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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 الأغذية والزراعة للأمم المتحدة

FINANCE COMMITTEE

Hundred and Fifty-fourth Session
Rome, 26 - 30 May 2014
Financial Position of the Organization

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

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EXECUTIVE SUMMARY

- This document updates the Finance Committee on the financial position of the Organization as at 31 December 2013.
- **Regular Programme Liquidity Position**. As at 31 December 2013, the balance of Regular Programme cash, cash equivalents and short term deposits increased to USD 102.1 million (USD 61.3 million at 31 December 2011).
- **Staff Related Liabilities**. The total liability of the four plans as at 31 December 2013 was USD 1,213.1 million of which USD 765.9 million was unfunded (After Service Medical Coverage accounted for USD 693.7 million of the unfunded liability, whilst the Terminal Payments Fund accounted for the remaining unfunded portion of USD 72.2 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 2013 amounted to USD 431.6 million (USD 326.9 million at 31 December 2011) which represents both a recovery in market value as well as additional funding of USD 13.7 million. The recovery in market value was driven by the very positive movement in value of equity investments. These results were only partially affected by the slightly negative performance of the fixed-income investments. The EUR/USD foreign exchange rate impacted only marginally the investment performance over the biennia 2012-2013.
- **General and Related Fund deficit**. The General Fund deficit increased from USD 641.2 million as at 31 December 2011 to USD 938.3 million as at 31 December 2013 due to the recognition of 100% of the actuarial losses incurred on the Organization's Staff Related Liabilities.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to note the increase in liquidity of the Regular programme (102.1 million as at 31 December 2013).
- The Finance Committee is invited to take note of the increased deficit of the Organization (USD 938.3 million as at 31 December 2013) principally due to the full recognition of actuarial losses on the Staff Related Schemes and the lack of funding of the After Service Medical Coverage Scheme and the Terminal Payments Fund.

Draft Advice

- **The Finance Committee noted that while the liquidity position of the Organization at 31 December 2013 has improved compared to December 2011, its on-going cash flow health is dependent on the timely payment of 2014 assessed contributions. The Committee urged all Member Nations to make timely and full payment of assessed contributions to ensure that FAO continues to meet the operating cash requirements for the Programme of Work.**
- **The Finance Committee noted that the significant increase in the General Fund deficit was due to the full recognition of the Staff Related Liabilities, and recognized the need to identify a funding source or alternative solution to mitigate the Organization's financial exposure to this liability.**

Introduction and Contents

1. 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 2013. The report is organized as follows:

- Financial Results for the biennium ended 31 December 2013:

    i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2013 presented by source of funds and including comparative balances as at 31 December 2011- Table 1.

    ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the biennium ended 31 December 2013 presented by source of funds and including comparative balances for the biennium ended 31 December 2011 - Table 2.

- Summary Comment on Financial Results for the biennium ended 31 December 2013
- Cash Flow Forecast for 2014 to 31 December 2014

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 31 December 2013
(USD 000)

UNAUDITED

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2013	31 December 2011
ASSETS				
Cash and Cash Equivalents	102,073	560,389	662,462	568,490
Investments - Held for Trading	-	357,326	357,326	367,168
Contributions Receivable from Member Nations and UNDP	106,785	9,518	116,303	117,668
less: Provision for Delays of Contributions	(12,068)	(7,673)	(19,741)	(18,919)
Accounts Receivable	62,718	925	63,643	51,101
Investments - Available for Sale	431,585	-	431,585	326,873
TOTAL ASSETS	**691,093**	**920,485**	**1,611,578**	**1,412,381**
LIABILITIES				
Contributions Received in Advance	21,680	706,270	727,950	723,483
Unliquidated Obligations	64,709	175,617	240,326	196,171
Accounts Payable	68,767	-	68,767	39,069
Deferred Income	75,916	-	75,916	73,440
Staff Related Schemes	1,213,181	-	1,213,181	906,060
TOTAL LIABILITIES	**1,444,253**	**881,887**	**2,326,140**	**1,938,223**
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,654
Special Reserve Account	17,559	-	17,559	20,043
Capital Expenditure Account	11,132	-	11,132	14,474
Security Expenditure Account	8,543	-	8,543	4,646
Special Fund for Emergency and Rehabilitation Activities	-	38,598	38,598	43,329
Actuarial Gains / (Losses)	76,673	-	76,673	-
Unrealised Gains / (Losses) on Investments	45,493	-	45,493	7,288
Fund Balances (deficit) , End of Period	(938,306)	-	(938,306)	(641,276)
TOTAL RESERVES AND FUND BALANCES	**(753,160)**	**38,598**	**(714,562)**	**(525,841)**
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	**691,093**	**920,485**	**1,611,578**	**1,412,381**

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES for the biennium ended 31 December 2013 (USD 000)			UNAUDITED	
	Funds		Total	
	General and Related	Trust and UNDP	2012-13	2010-11
INCOME:				
Assessment on Member Nations	995,189	-	995,189	1,004,339
Voluntary Contributions	111,512	1,361,625	1,473,137	1,727,331
Funds Received Under Inter-Oganizational Arrangements	660	5,935	6,595	14,161
Jointly Financed Activities	35,760	-	35,760	38,054
Miscellaneous	11,058	1,531	12,589	9,115
Return on Investments - Long-Term	52,868		52,868	38,934
Net Other Sundry Income	19,757	-	19,757	17,496
(Loss) / Gain on Exchange Differences	(1,915)	-	(1,915)	(12,410)
TOTAL INCOME	**1,224,889**	**1,369,091**	**2,593,979**	**2,837,021**
EXPENDITURE:				
Regular Programme	1,119,959	-	1,119,959	1,104,385
Projects	-	1,367,560	1,367,560	1,632,176
TOTAL EXPENDITURE	**1,119,959**	**1,367,560**	**2,487,519**	**2,736,561**
EXCESS OF INCOME OVER EXPENDITURE	**104,929**	**1,531**	**106,459**	**100,459**
Actuarial Gains or Losses	(14,297)	-	(14,297)	(40,393)
Interest Cost of Staff Related Liabilities	(94,636)	-	(94,636)	(114,953)
Prior service credit on Staff Related Liabilities	4,497	-	4,497	-
Provision for Contributions Receivable and Other Assets	(795)	-	(795)	304
Deferred Income	(2,641)	-	(2,641)	(19,430)
Net Movement in Capital Expenditure Account	3,343	-	3,343	(4,283)
Net Movement in Utilisation of Security Expenditure Account	(3,897)	-	(3,897)	(991)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	**(3,496)**	**1,531**	**(1,965)**	**(79,287)**
Transfer of Interest to Donor Accounts	-	(1,531)	(1,531)	(2,344)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	2,485	-	2,485	(1,083)
Fund Balances, Beginning of Period (as previously reported)	(641,276)		(641,276)	
Change in Accounting Policy with respect to:				
Actuarial Gains/ losses of Staff related schemes	(296,017)		(296,017)	
Fund Balances, Beginning of Period	(937,293)	-	(937,293)	(558,563)
FUND BALANCES, END OF PERIOD	**(938,304)**	**-**	**(938,304)**	**(641,276)**

Summary Comment on Preliminary Financial Results of the biennium ended 31 December 2013

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 102.1 million at 31 December 2013 (USD 61.4 million as at 31 December 2011). As at 31 December 2013 the rate of collections of Member Nation assessments was in line with expectations and requirements.

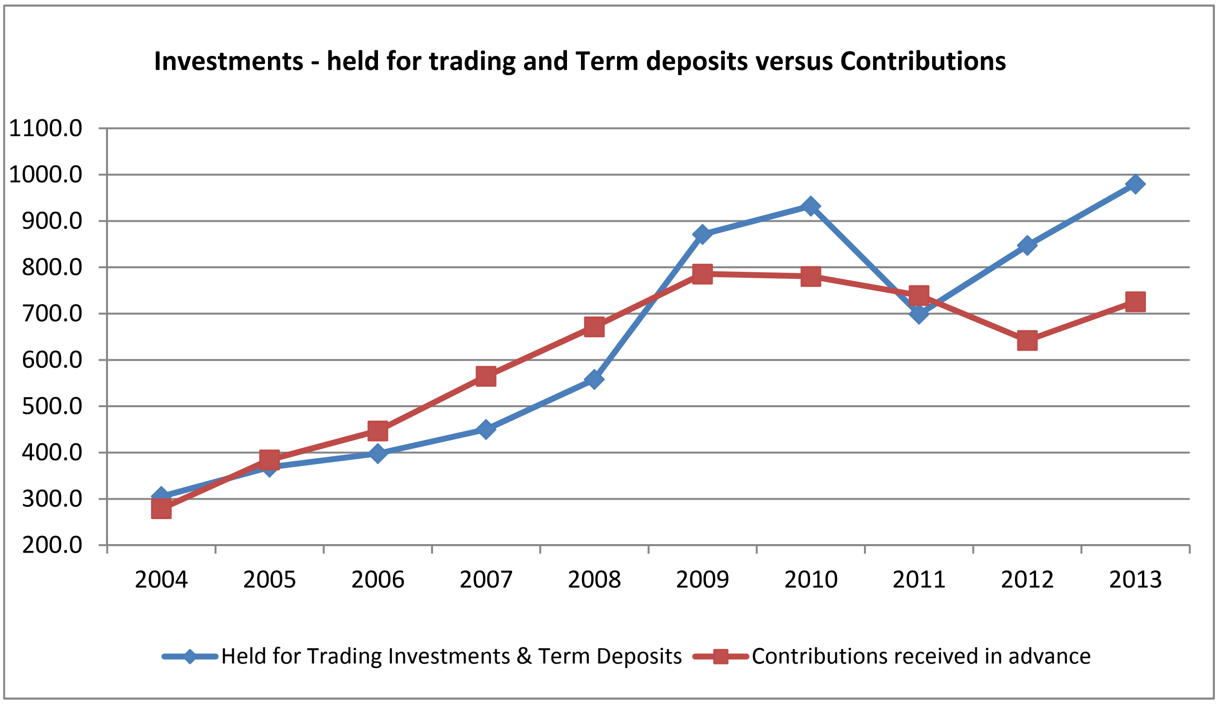
Investments - held for trading

3. The value of Investments - held for trading as at 31 December 2013 amounted to USD 357.3 million and together with term deposits of USD 621.7 million, disclosed within cash and cash equivalents, represented mainly unspent Trust Fund balances held pending disbursements on project implementation. Term deposits and investments - held for trading combined as at 31 December 2011 amounted to USD 698.9 million. During the 2012-13 biennium, the combined term deposits and investments - held for trading increased by USD 280.2 million due to a higher proportion of liquidity being invested in term deposits instead of being held as cash at bank.

4. FAO's prudent, conservative, low risk investment style and the continuing near zero interest rate environment in 2013 kept the returns on the held for trading investment portfolio very low, with an annual return of 0.19%. However, this exceeded the benchmark return by 0.16%. In 2012 the return figures were at 0.27 % compared to a benchmark return of 0.05 %.

5. Table 3 presents information on balances of the Trust Fund portion of Investments - held for trading and term deposits, and the correlation with contributions received in advance at the end of each year from 2004 to 31 December 2013.

Table 3



Investments - available-for-sale

6. Available-for-sale investment portfolios, which represent those investments set aside to fund the Organization's Staff Related Schemes, increased in value from USD 326.9 million at 31 December 2011 to USD 431.6 million as at 31 December 2013. The increase was due to several factors including:

- additional funding totalling USD 13.7 million was injected into the portfolio in line with the receipt of contributions which include specific Conference-approved funding towards the ASMC liability;
- during the biennium ended 31 December 2013, the return on the available-for-sale portfolio of investments generated a net gain of USD 91.0 million. Overall, the gain was due to favourable market conditions, in the equity market, and comprised USD 15.4 million of interest income, USD 38.2 million of net unrealised gains, net realised gains of USD 41.2 million, and offset by USD 3.8 million of management fees charged by the Organization’s investment portfolios managers.
- results were only partially affected by the slightly negative performance of the fixed-income investments. The EUR/USD foreign exchange rate impacted only marginally the investment performance over the biennia 2012-2013.

Staff Related Schemes

7. 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)

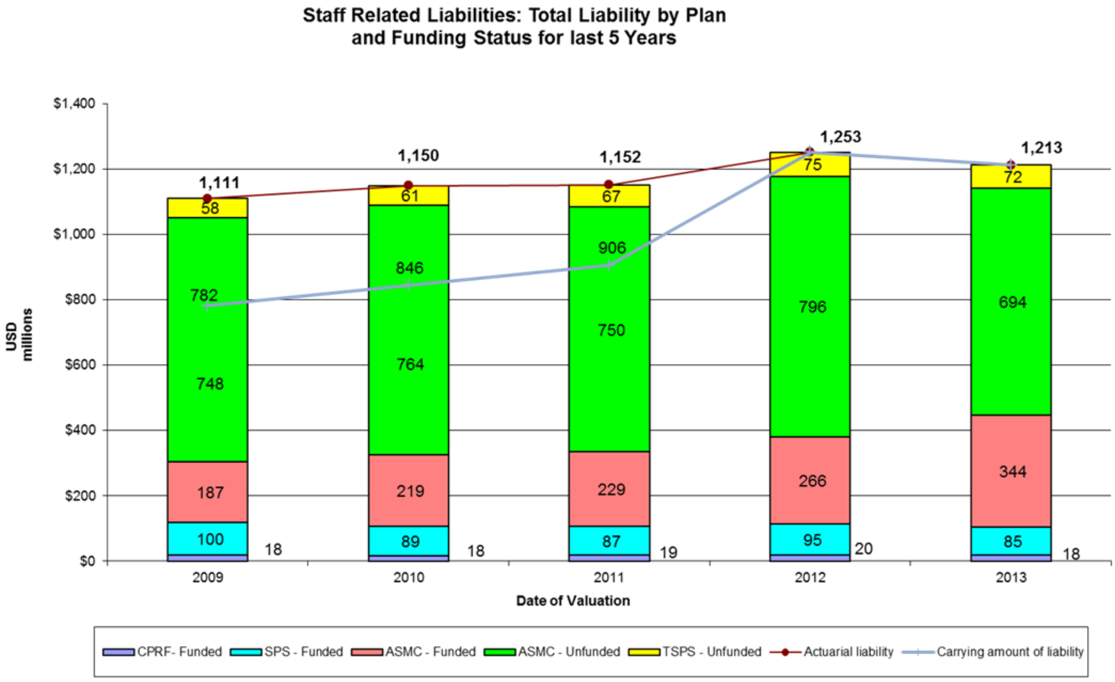
8. The results of the latest actuarial valuation as at 31 December 2013 and related funding requirements and issues are presented separately in document FC 154/3, *2013 Actuarial Valuation of Staff-Related Liabilities.*

9. The total liability of the Plans at 31 December 2013 amounted to USD 1,213.1 million, an increase of USD 61.1 million compared to the balance of USD 1,152.1 million as at December 2011.

10. During the biennium ended 31 December 2013, the Organization recorded a current service cost (included in Regular Programme Expenditure) for all the Plans of USD 79.7 million and interest cost of USD 94.6 million. On the ASMC, TPF and CPRF plans a total actuarial loss of USD 14.5 million was also recognised in the Income and Expenditure statement prior to the change in accounting treatment discussed below. Returns on the available-for sale Investment portfolios are intended to be used to address the interest cost associated with the accretion in present value of the staff liabilities. As the liability is not fully funded, the realised returns on the available-for sale portfolio fall short of the interest costs by some USD 41.7 million.

11. As at 31 December 2013 unfunded staff related liabilities amounted to USD 765.9 million of which After Service Medical Coverage (ASMC) accounts for USD 693.7 million and the Terminal Payments Fund (TPF) accounts for USD 72.2 million. Table 4 presents the analysis of the total actuarial liability by plan by funding status.

Table 4



General and Related Fund Balance

12. The General Fund deficit increased by USD 297.0 million from USD 641.3 million as at 31 December 2011 to USD 938.3 million as at 31 December 2013. The net increase in the deficit is due to the increase of USD 296.0 million as a result of fully recognizing the liability for the Staff Related Schemes as at 31 December 2012.

TCP Expenditure and Deferred Income

13. During the 2012-13 biennium, TCP expenditure charged against the 2012-13 appropriation amounted to USD 35.0 million whilst that against the 2010-11 appropriation amounted to USD 64.6 million, resulting in a small amount of USD 0.2 million from the 2010-11 appropriation being released to miscellaneous income. The average monthly TCP expenditure remained steady during the period at USD 4.1 million as at 31 December 2013 compared to an average of USD 4.0 million during the 2010-11 biennium. As at 31 December 2013, the total TCP deferred income (i.e. the available appropriation) amounted to USD 75.9 million and was carried forward for utilisation in the 2014-15 biennium.

14. The average monthly TCP expenditure of all appropriations is shown in Table 5 below:

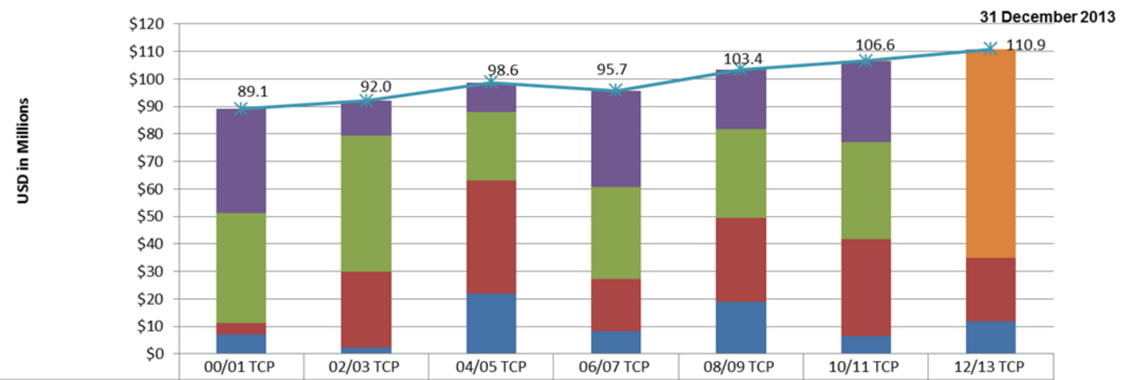
Table 5

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

15. Table 6 presents the TCP expenditure (including accruals) for all appropriation periods and TCP available appropriation (i.e. deferred income) for each year from 1 January 2004 to 31 December 2013. The expenditure incurred against the 2012-13 appropriation represents 31.5% of the available appropriation. The balance is available for expenditure through 31 December 2015, together with the new appropriation for each calendar year. The expenditure incurred during 2012-13 as at 31 December 2013 against the brought forward balance on the 2010-11 appropriation represented 99.7%. The amount of unutilised appropriation, USD 0.2 million was released to miscellaneous income at the biennium end.

Table 6

TCP Annual Expenditure for each Biennial Appropriation



	00/01 TCP	02/03 TCP	04/05 TCP	06/07 TCP	08/09 TCP	10/11 TCP	12/13 TCP
Unspent Approp	0.0	0.0	0.0	0.0	0.0	0.2	75.9
Yr 4 Exp	37.9	12.8	10.6	35.0	21.7	29.3	0.0
Yr 3 Exp	39.8	49.2	25.0	33.6	32.4	35.2	0.0
Yr 2 Exp	4.3	27.7	41.2	18.8	30.5	35.5	23.2
Yr 1 Exp	7.0	2.3	21.9	8.3	18.8	6.4	11.8
Biennial Approp	89.1	92.0	98.6	95.7	103.4	106.6	110.9

Notes:

Biennial Appropriation Source: Conference Budget Resolution for relevant biennium

Expenditure Source: Audited Financial Statements for periods 00/01 to 10/11; unaudited financial statements for period to 31 December 2013

Immediate Plan of Action Deferred Income

16. As at 31 December 2011, as authorised by Conference Resolution 5/2001, the Organization carried forward USD 8.7 million of unspent balance on the 2010-11 appropriation for full implementation of the IPA, including one time IPA investment costs to be incurred during 2012-13 financial period. As at 31 December 2013,100% of the carry forward was spent.

Losses on Exchange Differences

17. During the biennium ended 31 December 2013 the Organization recorded a net loss of USD 1.9 million. Actual cash backed foreign exchange differences incurred by the Organization amounted to USD 2.5 million loss during the period. This loss was transferred to the Special Reserve Account, in line with the agreement reached by Member Nations to cease transfer of Euro-to-Dollar translation differences (non-cash) to the SRA during the Finance Committee's 135th session and reported in document FC 135/2. The remaining net gain of USD 0.6 million was 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.

2014 Cash Flow Forecast (Regular Programme)

18. 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 2014 through 31 March 2014 and a forecast through 31 December 2014. All figures are expressed in millions of USD. The main points arising and assumptions included in the 2014 forecast data are as follows:

19. The percentage of 2014 assessed contributions paid to the Organization by Member Nations as at 31 March 2014 was 31 %, a higher rate of receipts than the equivalent figure of 23 % for the previous year.

20. 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 2014 than in 2013.

The expected receipts of current assessments from the major contributors are as follows:

Japan - US$ 28.11 million and EUR 20.66 million in May 2014

Germany - EUR 13.62 million in July 2014

France - EUR 10.67 million in August 2014

U.S.A. - US$ 61.67 million and EUR 41.96 million are not expected to be received until early 2015. No receipts are included in 2014 for the current year.

21. Based on Members' past payment patterns and the Regular Programme cash level as at 31 March 2014, the Organization's liquidity is expected to be sufficient to cover operational needs though the end of 2014. The current forecast reflects the 2013 payment patterns of the largest contributors and is subject to change upon receipt of confirmation from the Members of their expected payment dates. Consequently, the accuracy of the forecast in Table 7 below is dependent on the actual timing of the receipts of the most significant contributions in 2014.

Table 7