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CONFERENCE

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Audited Accounts – FAO 2024
Part B – Report of the External Auditor

Report of the External Auditor on the Food and Agriculture Organization of the United Nations (FAO) for the Financial Year ended 31 December 2024

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Our audit aims to provide independent assurance as well as add value to the Food and Agriculture Organization by making constructive recommendations.

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Executive Summary

Introduction

Report of the External Auditor

1. The report contains the results of the audit of the financial statements and operations of the Food and Agriculture Organization of the United Nations (FAO) for the financial year ending December 2024, pursuant to Financial Regulations 12.1 to 12.10 of FAO and the additional Terms of Reference (ToR) governing external audit, appended thereto.

2. The general objectives of the audit are to provide independent assurance on the fairness of presentation of the financial statements to Members, to help increase transparency and accountability in the Organization, and to support the objectives of the Organization's work through the external audit process.

3. In addition to the audit of the financial statements, audits of the Status of Funds (SOF) of the Global Environment Facility (GEF) and of the United Nations Development Programme (UNDP) for the period ended 31 December 2024, were carried out as per the United Nations System Accounting Standards (UNSAS), the guidelines issued by UNDP and the Financial Procedures Agreement (FPA) executed between FAO and GEF. Also, compliance audits were conducted at the Regional Office for Asia and the Pacific (RAP) in Thailand, the Regional Office for the Near East and North Africa (RNE) in Egypt, the Subregional Office for the Gulf Cooperation Council States and Yemen (SNG) in the United Arab Emirates, and five FAO Representations (FAORs) in Cambodia, Iraq (remote audit), Jordan, Pakistan (remote audit) and Sri Lanka. These audits were conducted in areas selected based on risk assessment, with the overall focus being on compliance to rules and regulations.

4. Further, two performance audits were conducted – a performance audit of the Office of Climate Change, Biodiversity and Environment (OCB) and a performance audit of the Hand-in-Hand (HIH) Initiative. The main objectives of the audits were to strengthen an economic, effective and efficient governance framework and to contribute to enhancing accountability and transparency. The results of the audit of these areas and offices were communicated to FAO Management. Their responses, wherever available, have been incorporated in this report.

5. The report contains 28 recommendations arising from audit observations. The recommendations have been categorized as Fundamental, Significant and Merits Attention.[1]

Overall results of audit

6. In line with our mandate, we audited the financial statements of FAO in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) and the International Public Sector Accounting Standards (IPSAS).

7. We concluded that the accounting policies were applied on a basis consistent with that of the preceding year, and the transactions of FAO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements were, in all significant respects, compliant with the Financial Regulations and legislative authority of FAO.

8. We identified important issues that need to be addressed by Management to further improve recording and reporting of financial management.

[1] **Fundamental**: Action is considered imperative to ensure that the Organization is not exposed to high risks. Failure to take action could result in serious financial consequences and major operational disruptions.
Significant: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in financial consequences and operational disruptions.
Merits Attention: Action is considered desirable and should result in enhanced control or better value for money.

Key Audit Findings

Performance audit of Office of Climate Change, Biodiversity and Environment (OCB): PPA-BE1 on *Climate change mitigating and adapted agrifood systems*

Alignment of SDG targets in Climate Change Action Plan

9. We observed that some SDG targets listed in the output lines of the FAO Action Plan on Climate Change were not in alignment with the targets of the Strategic Framework (SF) 2022-31. We consider that alignment of SDG targets with those identified in other FAO strategic documents would ensure strategic coherence of FAO's work as captured in the Action Plan, with the SF and the Medium-Term Plan and Programme of Work and Budget (MTP and PWB), and improve the identification of how outputs and projects contribute to the intended impact of the Programme Priority Areas (PPAs).

Linking of programmes/projects with the framework of the Strategy on Climate Change

10. We have noted a difficulty to establish a systematic mechanism to directly associate programmes/projects/ results with the outputs of the Action Plan for the implementation of the FAO Strategy on Climate Change (SCC). Indicating how the outputs in the AP contribute to PPA Outcomes and associated SDG Targets will enhance planning, comprehensive evaluation and the achievement of cross-sectoral objectives as intended by the SCC framework.

Development and utilization of digital tools

11. There was no formal centralized mechanism for monitoring the utilization of various tools developed under "Data for decision-making, monitoring and reporting" solution. Hence, verification of their utility and modifying/updating them keeping in view lessons learned and emerging technologies could not be ensured.

Mechanism for FAO's climate change focal points

12. Climate change focal points are integral to mainstreaming climate action into the technical working areas of different divisions in headquarters and Decentralized Offices. According to agreed Terms of Reference, the focal points are expected to enhance co-ordination and enable regular review and analysis of performance data, identify areas for improvement, etc and it was foreseen that they would dedicate up to 20 per cent of their time to these activities. However, there is no formal monitoring mechanism in place to ensure the same.

Data on baselines and milestones for output indicators

13. The first exercise since the adoption of the Strategic Framework, the MTP 2022-25 and PWB 2022-23 and the Adjustments to the PWB 2022-23 did not have baselines and milestones for the output indicators of PPA BE1. The Programme Implementation Report (PIR) 2022-23 reported the actual performance data for 2023, which was included as baseline data for the biennium 2024-25 in alignment with the Reviewed Strategic Framework (SF) 2022-31 and the outline of the MTP 2026-29 for output indicators. However, no milestones have been defined, despite the biennium being well underway. FAO informed that the completion of the first programming cycle in 2023 allowed them to meaningfully include milestones for output indicators in the Medium Term Plan 2026-29/Progamme of Work and Budget 2026-27.

Monitoring and reporting of output statements for PPAs in PIRES

14. Review of the Year-end Reporting exercise in the Programme Planning, Implementation Reporting and Evaluation Support System (PIRES) indicated gaps in documentation, attribution and the consistent application of reporting requirements. Incomplete documentation and lack of justification for unmet targets risk misrepresenting the achievement of PPAs.

Performance audit of the Hand-in-Hand (HIH) Initiative

Participation in HIH Initiative

15. In 2020, the HIH Initiative was planned to be rolled out initially in 44 priority countries, to provide a special level of support to accelerate progress towards SDG Indicators 1, 2 and 10. As of January 2025, the total participation in HIH stood at 75 countries and 5 regional initiatives. The annual HIH Investment Forum (IF) is a key pivot for engaging investors in government led and government prioritized agrifood investments. Within the limitations of available resources and data, HIH has been developing typologies for countries to facilitate participation in the IF. The IF held in 2022, 2023 and 2024 saw participation from 20, 31 and 29 countries respectively, along with 2 & 2 regional and 5 sub-regional initiatives respectively. Three priority countries that could not participate in the earlier IF are scheduled to participate in the Investment Forum 2025.

Partner matchmaking approach and screening process

16. The partner matchmaking approach brings together various stakeholders. However, the process of screening bilateral meeting requests lacks clear documentation and defined criteria. FAO's current screening method may benefit from a more standardized approach.

Resource mobilization post participation in Investment Fora

17. The total investment sought during the three Investment Fora (2022, 2023 and 2024) was USD 36.18 billion. Resources committed were USD 3.61 billion and USD 6.03 billion were under negotiation. While acknowledging the efforts of HIH, the global visibility and platform provided by the HIH Investment Fora, the challenges faced in some countries and the fact that agricultural investments take several years to mature, progress in terms of securing investments vis-à-vis the targeted amounts could be improved if additional follow-up capacity was available with HIH.

Requirement of financial and technical resources

18. In view of the increasing number of HIH countries, more technical and financial resources are necessary for timely support to member countries for HIH typology development and for preparation of stochastic frontier analysis and in follow up to the HIH Investment Fora.

Development of tools/applications of Geospatial Platform

19. The tools/applications related to the HIH Geospatial Platform are under use by many member countries and development organizations. Efforts to improve and upgrade the platform are ongoing by FAO, subject to the availability of resources.

Compliance audit

Interest income on unspent voluntary contributions

20. As per the terms of funding agreements, FAO is required to refund interest income on unspent balances to respective donors. FAO has followed the practice of returning interest income at the rate of 80 percent of the earned rate of return on its short-term portfolio, unless stated otherwise in the funding agreement. This approach lacked formal authorization and was neither disclosed to donors nor mentioned in the financial statements.

Letters of Agreement modality used where OPIM could have been considered

21. FAO has a framework for the Operational Partners Implementation Modality (OPIM), where there is a clear advantage to jointly deliver development results due to complementarity of skills, capacity and expertise and/or contribution to capacity development and sustainability of results. We noticed that multiple purchase orders were issued to the same government entities, research institutions,

etc. under the Letter of Agreement (LoA) modality, instead of considering the use of OPIM with eligible entities, to enhance efficiency.

Purchase orders without purchase requisitions

22. Instances of purchase orders issued without purchase requisitions were observed.

Open purchase orders beyond promised delivery dates

23. Review of open purchase orders (issued under MS 502 and Letters of Agreement issued under MS 507) indicated that the monitoring of procurements and implementation of LoAs for timely closure, intervention or application of penalties for default was weak.

Travel planning

24. Planning is a vital component of travel management, facilitates bundling of missions, better value for money and efficiencies in travel costs. We noted that there was no centralized travel planning system in FAO headquarters, raising concerns over effective planning, budgeting and monitoring of travel in FAO. A significant number of unplanned duty travels were observed in both headquarters as well as in two Regional Offices audited (Regional Office for the Near East and North Africa and Regional Office for the Asia and the Pacific). Quarterly travel planning was not implemented in the Subregional Office for the Gulf Cooperation Council States and Yemen and the FAO Representation in Jordan.

Audit recommendations

25. Based on our findings, we have made the following recommendations which would contribute towards better management, enhance transparency and improve efficiency of operations:

Sl. No	Recommendation	Priority	Timeline
Financial audit			
1.	Audit recommends FAO to disclose in the notes to accounts the income, expenses, gains and losses relating to Fair Value through Surplus or Deficit (FVSD) and Fair Value through Net Assets (FVNA) instruments separately, to improve the traceability of income/gains/losses associated with funds earmarked for post-employment benefit obligations.	Merits Attention	2025
Performance audit of the Office of Climate Change, Biodiversity and Environment (OCB)			
2.	Audit recommends Office of Climate Change, Biodiversity and Environment (OCB) to consider improving the alignment of Sustainable Development Goal (SDG) targets listed in the output lines of the FAO Action Plan on climate change with the relevant targets of the Strategic Framework 2022-31, giving priority, whenever possible, to the targets relevant to the Programme Priority Area on *Climate change mitigating and adapted agrifood systems*. Such alignment could be done in the updated Action Plan document, thereby ensuring transparency and strategic consistency.	Significant	2026
3.	Audit recommends OCB to encourage stronger integration of the framework of strategy on climate change and its Action Plan into planning efforts under	Fundamental	2025

	PPA BE1, leveraging the network of climate change focal points to facilitate coordination and implementation.		
4.	Audit recommends OCB to monitor the utilization of various tools, assess the requirements of stakeholders, provide necessary training as well as update the tools in line with the vision of the Strategic Framework 2022-31. Further, the available tools may be made more visible to enhance awareness and utilization.	Significant	2025
5.	Audit recommends OCB to regularly monitor and evaluate the performance of the focal points as per the Terms of Reference (ToR), including the submission of progress reports and performance data, to ensure strategic alignment and effectiveness in mainstreaming of PPA BE1 across various divisions and Decentralized Offices.	Fundamental	2025
6.	Audit recommends OCB to take up the issue with Office of Strategy, Programme and Budget (OSP) to ensure that baselines and milestones for the PPA on *Climate change mitigating and adapted agrifood systems* output indicators are clearly outlined in the upcoming programme documents, prior to biennium implementation, to enhance performance management, monitoring and evaluation framework.	Significant	Implemented*
7.	Audit recommends that during the year-end reporting exercise, OCB to verify the status of its milestones and deliverables and initiate corrective actions where necessary. For the next biennium, OCB to ensure that milestones and deliverables logically follow the formulation of output statements.	Significant	2025
8.	Audit recommends OCB to maximize the use of the Programme Planning, Implementation Reporting and Evaluation Support System (PIRES) reporting framework to define quantifiable outputs, document lessons learned and comprehensively report on risks and mitigation actions for incomplete or delayed milestones and deliverables.	Significant	2025
9.	Audit recommends that any changes in the Sustainable Development Goal (SDG) indicators related to the PPA BE1 to be recalled in the guidance for the formulation of biennial workplans and projects/programmes, so that FAO's contribution through the PPA BE1 is captured and monitored effectively.	Merits Attention	2025
Performance audit of Hand-in-Hand (HIH) Initiative			
10.	Audit recommends HIH, within their limited resources, to make additional efforts to provide support to all eligible countries and bridge investment gaps.	Merits Attention	2025
11.	Audit recommends HIH to establish and document clear criteria for screening and shortlisting private sectors to ensure a standardized and a more transparent process and enhance accountability.	Significant	Implemented*
12.	Audit recommends HIH to automate the screening process for bilateral meeting requests, ensuring the	Merits Attention	Implemented*

	system captures all relevant information, including the rationale for accepting or declining each request. The existing matchmaking application could be enhanced to include a field for documenting the rationale behind declined requests, to enhance transparency.		
13.	Audit recommends FAO to implement a robust follow-up process, post-forum, to ensure that potential commitments are actively pursued. Audit further recommends FAO to consider the requirement for additional financial and technical resources be allocated to HIH to enable more follow-up to take place at country level.	Fundamental	Implemented*
14.	Audit recommends FAO to encourage countries to replicate successful models like the Pakistan National Investment Forum by organizing local, subregional and regional investment events tailored to the specific needs and interests of local stakeholders and investors, to increase the chances of attracting relevant investors.	Significant	Implemented*
15.	Audit recommends FAO to establish a robust tracking mechanism with additional resources to HIH to enable capture the outcomes of negotiations and subsequent actions post-forum. This would include monitoring each commitment from the initial discussions at the HIH Investment Forum through to final agreements and actual delivery of HIH objectives.	Significant	2025
16.	Audit recommends FAO to implement a systematic process for conducting periodic reviews of national and regional investment fora along with international investment fora for each country, to assess the effectiveness of the fora in translating negotiations into actual investments.	Significant	2025
17.	Audit recommends FAO to document and share success cases within HIH so that more Member Governments can engage successfully with investors.	Merits Attention	2025
18.	Audit recommends FAO to consider providing additional technical and financial resources to HIH in line with the Council recommendation of December 2024, with focus on development and enhancement of the HIH tools and approaches, to better support its growing number of Member Governments, so as to not only increase the number of countries benefiting from HIH but also improve its ability to monitor progress and evaluate long-term impact.	Significant	Implemented*
19.	Audit recommends FAO, in line with the Council recommendation of December 2024, to provide additional resources to continue the ongoing efforts for development of geospatial platform related applications/tools to support country-level HIH efforts and to facilitate country and regional initiative engagements with investors.	Significant	Ongoing
20.	Audit appreciates the considerable efforts of the HIH in enhancing the Monitoring and Evaluation (M&E) dashboard in line with the guidance of FAO Governing	Merits Attention	Implemented*

	Bodies and recommends that HIH explore the possibility of including all key indicators and expedite efforts to incorporate regional initiatives as well into the Monitoring and Evaluation (M&E) system.		
Compliance audit			
21.	To promote transparency and in recognition of the fiduciary nature of its relationship with donors, Audit recommends FAO to disclose the methodology used for calculating interest payable on unspent donor balances in its submission to the Finance Committee.	Significant	2026
22.	Audit recommends FAO to review the highlighted cases and similar instances where multiple POs have been frequently awarded to the same agency eligible under FAO Manual Section (MS) 701 and explore the feasibility of adopting an Operational Partners Implementation Modality (OPIM) to improve efficiency and compliance.	Fundamental	2025
23.	Audit recommends, in compliance with the extant MS provisions, FAO to ensure that purchase orders are not issued without a purchase requisition.	Fundamental	2026
24.	Audit recommends FAO to conduct routine review of purchase orders that remain open beyond the promised delivery date and take appropriate action, including closure, while ensuring compliance with relevant Manual provisions.	Significant	2026
25.	Audit recommends FAO to actively monitor and address system bugs in TALEO to maintain data integrity with the Global Resource Management System (GRMS), while also ensuring regular oversight of cases where National Project Personnel (NPPs) continue beyond the allowed 12-month engagement period at any one stretch. Audit further recommends the Human Resources Division (CSH), as the business process owner, to review and track implementation of relevant policies and procedures across both headquarters and field offices by developing necessary tools to monitor and enforce them.	Merits Attention	2025
26.	Audit recommends FAO to consider establishing a centralized system of Quarterly Travel Plans (QTPs) from all divisions at headquarters to facilitate the bundling of missions where feasible and support economic and strategic travel planning.	Significant	2025
27.	Audit recommends FAO to strengthen travel planning in Decentralized Offices to ensure greater efficiency and effectiveness.	Significant	2025
28.	Audit recommends FAO to ensure adherence to Manual provisions for the submission of Back-to-Office Reports (BTORs) and the processing of Travel Expense Claims (TECs) with all mandatory documentation.	Merits Attention	2025

*Management stated that these recommendations are implemented. This will be verified in next audit.

MANDATE, SCOPE AND METHODOLOGY

Mandate

26. The Comptroller and Auditor General of India was appointed by the 161st Session of the FAO Council as the External Auditor of the Organization for a period of six years, commencing with the year 2020.

27. External audit draws its mandate from Article 12 of the Financial Regulations of FAO which states that audit shall be conducted in conformity with generally accepted common auditing standards and subject to any special directions of the Finance Committee, in accordance with the Additional Terms of Reference (ToR) set out in Annex I to these Regulations. The External Auditor, in addition to certifying the accounts, may make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls and, in general, the administration and management of the Organization.

28. This is the fifth year of our audit mandate and the fifth report to be issued on an annual basis by the Comptroller and Auditor General of India, as the External Auditor.

Scope

29. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It includes the assessment of the accounting principles used and significant estimates made by the Organization, as well as the overall presentation of the financial statements. It also includes an assessment of FAO's compliance with financial regulations and legislative authority.

30. The primary objectives of the audit are to provide an independent opinion on whether:

a) the financial statements present fairly the financial position of FAO as at 31 December 2024, the results of its financial performance, the changes in its net assets/equity, the cash flows of the Organization and the comparison of its budget with actual amounts of expenditures for the financial year ended 31 December 2024, in accordance with IPSAS;

b) the accounting policies set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial period; and

c) the transactions that have come to our notice or that we have tested as part of the audit, comply in all significant respects with the financial regulations and legislative authority.

31. During the financial year 2024, apart from the audit of the financial statements at headquarters, we audited the FAO Regional Office for Asia and the Pacific (RAP) in Thailand, the Regional Office for the Near East and North Africa (RNE) in Egypt and the Subregional Office for the Gulf Cooperation Council States and Yemen (SNG) in the United Arab Emirates, and five FAO Representations (FAORs) in Cambodia, Iraq, Jordan, Pakistan and Sri Lanka.

32. Two performance audits were conducted: one of the Office of Climate Change, Biodiversity and Environment (OCB) and the other of the Hand-in-Hand (HIH) Initiative. We audited the financial statements of the FAO Credit Union for the year 2024 and issued a separate report. Further, we reviewed and certified the Status of Funds of the programmes implemented in cooperation with or on behalf of other agencies, namely the United Nations Development Programme (UNDP) and the Global Environment Facility (GEF).

Methodology and auditor's responsibilities

33. We conducted our audit in accordance with the International Standards on Auditing (ISA). These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements. The audit includes examining evidence supporting the amounts and the disclosures in the financial statements on a test basis. The audit also includes assessing the accounting principles used and the significant estimates made by Management as well as evaluating the overall presentation of the financial statements. We adopted a risk-based audit approach in the audit of the financial statements based on an understanding of the entity and its

environment, which requires the conduct of a risk assessment to identify all possible material misstatements in the financial statements and the assertions accompanying it.

34. The External Auditor's responsibility is to express an opinion on the financial statements based on an audit. An audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free from material misstatements caused by either fraud or error.

35. We also reviewed the effectiveness of management controls in key areas of operations, risk management, operations of selected Regional and Country Offices with a focus on project implementation, procurement management, asset management, travel management and the internal control environment in line with Financial Regulation 12.4. We coordinated our planned audit areas with the Office of the Inspector General (OIG) to avoid unnecessary duplication of efforts and determine the extent of reliance that can be placed on the latter's work. We also collaborated with the Oversight Advisory Committee (OAC) to further enhance our audit work.

36. We reported the audit results to FAO Management in the form of Management Letters which contain detailed observations and recommendations. The practice provides for a continuing engagement with the FAO Management.

AUDIT FINDINGS AND RECOMMENDATIONS

Follow-up of previous external audit recommendations

37. The External Auditors of FAO make recommendations for improvements in the working of FAO in the long form audit report each year. The status of implementation/compliance of recommendations made in previous years' external audit reports as provided by Management at the time of the audit for the financial year 2024 is presented in the following table:

Table 1: Status of implementation of recommendations

External audit report	Total recommendations	Outstanding as per external audit report 2023	Implemented*	Outstanding recommendations (as of May 2025)
2017	29	1	1	-
2018	41	3	1	2
2019	42	9	0	9
2020	48	12	0	12
2021	20	4	1	3
2022	31	18[2]	6	12
2023	34	34	10	24
Total	**245**	**81**	**19**	**62**

**As verified by External Audit.*
Source: Information provided by FAO.

38. The above table shows that out of 34 recommendations made by the External Auditor for the financial year 2023, 10 (29.41 percent) have been implemented and the remaining are in the process of implementation. There were 47 outstanding recommendations for the period 2017 to 2022, out of which 9 (19.14 percent) have been implemented.

[2] The figure as per the 2023 report (19) has been updated to reflect corrected information.

Table 2: Key financial facts	
	(Figures in USD Million)
Total Revenue:	**2320.37**
Total Expenses:	**2199.07**
Surplus for the year[3]:	**133.98**
Assets:	**6358.22**
Liabilities:	**1790.91**
Net assets:	**4567.30**
Employee benefits and other personnel costs:	**448.08**

RESULTS OF AUDIT

39. This section presents the results of the audit for the year 2024, which covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Governing Bodies. To ensure balanced reporting and to co-develop solutions, we afforded FAO Management the opportunity to respond to our audit observations and recommendations**.** The recommendations are designed to support the objectives of FAO**'**s mandate, to reinforce accountability and transparency, and to improve FAO's financial management and governance.

A. FINANCIAL AUDIT

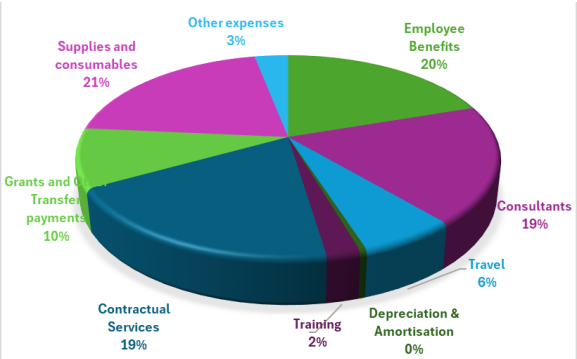
Financial overview

40. FAO's surplus stood at USD 3.78 billion (USD 3.65 billion in 2023 and USD 3.34 billion in 2022), in addition to the reserves of USD 0.79 billion (2024), USD 0.65 billion (2023) and USD 0.64 billion (2022).

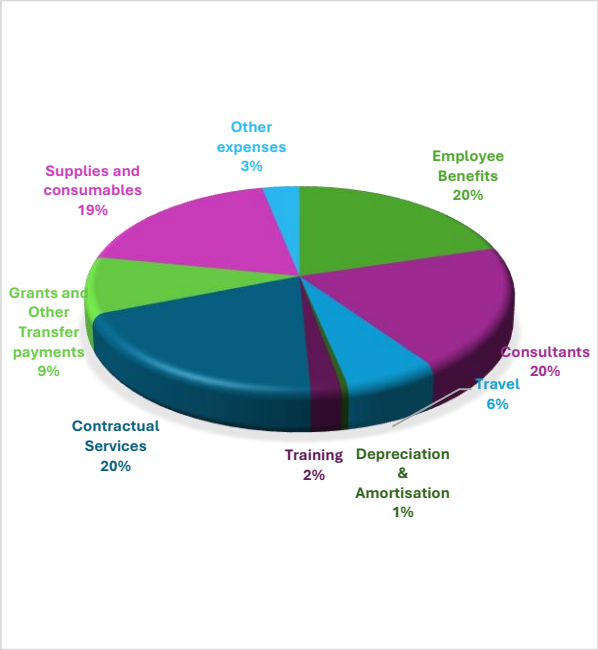
41. FAO earned a total revenue of USD 2.32 billion and USD 2.40 billion in 2024 and 2023 respectively. The total revenue decreased by 3.26 percent in 2024. FAO's total revenue comprised mainly of voluntary contributions (74.95 percent) and assessed contributions (21.97 percent). Voluntary contributions decreased by 5.82 percent in 2024 compared to 2023.

42. Total expenditure of FAO was USD 2.20 billion in 2024, compared to USD 2.19 billion in 2023, reflecting a marginal increase of 0.25 percent. The analysis of line-item wise expenditure is graphically presented in charts below.

[3] Includes USD 12.68 million of non-operating revenue net of related expenses.



2023 Expenses



2024 Expenses

43. The total assets of FAO increased by 2.09 percent in 2024 (USD 6.36 billion) from that of 2023 (USD 6.23 billion), mainly due to increases in investments and derivative financial instruments by 27.7 percent, prepayments and other current assets by 19.5 percent, prepayments and other non-current assets by 25.5 percent and property plant and equipment by 8.22 percent.

44. Total liabilities decreased by 7.29 percent in 2024 (USD 1.79 billion) over that of 2023 (USD 1.93 billion). The decrease was primarily caused by decrease of 11.12 percent in non-current employee benefit obligations.

Financial management

45. We analysed the liquidity and solvency of FAO to assess its ability to meet short-term commitments, long-term obligations and operating needs**.** The results of the analysis are discussed in the succeeding paragraphs.

Short-term Solvency

46. The short-term solvency viz. current, quick and cash ratios are detailed below:

Table 3: -Short-term solvency ratios

Ratio	2024	2023	2022
Current Ratio[4] (Current Assets/Current Liabilities)	4.96	4.71	5.10
Quick Ratio[5] (Quick Assets/Current Liabilities)	4.83	4.61	4.99
Cash Ratio[6] (Cash and cash equivalents/Current liabilities)	1.71	2.00	2.18

Source: FAO financial statements 2024, 2023, 2022.

[4] A high ratio indicates an entity's ability to discharge its current liabilities.
[5] Quick Ratio is more conservative than the current ratio as it excludes inventory, prepayments and other current assets.
[6] Cash Ratio is cash and cash equivalents to cover current liabilities.

Long-term solvency

47. The ability of FAO to meet total liabilities is as follows.

Table 4: Long-term solvency ratios

(Amount in USD million)

Description and ratio	2024	2023	2022
Total Liabilities	1790.92	1931.84	1800.58
Net Assets	4567.30	4296.06	3971.22
Total Liabilities to Net Asset Ratio[7]	0.39	0.44	0.45

Source: FAO financial statements 2024, 2023, 2022.

48. The total liabilities, which was 0.45 times of the net assets in the year 2022, reduced over the two years to 0.39 during the year 2024.

Changes made in the financial statements and note disclosures on the recommendations of audit

49. Based on our audit observations and recommendations, we worked with Management to help secure necessary amendments in the financial statements. Some of the important amendments recommended by audit and carried out by Management are outlined in Annexure 1.

AUDIT FINDINGS

Earmarking of investments held at FVSD for employee benefits and accounting thereof

50. The investments held by FAO are classified into two categories- Fair Value through Surplus or Deficit (FVSD) and Fair Value through Net Assets (FVNA), in compliance with IPSAS 41. The categorization by type of instruments is given below:

Table 5: Major investment categories

Investment types	Types of instruments
Current (FVSD)	Short-term investments
Non-Current (FVSD)	Equity
Non-Current (FVNA)	Bonds

51. Note 21 of the Audited Financial Statements (AFS) 2024 provides details of investments held at FVSD and FVNA. As stated in Note 4.4 and 4.5 of the AFS 2024, the income/gains(losses) earned on equity investments and bonds are not available for use in the Organization's current operations and are designated for funding its post-employment benefit obligations. However, measures to ensure ring-fencing of income from non-current equity investments held at FVSD for employee benefits are not adequately disclosed and cross-referenced in the accounts. Better traceability of income/gains/losses associated with funds earmarked for post-employment benefit obligations is desirable.

52. Management stated that it would move towards such a presentation in the 2025 financial statements, for traceability of income/gains/losses from equity and bonds earmarked for funding post-employment benefit obligations.

[7] A low ratio is a good indicator of solvency.

Recommendation 1:

Audit recommends FAO to disclose in the notes to accounts the income, expenses, gains and losses relating to Fair Value through Surplus or Deficit (FVSD) and Fair Value through Net Assets (FVNA) instruments separately, to improve the traceability of income/gains/losses associated with funds earmarked for post-employment benefit obligations.

53. Management accepted the recommendation.

B. MANAGEMENT MATTERS

B.1 Performance audit of the Office of Climate Change, Biodiversity and Environment (OCB): PPA BE1 on *Climate change mitigating and adapted agrifood systems*

Introduction

54. FAO's work on climate action is guided by the Strategy on Climate Change 2022-2031. The Office of Climate Change, Biodiversity and Environment (OCB) is responsible for the coordination of FAO's climate work involving all technical divisions, units in headquarters and Decentralized Offices, and for coordinating and reporting on the progress and impact of the strategy's implementation at the corporate level through the corporate reporting arrangements of the Medium-Term Plans (MTPs).

55. OCB promotes integration of innovative approaches in the activities of the Organization, for the sustainable use, management and conservation of natural resources for food and agriculture. OCB assists FAO Members in their responses towards the challenge of climate change mitigation and adaptation, as well as the development of adaptive capacities of agriculture, fisheries and forestry for conservation and sustainable use of biodiversity and other natural resources. It provides a coordination role on climate change, biodiversity and the environment.

56. OCB also serves as the FAO focal point for a multidisciplinary and global approach to the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and topics on bioenergy and bioeconomy. The OCB also assists FAO Members in their responses towards the interlinked challenges of food insecurity, climate change, biodiversity loss and environmental degradation including through facilitating access to financing from the Global Environment Facility (GEF) and the Green Climate Fund (GCF). In addition, OCB hosts the Globally Important Agricultural Heritage Systems (GIAHS) Programme, the Treaty on Plant Genetic Resources for Food and Agriculture, the Commission on Genetic Resources for Food and Agriculture and FAO's work on socio-environmental safeguards.

57. OCB is leading the implementation, monitoring and reporting of the Programme Priority Area (PPA), Better Environment (PPA BE1): *Climate* Change Mitigating and Adapted Agrifood Systems.

AUDIT OBJECTIVES

58. The Performance Audit of OCB through the lens of PPA BE1, i.e. *Climate change mitigating and adapted agrifood systems*, was conducted to ascertain whether:

- The functioning of OCB was in line with the objectives and outcomes envisaged in FAO's Strategy on Climate change (2022-2031) and Strategic Framework (2022-31).
- Capacity development and communication efforts for implementation of the Strategy on Climate Change were adequate.
- Program/project formulation, implementation, monitoring and evaluation under PPA BE1 were carried out efficiently and effectively.

59. The audit covered the period from January 2022 to October 2024.

AUDIT FINDINGS AND RECOMMENDATIONS

Programme Priority Area (PPA) on Better environment and the Strategy on Climate Change: Non-alignment of SDG targets in the Action Plan

60. FAO's Strategic Framework (SF) 2022-31 outlines 20 Programme Priority Areas (PPAs) under the Four Betters (better production, better nutrition, better environment and better life). Each PPA has a defined outcome statement and specific SDG targets. The SDG targets are updated in the Medium-Term Plan and Programme of Work and Budget (MTP and PWB).

61. The FAO Strategy on Climate Change 2022-2031 (SCC) aims to address the global challenge of climate change as a comprehensive and cross-sectoral action and is aligned with the SF. In the Action Plan 2022-25 developed for the implementation of the SCC, each output line is cross-referenced with the relevant PPAs and SDG targets.

62. However, our review of 52 output lines revealed that while 45 were referenced with PPA BE1, 5 of them (11 percent) were not aligned with the SDG targets as defined in the SF, the MTP and PWB for PPA BE1. These output lines are summarized below.

Table 6: Output lines and SDG targets

Sl. No.	Output No.	Description	Relevant PPA	Relevant SDG targets
1	2.2.1.3	FAO's support and assistance provided to countries to integrate overlapping climate change, biodiversity loss and land degradation considerations into relevant national plans and legislation, including nationally determined contributions (NDCs), National Adaptation Plans (NAPs), National Biodiversity Strategies and Action Plans, REDD+ strategies and LTS.	BP1; BP2; BE1; BE3	15.5
2	3.2.2.3	A green cities approach promoted to ensure access to a healthy environment and healthy diets from sustainable agrifood systems, increasing availability of green spaces through urban and peri-urban forestry, and to contribute to climate change mitigation, adaptation and resilience, and sustainable natural resources management.	BN1; BE1; BE3; BE4	11.6; 11.7
3	C.2.1	Dialogue enhanced between FAO and donors in an effort to mobilize climate finance to implement climate action, programmes and projects in the framework of the SCC.	BE1; BL6	17.2; 17.3
4	C.2.2	Support provided to relevant divisions/units in headquarters, Regional, Subregional and Country Offices in their efforts to mobilize extrabudgetary funds to implement the SCC, from internal and external levels/sources, vertical funds and private sector.	BE1; BL6	17.2; 17.3
5	C.2.3	Identification and monitoring of partnerships and resource mobilization opportunities for FAO climate action increased.	BE1; BL6	17.2; 17.3

63. Alignment of SDG targets under the Action Plan with the SF is essential for keeping the strategic focus, identifying and reporting on the contribution to PPAs/Strategic Framework. We consider that alignment of SDG targets with those identified in other FAO strategic documents would ensure strategic coherence of climate action, adherence to FAO's overall objectives, and better capture the intended contributions of the Programme Priority Areas (PPAs).

64. OCB committed to addressing strategic coherence in the future.

Recommendation 2:

Audit recommends Office of Climate Change, Biodiversity and Environment (OCB) to consider improving the alignment of Sustainable Development Goal (SDG) targets listed in the output lines of the FAO Action Plan on climate change with the relevant targets of the Strategic Framework 2022-31, giving priority, whenever possible, to the targets relevant to the PPA on *Climate change mitigating and adapted agrifood systems*. Such alignment could be done in the updated Action Plan document, thereby ensuring transparency and strategic consistency.

65. Management accepted the recommendation.

Linking of programs/projects with the Strategy on Climate Change (SCC) framework

66. The FAO Strategy on Climate Change outlines a three-tier implementation framework of mutually reinforcing pillars viz. (a) Global and Regional levels,[8] (b) Country level[9] and (c) Local level.[10] The Action Plan 2022-25 outlines 16 Action Areas under the three pillars and cross-cutting initiatives.

67. We observed that results were not systematically linked to the pillars, outputs and action areas outlined in Action Plan for the implementation of the SCC. Results were linked manually during the preparation of the biennial report, which is included as an annex to the Programme Implementation Report (PIR), FAO's main accountability document, submitted to the FAO Conference as mandated in the Basic Texts. Annex 5 of the PIR 2022-23 details the key achievements on the implementation of the SCC per pillar and action area. Further, it is not possible to directly identify the project contributions to the SSC/Action plan from the Field Programme Management Information System (FPMIS), as projects are formulated in light of the FAO Strategic Framework.

68. Absence of a systematic mechanism to directly associate programs/projects with the pillars, action areas, and outputs limits planning and comprehensive evaluation. It may also hinder the achievement of cross sectoral objectives as intended by the SCC framework. In the absence of any systematic mechanism, the achievement of objectives envisaged under each of the pillars could not be assessed in Audit.

69. OCB acknowledged the absence of a systematic modality to attribute the contribution of results captured in biennial work plans and projects to the outputs, action areas and pillars of the Action Plan noting that it would result in significantly more complex reporting interfaces.

Recommendation 3:

Audit recommends OCB to encourage stronger integration of the framework of strategy on climate change and its Action Plan into planning efforts under PPA BE1, leveraging the network of climate change focal points to facilitate coordination and implementation.

70. Management accepted the recommendation.

Development and utilization of digital tools

71. As per the Strategic Framework 2022-31, to progress and maximize FAO's efforts in meeting the SDGs, FAO will apply four cross-cutting/cross-sectional accelerators: technology, innovation, data and complements (governance, human capital, and institutions) in all their programmatic interventions.

72. OCB implements ten main solutions to global climate change, biodiversity and environmental challenges. Under its "Data for decision-making, monitoring and reporting", OCB develops/manages state-of-the-art tools and undertakes capacity development to facilitate foresight and modelling work to help different stakeholders (ranging from farmers to policymakers) make more informed decisions in their agricultural planning. Data and information tools also support evaluating impacts as well as provide the needed reporting of achievement in international obligations and commitments.

[8] Strengthening global and regional climate policy and governance.
[9] Developing countries' capacities for climate action.
[10] Scaling up climate action on the ground.

73. Following is a list of the tools developed or managed by OCB and that are in use:

Table 7: Online tools and purpose

Sl. No.	Tools	Classification of the purpose (risk assessment, reporting, others)
1	ABC-Map	A geospatial app that holistically assesses the environmental impact of policies, plans and investments in the agriculture, forestry and other land use (AFOLU) sector.
2	NEXT	Greenhouse gas accounting tool (climate change mitigation) to support environmental impact assessment for the agriculture, forestry and other land use (AFOLU) sector.
3	EarthMap	Monitoring of the Earth (land, climate, and other remote sensing data).
4	STRATA	Identification and visualization of hotspots of climate, environment, and peace/security risks.
5	Collect Earth	Visual interpretation tool for land monitoring in the AFOLU sector, for example the preparation of Activity Data under the UNFCCC reporting mechanism.
6	Climate Risk Toolbox	Rapid screening of climate risks for formulation of projects and policies.
7	CAVA	Detailed assessments of climate hazards, impacts and risks for formulation of projects and policies.
8	ASIS	Monitoring and early warning of agricultural drought.
9	NDC Tracking Tool	Tracking and reporting on progress made in implementing and achieving nationally determined contributions (NDCs).
10	CCK-Hub	Supporting governments, national experts and GHG inventory practitioners to develop the land representation for estimating GHG emissions/removals from the land use, land-use change and forestry (LULUCF) sector.
11	CAR Tool	Providing national adaptation planners and practitioners with practical guidance for transitioning from high-level NDC and NAP planning to actual implementation of locally relevant adaptation actions.
12	WWF Toolkit	Taking stock of good practices, initiatives, and tools for food system transformation through nationally determined contributions (NDCs), National Adaptation Plans (NAPs) and National Biodiversity Strategies and Action Plans (NBSAPs).
13	BTR Guidance and Roadmap tool	Tool to support the preparation of a Biennial Transparency Report under the Enhanced Transparency Framework under the Paris Agreement.
14	LoGIc tool	Supporting governments, national experts and GHG inventory practitioners in developing the land representation for estimating GHG emissions/removals from the LULUCF sector.

74. Our review of the details provided regarding these tools indicated the following:

Table 8: Observations on tools

Tool	Comments
STRATA	This tool is like the Earth Map tool with the addition of peace and security-related stress factors. It facilitates access to open tools. The tool development is under process.
Collect Earth	The projects that supported this tool started in 2013 and 2018 respectively.
Climate Risk Toolbox	This tool is made available through the Hand in Hand Initiative and was launched in 2022. However, since 2020 it has been retrospectively applied in 200 GEF projects for climate risk screenings
CAVA	The tool was launched in 2020. It has more advanced utility as compared to the Climate risk toolbox with the additional feature of datasets, indicators, and analytical functions.
ASIS	The tool was launched in 2021. The details of countries utilising this tool were not provided. Drought-risk-prone countries should be mapped with this tool and its utility should have been assessed with the assessment done by the mapped countries. Country specific training for drought-risk-mapped countries has not been imparted which may limit its reach and utility.
CCK-Hub	The tool is undergoing an update. Mainly a repository of information for utilization by the stakeholders.
WWF Toolkit	No training was provided regarding this Toolkit which may limit its utility. It is mainly to provide information about good practices, initiatives and tools for food system transformation through NDCs, NAPs and NBSAPs.
BTR Guidance and Roadmap tool	It is used for reporting purposes by helping in the preparation of the Biennial Transparency Report under the Enhanced Transparency Framework. The tool is not available on the FAO website, which may restrict its utility/user access.
LoGIc tool	Mainly a reporting tool. Tool has been developed in 2023, but no effective utilization of the tool has been reported as yet.

75. No formal centralized mechanism exists for monitoring the utilization of the tools, verifying their utility and modifying/updating them keeping in view lessons learned and emerging technologies.

76. We observed that out of seven tools[11] that were developed prior to 2022, two tools (CCK-Hub and CAVA) have been updated. The Strategic Framework 2022-31 emphasizes the need for leveraging new technologies such as digital tools and Artificial Intelligence allowing optimized management of natural resources and early warning of food security threats. However, the existing tools do not adequately address these priorities, and action is needed for translating FAO's strategic vision going forward.

77. Management replied that with the review of the biennial Transparency Report by the United Nations Framework Convention on Climate Change (UNFCCC) in the coming years, the requirement for training in certain tools will increase and more requests for the same will be received. Further, other potential training needs relating to loss and damage, just transition, carbon markets, etc. depending on UNFCCC decisions as well as emerging topics will be considered. It was also stated that hosting of tools on a partner website ensures sufficient coverage as it targets a specific audience. For the ASIS tool

[11] Collect Earth, CAVA, Earth Map, ASIS, CCK-Hub, Climate Risk Toolbox, BTR Guidance and Roadmap.

it was informed that for country-level customization, efforts are being made to ensure that the interested countries have the tool installed and received the related training and equipment. It was also stated that there would be budgetary and human capacity implications to undertake such work and additional resources would need to be mobilized.

Recommendation 4:

Audit recommends OCB to monitor the utilization of various tools, assess the requirements of stakeholders, provide necessary training as well as update the tools in line with the vision of the Strategic Framework 2022-31. Further, the available tools may be made more visible to enhance awareness and utilization.

78. Management accepted the recommendation, noting that its implementation would be contingent upon the availability of additional resources.

Mechanism for FAO's climate change focal points

79. Climate change focal points are integral to mainstreaming climate action within FAO. The ToRs for climate change focal points explain the primary objective and define their associated responsibilities within FAO. They are responsible for mainstreaming PPA BE1 into technical working areas of different divisions, headquarters and Decentralized Offices, enhancing co-ordination, regularly reviewing and analysing performance data to identify areas for improvement, etc.

80. While it was foreseen that the focal points would dedicate up to 20 percent of their time to these activities, there is no formal monitoring mechanism by OCB in place to ensure the same.

81. Further, OCB is responsible for the following, which was not being performed:

- Conduct strategic planning sessions to outline progress on milestones for the implementation of the Strategy on Climate Change and its Action Plan.
- Regularly review and analyse progress data to identify areas for improvement and success stories.
- Facilitate effective reporting practices, focusing on the specific requirements outlined in FAO's Strategy on Climate Change.

82. Management stated that the time allocation is approved by the respective divisions that nominated the focal points from their staff body and OCB does not have any compliance monitoring mechanism since the network was established as a modality to encourage collaboration. The focal points are responsible for the implementation of the above-mentioned activities as per the supervision and reporting lines of the division/office they represent. It was also informed that focal points are invited by OCB to take part in quarterly meetings and annual workshops for instance, to consult them in the OSP strategic programming exercise on BE1 priorities, inform about FAO's participation in UNFCCC and COP, to ensure alignment in key messages, organization of events and to take stock of ongoing initiatives, projects, and programmes on specific topics.

83. There was scope for enhancing the fulfilment of assigned responsibilities by OCB, vis-à-vis the focal point mechanism, in accordance with the ToR.

Recommendation 5:

Audit recommends OCB to regularly monitor and evaluate the performance of the focal points as per the Terms of Reference (ToR), including the submission of progress reports and performance data, to ensure strategic alignment and effectiveness in mainstreaming of PPA BE1 across various divisions and Decentralized Offices.

84. Management accepted the recommendation, noting that implementation of the recommendation is contingent upon the availability of additional resources.

Programme management, monitoring and evaluation

Absence of baseline and milestones data for output indicators

85. The Medium-Term Plan (MTP) provides the programmatic basis and results framework for the biennial Programme of Work and Budget (PWB). Annex I of MTP and PWB contains the updated Results Framework with the SDG targets, indicators, accelerators, output indicators, risk/mitigation, etc. associated with the Programme Priority Areas (PPAs).

86. We noted that the MTP 2022-25 and PWB 2022-23 and the Adjustments to the PWB 2022-23 did not have baseline and milestones for the output indicators of PPA BE1. Although PIR 2022-23 (Annex I) reported the actual performance data for 2023, it lacked contextual comparison, affecting accountability.

87. Although baseline data for the biennium 2024-25 has been provided in alignment with the Reviewed Strategic Framework (SF) 2022-31 and the outline of the MTP 2026-29 for output indicators, no milestones have been defined, despite the biennium being well underway.

88. Management stated that baseline data was unavailable at the start of SF 2022-31 implementation. However, with the conclusion of the first biennium, such data has now been included in the PIR 2022-23. As requested by the Council, it will also be incorporated into the MTP 2026-29 and related PWBs 2026-27 and 2028-29. The monitoring framework includes targets at corporate, PPA, country, and project levels. With the rollout of the new United Nations Sustainable Development Cooperation Framework (UNSDCF) and Country Programming Frameworks nearing completion, and data available from the first stakeholder survey, it is now feasible to meaningfully define these baselines and milestones and these will be included in the MTP 2026-29/PWB 2026-27. Progress is tracked through SDG indicators linked to each PPA outcome, while corporate output indicators do not impact project/programme-specific indicators, and defined their own baseline targets.

Recommendation 6:

Audit recommends OCB to take up the issue with Office of Strategy, Programme and Budget (OSP) to ensure that baselines and milestones for the PPA on *Climate change mitigating and adapted agrifood systems* output indicators are clearly outlined in the upcoming programme documents, prior to biennium implementation, to enhance performance management, monitoring and evaluation framework.

89. Management accepted the recommendation and informed that the baselines and milestones are published in Annex 1: Updated results framework 2026-29 of the Medium-Term Plan 2026-29.

Monitoring and reporting of output statements for PPA in PIRES

90. The Programme Planning, Implementation, Reporting, and Evaluation Support System (PIRES) serves as the primary tool for managing programming, budgeting, and results-based monitoring. Annually, minimum reporting requirements with regard to PIRES year-end monitoring are circulated for compliance by all teams. OCB is responsible for formulating its output statements in PIRES and attributing them to respective PPAs through consultation with the concerned teams. As the lead unit for PPA BE1, OCB also monitors implementation progress, coordinates with technical units, and leads reviews to identify course corrections and lessons learned.

91. PIRES had 24 and 21 output statements for biennium 2022-23 and 2024-25 respectively under PPA BE1 for the OCB. For the biennium 2022-23, the outlook indicated for 18 output statements was 'achieved', for 04 output statements it was 'on track' and for 02 statements the outlook was stated to be 'cancelled'. We observed the following with regard to the output statements for the biennium 2022-23:

- In three output statements where the milestones had not been achieved, the status was shown as achieved, without indicating the risks or challenges associated with them.
- In four output statements, supporting documents for the achieved status were not uploaded in the reporting framework as per the minimum reporting requirement.

- In one of the output statements, a project mapped with PPA BP4 and BP1 was found to be linked with PPA BE1.
- Four output statements remain "on track" although the biennium has concluded. No reporting was done for output statement IDs 14188 and 14242 due to framework limitations.
- Summary overview of contribution to SDG targets did not reference cross-cutting themes or accelerators for achieved output statements, as required.

92. Management stated that in 2022, lessons learned were mandatory only for achieved outputs while in 2023, reporting was required at the office/workplan level, not per output. At the same time, Management acknowledged where more background information could have been provided in the system to justify the achievement, and clarified that outputs are fixed per biennium, limiting mid-cycle adjustments. Management informed that it could take action in relation to the formulation of new output statements for the next biennium.

93. Thus, there were gaps in documentation, attribution, and the consistent application of reporting requirements. Incomplete documentation and lack of justification for unmet targets risk misrepresenting the PPA's performance.

Recommendation 7:

Audit recommends that during the year-end reporting exercise, OCB to verify the status of its milestones and deliverables and initiate corrective actions where necessary. For the next biennium, OCB to ensure that milestones and deliverables logically follow the formulation of output statements.

Recommendation 8:

Audit recommends OCB to maximize the use of the Programme Planning, Implementation Reporting and Evaluation Support System (PIRES) reporting framework to define quantifiable outputs, document lessons learned and comprehensively report on risks and mitigation actions for incomplete or delayed milestones and deliverables.

94. Management accepted the recommendations.

Evaluation of the PPA on *Climate change mitigating and adapted agrifood systems*

95. The Programme Implementation Report (PIR) 2022-23 informs about areas of work and results achieved during the 2022-23 biennium as planned in the PWB 2022-23 and subsequent adjustments. The full breadth of the Organization's results is captured and communicated through the corporate results framework in Annex-1, complemented by the reports on the implementation of the corporate thematic strategies in Annexes-4 and 5.

96. From Annex-1 of PIR 2022-23, we noted that for PPA BE1, two SDG indicators, i.e. 6.4.1 'Change in water use efficiency over time' and 6.4.2 'Level of water stress: freshwater withdrawal as a proportion of available freshwater resources', have been mentioned in the SDG indicators list for evaluation of the performance of the PPA. Both the SDG indicators were not a part of the MTP 2022-25 and PWB 2022-23 (C 2021/3) and the Adjustments to the PWB 2022-23 (CL 168/3). Also, Annex I: Updated Results Framework 2022-25 (PC 134/2) for the biennium 2022-23 does not have these indicators against this PPA.

97. Further, despite updates reflecting SDG 6, Annex-I: Updated Results Framework 2022-25 (PC 134/2) doesn't have any SDG indicators for SDG 6 which is aligned with the PPA on *Climate change mitigating and adapted agrifood systems*. Also, SDG indicators 6.4.1 and 6.4.2 for SDG 6 were only incorporated in July 2023 against PPA BE1, i.e. after one and half years of the biennium 2022-23. The output statements and deliverables/milestones of PIRES were also not aligned with indicators 6.4.1 and 6.4.2 for the whole biennium 2022-23. Similarly, they are not included in Annex-5 of PIR 2022-23 in the key achievements on the implementation of the SCC per pillar and action areas. Further, for the biennium 2024-25, no output statements in PIRES are aligned with the SDG Targets 6.4.1 and 6.4.2 for PPA BE1.

98. Management stated that additional changes emerging from other processes, including the Evaluation of FAO's contribution to SDG 6, were presented in the MTP (Reviewed) 2022-25, for Governing Body consideration. The MTP 2022-25 (Reviewed) and PWB 2024-25 were approved by the FAO Conference in July 2023. As the revision encompasses the 2022-23 biennium, the refinements were incorporated in the PIR 2022-23. Management also stated that FAO contributes to SDG Target 6.4 through PPAs BP1 and BL6 (secondary) as well.

99. Management's response is well noted. However, the revisions in the results framework should have been duly addressed in the output statements of PIRES and the alignment of projects in the Field Programme Management Information System (FPMIS) so that the implementation and achievement of projects and milestones have a component of newly added indicators to justify the inclusion of these indicators for evaluation. Assessing performance based on indicators that were not present during most of the biennium may lead to inaccuracies in evaluation of the PPA.

Recommendation 9:

Audit recommends that any changes in the Sustainable Development Goal (SDG) indicators related to the PPA BE1 be recalled in the guidance for the formulation of biennial work plans and projects/programmes, so that FAO's contribution through the PPA BE1 is captured and monitored effectively.

100. Accepting the recommendation, Management stated that the 2024 strategic programming exercise conducted by OSP has been an opportunity to incorporate the results of the process of fine tuning the contribution of each PPA to SDG indicators, during 2022-23, whose outcome is presented in the MTP 2026-29. Changes were kept minimal to maximize consistency with the previous strategic documents. The revision will be reflected in OCB's guidance as PPA leader for the results planning for 2026-27 to ensure that contribution to SDGs targets is captured and monitored effectively.

Project management

101. Out of the 1047 projects implemented under PPA BE1, we identified 67 projects totaling USD 109.48 million – implemented during the audit period and with more than 50 percent of their budgets allocated to PPA BE1 – where OCB played a significant role as the budget holder. Our review of 31 sampled projects indicated significant delays in the operational and financial closure of 10 projects.

102. As per operational guidelines for project closure, the initiation of project closure triggers the winding down of technical, operational and/or administrative actions to be completed by the project's 'not to exceed' (NTE) date. The operational closure should proceed within three months of the project's NTE date. Soon after operational closure, the budget holder should proceed with financial closure. This timeline ensures efficient project management, avoids further financial charges, and facilitates timely reporting. Our review indicated that in ten projects, closure was delayed significantly[12].

103. We also observed that while the 'Activities completed' stage in the project cycle should be achieved within 30 days of NTE prior to operational closure, delays were noticed in all the above projects.

104. OCB replied that the timelines mentioned are recommendatory and not obligatory. As some projects are implemented through country offices, adhering to the project closure timeline is sometimes beyond the jurisdiction of OCB. We consider that OCB needs to improve compliance with project cycle guidelines to promote effective and timely project management.

105. Management replied that while OCB is compliant with project cycle guidelines, some delays are due to external circumstances beyond its control. Management further stated that OCB is committed to ensure that such risks are mitigated through adequate and improved project management and monitoring and it has set up a dashboard to enhance its monitoring systems.

[12] Exceeding the NTE date by more than 200 days.

B.2 Performance Audit of Hand-in-Hand (HIH) Initiative

Introduction

106. The Hand-in-Hand (HIH) Initiative, launched in 2019, is a flagship programme of FAO and supports the development of nationally led ambitious programmes to accelerate agrifood systems transformation by eradicating poverty (SDG 1), ending hunger and malnutrition (SDG 2), and reducing inequalities (SDG 10). HIH seeks to achieve this through an innovative matchmaking approach which brings together beneficiary countries with donors, private sector organizations, international financial institutions, research institutions and civil society to mobilize support for country and regional-led food systems transformation.

107. HIH adopts a market-led food systems approach, and its areas of intervention include developing value chains for priority commodities, building agro-industries and efficient water management systems, introducing digital services and precision agriculture, reducing food losses and waste, and addressing climate challenges and weather risks. HIH uses advanced geospatial modelling and analytics to gain a comprehensive view of economic opportunities and to improve targeting and tailoring of policy interventions, innovation, finance and investment, and institutional reform accordingly.

108. HIH is a government-owned and government-led initiative based on countries expressing their interest in joining and utilizing the range of tools and approaches it offers. Once countries meet the established criteria to qualify as an HIH participant, the HIH process follows six structured steps:

- Handshake: initial engagement with the country.
- Development of typologies: creating tailored classifications based on data.
- Prioritization of investments: collaborating with the government and local stakeholders to identify investment priorities.
- Development of investment cases: preparing detailed proposals.
- Annual investment forum: presenting cases at the HIH investment forum.
- Implementation and monitoring: engaging partners and executing projects, supported by monitoring and evaluation (M&E).

109. The HIH prioritizes countries and territories where poverty and hunger are highest, national capacities are limited, or operational difficulties are greatest due to natural or man-made crises.

110. FAO leads the HIH with national governments and regional organizations and partners for regional initiatives.

111. All key decisions and leadership lie with national governments, supported by FAO Representatives (FAORs) who lead the coordination with the country, supported by focal points at national, regional and headquarters level and are responsible for ensuring effective engagement, partnerships and support in response to the government's request for HIH support and engagement.

112. At headquarters level, the overall supervision and coordination of the initiative is led by the FAO Chief Economist, supported by a Senior Co-ordinator, along with consultants and the focal points who support specific countries and regional initiatives. Upon selection of countries and specified territories, task teams are formed to support them.

Audit Objectives

113. The performance audit of HIH was conducted to assess:

- Whether country led programmes to accelerate agrifood systems transformations for eradicating poverty (SDG 1), ending hunger and malnutrition (SDG 2) and reducing inequalities (SDG 10) have been implemented as envisaged under HIH.
- Whether advanced geospatial modeling and analytics, as well as a partnership-building approach to accelerate the market-based transformation of agrifood systems have been used to

raise incomes, improve the nutritional status and well-being of poor and vulnerable populations, and strengthen resilience to climate change as envisaged.

114. The audit covered the period from 2020 to 2024.

AUDIT FINDINGS AND RECOMMENDATIONS

Participation in HIH Initiative

115. As per the concept note of the HIH Initiative presented to the FAO Council in 2019,13 it prioritizes those countries in situations that put large numbers of people at risk of being left behind, with the intention of providing a special level of support to help these countries overcome limited capacities or natural or man-made crises in order to accelerate progress towards SDGs 1, 2 and 10.

116. FAO projected that in the 44 priority countries identified, between 6 and 10 percent of the undernourished people (33-104 million) would no longer be undernourished by 2030, due to the HIH Initiative. Additionally, FAO estimated that the Initiative would help reduce poverty by 8-15 percent in the priority countries, which translates into between 41-100 million people escaping poverty.

117. In 2020, the initiative was to be rolled out in the 44 priority countries, with initiation to provide support to help them overcome limited capacities or natural or man-made crises. However, the decision to join HIH rested with the respective national governments and the list of countries was expected to evolve further. There is a specific focus on Least Developed Countries (LDSs), Landlocked Developing Countries (LLDCs), Small Island Developing State (SIDS) and countries experiencing food crisis situations were added due to the COVID 19 and other crisis. As per the HIH Monitoring and Evaluation (M&E) dashboard, 54, 67 and 75 member countries were part of the HIH Initiative for the years 2022, 2023 and 2024 respectively.

118. A project/work (Entity 673302) titled 'Support to FAO's initiatives in the transition period (Hand-in-Hand)' was undertaken by FAO headquarters with the following expected products: (i) setting up of GIS lab and (ii) core datasets for HIH focus countries, establishment of data innovation labs. While the expected end date of the project was 31 December 2020, the project concluded in June 2022.

119. The annual Hand-in-Hand Initiative Investment Forum (IF) is a key pivot event for engaging investors in government led and government prioritized agrifood investments. We noted that during the first ever Investment Forum 2022, a total of 20 member countries and 2 regional initiatives participated. The IF for the years 2023 and 2024 saw the participation of 31 and 29 member countries, in addition to 2 regional and 5 subregional initiatives.

120. A review of the participation of the initially identified priority countries (that were HIH members) in Investment Fora 2022 to 2024 indicated that Eritrea, Tajikistan and Tuvalu did not participate in any of the IFs between 2022 and 2024 while others did.

121. We noted that from 2023 onwards, Eritrea has made progress in prioritization of government identified agrifood investments. The typology for Eritrea was yet to be developed given data restrictions. The typology for Tajikistan had been prepared in 2021 and mapping for Tuvalu is under preparation.

122. FAO informed that preparation of HIH typologies depends on existing data that is available with FAO, data from other development partners and national statistical agencies, and that typologies were prepared for the countries that participated in the IF. Further, as HIH analysis team capacities are not unlimited, internal prioritization in typology preparation was necessary in alignment with progress in the steps of HIH and speed in programme development through relevant and intensive consultations with Country Offices and in line with countries prioritized for the annual Investment Fora. It was also informed that Eritrea has been invited to attend the Investment Forum 2025.

123. In Tuvalu, as a SIDS with limited data, poverty maps were being developed based on available government data. Efforts to have Tuvalu participate in the IF 2024 could not materialize as the

[13] CL 163/6 Information Note 1 – November 2019.

Government requested to postpone their participation until 2025 due to changes within the government. The country investment note is finalized for the IF in 2025. Similarly, the delayed participation of Tajikistan was due to internal ongoing processes and Tajikistan is shortlisted to participate in the HIH IF 2025 (July 2025).

124. While we acknowledge the constraints, in view of HIH's mission of fostering balanced development and ensuring no nation is left behind, engagement with eligible countries should continue to be prioritized. Delayed/non-participation (with HIH) of the above countries could result in delayed support and impact the achievement of the goal of helping reduce poverty in those countries.

Recommendation 10:

Audit recommends HIH, within their limited resources, to make additional efforts to provide support to all eligible countries and bridge investment gaps.

125. Management, while acknowledging the recommendation, stated that HIH was co-developed with the FAO Governing Bodies and within the available Regular Programme and related human resources have been able to provide support to most of the eligible countries, as seen from the number of HIH countries (and regional initiatives) who have participated in the Investment Fora. HIH planning is well underway for 30 countries and 6 regional initiatives for the investment forum in 2025, but the initiative is covering 80 active countries.

Investment planning approach and partner matchmaking

Selection of countries and regional initiatives for participation in Investment Forum

126. The HIH Investment Forum provides a platform for national authorities to present impact investment opportunities to corporations, multilateral development banks, and donors, with a focus on the growth potential of the agriculture sector and national business opportunities. The IF for the years 2022, 2023 and 2024 saw the participation of 20, 31 and 29 member countries, in addition to 2 & 2 regional and 5 subregional initiatives respectively.

127. On process/methodology for screening/shortlisting of member countries, FAO informed that screening and shortlisting of countries is done in close consultation with the countries, subregional and regional offices focal points and FAO Representatives. This includes a review of the country situation as well as the level of progress in the steps of the HIH. FAO also considers balanced regional participation including LDCs and SIDS. Management agreed to develop a short internal note on criteria for shortlisting HIH member countries for participation in the IF and keep the members informed.

128. FAO further informed that there were several constraints for holding the IF, like limited meeting room capacity within FAO, level of country readiness, specifically progress in moving through the six steps of the HIH process. Based on experience from 2023, a maximum of 30 countries and 5 regional initiatives can be reasonably accommodated in FAO.

Selection of investors for Investment Forum – Formalization of criteria and documentation

129. FAO/HIH's matchmaking approach brings together national and local authorities, donors, international financial institutions, the private sector, producer organizations, civil society organizations and investors. Investors and partners are sought for their ability to provide critical means of implementation, i.e. technology, data and information, capacity development, funding and financing for the Government- identified Investment Cases.

130. For matchmaking, HIH has an online application to facilitate interested investors and partners requesting bilateral meetings with the government, by completing a short online form.

131. Before the forum and during the forum, these requests are forwarded to the respective governments, via email, through the respective FAO Representatives for them to review and confirm or decline. The selection process has two stages- (i) screening by FAOR, i.e. all bilateral meeting requests are screened by the FAOR to ensure the source is a credible organization or entity, and the request for a bilateral meeting is valid and will be of legitimate interest to the respective country/regional initiative, and (ii) selection/decision by the country or regional initiative.

132. As per the details available on the HIH Monitoring and Evaluation (M&E) dashboard, in the IF 2023, as against 137 bilateral requests for meetings by the private sector through the IF webpage, 61 requests (44.52 percent) were not included in the IF. Similarly, in the 2024 IF, as against 263 bilateral requests for meetings, 40 (15.20 percent) were not included in the IF.

133. FAO informed that the screening and selection process takes place outside of the bilateral meeting application. In view of the limited staffing resources in HIH, and the confidentiality of the information, the FAORs are neither asked nor required to document their screening activities.

134. We noted that though the partner matchmaking approach successfully brings together various stakeholders, the process of screening bilateral meeting requests lacks clear documentation and defined criteria, making the process non-transparent. FAO's current screening method may benefit from a more standardized approach.

Recommendation 11:

Audit recommends HIH to establish and document clear criteria for screening and shortlisting private sectors to ensure a standardized and a more transparent process and enhance accountability.

135. Management replied that the initial screening by the FAOR is to remove requests that are irrelevant, unsuitable or inappropriate and relevant requests are forwarded to the government focal points for their decision. The new version of the bilateral matchmaking meeting application will require the FAOR to record, taking into account the necessary confidentiality, the reason for a bilateral meeting request being declined at the screening stage or the government consultation stage. Management will also prepare a guideline describing the process to be followed for the screening of private sector partners.

Recommendation 12:

Audit recommends HIH to automate the screening process for bilateral meeting requests, ensuring the system captures all relevant information, including the rationale for accepting or declining each request. The existing matchmaking application could be enhanced to include a field for documenting the rationale behind declined requests, to enhance transparency.

136. Management accepted the recommendation noting that the new version of the bilateral matchmaking meeting application will require the FAOR to record this information.

Resource mobilization in countries post participation in Investment Forum

Total investment sought and mobilized

137. We observed that while the total investment sought during the three IFs was USD 36.18 billion, resources totalling USD 3.61 billion were committed, while USD 6.03 billion was under negotiation. Out of these, USD 15.83 billion, USD 1.17 billion and USD 4.25 billion were resources sought, committed and under negotiation respectively, for the IF 2024.

Resource mobilization in specific countries/regional initiatives:

A. Resource Mobilization Post Investment Forum 2022:

138. As against the USD 3.75 billion sought during the IF 2022, USD 1.08 billion had been committed and USD 453.4 million was under negotiation. We further noted the following:

a) Ethiopia: Out of USD 155 million sought during the IF 2022, USD 100 million was reported to be under negotiation with the African Development Bank and is still ongoing.

b) Nepal: As against the USD 118.1 million sought during the IF 2022, while USD 10.1 million was committed by the Government of Nepal, an amount of USD 166 million was under negotiation.

c) Honduras: Out of USD 36.9 million sought, a concept note has been developed for USD 10 million.

d) Mali: Of the USD 65.9 million sought during the IF 2022 and 2023, FAO informed that negotiations were ongoing with the Government of Qatar for USD 25 million and support has also been engaged from the Government of Spain.

e) Investments sought for El Salvador (USD 21.3 million), Haiti (USD 5.8 million), the Niger (USD 110.2 million) and Yemen (USD 189.8 million) did not translate into resources committed or progress to negotiation stage. FAO noted that progress was limited in these countries due to a range of country-specific issues.

B. Resource Mobilization Post Investment Forum 2023:

139. As against USD 16.5 billion sought during the IF 2023, USD 1.36 billion had been committed and USD 1.33 billion was under negotiation. We further noted the following:

a) Togo: An investment of USD 119.5 million was sought during 2023. FAO informed that an African Development Bank (AfDB) project is currently under negotiation with Togo for an estimated USD 161 million.
b) Guinea Bissau: USD 127.4 million was sought during the Forum. Negotiations were ongoing with the World Bank and the WFP for a project worth USD 2.5 million.
c) Nigeria: Investments worth USD 3137 million were sought during the Forum. FAO informed that the Government committed some legacy investment projects as its contribution towards the realization of the entire investment proposed under the HIH value chain development track. These development projects have been established and implemented with the support of IFIs, federal and state governments as well as other development partners for a total amount of USD 1038.5 million.

d) The Sahel Initiative: Investments worth USD 2482.9 million were identified during the Forum, but there was no subsequent progress. FAO informed that there were military coups in three of the ten countries in the region in the last three years. The Economic Community of West African States (ECOWAS) has been effectively/partially suspended, with many investors including IFIs also suspending their support for regional initiatives.
e) Rwanda: Out of USD 501.8 million sought, USD 335 million was under negotiation in the year 2023. However, no major progress was observed towards resource commitment. FAO replied that different institutions have since signed financing agreements with the Government of Rwanda. In March 2024, the European Investment Bank and the Bank of Kigali signed a EUR 100 million agreement to support sustainable agriculture in Rwanda. Additionally, attracting investment was difficult due to some changes in the leadership in the Ministry of Agriculture and Animal Resources and other relevant institutions.
f) Cameroon: Investments worth USD 802 million were sought during the Forum 2023 but no commitments or resources under negotiation were reported. FAO informed that due to multiple conflicts and humanitarian issues, progress has been challenging. However, subsequent to the IF 2024, an amount of EUR 50 million was reported as under negotiation with the European Investment Bank.

140. As seen above, the gap between resources sought, actual negotiations and their conversion into concrete commitments is wide.

141. FAO replied that agrifood investments often take several years to mature. Engaging partners and investors for targeted and at-scale agrifood investments is highly complex, particularly in tripartite partnerships between Government, banks and investors/private sector partners, which require substantial discussions. It takes time, often several years, and can be challenging to identify multiple investors and facilitate the financing that resulted from the HIH fora. This is being implemented with the available limited regular programme and extrabudgetary resources.

142. FAO further stated that it has enhanced the design of the HIH Investment Forum event since 2023 with increased interaction between governments and investors/banks in panel discussions at the forum. In addition, the HIH matchmaking tool has also been enhanced and is now accessible all year-round.

143. While acknowledging the efforts of HIH, the global visibility and platform provided by the HIH Investment Fora as well as the challenges faced, progress in terms of securing investments vis-à-vis the targeted amounts could be improved if additional follow up capacity was made available.

Recommendation 13:

Audit recommends FAO to implement a robust follow-up process, post-forum, to ensure that potential commitments are actively pursued. FAO to consider the requirement for additional financial and technical resources be allocated to HIH to enable more follow-up to take place at country level.

144. Management stated that with limited HR capacity in the HIH team, linked directly to limited regular programme resources, and in light of the country-level leadership by the member countries, FAO has a supporting role, including the key role of the FAO Representation in the follow up process at the country level. Management also informed that additional resources for HIH have been proposed for the next MTP.

Recommendation 14:

Audit recommends FAO to encourage countries to replicate successful models like the Pakistan National Investment Forum by organizing local, subregional and regional investment events tailored to the specific needs and interests of local stakeholders and investors, to increase the chances of attracting relevant investors.

145. Management accepted the recommendation and informed that this has been implemented through a repository of national/subregional and regional HIH IF Agenda and approaches are made available by the HIH team through a shared drive.

Recommendation 15:

Audit recommends FAO to establish a robust tracking mechanism with additional resources to HIH to enable capture the outcomes of negotiations and subsequent actions post-forum. This would include monitoring each commitment from the initial discussions at the HIH Investment Forum through to final agreements and actual delivery of HIH objectives.

146. Management replied that implementation of this recommendation is subject to increasing the limited regular programme resources currently allocated to HIH, which may improve in the next MTP. Plans are underway to roll out the more automated, country led tracking in the form of a detailed webinar on the improved M&E system by end of June 2025.

Recommendation 16:

Audit recommends FAO to implement a systematic process for conducting periodic reviews of national and regional investment fora along with international investment fora for each country, to assess the effectiveness of the fora in translating negotiations into actual investments.

147. Management replied that reviews of these fora are conducted and followed up through monthly monitoring and evaluation. These are government/partner regional organization led events with HIH having a supporting role due to limited resources. The need for these reviews will be emphasized in the planned rollout of the detailed webinar on the improved monitoring and evaluation (M&E) system by end of June 2025.

Recommendation 17:

Audit recommends FAO to document and share success cases within HIH so that more Member Governments can engage successfully with investors.

148. Management accepted the recommendation.

Development of Geospatial Platform

149. The HIH seeks to use advanced geospatial modelling and analytics, as well as a robust partnership-building approach to accelerate the market-based transformation of agrifood systems.

Requirement of financial and technical resources

150. As per update to the Council, the number of countries joining the HIH as of October 2024 was 72 against the target of 75, which included regional initiatives. As of January 2025, the total stood at 75 countries and 5 regional initiatives.

151. With the increased number of countries and regional initiatives joining the HIH and the need for technical and resource support to member countries, as noted by the Council[14] we reviewed the availability of human resources and budgetary support for the Initiative, to meet the requirements of HIH countries in a timely manner.

152. Since the launch of HIH in 2019 till August 2022, a P5 Governance Officer supported the Chief Economist in the development and rollout of HIH. Thereafter, two HIH dedicated staff [15] were deployed in August and September 2022 for coordination, monitoring and evaluation purposes. Besides, with the setting up of dashboard in late 2022, extrabudgetary funded consultants were also employed. Thus, dedicated resources for HIH were provided only since August 2022. However, HIH engaged in mobilization of extrabudgetary resources since 2019 for development and improvement of HIH tools and approaches.

153. As per the information furnished by Management, we noted that in view of increasing number of HIH countries, funds are required for more technical resources and expertise[16] for timely support to member countries for HIH typology development as well as for preparation of Stochastic Frontier Analysis, where additional resources are needed to build datasets for countries lacking data. Funds were also necessary for the improvement of investment plan proposals, improved communication products and the set up for tracking HIH investments through the HIH dashboard.

154. We also noted that in its sessions held in 2024,[17] the Council supported the provision of additional technical assistance and financial resources to HIH.

Recommendation 18:

Audit recommends FAO to consider providing additional technical and financial resources to HIH in line with the Council recommendation of December 2024, with focus on development and enhancement of the HIH tools and approaches, to better support its growing number of member governments, so as to not only increase the number of countries benefiting from HIH but also improve its ability to monitor progress and evaluate long-term impact.

155. Management stated that in the current planning cycle HIH has identified areas for increased emphasis with resources to meet additional member-led demand. Decisions on MTP allocations are to be made by FAO Member Governments, based on Council recommendations.

Development of tools/applications of HIH Geospatial Platform

156. FAO's open access HIH geospatial platform provides advanced information, including food security indicators and agricultural statistics, for more targeted agriculture interventions. The platform unlocks millions of data layers from different domains and sources to serve as the key enabling tool for the HIH and serve digital agriculture experts, economists, government and non-government agencies, and other stakeholders working in the food and agriculture sector.

157. Following are among the important applications of the agro-informatics platform.

a) The Environmental eXternalities ACcounting Tool (EX-ACT – previously EX-Ante Carbon balance Tool) first published in the year 2010 aims at providing guidance in estimating the value of nature's contribution to people in the form of greenhouse gas (GHG) emissions mitigation and avoidance and biodiversity preservation.

[14] CL 176/6.
[15] P5 Senior Programme Officer and P1-level officer.
[16] In agrifood economics, geospatial analysis, agrifood investment, agribusiness and partnerships and monitoring and evaluation expertise.
[17] Council Sessions: 175th held in April 2024 and 176th held in December 2024.

b) The Biodiversity Integrated Assessment and Computation Tool (B-INTACT) started in the year 2021 seeks to provide a thorough biodiversity assessment of project-level activities in the agriculture, forestry and other land use (AFOLU) sector, taking on both a quantitative and a qualitative approach.

c) A web-based Rift Valley fever (RVF) Early Warning Decision Support Tool (RVF DST) developed in the year 2019 integrates near real-time RVF risk maps with geospatial data, RVF historical and current disease events from EMPRES Global Animal Disease Information System (EMPRES-i) and expert knowledge on RVF eco-epidemiology.

158. The above three tools/applications were stated to be "under development stage" as of January 2025. With respect to the EX-ACT tool, the investors and climate financiers in 2022 Investment Forum had expressed interest to see data regarding carbon costs with EX-ACT tool. Hence, this was prioritized, and trainings were provided in 2024 for the countries shortlisted for the HIH IF 2024. The EX-ACT tool, first published in 2010 and was upgraded to be an online tool since 2024, making it more accessible and user friendly.

159. With regard to B-INTACT (Biodiversity Integrated Assessment and Computational Tool) and Rift Valley Fever Decision Support Tool, FAO stated that these were being developed by its technical divisions who are actively engaged in improvements, subject to availability of regular programme budget and extrabudgetary resources and may be included in future investment cases if there is specific interest expressed by investors.

160. Development of these tools/applications was started in 2019 and are an integral part of the geospatial platform and given their significance, FAO is encouraged to continue to develop and improve the above applications/tools.

Recommendation 19:

Audit recommends FAO, in line with the Council recommendation of December 2024, to provide necessary resources to continue the efforts for development of geospatial platform related applications/tools to support country-level HIH efforts and to facilitate country and regional initiative engagements with investors.

161. Management stated that the HIH geospatial tools are fully functional, and with ongoing changes in technology, efforts are ongoing to continue to enhance these tools.

Status of SDG indicators pertaining to HIH

162. FAO's Programme Priority Areas guide its approach to fill critical gaps and contribute to the achievement of the selected SDG indicators. Out of 21 SDG indicators under the custodianship[18] of FAO, two pertain to HIH: SDG 2.1.1 'Prevalence of undernourishment' and SDG 2.a.1 'The agriculture orientation index for government expenditures' in value. It was informed that both were TIER I indicators, as country-level data availability each year for SDG indicators 2.1.1, and 2.a.1 were more than 85 percent and 83 to 93 percent respectively. The values of HIH-relevant SDG indicators, based on the Global SDG database for the years 2020-23 are given in Annexure 2.

163. It is seen that for both the SDG indicators, the values showed no improvement and had stabilized. FAO replied that progress assessment by SDG targets was produced for the first time in the 2024 Global SDG Progress Report. Table 9 below presents the results of this assessment (available at global level) by HIH-relevant SDG targets.

Table 9: Progress assessment towards the achievement of HIH-relevant SDG targets

HIH-relevant SDG targets		Assessment
1.1	By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than USD 1.25 a day.	Moderate progress, but acceleration needed

[18] Custodian agency has the responsibility to compile, validate and report data from countries.

1.2	By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	Marginal progress and significant acceleration needed
2.1	By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.	Moderate progress according to SOF 2025 and significan acceleration needed
2.a	Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.	Regression
10.1	By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.	Marginal progress and significant acceleration needed
10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	Marginal progress and significant acceleration needed

164. It is seen that out of the six indicators above, two (1.1) and (2.1.1) were assessed as 'Moderate Progress', three (1.2, 10.1 and 10.2) were assessed as 'Marginal Progress and needs significant acceleration'. Further, the SDG indicator values relevant to HIH (2.a.1) for the period 2020 to 2023, for which FAO is the custodian, were in regression and goals were unlikely to be achieved by 2030.

165. FAO's reporting on SDG indicators is based on the reporting of relevant data by Member States to FAO. We observed that FAO has invested significantly in capacity development to support the collection, compilation or reporting of SDG indicators at country level. FAO further informed that they have been able to make regular programme resource allocations on an annual basis since 2016 to support corporate and country-level overall SDG monitoring work and it will strive to continue to do so in a predictable manner to support this important area of work. Looking forward to the biennium 2026-27, the Statistics Division (ESS) and Office of Strategy, Programme and Budget (OSP) will discuss and aim to agree on a corporate funding allotment to support FAO's SDG monitoring activities. With regard to extrabudgetary funds, ESS will reactivate discussions with Resource Mobilization and Private Sector Partnerships Division (PSR) to establish a strategy for the mobilization of extrabudgetary resources for direct support to SDG monitoring.

Inclusion of certain indicators in HIH Monitoring and Evaluation dashboard

166. In line with the guidance of the Council, the HIH Monitoring and Evaluation dashboard has been functional since late 2022 and continues to be expanded and upgraded. It provides regular, real-time reporting of progress against programme activities and processes at country/world level. FAO further informed that looking ahead to 2025, they plan to incorporate all regional initiatives into the M&E system.

167. We noted that the country/worldwide results on various indicators showing progress of HIH programmes viz. investments sought, committed, mobilized, benefitted beneficiaries, training imparted on GIS/SFA/EX-ACT were included in the dashboard, but information like prevalence of undernutrition and specific beneficiaries under gender and youth category, were not included in the M&E dashboard.

168. We also noted that in the (indicative) Roadmap (November 2019), HIH set a second benchmark for 2030, to reduce the number of undernourished people in priority countries. However, the information related to undernourished people is not taken as an indicator in the dashboard.

169. FAO stated that this indicator was not included in the dashboard due to the significant complexity in measuring nutrition due to which they cannot anticipate direct impact from HIH activities in the short to medium term justifiably.

Recommendation 20:

Audit appreciates the considerable efforts of the HIH in enhancing the Monitoring and Evaluation (M&E) dashboard in line with the guidance of FAO Governing Bodies and recommends that HIH explore the possibility of including all key indicators and expedite efforts to incorporate regional initiatives as well into the Monitoring and Evaluation (M&E) system.

170. Management accepted the recommendation, noting the limitation on nutrition indicators.

Delayed performance benchmark and tentative roadmap

171. The Programme and Finance Committees[19] were informed in 2019 that with a robust monitoring and evaluation framework, the HIH aims to deliver a first set of performance benchmark results by 2023, four years after the start of the project. However, the first set of benchmark results of 2023 were published only in December 2024.[20]

172. The reasons for delayed publication of HIH benchmarks were primarily attributed to the COVID-19 pandemic that limited the planned government and field level activities of HIH, huge increase in demand for HIH from member countries and restricted resources made available to HIH by FAO Council and Conference.

Stakeholder Survey

173. The Stakeholder Survey was a new exercise which aimed to collect perception-based feedback from key stakeholder groups at country level to assess the effectiveness of FAO's delivery. OSP conducted the survey for the biennium 2022-23 and established baselines for the following two output indicators for the HIH Initiative.

a) Number of countries and territories where FAO has supported SDG targets to accelerate agricultural transformation and sustainable rural development through targeting the poorest and the hungry, differentiating territories and strategies, and bringing together all relevant dimensions of agrifood systems through analysis and partnerships.

b) Percentage stakeholders' appreciation of FAO's work; relevance, innovative nature, partnerships, normative contribution, leveraging resources for impact.

174. The baselines for the above indicators were 35 member countries and 84 percent satisfaction rating on the HIH PPA (established in 2021) based on FAO's new organization-wide performance measurements. This was set as baseline benchmarks for revised Framework 2022-31 and MTP 2026-29 and the first survey was to collect information relative to the first biennium of FAO's Strategic Framework (SF) 2022-31, measuring a two-year period 2022-23.

175. We observed from the results of the Stakeholder Survey (2022-23) for the HIH Programme Priority Area 'Better Life' (PPA-BL5) that a low score of satisfaction was recorded only by the RNE[21] region. We further observed that only Yemen was included from the RNE region while as per IMIS Dashboard, the number of member countries during 2022-24 ranged between three[22] and five.[23]

176. The overall survey score for RNE region (Yemen) was comparatively low (between 3.18 to 3.58) on survey questions pertaining to 'End hunger and ensure universal access to safe and nutritious food' (SDG 2.1), 'End all forms of malnutrition' (SDG 2.2), 'Reduce poverty by at least 50 percent' (SDG 1.2) etc. when compared to other regions, i.e. RAF-RAP[24] and RLC[25](3.92 to 4.14).

[19] Information Note to Joint Meeting of the 127th Session of the Programme Committee and the 178th Session of the Finance Committee, in November 2019 (CL 163/6).
[20] CL 176/3 Annex 1 and C 2025/8 Annex 1: Organizational Performance.
[21] Regional Office for the Near East and North Africa.
[22] Sudan, Syrian Arab Republic and Yemen.
[23] Iraq, Mauritania, Sudan, Syrian Arab Republic and Yemen.
[24] RAF: Regional Office for Africa; RAP: Regional Office for Asia and the Pacific.
[25] RLC: Regional Office for Latin America and the Caribbean.

177. Management stated that the HIH intervention in Yemen started in 2020 during a complex political and security situation in the country and attributed the reasons for lowest satisfaction survey (less than 29 percent) to country-specific political context, stakeholder and government turnover.

178. On not conducting the stakeholder survey (BL5-HIH) in the other RNE countries except Yemen, FAO stated that the other countries were not included because either they were not members or HIH operations were yet to start.

179. We, however, noted that Iraq, Mauritania, the Sudan and the Syrian Arab Republic had joined the HIH during 2020 to 2023, and could have been considered for inclusion in the survey for more balanced reporting. We are of the view that FAO may consider including more HIH countries in future surveys, for a comprehensive and balanced assessment of the region's performance and effectiveness of FAO's delivery.

180. Management replied that the OSP survey was not specific to HIH and the countries that received the Stakeholder Survey 2023 BL5 module were those that participated in the HIH Investment Forum in 2022 or 2023 and those that participated in the Investment Forum in 2024 or 2025 will be included in the Stakeholder Survey 2025.

C. COMPLIANCE AUDIT FINDINGS

Interest on unspent balances of voluntary contributions

181. FAO is required to refund interest earned on unspent voluntary contributions to the respective donors. The treatment of interest income earned on unspent voluntary contributions derives from Financial Regulations 9.3 and 7.1.

182. We observed that the established practice was to return interest income at the rate of 80 percent of the earned rate of return on FAO's short-term portfolio, unless stated otherwise in the funding agreement. This approach lacked formal authorization and was not disclosed to donors or in the financial statements. It also does not appear to be fully in line with the terms of funding agreements which reflect a requirement to return interest generated on the funds provided under the agreement following the closure of the project.

183. FAO informed that in the aftermath of the 2008 financial crisis, it adopted a conservative approach of crediting interest annually rather than monthly, which provided greater assurance of a positive return as well as permitted a longer duration for the portfolio. Further, the process to calculate interest on Trust Fund balances was run at year-end and was based on an annual average interest rate applied to the calculated cash balance for each project at month-end. As interest rates and month-end cash balances can vary considerably during the year, application of 100 percent of the average rate to the month-end balances would risk an overallocation of interest income. FAO therefore considered a conservative approach and as per the established practice, 80 percent of the interest rate applies to the full cash balance at each month-end.

184. FAO further stated that the practice of the calculation of interest payable on unspent donor balances is an internal operating process and not appropriate to be addressed in the financial statements. When FAO processes refunds to donors, it provides details of the split of the refund between unspent balances and accumulated interest, consistent with the donor agreements.

185. We are of the view that such a disclosure does not provide adequate transparency into the methodology adopted by FAO for determining the interest income allocated to donors. FAO proposed to share additional information on the rate of return applied to unspent balances held on behalf of Trust Fund resource partners through the Report on Investments presented to the Finance Committee on an annual basis.

Recommendation 21:

To promote transparency and in recognition of the fiduciary nature of its relationship with donors Audit recommends FAO to disclose the methodology used for calculating interest payable on unspent donor balances in its submission to the Finance Committee.

186. Management accepted the recommendation.

Scope of engagement under OPIM (MS 701)

187. FAO Manual (MS 701.1.1) establishes the framework for the Operational Partners Implementation Modality (OPIM). The OPIM is used when there is a clear advantage for FAO to jointly deliver development results due to complementarity of skills, capacity and expertise to achieve results; and/or contribution to capacity development of regional, subregional and/or national entities to support better sustainability of results.

188. Review of purchase orders (POs) issued under MS 507, i.e. Letters of Agreement (LoA) issued between January 2024 and April 2025, indicated that many government ministries, UN organizations, research institutions etc. were awarded multiple POs[26] during this period.

189. We are of the view that FAO should have explored the possibility of entering into OPIM with eligible entities, where multiple POs at frequent intervals were being awarded.

190. FAO stated that within the January 2024 – April 2025 timeframe, five of the LoA entities have one or more ongoing operational partner agreements for projects with operational partnership arrangements governed by MS 701/OPIM. Few initiatives have not yet materialized (i.e. being in FAO's pipeline, under preparation/negotiation) and it does not have information on possible other cases where the country team might have considered OPIM, but did not bring it up with the FAO headquarters for support, consideration or approval.

191. FAO agreed to review cases where multiple POs are awarded at frequent intervals to the same service provider (who is also eligible under the ambit of MS 701) and explore the possibility of entering into fewer consolidated agreements of wider scope and longer term, either under OPIM or LoAs depending on the prevailing scope of application.

Recommendation 22:

Audit recommends FAO to review the highlighted cases and similar instances where multiple POs have been frequently awarded to the same agency eligible under FAO Manual Section (MS) 701 and explore the feasibility of adopting an Operational Partners Implementation Modality (OPIM) to improve efficiency and compliance.

192. Management accepted the recommendation.

Purchase orders issued without purchase requisitions and/or without United Nations Global Marketplace (UNGM) registration

193. Audit reviewed a project for "Renovation of external premises, including construction of a new entrance pavilion, a multi-storey parking and green area" with a contract value of USD 8.68 million. Our review indicated the following.

194. FAO incurred expenses through several purchase orders (POs) on various project-related activities such as vehicle rental services, temporary pavilion, soil test, archaeological works transportation, external ramp, shipping costs, etc., though the contract was based on a comprehensive tender. Many POs relating to the project were issued without a corresponding purchase requisition (PR) and to vendors without UNGM registration.

195. FAO stated that it would clarify further in MS 502 or guidelines, the circumstances that would waive the need for a purchase requisition or UNGM registration. However, we are of the view that FAO should comply with extant provisions till such time amendments/revisions are made, following due process.

196. Regarding UNGM, while acknowledging past limitations, Management further informed that concrete measures have been taken to strengthen compliance, including a 2024 one-off UNGM mapping exercise, resulting in a significant increase in the number of active records with associated UNGM numbers. It was also informed that a joint SSC–CSLP (Shared Services Centre-Procurement Services)

[26] There were 22 such cases, where the number POs issued ranged between 10 and 27.

communication to all offices was issued in February 2025 and that the SSC has a renewed commitment to systematically enforce UNGM validation for all new suppliers going forward. Furthermore, buyers have been regularly reminded of this requirement.

Recommendation 23:

Audit recommends, in compliance with the extant MS provisions, FAO to ensure that purchase orders are not issued without a purchase requisition.

197. Management replied that CSLP would issue further guidance on circumstances that would waive the need for a purchase requisition.

Open purchase orders beyond promised delivery date

198. As per FAO Manual (MS 502.13.1.1), the Buyer is responsible for monitoring delivery timelines and required inspections; the Requisitioner is responsible for making final determinations on application of actual and liquidated damages and the Budget Holder is responsible for ensuring the receipt of goods in a timely manner. The Buyer is also responsible for consulting the Requisitioner for feedback regarding unsatisfactory vendor performance.

199. In our review of POs (issued under MS 502 and LoAs[27] issued under MS 507) we observed that 609 POs and 140 LOAs pertaining to the year 2022 remained open until March 2025, beyond their promised date of delivery, indicating delays in delivery and vendor performance, inviting action under MS 502.13.1.1. Thus, monitoring of procurements and implementation of LoAs for timely interventions and application of penalties for default was weak.

200. FAO stated that the Buyers will be reminded of the need to monitor POs for their timely delivery and enforce the provisions for delayed delivery against the suppliers as per provisions under MS 502. FAO will also investigate with CSF (Finance Division) ways to automatically close MS 502 POs when small balances remain, clearly not due to outstanding activities.

Recommendation 24:

Audit recommends FAO to conduct routine review of purchase orders that remain open beyond the promised delivery date and take appropriate action, including closure, while ensuring compliance with relevant Manual provisions.

201. Management accepted the recommendation.

Non-compliance with prescribed period of engagement – consultants and NPP

202. Paragraph 71 of the guidelines for the engagement of consultants and subscribers to Personal Services Agreements (PSA) states that consultants and PSA subscribers may not be engaged for periods of more than 11 consecutive months/330 consecutive days in any 12-month period. Further, as per paragraph 22(2) of the employment of National PSA (PSA.NAT) and National Project Personnel (NPP) guidelines dated 1 January 2020, the contract for NPP is not to exceed a 12-month continuous period at any one time.

203. We observed that five consultants and PSA subscribers have been engaged by FAO for more than 11 consecutive months and 182 NPP personnel have been engaged for more than 12-months' continuous period (during January 2024 and April 2025).

204. FAO stated that the five contracts relating to consultants and PSAs did not exceed 330 days ceiling and the issues were caused by a glitch in TALEO, the online platform for managing HR operations for consultants. It also informed that the Digital FAO and Agro-informatics Division (CSI) fixed the issue in September 2024, but it was effective for new cases only as of October 2024, meaning that the issue is still visible for previous cases. FAO also stated that NPPs are hired directly by

[27] Letters of Agreement are cost-reimbursable service contracts used for contracting services not available on the commercial market (e.g. for humanitarian operations, specialized academic research etc.). Manual Section 507 establishes the principles and rules that govern the use of LoAs by FAO.

the concerned Country Office and there were instances of human error, oversight and requirement for review and termination in many cases.

Recommendation 25:

Audit recommends FAO to actively monitor and address system bugs in TALEO to maintain data integrity with the Global Resource Management System (GRMS), while also ensuring regular oversight of cases where National Project Personnel (NPPs) continue beyond the allowed 12 month engagement period at any one stretch. Audit further recommends the Human Resources Division (CSH), as the business process owner, to review and track implementation of relevant policies and procedures across both headquarters and field offices by developing necessary tools to monitor and enforce them.

205. Management accepted the recommendation.

Travel management

Travel planning

206. Planning is a vital component of travel management and facilitates better value for money and efficiencies in travel costs. The Joint Inspection Unit in its report (JIU/REP/2010) noted that with advance travel planning, it is possible to bundle missions together in one trip and emphasized that advance planning facilitates the tasks of all those involved in the travel process. In accordance with MS 401.2, FAO divisions and Decentralized Offices are required to prepare Quarterly Travel Plans (QTPs) for all duty travel, irrespective of the source of funding, well ahead of planned travel.

207. The travel planning system in FAO headquarters is decentralized at the division level. We reviewed two divisions – PSS (Project Support Division) and ESS (Statistics Division). In the PSS Division, 3 out of 14 travels were unplanned, while in the ESS Division, 32 travels took place against the 67 planned. We noted that there was no centralized system for analysis and economic planning through GRMS/travel module.

208. FAO replied that the QTPs module in GRMS was designed based on a departmental organizational structure and became redundant with the restructuring of the Organization. A complete re-development of the module required significant investment and resources. Given the composition and nature of FAO's travel patterns, currently the QTPs can realistically cover between 15 to 20 percent of overall travel. Further, given the nature of FAO's work and the fact that over 75 percent of FAO travel is undertaken by non-staff (guests and affiliate workforce), a significant amount of FAO travel will remain outside of the QTPs.

209. Given that QTPs currently covers only 15-20 percent of travel and there is high volume of non-staff travel, the absence of a centralized system raises concerns over effective planning, budgeting, and monitoring of travel in FAO.

210. We also observed that the preparation of QTPs was not a regular exercise in some of the Decentralized Offices. In the Subregional Office for the Gulf Cooperation Council States and Yemen (SNG) in the UAE, no QTPs were prepared for any of the 101 duty travels performed during 2023-24. Similarly, the FAO Country Office at Jordan (FNJOR) did not implement quarterly travel planning.

211. In a few other offices, QTPs was only partial. In the Regional Office for the Near East and North Africa (RNE) at Egypt, out of 135 duty travels performed during 2023-24 only 36 percent were included in QTPs. In the FAO Regional Office for Asia and the Pacific (RAP), Thailand, out of 416 duty travels performed during the year 2023, only 29 percent were included in the QTPs. For 2024 the percentage of planned travel was only 6 percent.

Submission of Back-to-Office Report (BTOR)

212. As per FAO Manual (Section 401.8.11, 401.7.511), all staff members who are sent on duty travel should prepare and submit a Back-to-Office Report (BTOR), within one week of return to the duty station.

213. Out of the total 18116 travels during the year 2024, BTOR was not submitted in 25 percent of the cases. In the sample reviewed, the Travel Expense Claims (TECs) in most cases were processed, even where BTORs had not been submitted. We observed instances of non-furnishing as well as delays in furnishing BTORs in some Decentralized Offices as well (FAO SNG and RNE).

214. FAO stated that processing of TECs is done based on the budget holder approval of the TEC, that indicates to the processing unit that all tasks related to the mission have been completed. Out of 4504 trips without a BTOR, a significant number related to the trips where BTORs were not required or had a BTOR attached, using the wrong category. The GRMS Travel system captures the BTOR but does not have the capability to manage document retention and retrieval.

215. As per FAO Guidelines, BTOR constitutes an invaluable knowledge asset and their content is anticipated to be accessible to anyone with access to the FAO intranet. Additionally, BTOR serves as a reference and provides insights for related projects, publications, activities, and missions, while also facilitating the development and monitoring of (i) geographical and (ii) thematic coverage of staff field activities and experiences. Therefore, monitoring of BTOR submissions and their management is necessary as per extant guidance.

Recommendation 26:

Audit recommends FAO to consider establishing a centralized system of Quarterly Travel Plans (QTPs) from all divisions at headquarters to facilitate the bundling of missions where feasible and support economic and strategic travel planning.

Recommendation 27:

Audit recommends FAO to strengthen travel planning in Decentralized Offices to ensure greater efficiency and effectiveness.

Recommendation 28:

Audit recommends FAO to ensure adherence to Manual provisions for the submission of Back-to-Office Reports (BTORs) and the processing of Travel Expense Claims (TECs) with all mandatory documentation.

216. Management accepted the recommendations. It was also indicated that for travel planning in headquarters and BTORs, a feasibility assessment would be done.

D. DISCLOSURES BY MANAGEMENT

217. The terms of reference on external audit require the disclosures of important information. In this connection, FAO Management provided disclosures in respect of ex-gratia payments (Annexure 3) and cases of fraud (Annexure 4).

E. ACKNOWLEDGEMENT

218. We wish to express our appreciation to the Director General, Senior Management and staff for their cooperation in our audit engagement.

Date: 13 October 2025

(K. Sanjay Murthy)
Comptroller and Auditor General of India

Abbreviations and acronyms

Abbreviation	Full Form
BTOR	Back-to-Office Report
CSF	Finance Division
CSH	Human Resources Division
CSI	Digital FAO and Agro-informatics Division
CSLP	Procurement Services
COP	Conference of Parties
ECOWAS	The Economic Community of West African States
ESS	Statistics Division
FAO	Food and Agriculture Organization of the United Nations
FAOR	FAO Representative
FPMIS	Field Programme Management Information System
FVNA	Fair Value through Net Assets
FVSD	Fair Value through Surplus or Deficit
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
GRMS	Global Resource Management System
HIH	Hand-in-Hand Initiative
IFIs	International Financial Institutions
LDC	Least developed countries
LLDCs	Landlocked Developing Countries
M&E	Monitoring and Evaluation
MS	Manual Section
MTP	Medium-Term Plan
NAPs	National Adaptation Plans
NBSAPs	National Biodiversity Strategies and Action Plans
NDCs	Nationally determined contributions
NTE	Not-to-exceed
OCB	Office of Climate Change, Biodiversity and Environment
OPIM	Operational Partners Implementation Modality
OSP	Office of Strategy, Programme and Budget
PIR	Programme Implementation Report
PIRES	Programme Planning, Implementation Reporting and Evaluation Support System
PPA	Programme Priority Area
PSS	Programme Support and Technical Cooperation Department
PWB	Programme of Work and Budget
QTP	Quarterly Travel Plan
RAF	Regional Office for Africa
RAP	Regional Office for Asia and the Pacific
RLC	Regional Office for Latin America and the Caribbean
RNE	Regional Office for the Near East and North Africa
SCC	FAO Strategy on Climate Change 2022-2031
SDG	Sustainable Development Goal
SF	FAO Strategic Framework
SFA	Stochastic Frontier analysis
SIDS	Small Island Developing States
SSC	Shared Service Centre
TEC	Travel Expense Claim
UNFCCC	United Nations Framework Convention on Climate Change
UNGM	United Nations Global Marketplace
UNSDCF	United Nations Sustainable Development Cooperation Framework
WFP	World Food Programme

Annexure 1

Changes made in the financial statements on the recommendations of audit

The following adjustments/disclosures were made by FAO in the financial statements at the behest of audit:

1. Note 27.1 to 27.3 on events after the reporting date were modified to disclose the updated status of receivables due to termination of aid by USAID.
2. FAO reclassified investment management fee accruals out of current and non-current investments and presented these as liabilities. Accordingly, Note 4.1 and 4.2 to the financial statements under investments and derivative financial instruments modified, and a Note 2.71 was also added under restatement of financial statement as a result of correction of errors.
3. Note 5 relating to Voluntary Contributions Receivables – Allowance for Expected Credit Losses was amended to depict the revised figures.
4. A note 20.12 to financial statements was added to disclose expenses of USD 1.8 million previously charged to the extrabudgetary programme in connection with cash losses reversed and cash deficits previously included within Payments received in advance, resulting in a net expense of USD 3.1 million recognized during 2024.
5. Note 2.41 was modified to disclose that Heritage Assets are not capitalized.
6. Note 12.2 was modified to disclose the voluntary contributions received in advance represent funds received from donors in advance of concluding a project specific funding agreement.

Annexure 2

Values of HIH-relevant SDG indicators

HIH-relevant SDG indicators		2015 (Baseline)	2020	2021	2022	2023
1.1.1	Proportion of population living below the international poverty line by sex, age, employment status and geographic location (urban/rural) (%). Under World Bank custodianship.	10.6	9.7	10.0	9.0	
1.2.1	Proportion of population living below the national poverty line, by sex and age. Under World Bank custodianship.	Not available*				
2.1.1	Prevalence of undernourishment (%) **Under FAO custodianship.**	7.7	8.5	9.0	9.1	9.1
2.2.1	Prevalence of stunting (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age (%). Under WHO and UNICEF custodianship.	24.6	22.7	22.5	22.3	
2.a.1	The agriculture orientation index for government expenditures (value). **Under FAO custodianship.**	0.50	0.45	0.43	0.48	
2.a.2	Total official flows (official development assistance plus other official flows) to the agriculture sector. Under OECD custodianship.	Not available*				
10.1.1	Growth rates of household expenditure or income per capita among the bottom 40 percent of the population and the total population. Under World Bank custodianship.	Not available*				
10.2.1	Proportion of people living below 50 percent of median income, by sex, age and persons with disabilities. Under World Bank custodianship.	Not available*				

*World aggregates not available in SDG database due to lack of sufficient national-level data. Data is available for a set of countries but there are not enough countries to build aggregates.

Annexure 3

Disclosures by FAO Management on ex-gratia payments

FAO Management informed that the following ex-gratia payments were processed during 2024:

A total amount of USD 80948 was initially approved by the Director-General on 22 November 2024 for an incident related to the medevac and medical care provided to a locally recruited subscriber. Due to the extension of hospitalization of the individual, an additional allotment of USD 1026.35 was requested and approved by the Director-General on 27 December 2024, for a total of allotted amount of USD 81974.82.

The following payments were processed related to the above:

- An amount equivalent to USD 71714.92 for hospital care of the individual from 20 September to 2 December 2024.
- Air ambulance cost in the amount of USD 9980.85.

Annexure 4

Disclosures by FAO Management on cases of fraud and presumptive fraud

A. Cases under review in 2022

Case 1. (Previously reported as Case 7 in the 2024 letter) OIG conducted an investigation and found that a FAO vendor colluded with another vendor (see Case 2 below) in the preparation of its bid for the construction of multi-purpose centres. The matter was submitted to the Vendor Sanctions Committee (VSC). The Procurement Service (CSLP) has completed the sanction process. The sanction of a three-year debarment was imposed on the vendor on 24 April 2024. The case is closed.

Case 2. (Previously reported as Case 8 in the 2024 letter) OIG conducted an investigation and found that a FAO vendor colluded with another vendor (see Case 1 above) in the preparation of its bid for the construction of multi-purpose centres. The matter was submitted to the Vendor Sanctions Committee (VSC). The Procurement Service (CSLP) has completed the sanction process. The sanction of a three-year debarment was imposed on the vendor on 24 April 2024. The case is closed.

Case 3. (Previously reported as Case 9 in the 2024 letter) OIG conducted an investigation and found that a staff member colluded with a vendor for the award of a contract for infrastructure works at a FAO Representation. While the investigation found evidence indicating that the staff member failed to disclose their relationship with the vendor, no evidence was found indicating that the staff member directed the procurement. The disciplinary measure of suspension for one month was imposed upon the staff member. The case is closed.

Case 4. (Previously reported as Case 12 in the 2024 letter) OIG conducted an investigation into allegations that a FAO vendor colluded with a member of FAO personnel in the preparation of its bids for promotional materials. The investigation found that the FAO vendor failed to properly disclose its relationship with a member of FAO personnel. The matter was referred to CSLP.

Case 5. (Previously reported as Case 13 in the 2024 letter) OIG conducted an investigation into allegations that a FAO vendor colluded with a member of FAO personnel in the preparation of its bids for promotional materials. The investigation found that the FAO vendor failed to properly disclose its relationship with a member of FAO personnel. The matter was referred to CSLP.

B. Cases under review in 2023

Case 6. (Previously reported as Case 21 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract was terminated, the member of FAO personnel was debarred from further employment with FAO, and recovery is ongoing.

Case 7. (Previously reported as Case 22 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract was terminated, the member of FAO personnel was debarred from further employment with FAO, and recovery is ongoing.

Case 8. (Previously reported as Case 23 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract was terminated, the member of FAO personnel was debarred from further employment with FAO, and recovery is ongoing.

Case 9. (Previously reported as Case 24 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract

was terminated, the member of FAO personnel was debarred from further employment with FAO, and the amount of USD 493.03 was recovered from the FAO personnel's honorarium. The case is closed.

Case 10. (Previously reported as Case 25 in the 2024 letter) OIG conducted an investigation and found that a staff member included false information in travel expense claims for accommodation in order to obtain an undue financial benefit. The staff member left the Organization before the disciplinary process was completed. Recovery is ongoing.

Case 11. (Previously reported as Case 26 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in travel expense claims for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract was terminated, the member of FAO personnel was debarred from further employment with FAO, and recovery is ongoing.

C. Cases under review in 2024

Case 12. (Previously reported as Case 27 in the 2024 letter) OIG conducted an investigation and found that a staff member wilfully or recklessly failed in their responsibilities in the review and approval of fraudulent payments, thereby permitting a fraudulent scheme to occur. The disciplinary measure of dismissal for misconduct was imposed upon the staff member. The case is closed.

Case 13. (Previously reported as Case 28 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

Case 14. (Previously reported as Case 29 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

Case 15. (Previously reported as Case 30 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit and that the member of FAO personnel also colluded with other FAO personnel to engage in the same scheme. Administrative action is being taken.

Case 16. (Previously reported as Case 31 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

Case 17. (Previously reported as Case 32 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. The member of FAO personnel's contract was terminated and the member of FAO personnel was debarred from further employment with FAO. The case is closed.

Case 18. (Previously reported as Case 33 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

Case 19. (Previously reported as Case 34 in the 2024 letter) OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

Case 20. OIG conducted an investigation and found that a member of FAO personnel included false information in a travel expense claim for accommodation in order to obtain an undue financial benefit. Administrative action is being taken.

D. Ongoing matters of presumptive fraud as of February 2025

Case 21 OIG is investigating an allegation that a vendor submitted fraudulent documentation to FAO in support of its bid as part of a procurement process. The investigation is ongoing.

Case 22. OIG is investigating allegations that one or more members of FAO personnel submitted fraudulent requests for local travel authorizations in order to obtain an undue financial benefit. The investigation is ongoing.