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Продовольственная и  
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منظمة  
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# FINANCE COMMITTEE

**Hundred and Seventy-fifth Session**

**Rome, 18 - 22 March 2019**

**Financial Position of the Organization**

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FC 175

### EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 31 December 2018.
- Regular Programme Liquidity Position - As at 31 December 2018, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 226.0 million (USD 162.5 million at 31 December 2017).
- Staff Related Liabilities - The total liability of the four plans as at 31 December 2018 was USD 1 364.5 million of which USD 875.9 million was unfunded (After Service Medical Coverage accounted for USD 820.3 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 55.6 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 2018 amounted to USD 488.6 million (USD 534.3 million at 31 December 2017). The decrease of USD 45.7 million was due to several factors including adverse market performance and foreign exchange rates.
- General and Related Fund deficit - The General Fund deficit decreased from USD 899.3 million as at 31 December 2017 to USD 851.8 million as at 31 December 2018.

### 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 2019;**
- **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 General Fund deficit had decreased to USD 851.8 million as at 31 December 2018 compared with USD 899.3 million as at the end of 2017 and that the deficit was primarily due to unfunded charges for staff related liabilities;**
- **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 2018.**

## 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 2018. The report is organized as follows:

- Financial Results for the year ended 31 December 2018:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2018 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 year ended 31 December 2018 presented by source of funds and including comparative balances for the year ended 31 December 2016 (equivalent period for the previous biennium) - Table 2.
- Summary Comment on Financial Results for the year ended 31 December 2018.
- Cash Flow for 2019 to 31 December 2019.

Table 1

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
**As at 31 December 2018**  
**(USD 000)**

	Funds		UNAUDITED	AUDITED
	General and Related	Trust and UNDP	31 December 2018	31 December 2017
<b>ASSETS</b>				
Cash and Cash Equivalents	226,049	726,053	952,102	680,203
Investments - Held for Trading	-	454,353	454,353	509,278
Contributions Receivable from Member Nations and UNDP	136,731	76,152	212,883	227,618
less: Provision for Delays of Contributions	(22,966)	(8,670)	(31,636)	(31,329)
Accounts Receivable	35,152	6,551	41,703	42,984
Investments - Available for Sale	488,597		488,597	534,344
<b>TOTAL ASSETS</b>	<b>863,563</b>	<b>1,254,439</b>	<b>2,118,002</b>	<b>1,963,098</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	14,119	926,989	941,108	797,791
Unliquidated Obligations	42,192	301,078	343,270	373,986
Accounts Payable	59,300	-	59,300	55,592
Deferred Income	86,974	-	86,974	74,344
Staff Related Schemes	1,364,437	-	1,364,437	1,527,423
<b>TOTAL LIABILITIES</b>	<b>1,567,022</b>	<b>1,228,067</b>	<b>2,795,089</b>	<b>2,829,136</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	31,139	-	31,139	30,434
Capital Expenditure Account	45,140	-	45,140	39,307
Security Expenditure Account	18,398	-	18,398	18,263
Special Fund for Development Finance Activities	-	-	-	-
Special Fund for Emergency and Rehabilitation Activities	-	26,372	26,372	34,993
Unrealised Gains / (Losses) on Investments	(8,844)	-	(8,844)	52,234
Actuarial (Gains)/ Losses	36,801	-	36,801	(167,712)
Fund Balances (deficit) , End of Period	(851,837)	-	(851,837)	(899,303)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>(703,459)</b>	<b>26,372</b>	<b>(677,087)</b>	<b>(866,039)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>863,563</b>	<b>1,254,439</b>	<b>2,118,002</b>	<b>1,963,097</b>

Table 2

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
for the year ended 31 December 2018  
(USD 000)

	Funds		UNAUDITED	AUDITED
	General and Related	Trust and UNDP	31 December 2018	31 December 2016
<b>INCOME:</b>				
Assessment on Member Nations	495,581	-	495,581	483,174
Voluntary Contributions	78,775	824,180	902,955	757,664
Funds Received Under Inter-Oganizational Arrangements	55	638	693	2,126
Jointly Financed Activities	18,943	-	18,943	19,918
Miscellaneous	16,981	14,302	31,283	13,774
Return on Investments - Long-Term	15,434		15,434	(9,514)
Net Other Sundry Income	11,849	-	11,849	9,238
(Loss) / Gain on Exchange Differences	(6,727)	-	(6,727)	3,071
<b>TOTAL INCOME</b>	<b>630,891</b>	<b>839,118</b>	<b>1,470,010</b>	<b>1,279,450</b>
<b>EXPENDITURE:</b>				
Regular Programme	527,871	-	527,871	514,843
Projects	-	824,817	824,817	692,272
<b>TOTAL EXPENDITURE</b>	<b>527,871</b>	<b>824,817</b>	<b>1,352,688</b>	<b>1,207,115</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>103,020</b>	<b>14,301</b>	<b>117,322</b>	<b>72,335</b>
Actuarial Gains or Losses	2,068	-	2,068	-
Interest Cost of Staff Related Liabilities	(37,272)	-	(37,272)	(35,633)
Prior service credit on Staff Related Liabilities	-	-	-	2,746
Provision for Contributions Receivable and Other Assets	(1,048)	-	(1,048)	(16,916)
Deferred Income	(12,630)	-	(12,630)	(2,234)
Net Movement in Capital Expenditure Account	(5,833)	-	(5,833)	(6,139)
Net Movement in Utilisation of Security Expenditure Account	(135)	-	(135)	(2,592)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>48,170</b>	<b>14,301</b>	<b>62,474</b>	<b>11,568</b>
Transfer of Interest to Donor Accounts	-	(14,302)	(14,302)	(1,372)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	(1,407)
Special Reserve Account	(705)	-	(705)	969
Fund Balances, Beginning of Period (as previously reported)	(899,303)	-	(899,303)	(922,188)
<b>FUND BALANCES, END OF PERIOD</b>	<b>(851,837)</b>	<b>-</b>	<b>(851,836)</b>	<b>(912,431)</b>

## Summary Comment on Financial Results for the year ended 31 December 2018

### Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 226.0 million at 31 December 2018. 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 2018 amounted to USD 723.6 million and together with "term deposits" of USD 604.3 million (disclosed within cash and cash equivalents), for a total of USD 1 327.9 million<sup>1</sup> (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 continuing low but gradually increasing interest rate environment in the United States generated returns of 1.98 percent in 2018. This exceeded the benchmark return of 1.82 percent by 16 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 534.3 million at 31 December 2017 to USD 488.6<sup>2</sup> million as at 31 December 2018. The overall decrease was due to a combination of adverse market performance and foreign exchange rates, in particular;

- overall performance of the long-term funds expressed in United States Dollars was negative 8.31 percent for 2018, compared with the benchmark return of negative 8.09 percent, representing a slight underperformance of 22 basis points;
- as more than 50 percent of the portfolio is based in Euro, performance was negatively affected by the decrease in value of the Euro versus the United States Dollars. As at 31 December 2018, the Euro had lost eight percent versus the United States Dollars.

### Staff Related Schemes

6. 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)

7. The results of the latest actuarial valuation as at 31 December 2018 and related funding requirements and issues are presented to the 175<sup>th</sup> Session of the Finance Committee in document FC 175/4, 2018 Actuarial Valuation of Staff Related Liabilities.

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<sup>1</sup> USD 1 327.9 million reported in FC 175/2 differ from USD 1 373.0 million reported in FC 175/3 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.

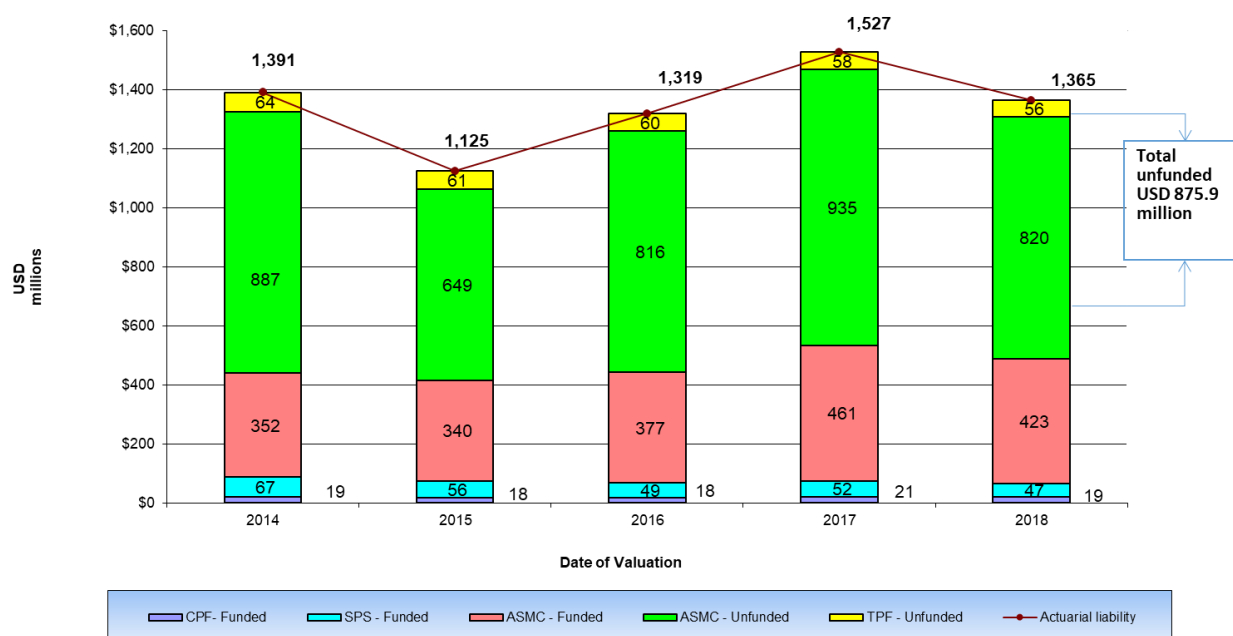
<sup>2</sup> USD 488.6 million reported in FC 175/2 differ from USD 491.0 million reported in FC 175/3 due to the differences in accounting valuation standards and the accounting classification of accrued interest income reported within Accounts Receivable.

8. The total liability of the Plans at 31 December 2018 amounted to USD 1 364.5 million, representing a decrease of USD 162.9 million compared with the balance of USD 1 527.4 million as at 31 December 2017.

9. As at 31 December 2018, unfunded staff related liabilities amounted to USD 875.9 million, of which After Service Medical Coverage accounted for USD 820.3 million and the Termination Payments Fund accounted for USD 55.6 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

10. The General Fund deficit decreased from USD 899.3 million as at 31 December 2017 to USD 851.8 million as at 31 December 2018.

### TCP Expenditure and Deferred Income

11. The average monthly TCP expenditure during the period was USD 4.7 million compared with an average of USD 5.3 million as at 31 December 2016, the first year of the previous biennium, and USD 5.8 million by the end of that biennium. During the year ended 31 December 2018, TCP expenditure charged against the 2018 appropriation amounted to USD 10.3 million whilst that against the 2016-17 appropriation amounted to USD 45.7 million.

12. As at 31 December 2018, the TCP deferred income (i.e. the available unspent appropriation from the prior biennium and from 2018) totalled USD 85.9 million. Of this amount USD 57.2 million related to the 2018 appropriation and USD 28.7 million to the 2016-17 appropriation. It is to be noted that while the total TCP deferred income of USD 85.9 million has increased compared with the same

reporting period for the previous biennium (USD 81.9 million as at 31 December 2016), full implementation of the TCP appropriation for 2016-17 and 2018-19 as approved by the Conference is forecast.

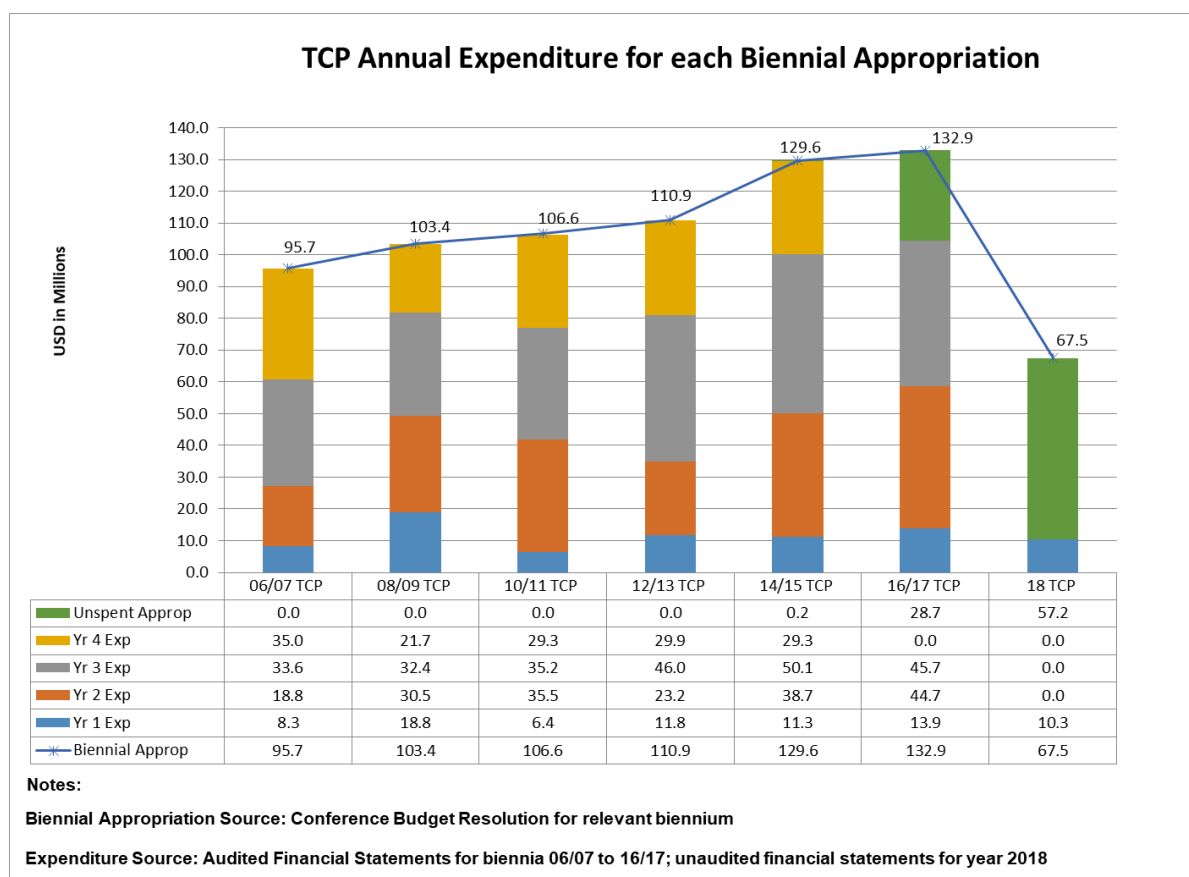
13. The average monthly TCP expenditure of all appropriations is shown in Table 4 below:

Table 4

Average monthly expenditure	Average monthly TCP expenditure						
	Time period						
	2018 12 months	2016-17 24 months	2014-15 24 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months
	4.7	5.8	5.2	4.1	4.0	4.9	2.5

14. Table 5 presents the TCP expenditure for all appropriation periods and TCP available appropriation (i.e. deferred income) for each year from 1 January 2006 to 31 December 2018. The expenditure incurred during the year ended 31 December 2018 against the 2016-17 appropriation represented 61.4 percent of the available brought forward balance of the appropriation. The balance of USD 28.6 million is available for expenditure through 31 December 2019. The expenditure incurred during 2018 against the 2018 share of appropriation represented 15.3 percent of that share, while the remaining USD 57.2 million are available for spending until 31 December 2021.

Table 5





### Losses on Exchange Differences

15. During the year ended 31 December 2018 the Organization recorded a net loss on exchange of USD 6.7 million, of which:

- USD 7.4 million of net losses were generated from Euro-Dollar translation differences<sup>3</sup> (non-cash); offset by
- USD 0.7 million actual cash backed foreign exchange net gains incurred by the Organization that were transferred to the Special Reserve Account.

### Voluntary Contributions

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

17. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 927.0 million at 31 December 2018 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.

18. Table 6 presents an analysis of the Trust Fund contributions received<sup>4</sup> from donors during the year ended 31 December 2018. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 31 December 2016.

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

20. Income reported on Trust Fund and UNDP projects for the year to 31 December 2018 amounted to USD 824.8 million, compared with USD 692.3 million reported for the year ended 31 December 2016, the first year of the previous biennium.

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<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.

<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.

Table 6 - Analysis of Voluntary Contributions Received

Year ended 31 December 2018	USD 000's	Year ended 31 December 2016	USD 000's
(1) European Union	184,268	(1) European Union	142,992
(2) United States	125,875	(2) United States	105,567
(3) UN Office for the Coordination of Humanitarian Affairs (OCHA)	57,045	(3) Global Environment Fund (GEF)	54,041
(4) Global Environment Fund (GEF)	53,656	(4) United Kingdom	49,609
(5) United Kingdom	44,042	(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	36,042
(6) Sweden	43,854	(6) UNDP Administered Donor Joint Trust Fund	25,914
(7) Norway	27,209	(7) Germany	21,987
(8) Germany	22,958	(8) Netherlands	20,290
(9) Netherlands	19,955	(9) Least Developed Countries Fund For Climate Change (LDCF)	16,730
(10) Colombia	18,922	(10) Japan	16,540
(11) UNDP Administered Donor Joint Trust Fund	18,006	(11) Norway	15,662
(12) Japan	17,202	(12) Canada	15,423
(13) Pakistan	15,872	(13) Switzerland	15,020
(14) Guyana Redd Investment Fund (GRIF)	14,792	(14) Japan International Cooperation Agency (JICA)	14,696
(15) Japan International Cooperation Agency (JICA)	14,753	(15) Saudi Arabia	12,544
(16) Canada	13,554	(16) Sweden	12,319
(17) Least Developed Countries Fund For Climate Change (LDCF)	13,380	(17) Belgium	11,773
(18) World Bank	12,772	(18) Italy	10,337
(19) Belgium	12,704	(19) UN Children Fund (Unicef)	8,044
(20) China	11,711	(20) Brazil	7,958
(21) Italy	10,728	(21) Mexico	7,202
(22) Mexico	10,177	(22) World Bank	6,596
(23) Peace Building Fund (PBF)	8,803	(23) Global Development Program Of The Bill & Melinda Gates Foundation (BMG)	6,333
(24) Switzerland	8,714	(24) Venezuela	5,192
(25) Global Agriculture And Food Security Programme (GAF)	8,460	(25) Special Climate Change Fund (SCCF)	4,818
<b>Top 25</b>	<b>789,412</b>	<b>Top 25</b>	<b>643,632</b>
<b>Multi-donor:</b>		<b>Multi-donor:</b>	
Multi-donor	54,980	Multi-donor	62,782
Other donors	162,297	Other donors	99,031
<b>Total</b>	<b>1,006,689</b>	<b>Total</b>	<b>805,445</b>

### 2019 Cash Flow Forecast (Regular Programme)

21. Table 7 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 2019 and comparative figures for 2018. All figures are expressed in United States Dollars millions.

22. The opening cash flow position was USD 226.0 million as at 31 December 2018 compared with USD 162.5 million at 31 December 2017. This increase reflected an improved rate of receipt of current assessed contributions during 2018 of 78.6 percent, compared with the equivalent figure of 69.1 percent for 2017 as well as significant receipts of arrears of contributions during 2018. Further details on the status of current assessments and arrears as at 31 December 2018 are presented in document FC 175/INF/2.

23. Based on Members' past payment patterns and the Regular Programme cash level as at 31 December 2018, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2019. The current forecast is based on a similar trend as in the previous Conference year (2017) 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 7 below is dependent on the actual timing of the receipts of the most significant contributions in 2019.

Table 7

