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# FINANCE COMMITTEE

**Hundred and Ninety-first Session**

**Rome, 16-20 May 2022**

**Financial Position of the Organization**

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### EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 31 December 2021.
- Regular Programme Liquidity Position - As at 31 December 2021, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 305.7 million (USD 287.2 million at 31 December 2020).
- Staff Related Liabilities - The total liability of the four plans as at 31 December 2021 was USD 1 539.8 million of which USD 868.3 million was unfunded (After Service Medical Coverage accounted for USD 792.4 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 75.9 million). The underfunding of the After Service Medical Coverage (ASMC) liability continues to be a cause of major structural deficit on the General Fund.
- Available-for-sale Investments - The value of long-term investments at 31 December 2021 amounted to USD 671.5 million (USD 639.5 million at 31 December 2020). The increase of USD 32.0 million reflected the increase in equity valuations.
- General and Related Fund deficit - The General Fund deficit increased from USD 895.8 million as at 31 December 2020 to USD 964.3 million as at 31 December 2021.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 31 December 2021 and provide its guidance as deemed appropriate.

#### Draft Advice

##### **The Committee:**

- **noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2022;**
- **recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;**
- **noted that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities; and**
- **noted the additional information provided on TCP approval and expenditure rates and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference.**

## Introduction and Contents

1. The update of the Report on the Financial Position of the Organization presents an overview of the unaudited results as at and for the biennium ended 31 December 2021. The report is organized as follows:

- Financial Results for the biennium ended 31 December 2021:
  - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2021 presented by source of funds and including comparative balances as at 31 December 2020 - Table 1.
  - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the biennium ended 31 December 2021 presented by source of funds and including comparative balances for the biennium ended 31 December 2019 - Table 2.
- Summary Comment on Financial Results for the biennium ended 31 December 2021.
- Cash Flow for 2022 to 31 December 2022.

**Table 1**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES**  
As at 31 December 2021

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2021	31 December 2020
<b>ASSETS</b>				
Cash and Cash Equivalents	305,655	1,182,132	1,487,787	1,271,062
Investments - Held for Trading	-	625,664	625,664	588,199
Contributions Receivable from Member Nations and UNDP less: Provision for Delays of Contributions	223,890 (62,739)	54,956 (10,808)	278,846 (73,547)	276,428 (49,703)
Accounts Receivable	37,581	-	37,581	47,427
Investments - Available for Sale	671,478	-	671,478	639,469
<b>TOTAL ASSETS</b>	<b>1,175,865</b>	<b>1,851,944</b>	<b>3,027,809</b>	<b>2,772,882</b>
<b>LIABILITIES</b>				
Contributions Received in Advance	32,242	1,464,877	1,497,119	1,249,447
Unliquidated Obligations	135,232	354,744	489,976	436,374
Accounts Payable	70,567	-	70,567	68,898
Deferred Income	90,121	-	90,121	106,014
Staff Related Schemes	1,539,779	-	1,539,779	1,499,434
<b>TOTAL LIABILITIES</b>	<b>1,867,941</b>	<b>1,819,621</b>	<b>3,687,562</b>	<b>3,360,167</b>
<b>RESERVES AND FUND BALANCES</b>				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	35,135	-	35,135	30,674
Capital Expenditure Account	53,713	-	53,713	61,949
Security Expenditure Account	26,224	-	26,224	48,556
Special Fund for Emergency and Rehabilitation Activities	-	32,323	32,323	22,115
Unrealised Gains / (Losses) on Investments	147,073	-	147,073	130,911
Actuarial (Gains)/ Losses	(15,629)	-	(15,629)	(11,469)
Fund Balances (deficit) , End of Period	(964,337)	-	(964,337)	(895,766)
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>(692,076)</b>	<b>32,323</b>	<b>(659,753)</b>	<b>(587,285)</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>1,175,865</b>	<b>1,851,944</b>	<b>3,027,809</b>	<b>2,772,882</b>

Table 2

**INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES**  
for the Biennium ended 31 December 2021

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2021	31 December 2019
<b>INCOME:</b>				
Assessment on Member Nations	982,437	-	982,437	981,134
Voluntary Contributions	175,353	1,950,168	2,125,521	1,808,341
Funds Received Under Inter-Oganizational Arrangements	86	1,100	1,186	1,353
Jointly Financed Activities	36,658	-	36,658	37,649
Miscellaneous	16,884	8,344	25,228	62,954
Return on Investments - Long-Term	32,249	-	32,249	8,150
Net Other Sundry Income	23,420	-	23,420	22,796
(Loss) / Gain on Exchange Differences	4,167	-	4,167	(9,901)
<b>TOTAL INCOME</b>	<b>1,271,254</b>	<b>1,959,613</b>	<b>3,230,867</b>	<b>2,912,476</b>
<b>EXPENDITURE:</b>				
Regular Programme	1,190,097	-	1,190,097	1,144,488
Projects	-	1,951,269	1,951,269	1,659,048
<b>TOTAL EXPENDITURE</b>	<b>1,190,097</b>	<b>1,951,269</b>	<b>3,141,366</b>	<b>2,803,536</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>	<b>81,157</b>	<b>8,344</b>	<b>89,501</b>	<b>108,940</b>
Actuarial Gains or Losses	1,052	-	1,052	(2,354)
Interest Cost of Staff Related Liabilities	(54,699)	-	(54,699)	(75,903)
Provision for Contributions Receivable and Other Assets	(39,292)	-	(39,292)	(6,202)
Deferred Income	(3,342)	-	(3,342)	(12,460)
Net Movement in Capital Expenditure Account	(4,042)	-	(4,042)	(10,364)
Net Movement in Utilisation of Security Expenditure Account	(3,996)	-	(3,996)	(3,965)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(23,162)</b>	<b>8,344</b>	<b>(14,818)</b>	<b>(2,308)</b>
Transfer of Interest to Donor Accounts	-	(8,344)	(8,344)	(34,861)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(3,586)	-	(3,586)	(1,115)
Fund Balances, Beginning of Period (as previously reported)	(937,589)	-	(937,589)	(899,305)
Fund Balances, Beginning of Period				
<b>FUND BALANCES, END OF PERIOD</b>	<b>(964,337)</b>	<b>-</b>	<b>(964,337)</b>	<b>(937,589)</b>

## Summary Comment on Financial Results for the biennium ended 31 December 2021

### Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 305.7 million at 31 December 2021. This compared with USD 287.2 million at 31 December 2020.

### Investments - held for trading

3. The value of “Investments - held for trading” as at 31 December 2021 amounted to USD 1 131.1 million (of which USD 505.4 million was reported within cash and cash equivalents as their duration was less than three months) and together with “term deposits” of USD 902.0 million (disclosed within cash and cash equivalents), for a total of USD 2 033.1 million (USD 1 721.9 million as at 31 December 2020) mainly represented unspent balances on Trust Fund projects.

4. FAO’s prudent, low risk investment style and the extremely low interest rate environment in the United States of America generated returns of 0.06 percent in 2021. These exceeded the benchmark returns by 2 basis points.

### Investments - available-for-sale

5. Available-for-sale investment portfolios, which represent those investments set aside to fund the Organization’s Staff Related Schemes, increased in value from USD 639.5 million at 31 December 2020 to USD 671.5 million as at 31 December 2021. The increase in value of this portfolio is mainly due to the increase in equity valuations..

6. The return on the available-for-sale investment portfolio as at 31 December 2021 was 5.11 percent, versus a benchmark return of 5.07 percent exceeding the combined benchmark by 4 basis points.

7. Further information on investment performance is provided in document FC 191/3, *Report on Investments 2021*.

### Staff Related Schemes

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

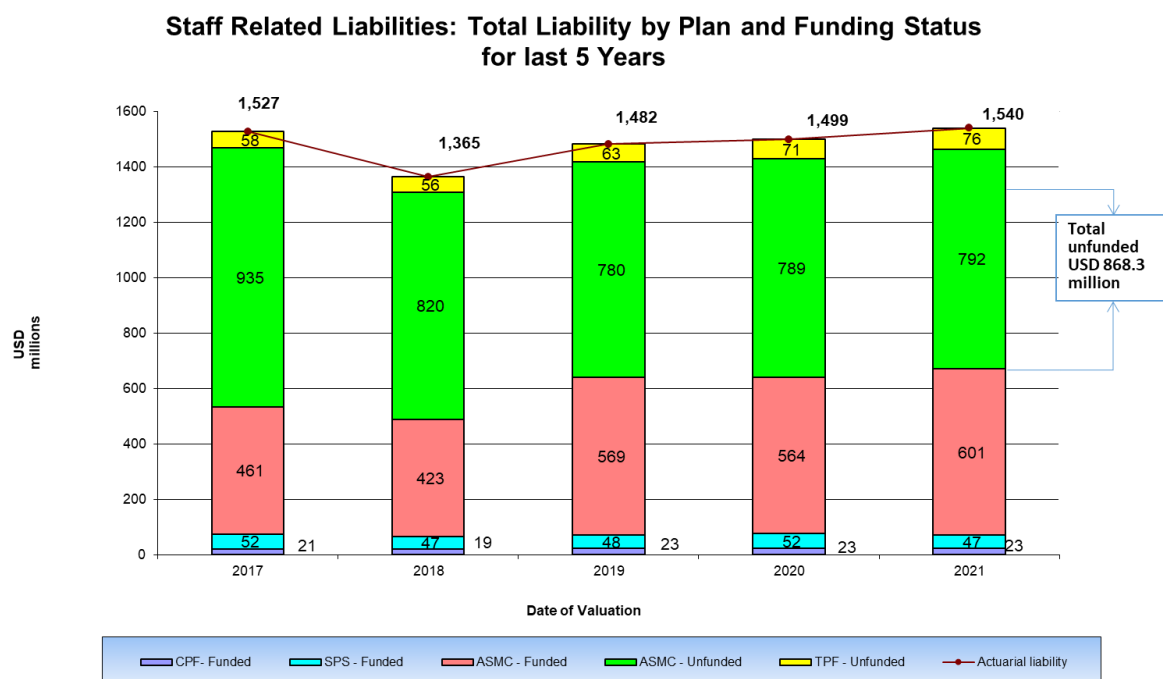
- After Service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

9. The results of the latest actuarial valuation as at 31 December 2021 and related funding requirements and issues are presented to the 191th Session of the Finance Committee in document FC 191/4, *2021 Actuarial Valuation of Staff Related Liabilities*.

10. The total liability of the Plans at 31 December 2021 amounted to USD 1 539.8 million, representing an increase of USD 40.3 million compared with the balance of USD 1 499.5 million as at 31 December 2020.

11. As at 31 December 2021, unfunded staff related liabilities amounted to USD 868.3 million, of which After Service Medical Coverage accounted for USD 792.4 million and the Termination Payments Fund accounted for USD 75.9 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

**Table 3**



### General and Related Fund Balance

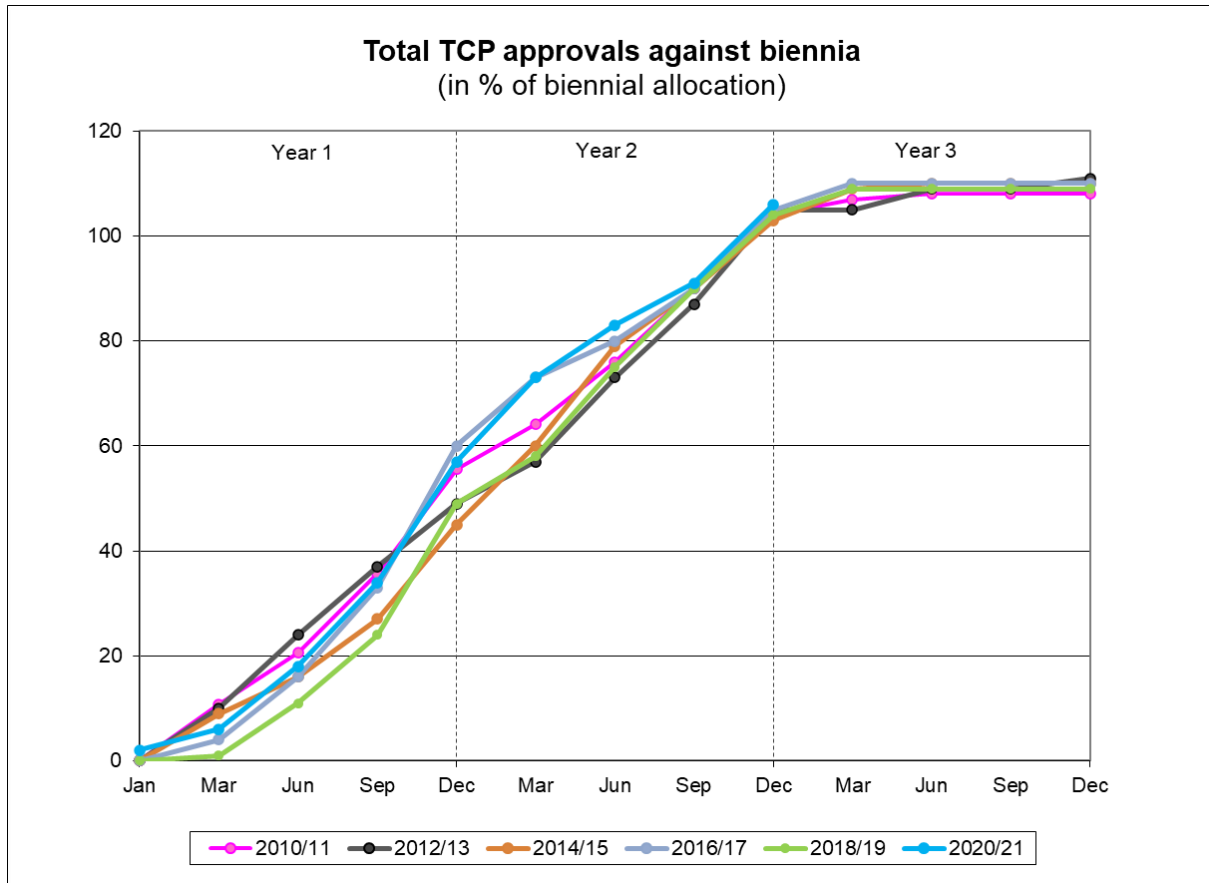
12. The General Fund deficit at 31 December 2021 was USD 964.3 million. This compared with USD 895.8 million at 31 December 2020 and USD 937.6 million at 31 December 2019, the end of the previous biennium 2018-19.

13. A report on the final 2020-21 budgetary performance is presented in document FC 191/6, *Annual Report on Budgetary Performance and Programme and Budgetary Transfers in the 2020-21 Biennium*.

## TCP Implementation

14. As can be seen in Table 4, TCP approvals against the 2020-21 biennium continued to be high compared with previous biennia despite the difficulties of operating under lock-down conditions in many countries. Requests for assistance were addressed in good time.

**Table 4**



15. As of 31 December 2021, TCP projects for a total value of USD 147.8 million had been approved against the 2018-19 net appropriation of USD 135.8 million. This 8.8 percent overprogramming aimed to ensure the full expenditure of the appropriation by 31 December 2021 taking into account that the average expenditure rate of TCP projects is below 100 percent of their approved budgets.

16. As of 31 December 2021, TCP projects for a total value of USD 145.6 million had been approved against the 2020-21 net appropriation of USD 135.8 million, corresponding to an approval rate of 107.2 percent. Full programming of the appropriation by the end of 2021 was achieved as expected despite the challenges associated with COVID-19.

17. Tables 5 and 6 provide approval data disaggregated by region as of 31 December 2021. All regions have exceeded a 100 percent approval rate at that date against the 2020-21 Appropriation.



**Table 5** TCP Approvals against the 2020-21 Appropriation (as of 31 December 2021)

Region	Allocation	Approvals	Appr/Alloc
<b>Development Support</b>			
Africa	44 280 717	48 790 000	110.2%
Asia	27 162 765	27 460 000	101.1%
Europe	11 070 179	11 827 000	106.8%
Interregional	4 050 066	1 000 000	24.7%
Latin America	19 926 323	21 943 000	110.1%
Near East	9 058 611	9 746 984	107.6%
<b>Subtotal</b>	<b>115 548 661</b>	<b>120 766 984</b>	<b>104.5%</b>
<b>Emergency Assistance</b>			
Africa		9 712 000	
Asia		6 800 000	
Europe		2 050 000	
Interregional		-	
Latin America		4 300 000	
Near East		2 008 000	
<b>Subtotal</b>	<b>20 250 328</b>	<b>24 870 000</b>	<b>122.8%</b>
<b>Grand Total</b>	<b>135 798 989</b>	<b>145 636 984</b>	<b>107.2%</b>

**Table 6** TCP Approvals against the 2018-19 Appropriation (as of 31 December 2021)

Region	Allocation	Approval	Appr/Alloc
<b>Development Support</b>			
Africa	44 286 228	48 500 000	109.5%
Asia	27 171 737	29 240 000	107.6%
Europe	11 071 557	11 722 385	105.9%
Interregional	3 471 917	3 672 000	105.8%
Latin America	19 928 803	21 801 999	109.4%
Near East	9 057 246	10 151 000	112.1%
<b>Subtotal</b>	<b>114 987 488</b>	<b>125 087 384</b>	<b>108.8%</b>
<b>Emergency Assistance</b>			
Africa		11 154 000	
Asia		4 302 000	
Europe		500 000	
Interregional		0	
Latin America		4 150 000	
Near East		2 647 000	
<b>Subtotal</b>	<b>20 831 501</b>	<b>22 744 000</b>	<b>109.2%</b>
<b>Grand Total</b>	<b>135 818 989</b>	<b>147 831 384</b>	<b>108.8%</b>

18. The cumulative average monthly TCP expenditure for the biennium ended 31 December 2021 was USD 5.5 million. This compares with a cumulative average monthly TCP expenditure for the biennium ended 31 December 2019 of USD 5.1 million.

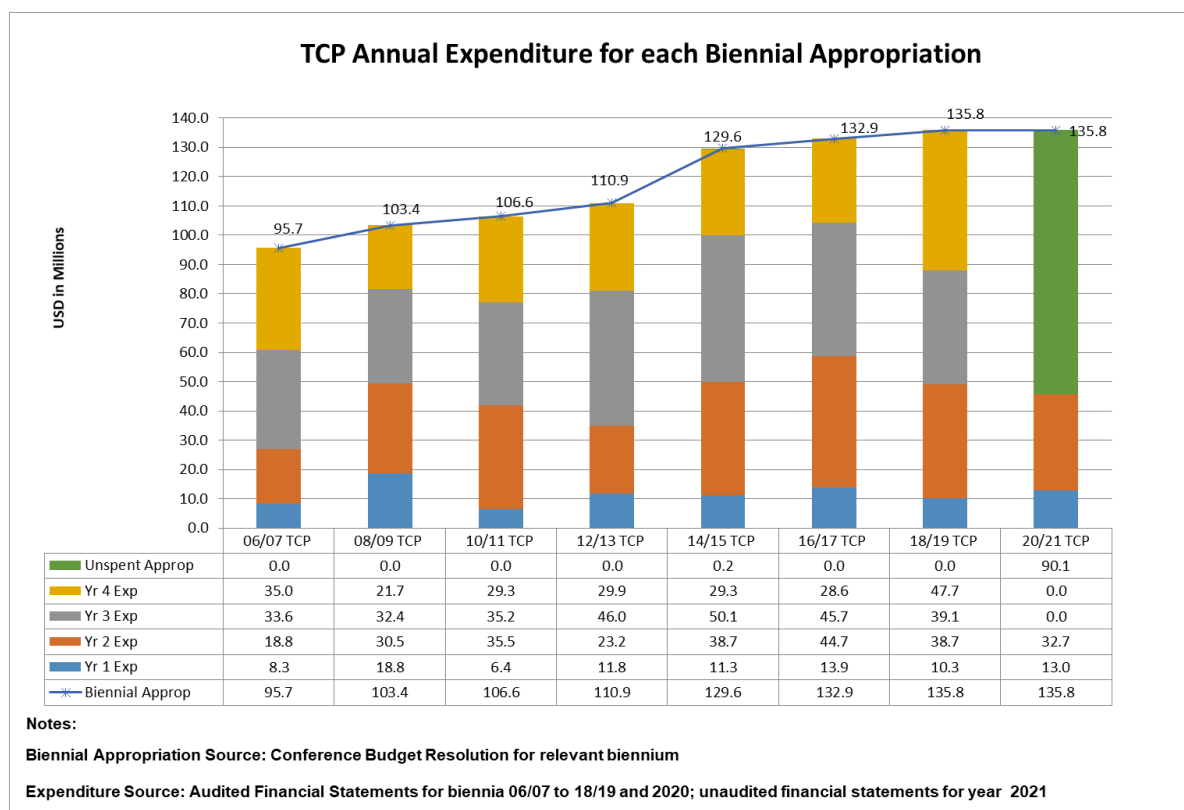
19. The 2018-19 biennium appropriation has been fully expended by 31 December 2021. As reported to previous sessions of the Finance Committee, there was a decline in the expenditure rate against the 2018-19 biennium appropriation due to a slowdown of project activities associated with the COVID-19 crisis with most projects requiring an extension due to delayed delivery. In addition, adjustments to implementation modalities in response to COVID-19 such as reliance on virtual meetings and remote backstopping generated cost savings for projects approved against the 2018-19 biennium appropriation and early re-programming of these savings (in compliance with TCP criteria) was encouraged to ensure the timely, relevant and full commitment and utilization of the appropriation. This reprogramming consisted mainly of adjustments in the set of activities and inputs to better support stakeholders and vulnerable populations during COVID-19 early response and recovery and of changes in the modalities of implementation.

20. The expenditure level against the 2020-21 biennium appropriation was comparable with previous biennia in the first year of implementation (2020), but slightly declined compared with previous biennia in the second year of implementation (2021) given the challenges associated with the renewed waves of COVID-19. At this stage, it is expected that the appropriation will be fully expended by the end of 2023.

21. Financial Regulation 4.3 of the Organization provides that the *“appropriations voted by the Conference for the Technical Cooperation Programme, together with any funds transferred to the Technical Cooperation Programme under Financial Regulation 4.5(b), shall remain available for obligations during the financial period following that during which the funds were voted or transferred.”* This means that the TCP appropriation is available for expenditure on TCP projects during the four-year period starting from the first year of the biennium for which the appropriation is approved.

22. As at 31 December 2021, the available unspent appropriation from the 2020-21 biennium totalled USD 90.1 million (USD 86.8 million as at 31 December 2019). This amount was carried forward to 2022.

23. Table 7 presents the TCP expenditure and the available appropriation for each appropriation period since 2006-07.

**Table 7**

### Losses on Exchange Differences

24. During the biennium ended 31 December 2021, the Organization recorded a net gain on exchange of USD 4.2 million, of which:

- USD 0.6 million of net gains were generated from Euro-Dollar translation differences<sup>1</sup> (non-cash); and
- USD 3.6 million were actual cash backed foreign exchange net loss incurred by the Organization that were transferred to the Special Reserve Account.

### Voluntary Contributions

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

26. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 1 464.9 million at 31 December 2021 compared with USD 1 221.9 million at 31 December 2020. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

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

27. Table 8 presents an analysis of the Trust Fund contributions received<sup>2</sup> from donors during the biennium ended 31 December 2021. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium.

28. In Table 2, income reported from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure. Income reported on Trust Fund and UNDP projects for the biennium ended 31 December 2021 amounted to USD 1 950.2 million, compared with USD 1 657.8 million reported for the biennium ended 31 December 2019.

**Table 8 - Analysis of Voluntary Contributions Received**

Biennium to 31 December 2021	USD 000's	Biennium to 31 December 2019	USD 000's
(1) European Union	408,786	(1) European Union	389,801
(2) United States	341,777	(2) United States	285,779
(3) Germany	143,408	(3) UN Office for the Coordination of Humanitarian Affairs (OCHA)	123,342
(4) Global Environment Fund (GEF)	120,120	(4) Global Environment Fund (GEF)	114,750
(5) Green Climate Fund (GCF)	117,673	(5) United Kingdom	91,175
(6) UN Office for the Coordination of Humanitarian Affairs (OCHA)	116,939	(6) Sweden	77,042
(7) United Kingdom	78,082	(7) UNDP Administered Donor Joint Trust Fund	59,019
(8) Sweden	66,802	(8) Norway	55,957
(9) Norway	59,090	(9) Japan	51,491
(10) UNDP Administered Donor Joint Trust Fund	56,928	(10) Germany	45,650
(11) World Bank	45,612	(11) Colombia	43,783
(12) Canada	44,205	(12) Netherlands	35,973
(13) Netherlands	43,876	(13) China	33,309
(14) Japan	41,068	(14) Least Developed Countries Fund For Climate Change (LDCF)	31,843
(15) Italy	38,014	(15) World Bank	23,788
(16) Saudi Arabia	34,000	(16) Canada	20,552
(17) Republic Of Korea	33,877	(17) Switzerland	20,547
(18) World Food Programme (WFP) Administered Trust Fund	32,009	(18) Italy	19,410
(19) Colombia	29,141	(19) Mexico	16,494
(20) Least Developed Countries Fund For Climate Change (LDCF)	25,755	(20) Pakistan	15,872
(21) Peace Building Fund (PBF)	24,240	(21) Belgium	15,281
(22) Global Development Program Of The Bill & Melinda Gates Foundation	24,008	(22) Republic Of Korea	15,197
(23) Denmark	22,814	(23) Peace Building Fund (PBF)	14,919
(24) Switzerland	17,590	(24) Guyana Redd Investment Fund (GRIF)	14,758
(25) Mastercard Foundation	15,613	(25) Japan International Cooperation Agency (JICA)	14,753
<b>Top 25</b>	<b>1,981,428</b>	<b>Top 25</b>	<b>1,630,485</b>
Multi-donor	147,187	Multi-donor	131,538
Other donors	347,324	Other donors	337,155
<b>Total</b>	<b>2,475,939</b>	<b>Total</b>	<b>2,099,178</b>

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

### 2022 Cash Flow Forecast (Regular Programme)

29. Table 9 below presents the Organization's consolidated Regular Programme month end short-term liquidity position forecast (which includes cash and cash equivalents) from 1 January until 31 December 2022, with comparative figures for 2021. All figures are expressed in United States Dollars millions.

30. The opening cash flow position was USD 305.7 million as at 31 December 2021 compared with USD 287.2 million at 31 December 2020. The percentage of 2021 assessed contributions paid to the Organization by Member Nations as at 31 December 2021 was 70.6 percent, a slightly higher rate of receipts than the equivalent figure of 70.3 percent for the previous year. Further details on the status of current assessments and arrears as at 31 December 2021 are presented in document FC 191/INF/2, *Status of Current Assessments and Arrears*.

31. Based on Members' past payment patterns and the Regular Programme cash level as at 31 December 2021, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2022. The current forecast is based on a similar trend as in the previous years and is subject to change upon receipt of confirmation from the Members of their expected payment dates. Consequently, the accuracy of the forecast in Table 9 below is dependent on the actual timing of the receipts of the most significant contributions throughout the year.

**Table 9**

