTEE

**Hundred and Ninety-eighth Session**

**Rome, 6-10 November 2023**

**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 2023.
- Regular Programme Liquidity Position - As at 30 June 2023, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 495.7 million (USD 391.8 million at 31 December 2022).
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2023 was USD 1 013.0 million of which USD 435.3 million was unfunded (After Service Medical Coverage accounted for USD 370.5 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 64.8 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 2023 amounted to USD 577.8 million (USD 534.1 million at 31 December 2022). The increase of USD 43.7 million reflected an improvement in the value of both fixed income and equity securities.
- General and Related Fund deficit - The General Fund deficit decreased from USD 929.1 million as at 31 December 2022 to USD 616.1 million as at 30 June 2023, mainly due to the recognition as income of a full year of Member Nations assessments compared with six months of expenditure in 2023.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 30 June 2023 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 2023;**
- **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 eighteen months ended 30 June 2023. The report is organized as follows:

- Financial Results for the eighteen months ended 30 June 2023:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2023 presented by source of funds and including comparative balances as at 31 December 2022 – Table 1.
  - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the eighteen months ended 30 June 2023 presented by source of funds and including comparative balances for the eighteen months ended 30 June 2021 – Table 2.
- Summary Comment on Financial Results for the eighteen months ended 30 June 2022.
- Cash Flow for 2023 to 31 December 2023.

**Table 1**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
As at 30 June 2023

(USD 000)	Funds		Unaudited	Audited
	General and Related	Trust and UNDP	30 June 2023	31 December 2022
<b>ASSETS</b>				
Cash and Cash Equivalents	495,669	741,768	1,237,437	1,795,103
Investments - Held for Trading	-	1,542,422	1,542,422	778,505
Contributions Receivable from Member Nations and UNDP	323,718	13,341	337,059	198,351
less: Provision for Delays of Contributions	(60,320)	(11,348)	(71,668)	(70,053)
Accounts Receivable	39,663	4,755	44,418	48,521
Investments - Available for Sale	577,783		577,783	534,130
<b>TOTAL ASSETS</b>	<b>1,376,513</b>	<b>2,290,938</b>	<b>3,667,451</b>	<b>3,284,557</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	-	1,711,014	1,711,014	1,674,955
Unliquidated Obligations	52,490	545,672	598,162	605,095
Accounts Payable	82,022	-	82,022	89,979
Deferred Income	126,838	-	126,838	97,323
Staff Related Schemes	1,013,035	-	1,013,035	992,690
<b>TOTAL LIABILITIES</b>	<b>1,274,385</b>	<b>2,256,686</b>	<b>3,531,071</b>	<b>3,460,042</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	42,055	-	42,055	39,270
Capital Expenditure Account	56,424	-	56,424	54,619
Security Expenditure Account	23,146	-	23,146	23,806
Special Fund for Emergency and Rehabilitation Activities	-	34,252	34,252	13,545
Unrealised Gains / (Losses) on Investments	1,269	-	1,269	27,077
Actuarial (Gains)/ Losses	569,583	-	569,583	569,583
Fund Balances (deficit) , End of Period	(616,094)	-	(616,094)	(929,130)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>102,128</b>	<b>34,252</b>	<b>136,380</b>	<b>(175,485)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>1,376,513</b>	<b>2,290,938</b>	<b>3,667,451</b>	<b>3,284,557</b>

**Table 2**

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
For the Eighteen months ended 30 June 2023

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2023	30 June 2021
<b>INCOME:</b>				
Assessment on Member Nations	955,655	-	955,655	982,437
Voluntary Contributions	140,958	2,048,667	2,189,625	1,587,628
Funds Received Under Inter-Oganizational Arrangements	195	2,824	3,019	836
Jointly Financed Activities	30,617	-	30,617	31,490
Miscellaneous	71,620	22,660	94,280	27,026
Return on Investments - Long-Term	52,508	-	52,508	24,840
Net Other Sundry Income	30,593	-	30,593	20,025
(Loss) / Gain on Exchange Differences	798	-	798	7,222
<b>TOTAL INCOME</b>	<b>1,282,944</b>	<b>2,074,151</b>	<b>3,357,095</b>	<b>2,681,504</b>
<b>EXPENDITURE:</b>				
Regular Programme	835,756	-	835,756	797,009
Projects	-	2,051,491	2,051,491	1,474,730
<b>TOTAL EXPENDITURE</b>	<b>835,756</b>	<b>2,051,491</b>	<b>2,887,247</b>	<b>2,271,739</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>447,188</b>	<b>22,660</b>	<b>469,848</b>	<b>409,765</b>
Actuarial Gains or Losses	5,603	-	5,603	531
Interest Cost of Staff Related Liabilities	(54,431)	-	(54,431)	(41,834)
Provision for Contributions Receivable and Other Assets	(3,448)	-	(3,448)	(20,923)
Deferred Income	(36,717)	-	(36,717)	(48,193)
Net Movement in Capital Expenditure Account	(2,711)	-	(2,711)	(8,264)
Net Movement in Utilisation of Security Expenditure Account	3,078	-	3,078	3,203
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>358,562</b>	<b>22,660</b>	<b>381,222</b>	<b>294,285</b>
Transfer of Interest to Donor Accounts	-	(22,660)	(22,660)	(8,101)
Net Transfers from/(to) Reserves Special Reserve Account	(6,921)	-	(6,921)	(3,164)
Fund Balances, Beginning of Period (as previously reported)	(967,735)	-	(967,735)	(937,589)
<b>FUND BALANCES, END OF PERIOD</b>	<b>(616,094)</b>	<b>-</b>	<b>(616,094)</b>	<b>(654,569)</b>

## Summary Comment on Financial Results for the eighteen months ended 30 June 2023

### Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 495.7 million at 30 June 2023. This compared with USD 391.8 million at 31 December 2022.

### Investments – held for trading

3. The value of “Investments - held for trading” as at 30 June 2023 amounted to USD 1 542.4 million and together with “term deposits” and “liquidity funds” of a combined USD 1 107.0 million (disclosed within cash and cash equivalents), for a total of USD 2 649.4 million (USD 2 415.1 million as at 31 December 2022) mainly represented unspent balances on Trust Fund projects.

4. Given the higher level of interest rates in the United States of America, FAO’s prudent, low risk investment style generated returns of 2.26 percent in the six months to June 2023. These returns exceeded the weighted average benchmark return of 2.11 percent by 15 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 534.1 million at 31 December 2022 to USD 577.8 million as at 30 June 2023.

6. The return on the available-for-sale investment portfolio as at 30 June 2023 was 8.27 percent, versus a benchmark return of 7.86 percent exceeding the combined benchmark by 41 basis points.

7. The value of the long-term portfolio has increased due to the strong performance of the equity markets, particularly the developed markets, and some positive momentum in the EUR versus USD exchange rate.

### 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:

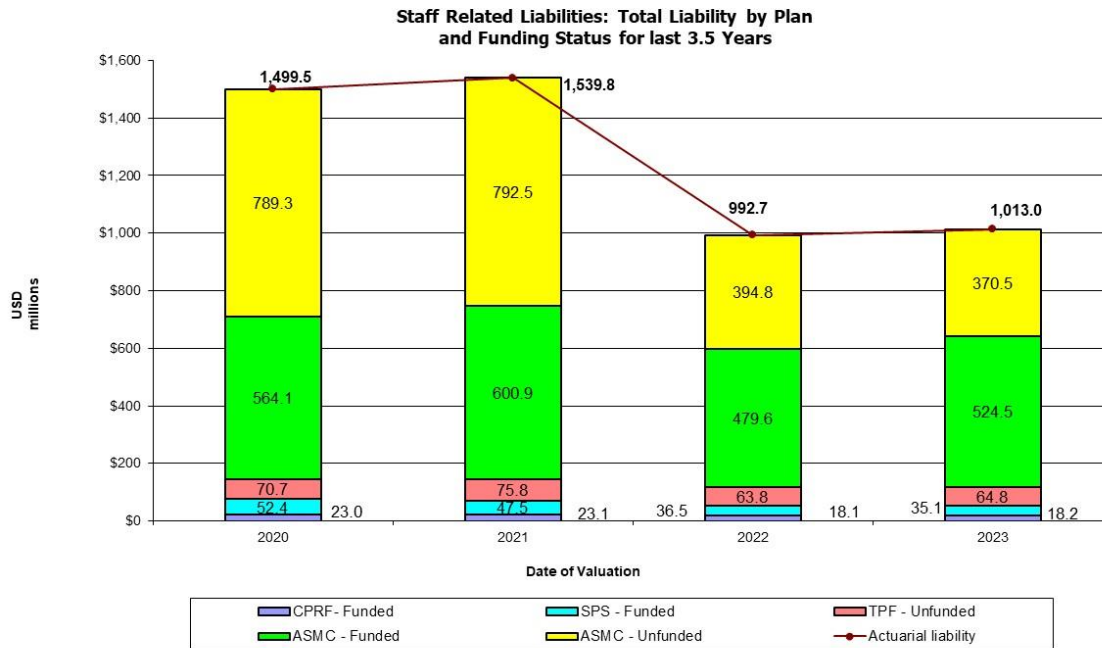
- After Service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

9. The results of the latest actuarial valuation as at 31 December 2022 and related funding requirements and issues were presented to the 195th Session of the Finance Committee in document FC 195/4, *2022 Actuarial Valuation of Staff Related Liabilities*.

10. The total liability of the Plans at 30 June 2023 amounted to USD 1 013.0 million, representing an increase of USD 20.3 million compared with the balance of USD 992.7 million as at 31 December 2022.

11. As at 30 June 2023, unfunded staff related liabilities amounted to USD 435.3 million, of which After Service Medical Coverage accounted for USD 370.5 million and the Termination Payments Fund accounted for USD 64.8 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

**Table 3**



**General and Related Fund Balance**

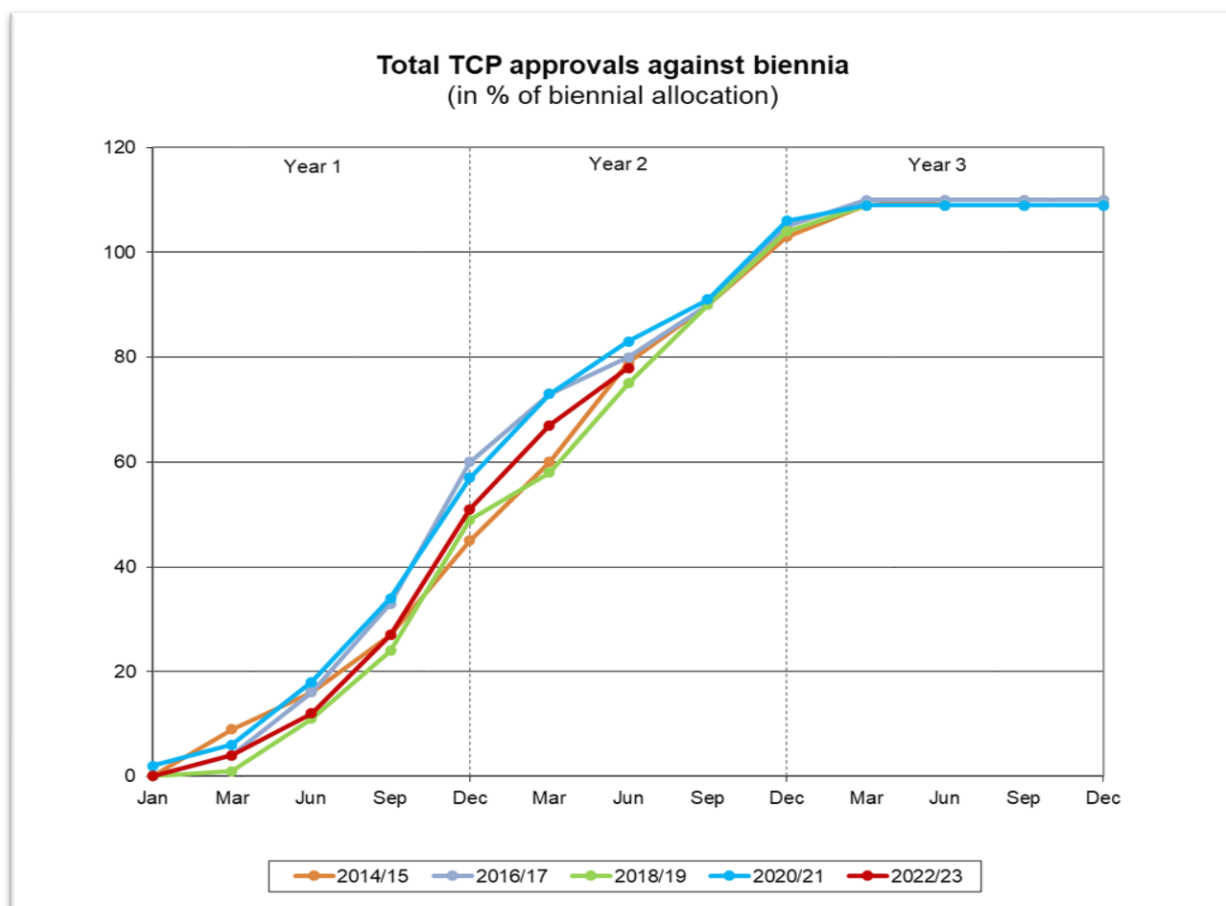
12. The General Fund deficit at 30 June 2023 was USD 616.1 million. This compared with USD 929.1 million at 31 December 2022 and USD 654.6 million at 30 June 2021, the comparative period in the 2020-21 biennium.

13. The reduction of USD 313.0 million in General Fund deficit at 30 June 2023 versus 31 December 2022 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 2023 at a value slightly higher than the deficit reported at 31 December 2022. 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. No particular issues affecting approvals have been observed.

**Table 4**



15. As of 30 June 2023, 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 2023, TCP projects for a total value of USD 105.8 million had been approved against the 2022-23 net appropriation of USD 135.8 million, corresponding to an approval rate of 77.9 percent. Full approval of the 2022-23 TCP appropriation is expected by the end of 2023.

17. Tables 5 and 6 provide approval data disaggregated by region as of 30 June 2023. All regions have exceeded a 100 percent approval rate against the 2020-21 appropriation. With regard to the allocation held by headquarters, funds not needed under the interregional window were used under the emergency window. Approvals against the 2022-23 appropriation are within historical ranges typical for the first semester of second year of a biennium.



**Table 5** - TCP Approvals against the 2020-21 Appropriation (as of 30 June 2023)

Region	Allocation	Approvals	Appr/Alloc
<b>Development Support</b>			
Africa	44 280 717	48 790 000	110.2%
Asia	27 162 765	29 169 000	107.4%
Europe	11 070 179	12 242 000	110.6%
Interregional	4 050 066	1 000 000	24.7%
Latin America	19 926 323	22 038 000	110.6%
Near East	9 058 611	9 990 984	110.3%
<b>Subtotal</b>	<b>115 548 661</b>	<b>123 229 984</b>	<b>106.7%</b>
<b>Emergency Assistance</b>			
Africa		9 712 000	
Asia		6 800 000	
Europe		2 050 000	
Interregional		-	
Latin America		4 300 000	
Near East		2 008 000	
<b>Subtotal</b>	<b>20 250 328</b>	<b>24 870 000</b>	<b>122.8%</b>
<b>Grand Total</b>	<b>135 798 989</b>	<b>148 099 984</b>	<b>109.1%</b>

**Table 6** - TCP Approvals against the 2022-23 Appropriation (as of 30 June 2023)

Region	Allocation	Approval	Appr/Alloc
<b>Development Support</b>			
Africa	44 280 717	34 069 000	76.9%
Asia	27 162 765	20 619 000	75.9%
Europe	11 070 179	7 541 000	68.1%
Interregional	4 050 066	640 000	15.8%
Latin America	19 926 323	18 469 000	92.7%
Near East	9 058 611	7 059 000	77.9%
<b>Subtotal</b>	<b>115 548 661</b>	<b>88 397 000</b>	<b>76.5%</b>
<b>Emergency Assistance</b>			
Africa		7 400 000	
Asia		2 650 000	
Europe		2 100 000	
Interregional		-	
Latin America		3 450 000	
Near East		1 800 000	
<b>Subtotal</b>	<b>20 250 328</b>	<b>17 400 000</b>	<b>85.9%</b>
<b>Grand Total</b>	<b>135 798 989</b>	<b>105 797 000</b>	<b>77.9%</b>

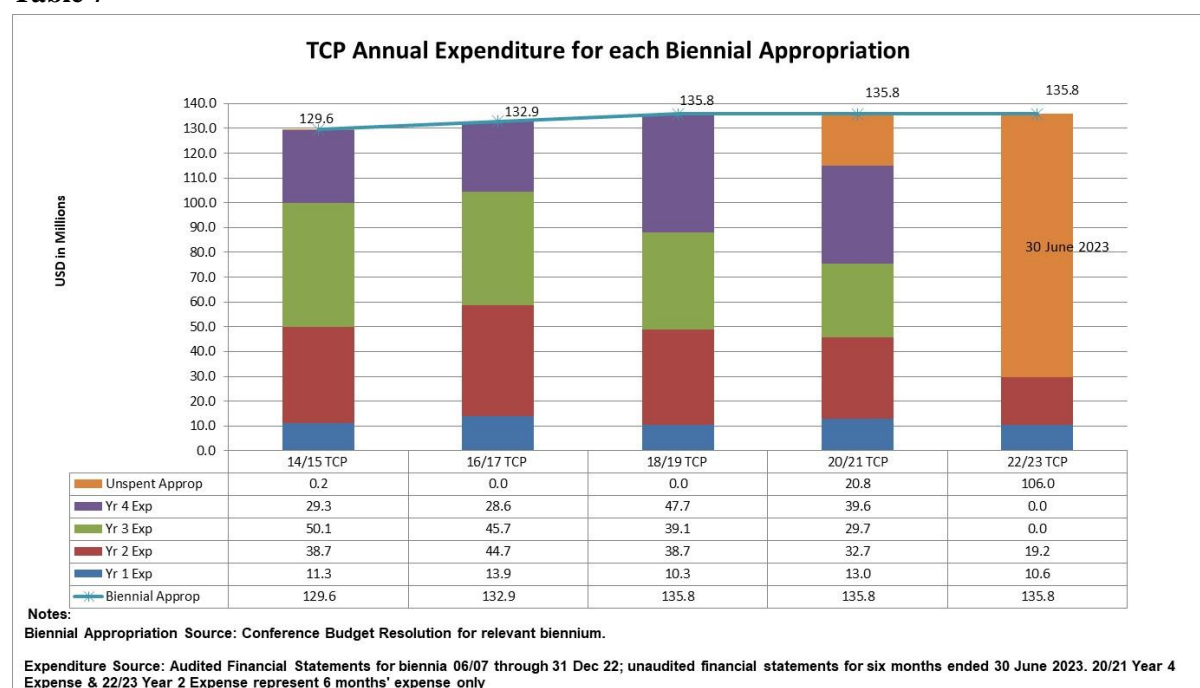
18. Table 7 illustrates historical TCP expenditure patterns and compares them with the status of expenditures of the 2020-21 and 2022-23 biennia as of 30 June 2023. Financial Regulation 4.3 of the Organization provides that the “appropriations voted by the Conference for the Technical Cooperation Programme, 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.” As such TCP expenditures are spread over four years.

19. The flow of expenditures is closely linked to the timing of approvals (see Table 4 above), in particular of emergency projects, which typically entail large procurement components that result in expenditure spikes in some years. Therefore, average monthly delivery rates for a year can vary without indicating a particular performance issue. However, the cumulative average monthly TCP expenditure for the eighteen months ended 30 June 2023 was USD 5.5 million. This compares favourably with the cumulative average monthly TCP expenditure for the year ended 31 December 2022 and the equivalent eighteen-month period ended 30 June 2021 in the previous biennium, both USD 5.0 million.

20. The unspent balance on the 2020-21 biennium appropriation amounted to USD 20.8 million as at 30 June 2023, which represented 23.1 percent of the amount carried forward at 31 December 2022 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.

21. As at 30 June 2023, the available unspent appropriation on the 2022-23 appropriation totalled USD 106.0 million (compared with USD 106.7 that was available on the 2020-21 appropriation as at 30 June 2021). This amount is available for utilization until 31 December 2025.

**Table 7**



### Losses on Exchange Differences

22. During the eighteen months ended 30 June 2023, the Organization recorded a net gain on exchange of USD 0.8 million, of which:

- USD 6.1 million of net losses were generated from Euro-Dollar translation differences<sup>1</sup> (non-cash); and
- USD 6.9 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 1 711.0 million at 30 June 2023 compared with USD 1 633.1 million at 31 December 2022. 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 received<sup>2</sup> from donors during the eighteen months ended 30 June 2023. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium.

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<sup>1</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>2</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 8 - Analysis of Voluntary Contributions Received**

Eighteen months to 30 June 2023		USD 000's	Eighteen months to 30 June 2021		USD 000's
(1) United States of America		414,718	(1) European Union		302,045
(2) European Union		284,604	(2) United States of America		258,250
(3) World Bank		177,030	(3) Germany		102,574
(4) Global Environment Facility		172,942	(4) Green Climate Fund (GCF)		95,876
(5) Green Climate Fund (GCF)		146,260	(5) Global Environment Fund (GEF)		95,794
(6) UN Office for the Coordination of Humanitarian Affairs (OCHA)		125,489	(6) UN Office for the Coordination of Humanitarian Affairs (OCHA)		95,126
(7) Norway		98,084	(7) United Kingdom		67,409
(8) Japan		88,831	(8) Sweden		60,339
(9) Germany		79,868	(9) UNDP Administered Donor Joint Trust Fund		49,454
(10) UNDP Administered Donor Joint Trust Fund		73,223	(10) Norway		47,735
(11) South Sudan		69,890	(11) Canada		44,591
(12) Asian Development Bank		65,000	(12) Japan		37,578
(13) Canada		58,819	(13) Italy		33,433
(14) Sweden		55,541	(14) Netherlands		30,935
(15) Netherlands		43,250	(15) World Food Prog, Administered Trust Fund		26,539
(16) China		32,091	(16) Korea, Republic of		26,369
(17) Italy		29,869	(17) Saudi Arabia		21,611
(18) Saudi Arabia		28,755	(18) Belgium		19,644
(19) Somalia		23,462	(19) World Bank		19,159
(20) Korea, Republic of		23,386	(20) Global Development Program Of The Bill & Melinda Gates Foundation		16,392
(21) Congo, The Democratic Republic		22,497	(21) Switzerland		15,683
(22) United Kingdom		20,060	(22) Peace Building Fund		15,258
(23) Central African Rep		16,476	(23) Denmark		14,982
(24) Peace Building Fund		15,755	(24) Colombia		13,973
(25) France		15,256	(25) France		12,676
<b>Top 25</b>		<b>2,181,158</b>	<b>Top 25</b>		<b>1,523,426</b>
Other donors		324,247	Other donors		226,310
<b>Total</b>		<b>2,505,405</b>	<b>Total</b>		<b>1,749,736</b>

26. The increase in funds received in the eighteen months ended 30 June 2023 compared with the eighteen months ended 30 June 2021 reflects the significant overall increase in voluntary contributions mobilized by FAO, particularly in relation to emergency programming, as well as large-scale new engagement with international financial institutions, and includes contributions made by these donors to multidonor projects and programmes. Further analysis of contributions to multidonor projects and programmes is provided in Table 9, below.

**Table 9 - Analysis of Voluntary Contributions Received to multidonor projects and programmes**

Eighteen Months to 30 June 2023		USD 000's	Eighteen Months to 30 June 2021		USD 000's
(1) Norway		36,714	(1) Norway		15,594
(2) European Union		12,275	(2) Sweden		12,518
(3) Sweden		10,140	(3) European Union		9,773
(4) Denmark		8,317	(4) Belgium		8,037
(5) Germany		8,112	(5) Italy		5,173
(6) Italy		5,952	(6) France		4,833
(7) Switzerland		4,061	(7) New Zealand		3,604
(8) Belgium		4,018	(8) Netherlands		3,117
(9) Canada		3,749	(9) Germany		2,812
(10) Austria		3,025	(10) China		2,779
<b>Top 10</b>		<b>96,363</b>	<b>Top 10</b>		<b>68,241</b>
Others		28,612	Others		31,681
<b>Total</b>		<b>124,975</b>	<b>Total</b>		<b>99,923</b>

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 eighteen months ended 30 June 2023 amounted to USD 2 048.7 million, compared with USD 1 473.9 million reported for the eighteen months ended 30 June 2021.

### 2023 Cash Flow Forecast (Regular Programme)

28. Table 10 below presents the Organization's actual consolidated Regular Programme month-end short-term liquidity position (which includes cash and cash equivalents) of 2023 and a forecast from 1 July through 31 December 2023. All figures are expressed in millions United States Dollars.

29. The percentage of 2023 assessed contributions paid to the Organization by Member Nations as at 30 June 2023 was 48.5 percent, a lower rate of receipts than the equivalent figure of 51.8 percent for the previous year. Further details on the status of current assessments and arrears as at 30 June 2023 are presented in document FC 198/INF/2.

30. Based on Members' past payment patterns and the Regular Programme cash level as at 30 June 2023, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2023. 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 10 below is dependent on the actual timing of the receipts of the most significant contributions in 2023.

**Table 10**

