



联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Sixtieth Session

Rome, 2 - 6 November 2015

Financial Position of the Organization

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

Mr Aiman Hija

Director, Finance Division and Treasurer

Tel: +3906 570 54676

*This document can be accessed using the Quick Response Code on this page;
an FAO initiative to minimize its environmental impact and promote greener communications.
Other documents can be consulted at www.fao.org*



mo640

EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 30 June 2015.
- **Regular Programme Liquidity position** - As at 30 June 2015, the balance of Regular Programme cash, cash equivalents and short term deposits increased to USD 276.7 million (USD 150.2 million at 31 December 2014).
- **Staff Related Liabilities** - The total liability of the four plans as at 30 June 2015 was USD 1,412.3 million of which USD 988.2 million was unfunded (After-service Medical Coverage accounted for USD 924.6 million of the unfunded liability, whilst the Terminal Payments Fund accounted for the remaining unfunded portion of USD 63.6 million). The underfunding of the After-service Medical Coverage (ASMC) liability continues to be a major cause of structural deficit on the General Fund.
- **Available-for-sale Investments** - The value of long term investments at 30 June 2015 amounted to USD 424.1 million (USD 438.2 million at 31 December 2014) which was driven mainly by the change in market value of the bond portfolio. In the six months ended 30 June 2015 there was no additional funding in the Available-for-sale Investment portfolios.
- **General and Related Fund deficit** - The General Fund deficit decreased from USD 862.2 million as at 31 December 2014 to USD 662.0 million as at 30 June 2015 due to the recognition of a full year of 2015 Member Nations assessments compared to six months of expenditure in 2015. The deficit as at 31 December 2015 is forecasted to be approximately USD 912.0 million.
- **Measures to improve timely payment on Member Nation Contributions** - As requested by the Finance Committee at its 156th Session in November 2014, the Secretariat has continued to explore measures to encourage timely payment of assessed contributions.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to note that while the liquidity position of the Organization has improved, its on-going cash flow health is dependent on the timely payment of assessed contributions, and to urge all Member Nations to make timely and full payment of assessed contributions;
- The Committee is also invited to take note that the decrease in the deficit of the Organization to USD 662.0 million as at 30 June 2015 from USD 862.2 million as at 31 December 2014 reflected the fact that only 6 months of expenditures had been incurred against a full year of assessed contributions and that the General Fund deficit will increase and reach a level of USD 912.0 million at 31 December 2015 due to an additional 6 months' expenditures and the lack of funding available to offset charges for the After Service Medical Coverage Scheme and the Terminal Payments Fund.
- The Committee is invited to note the measures currently in place which give positive and public appreciation of Members that pay contributions on a timely basis and urge the Secretariat to continue its efforts in this regard.

Draft Advice

The Committee:

- **urged all Member Nations to make timely and full payment of assessed contributions to ensure that FAO continued to meet the operating cash requirements for the Programme of Work; and**
- **took note of the level of the General Fund deficit which was forecasted to increase due to an additional six months' expenditures and the lack of funding of the After Service Medical Coverage scheme and the Terminal Payments Fund.**

Introduction and Contents

1. The update of the Report on the Financial Position of the Organization presents an overview of the unaudited results as at, and for the eighteen months ended 30 June 2015. The report is organized as follows:

- Financial Results for the eighteen months ended 30 June 2015:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2015 presented by source of funds and including comparative balances as at 31 December 2014 - Table 1
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the eighteen months ended 30 June 2015 presented by source of funds and including comparative balances for the eighteen months ended 30 June 2013 - Table 2
- Summary Comment on Financial Results for the eighteen months ended 30 June 2015
- Cash Flow Forecast for 2015 to 31 December 2015

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES				
As at 30 June 2015 (USD 000)				
	Funds		UNAUDITED	AUDITED
	General and Related	Trust and UNDP	30 June 2015	31 December 2014
ASSETS				
Cash and Cash Equivalents	276,695	252,004	528,699	674,845
Investments - Held for Trading	-	685,556	685,556	455,597
Contributions Receivable from Member Nations and UNDP	228,904	8,794	237,698	103,909
less: Provision for Delays of Contributions	(12,812)	(7,548)	(20,360)	(19,805)
Accounts Receivable	50,111	-	50,111	47,916
Investments - Available for Sale	424,082	-	424,082	438,173
TOTAL ASSETS	966,980	938,806	1,905,786	1,700,635
LIABILITIES				
Contributions Received in Advance	37	716,187	716,224	756,736
Unliquidated Obligations	37,858	188,672	226,530	237,983
Accounts Payable	77,437	-	77,437	71,966
Deferred Income	119,080	-	119,080	87,791
Staff Related Schemes	1,412,315	-	1,412,315	1,390,517
TOTAL LIABILITIES	1,646,727	904,859	2,551,586	2,544,993
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	21,507	-	21,507	20,263
Capital Expenditure Account	29,893	-	29,893	20,632
Security Expenditure Account	17,761	-	17,761	11,481
Special Fund for Emergency and Rehabilitation Activities	-	33,947	33,947	39,897
Unrealised Gains / (Losses) on Investments	23,519	-	23,519	35,960
Actuarial (Gains)/ Losses	(136,155)	-	(136,155)	(136,155)
Fund Balances (deficit) , End of Period	(662,017)	-	(662,017)	(862,183)
TOTAL RESERVES AND FUND BALANCES	(679,747)	33,947	(645,800)	(844,360)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	966,980	938,806	1,905,786	1,700,633

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES for the eighteen months ended 30 June 2015 (USD 000)				
	Funds		UNAUDITED Total	
	General and Related	Trust and UNDP	30 June 2015	30 June 2013
INCOME:				
Assessment on Member Nations	1,014,517	-	1,014,517	995,189
Voluntary Contributions	89,622	1,047,599	1,137,221	1,023,287
Funds Received Under Inter-Organizational Arrangements	397.0	3,491	3,888	3,938
Jointly Financed Activities	27,946	-	27,946	27,542
Miscellaneous	13,489	912	14,401	13,378
Return on Investments - Long-Term	8,844		8,844	26,993
Net Other Sundry Income	16,554	-	16,554	15,862
(Loss) / Gain on Exchange Differences	(26,539)	-	(26,539)	(6,457)
TOTAL INCOME	1,144,830	1,052,003	2,196,833	2,099,732
EXPENDITURE:				
Regular Programme	784,415	-	784,415	802,584
Projects	-	1,051,091	1,051,091	953,446
TOTAL EXPENDITURE	784,415	1,051,091	1,835,506	1,756,030
EXCESS OF INCOME OVER EXPENDITURE	360,415	912	361,327	343,702
Actuarial Gains or Losses	(1,061)	-	(1,061)	(14,537)
Interest Cost of Staff Related Liabilities	(69,135)	-	(69,135)	(70,329)
Provision for Contributions Receivable and Other Assets	(1,779)	-	(1,779)	(1,376)
Deferred Income	(43,164)	-	(43,164)	(39,328)
Net Movement in Utilisation of Capital Expenditure Account	(18,761)	-	(18,761)	2,752
Net Movement in Utilisation of Security Expenditure Account	(9,218)	-	(9,218)	(7,383)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	217,297	912	218,210	213,502
Transfer of Interest to Donor Accounts	-	(912)	(912)	(758)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	
Special Reserve Account	(3,948)	-	(3,948)	950
Change in Accounting Policy with respect to: Staff Related Liabilities				(296,017)
Fund Balances, Beginning of Period (as previously reported)	(875,366)	-	(875,366)	(641,274)
FUND BALANCES, END OF PERIOD	(662,017)	-	(662,016)	(723,597)

Summary Comment on Preliminary Financial Results of the eighteen months ended 30 June 2015

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 276.7 million at 30 June 2015 (USD 150.2 million as at 31 December 2014).

Investments - held for trading

3. The value of Investments - held for trading as at 30 June 2015 amounted to USD 685.6 million and together with term deposits of USD 505.3 million (disclosed within cash and cash equivalents), for a total of USD 1,190.9 million represented mainly unspent Trust Fund balances held pending disbursements on project implementation (USD 1,048.2 as at 31 December 2014). During the six months ended 30 June 2015, the combined term deposits and investments - held for trading increased by USD 142.7 million.

4. FAO's prudent, low risk investment style and the continuing near zero interest rate environment in 2015 kept the returns on the held for trading investment portfolio very low, with a return of 0.14% in 2015 for the first 6 months. This however, exceeded the benchmark return by 0.13%. In 2014 the full year return figures were at 0.14% compared to a benchmark return of 0.12%.

Investments - available-for-sale

5. Available-for-sale investment portfolios, which represent those investments set aside to fund the Organization's Staff Related Schemes, decreased in value from USD 438.2 million at 31 December 2014 to USD 424.1 million as at 30 June 2015. The decrease was due to several factors including:

- The EUR/USD foreign exchange rate unfavourably impacted the investment performance over the six months ended 30 June 2015. The EUR lost approximately 9% of its value to the USD over the first six months of the year;
- during the six months ended 30 June 2015, the market value of the available-for-sale portfolio of investments declined slightly by USD 14.1 million. The main driver of this decline was the EUR/USD foreign exchange rate. Unfavourable market conditions in the bond market were off-set by gains on the equity market; and
- No additional funding was injected into the portfolio towards the ASMC liability.

Staff Related Schemes

6. FAO has four staff-related plans (the "Plans") that provide benefits to staff members either upon completion of service or as a result of work related illness or injury. The Plans are as follows:

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

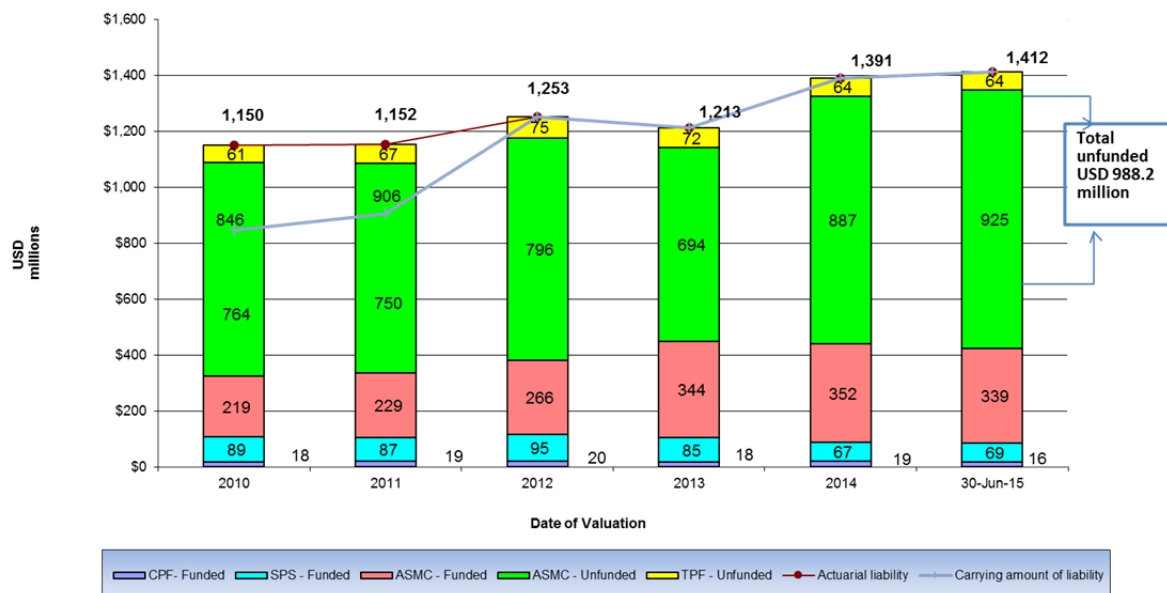
7. The results of the latest actuarial valuation as at 31 December 2014 and related funding requirements and issues were presented to the 157th Session of the Finance Committee in document FC 157/6, *2014 Actuarial Valuation of Staff-Related Liabilities*.

8. The total liability of the Plans at 30 June 2015 amounted to USD 1,412.3 million, an increase of USD 21.8 million compared to the balance of USD 1,390.5 million as at December 2014.

9. As at 30 June 2015 unfunded staff related liabilities amounted to USD 988.2 million, of which After Service Medical Coverage accounted for USD 924.6 million and the Terminal Payments Fund accounted for USD 63.6 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3

Staff Related Liabilities: Total Liability by Plan and Funding Status for last 5.5 Years



General and Related Fund Balance

10. The General Fund deficit decreased by USD 200.2 million from USD 862.2 million as at 31 December 2014 to USD 662.0 million as at 30 June 2015 as a result of recognizing 12 months of revenue against only 6 months of expenditure year-to-date. The forecast deficit at 31 December 2015 is USD 912.0 million.

TCP Expenditure and Deferred Income

11. During the eighteen months ended 30 June 2015, TCP expenditure charged against the 2014-15 appropriation amounted to USD 29.9 million whilst that against the 2012-13 appropriation amounted to USD 60.9 million. The average monthly TCP expenditure increased steadily during the period to USD 5.0 million as at 30 June 2015 compared to an average of USD 4.1 million during the eighteen months ended 30 June 2013. As at 30 June 2015, the TCP deferred income (i.e. the available appropriation) of the 2012-13 appropriation amounted to USD 15.1 million whilst that of the 2014-15 appropriation amounted to USD 99.7 million.

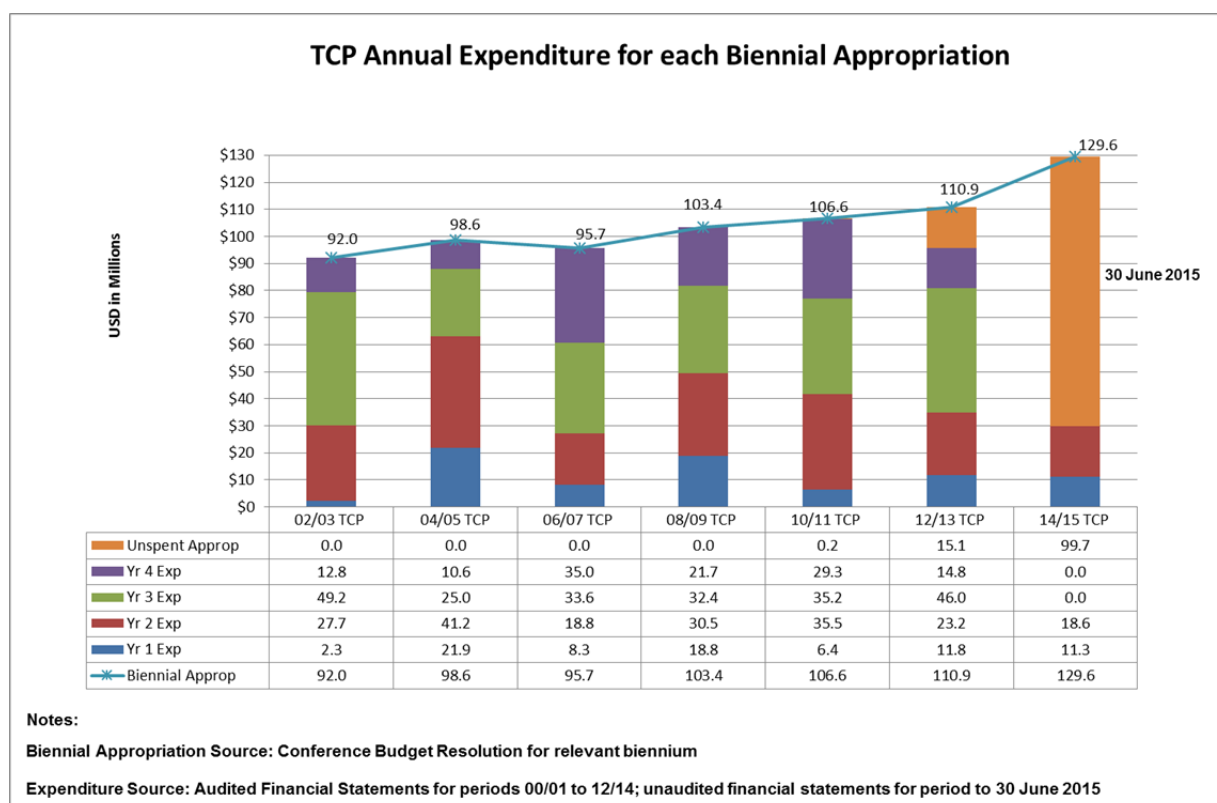
12. The average monthly TCP expenditure of all appropriations is shown in Table 4:

Table 4

Average monthly expenditure	Average monthly TCP expenditure					
	Time period					
	30 June 2015 18 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months	2004-05 24 months
	5	4.1	4.0	4.9	2.5	5.2

13. Table 5 presents the TCP expenditure (including accruals) for all appropriation periods and TCP available appropriation (i.e. deferred income) for each year from 1 January 2002 to 30 June 2015. The expenditure incurred against the 2014-15 appropriation represented 23.1% of the available appropriation. The balance is available for expenditure through 31 December 2017, together with the new appropriation for each calendar year. The expenditure incurred during the eighteen months ended 30 June 2015 against the 2012-13 brought forward appropriation represented 80.2% bringing the total expenditure under the 2012-13 appropriation to USD 95.8 million. The remaining USD 15.1 million on the 2012-13 appropriation will be available until 31 December 2015.

Table 5



Losses on Exchange Differences

14. During the eighteen months ended 30 June 2015 the Organization recorded a net loss on exchange of USD 26.5 million. This comprised:

- Actual cash backed foreign exchange differences incurred by the Organization of USD 3.9 million gain during the period. This gain was transferred to the Special Reserve Account, in line with the previous agreement by the Finance Committee at its 135th Session to discontinue the transfer of Euro-to-Dollar translation differences (non-cash) to the SRA.
- Losses of USD 30.5 million incurred principally against the Euro portion of the Assessments on Member Nations.¹

¹ The exchange differences are generated both as Assessments are received and also on the translation of the outstanding balance of Assessments at the period end.

Voluntary Contributions

15. “Trust Funds and UNDP” comprise activities funded from voluntary contributions through projects, including those funded by the United Nations Development Programme.
16. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 716.2 million at 30 June 2015 compared to USD 754.5 million at 31 December 2014. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.
17. Table 6 presents an analysis of the Trust Fund contributions received² from donors during the 18 months ended 30 June 2015. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period to 30 June 2013.
18. In accordance with FAO's accounting policy, income from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure.
19. Income reported on Trust Fund and UNDP projects for the eighteen months to 30 June 2015 amounted to USD 1,051.1 million (Trust Funds - USD 1,047.6 million; UNDP - USD 3.5 million). This compared with combined USD 953.4 million reported for the 18 month period to 30 June 2013.

² For operational purposes FAO also maintains a comprehensive tracking of the approval of voluntary contributions, counted at the time when trust funds are both approved by the resource partner and have become operationally active. At that time, part but frequently not all of the funds have been received by FAO. The phased model of funds receipt for trust funds explains the difference between the figures reported in this document for “Contributions Received” and the figures for “Contributions Approved” published elsewhere.

Table 6 - Analysis of Voluntary Contributions Received

Eighteen months to 30 June 2015	USD 000's	Eighteen months to 30 June 2013	USD 000's
(1) European Union	185,561	(1) European Union	153,130
(2) United States	103,938	(2) United States	62,341
(3) United Kingdom	98,067	(3) UN Office for the Coordination of Humanitarian Affairs (OCHA)	60,849
(4) Global Environment Fund (GEF)	76,704	(4) Japan	56,912
(5) UN Office for the Coordination of Humanitarian Affairs (OCHA)	55,389	(5) United Kingdom	40,298
(6) Japan	32,620	(6) Global Environment Fund (GEF)	35,406
(7) Germany	29,413	(7) UNDP Administered Donor Joint Trust Fund	35,169
(8) Norway	26,918	(8) Saudi Arabia	30,418
(9) Saudi Arabia	26,365	(9) Brazil	24,266
(10) Canada	25,464	(10) Canada	24,019
(11) UNDP Administered Donor Joint Trust Fund	31,031	(11) Belgium	23,816
(12) Belgium	22,205	(12) Spain	22,360
(13) Brazil	19,697	(13) The Common Fund for Humanitarian Action in Sudan (CHF)	17,697
(14) World Bank	19,547	(14) Afghanistan	14,150
(15) The Common Fund for Humanitarian Action in Sudan (CHF)	18,946	(15) Germany	13,605
(16) Sweden	18,258	(16) Bangladesh	13,588
(17) Switzerland	17,868	(17) Liberia	13,459
(18) Italy	16,664	(18) Sweden	12,666
(19) Netherlands	11,176	(19) Norway	11,765
(20) Afghanistan	10,705	(20) Italy	8,886
(21) Mexico	10,376	(21) Netherlands	8,469
(22) Colombia	8,782	(22) Finland	8,336
(23) Denmark	8,353	(23) Australia	7,389
(24) Cent Afr Rep	8,000	(24) Switzerland	5,850
(25) United Nations Children's Fund (UNICEF)	7,345	(25) Mexico	5,344
	889,391	Top 25	710,187
Multi-donor	80,091	Multi-donor	171,789
Other donors	159,909	Other donors	144,313
Total	1,129,391	Total	1,026,289

2015 Cash Flow Forecast (Regular Programme)

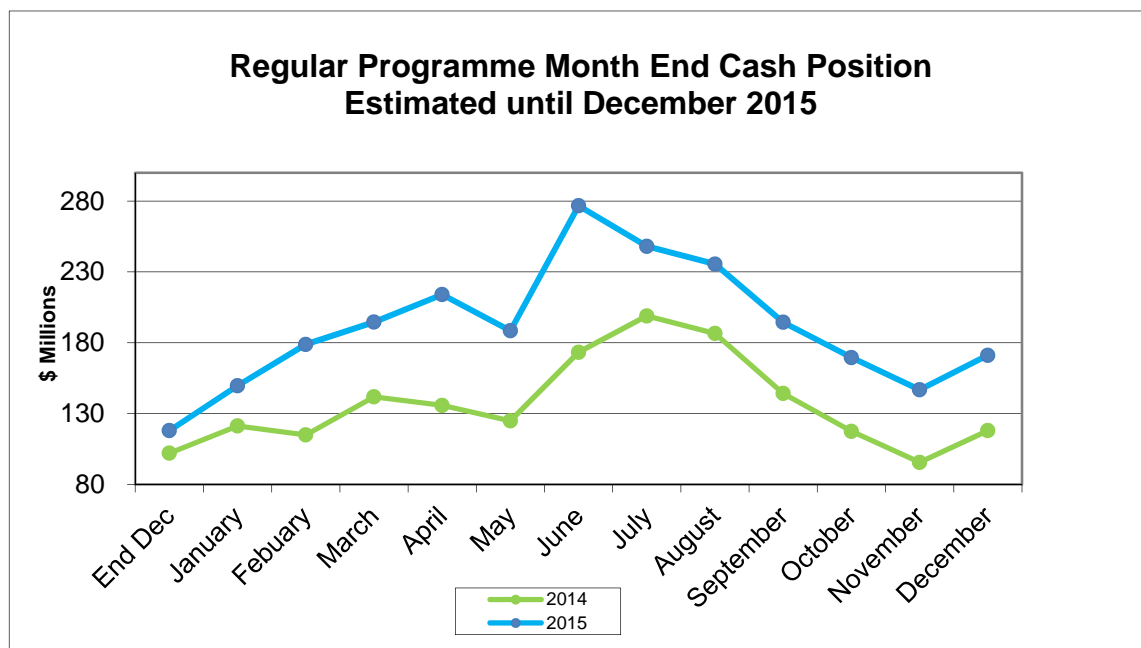
20. Table 7 below presents the Organization's consolidated Regular Programme month end short term liquidity position (which includes cash and cash equivalents) from 1 January 2015 through 30 June 2015 and a forecast through 31 December 2015, with comparative figures for 2014. All figures are expressed in millions of USD.

21. The percentage of 2015 assessed contributions paid to the Organization by Member Nations as at 30 June 2015 was 62.05%, a higher rate of receipts than the equivalent figure of 55.55% for the previous year.

22. The majority of the major contributors have been paying their current year assessments in line with the previous year's payment pattern. The increase in collection rate compared to the previous year is due to several additional countries having settled their current year assessments earlier in 2015 than in 2014.

23. Based on Members' past payment patterns and the Regular Programme cash level as at 30 June 2015, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2015.

Table 7



Measures to improve timely payment on Member Nations Contributions

24. At its 156th Session in November 2014, the Finance Committee requested the Secretariat to continue exploring measures to encourage timely payment of assessed contributions, in particular by examining and applying best practices in this regard used by other international bodies.

25. In the period since November 2014, in addition to the established measures³ to encourage payment of contributions, the Secretariat's efforts were supplemented by the following activities:

- regular communications and meetings with Rome-based representations to follow-up on the quarterly statements of outstanding contributions sent to Members; and
- intensified communication efforts through decentralized offices with Member government officials, including those at risk of losing voting rights.

26. These intensified efforts were reflected in the improved rate of collection of contributions reported in document FC 160/INF/2. As at 30 June 2015, the collection rate of current assessments was 62.05%. This represented a significant improvement compared to collection rates in the previous three years (2014 – 55.55%; 2013 – 53.46%; and 2012 – 45.43%).

³ Document FC 156/2, paras 26 to 27, details the established measures to encourage payment of contributions