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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 Seventy-third Session

Rome, 12 - 16 November 2018

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 30 June 2018.
- Regular Programme Liquidity Position - As at 30 June 2018, the balance of Regular Programme cash, cash equivalents and short term deposits amounted to USD 212.1 million (USD 162.5million at 31 December 2017). Further information and analysis of the liquidity position is presented in document FC 173/3, *Liquidity Status of the Organization*.
- Staff Related Liabilities - The total liability of the four plans as at 30 June 2018 was USD 1 553.3 million of which USD 1 031.9 million was unfunded (After Service Medical Coverage accounted for USD 973.5 million of the unfunded liability, whilst the Termination Payments Fund accounted for the remaining unfunded portion of USD 58.4 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 30 June 2018 amounted to USD 521.4 million (USD 534.3 million at 31 December 2017). The decrease of USD 13 million was due to several factors including adverse market performance and foreign exchange rates.
- General and Related Fund deficit - The General Fund deficit decreased from USD 899.3 million as at 31 December 2017 to USD 659.1 million as at 30 June 2018 due to the recognition as income of a full year of 2018 Member Nations assessments compared to six months of expenditure in 2018. The deficit as at 31 December 2018 is forecasted to be approximately USD 870.0 million.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the decrease in the deficit of the Organization to USD 659.1 million as at 30 June 2018 from USD 899.3 million as at 31 December 2017 which reflected to the fact that only 6 months of expenditures had been incurred against a full year of assessed contributions reported as income. The General Fund deficit is forecasted to reach a level of USD 870.0 million at 31 December 2018 due to an additional six months' expenditures and the lack of funding available to offset charges for the After Service Medical Coverage Scheme and the Termination Payments Fund.

Draft Advice

The Committee:

- **Noted that the level of the General Fund deficit was forecasted to be reach a level of USD 870.0 million by 31 December 2018 (USD 899.3 million as at 31 December 2017) and that the main reason for this structural deficit continued to be due to shortfalls in funding to offset charges for Staff Related Liabilities;**
- **Noted the information provided on investment performance recalling that this matter would be considered in more detail at its next regular session when the Report on Investments for 2017 would be presented to the Committee; and**
- **Welcomed the continued improvement in the rate of expenditure of the Technical Cooperation Programme (TCP) and encouraged the Secretariat to maintain this trend.**

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 six months ended 30 June 2018. The report is organized as follows:

- Financial Results for the six months ended 30 June 2018:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 30 June 2018 presented by source of funds and including comparative balances as at 31 December 2017 (previous year-end audited accounts) - Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the six months ended 30 June 2018 presented by source of funds and including comparative balances for the six months ended 30 June 2016 (equivalent period for the previous biennium) - Table 2.
- Summary Comment on Financial Results for the six months ended 30 June 2018.

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES
As at 30 June 2018
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS				
Cash and Cash Equivalents	212,065	372,748	584,813	680,203
Investments - Held for Trading	-	675,927	675,927	509,278
Contributions Receivable from Member Nations and UNDP	337,982	9,732	347,714	227,618
less: Provision for Delays of Contributions	(22,108)	(8,832)	(30,940)	(31,329)
Accounts Receivable	41,739	382	42,121	42,984
Investments - Available for Sale	521,392		521,392	534,344
TOTAL ASSETS	1,091,070	1,049,957	2,141,027	1,963,098
LIABILITIES				
Contributions Received in Advance	70	778,439	778,509	797,791
Unliquidated Obligations	28,538	256,840	285,378	373,986
Accounts Payable	57,119	-	57,119	55,592
Deferred Income	106,117	-	106,117	74,344
Staff Related Schemes	1,553,251	-	1,553,251	1,527,423
TOTAL LIABILITIES	1,745,095	1,035,279	2,780,374	2,829,136
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	29,890	-	29,890	30,434
Capital Expenditure Account	48,694	-	48,694	39,307
Security Expenditure Account	36,088	-	36,088	18,263
Special Fund for Development Finance Activities	0	3,494	3,494	0
Special Fund for Emergency and Rehabilitation Activities	-	11,184	11,184	34,993
Unrealised Gains / (Losses) on Investments	32,330	-	32,330	52,234
Actuarial (Gains)/ Losses	(167,712)	-	(167,712)	(167,712)
Fund Balances (deficit) , End of Period	(659,060)	-	(659,060)	(899,303)
TOTAL RESERVES AND FUND BALANCES	(654,025)	14,678	(639,347)	(866,039)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,091,070	1,049,957	2,141,027	1,963,097

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the six months ended 30 June 2018
(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	30 June 2018	30 June 2016
INCOME:				
Assessment on Member Nations	495,581	-	495,581	483,174
Voluntary Contributions	11,474	360,700	372,174	345,743
Funds Received Under Inter-Oganizational Arrangements	48	263	311	893
Jointly Financed Activities	9,788	-	9,788	10,691
Miscellaneous	10,461	1,050	11,511	4,851
Return on Investments - Long-Term	7,194	-	7,194	(8,442)
Net Other Sundry Income	14,071	-	14,071	5,013
(Loss) / Gain on Exchange Differences	(6,293)	-	(6,293)	1,378
TOTAL INCOME	542,324	362,013	904,337	843,301
EXPENDITURE:				
Regular Programme	221,505	-	221,505	213,603
Projects	-	360,963	360,963	326,050
TOTAL EXPENDITURE	221,505	360,963	582,468	539,653
EXCESS OF INCOME OVER EXPENDITURE	320,819	1,050	321,869	303,648
Actuarial Gains or Losses	0	-	0	0
Interest Cost of Staff Related Liabilities	(18,636)	-	(18,636)	(17,816)
Prior service credit on Staff Related Liabilities	0	-	0	0
Provision for Contributions Receivable and Other Assets	1	-	1	0
Deferred Income	(35,267)	-	(35,267)	(35,662)
Net Movement in Capital Expenditure Account	(9,386)	-	(9,386)	(7,489)
Net Movement in Utilisation of Security Expenditure Account	(17,825)	-	(17,825)	(6,943)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	239,706	1,050	240,756	235,709
Transfer of Interest to Donor Accounts	-	(1,050)	(1,050)	(977)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	0	
Special Reserve Account	537	-	537	(651)
Fund Balances, Beginning of Period (as previously reported)	(899,303)	-	(899,303)	(922,188)
FUND BALANCES, END OF PERIOD	(659,060)	(0)	(659,060)	(688,107)

Summary Comment on Financial Results for the six months ended 30 June 2018

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents totalled USD 212.1 million at 30 June 2018. This compared to USD 162.5 million at 31 December 2017. Further information and analysis of the liquidity position is presented in document FC173/3, 2018 *Liquidity Status of the Organization*.

Investments - held for trading

3. The value of "Investments - held for trading" as at 30 June 2018 amounted to USD 675.9 million and together with "term deposits" of USD 508.7 million (disclosed within cash and cash equivalents), for a total of USD 1 184.6 million (USD 1 052.3 million as at 31 December 2017) mainly represented unspent balances on Trust Fund projects.

4. FAO's prudent, low risk investment style and the continuing low but gradually increasing interest rate environment in the United States generated returns of 0.82 percent through June 2018. This however, exceeded the benchmark returns of 0.77 percent by 5 basis points.

Investments - available-for-sale

5. Available-for-sale investment portfolios, which represent those investments set aside to fund the Organization's Staff Related Schemes, decreased in value from USD 534.3 million at 31 December 2017 to USD 521.4 million as at 30 June 2018. The overall decrease was due to a combination of adverse market performance and foreign exchange rates, in particular;

- overall performance of the long-term funds expressed in USD was negative 2.31 percent for the first half of 2018, with equity investments generating a return of negative 1.41 percent;
- performance was negatively affected by the decrease in value of the EUR versus the USD. As at 30 June 2018, the EUR had lost 2.67 percent versus the USD.

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:

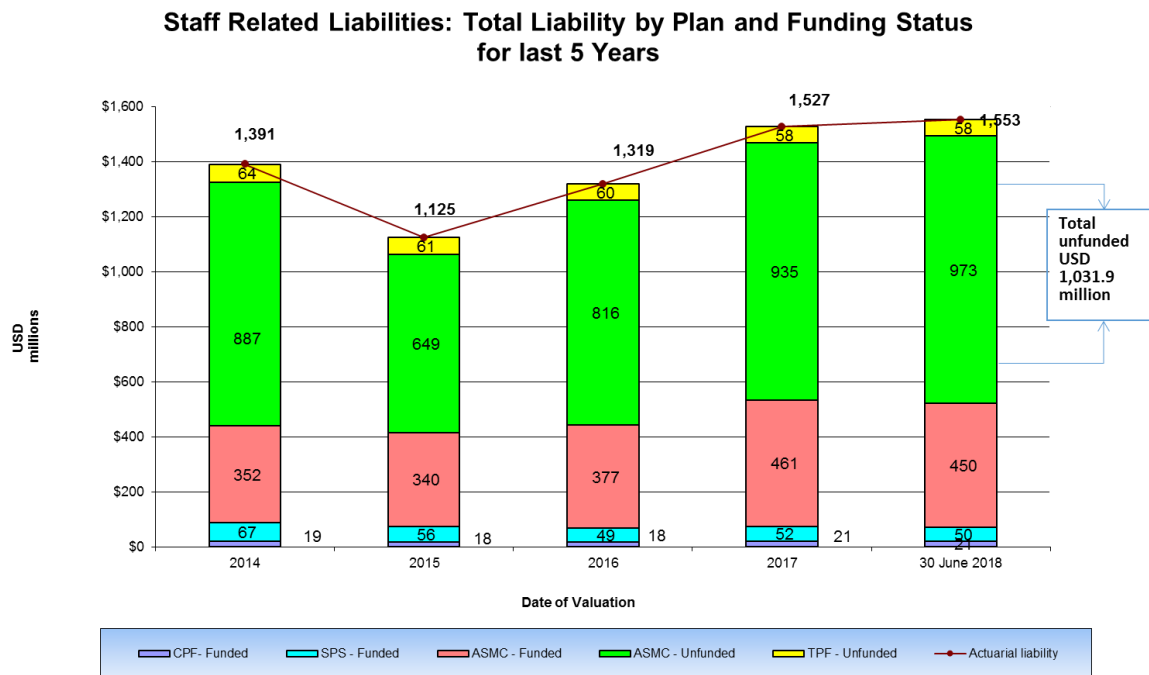
- After-service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

7. The results of the latest actuarial valuation as at 31 December 2017 and related funding requirements and issues were presented to the 170th Session of the Finance Committee in May 2018 (document FC 170/4).

8. The total liability of the Plans at 30 June 2018 amounted to USD 1 553.3 million, representing an increase of USD 25.9 million compared with the balance of USD 1 527.4 million as at 31 December 2017.

9. As at 30 June 2018, unfunded staff related liabilities amounted to USD 1 031.9 million, of which After Service Medical Coverage accounted for USD 973.5 million and the Termination Payments Fund accounted for USD 58.4 million. Table 3 presents the analysis of the total actuarial liability by plan by funding status.

Table 3



General and Related Fund Balance

10. The General Fund deficit decreased from USD 899.3 million as at 31 December 2017 to USD 659.1 million as at 30 June 2018 due to the recognition as income of a full year of 2018 Member Nations assessments compared to six months of expenditure in 2018. The deficit as at 31 December 2018 is forecasted to be approximately USD 870.0 million.

TCP Expenditure and Deferred Income

11. The average monthly TCP expenditure during the period continued to steadily increase and reached USD 6.0 million as at 30 June 2018 compared with an average of USD 5.8 million during the biennium ended 31 December 2017. During the six months ended 30 June 2018, TCP expenditure charged against the 2018-19 appropriation amounted to USD 1.9 million whilst that against the 2016-17 appropriation amounted to USD 33.9 million.

12. As at 30 June 2018, the TCP deferred income (i.e. the available unspent appropriation from the prior biennium and from 2018-19) totalled USD 106.1 million. Of this amount USD 65.6 million related to the 2018-19 appropriation and USD 40.4 million to the 2016-17 appropriation. The total TCP deferred income of USD 106.1 million had reduced compared to the same reporting period for the previous biennium (USD 115.4 million as at 30 June 2016).

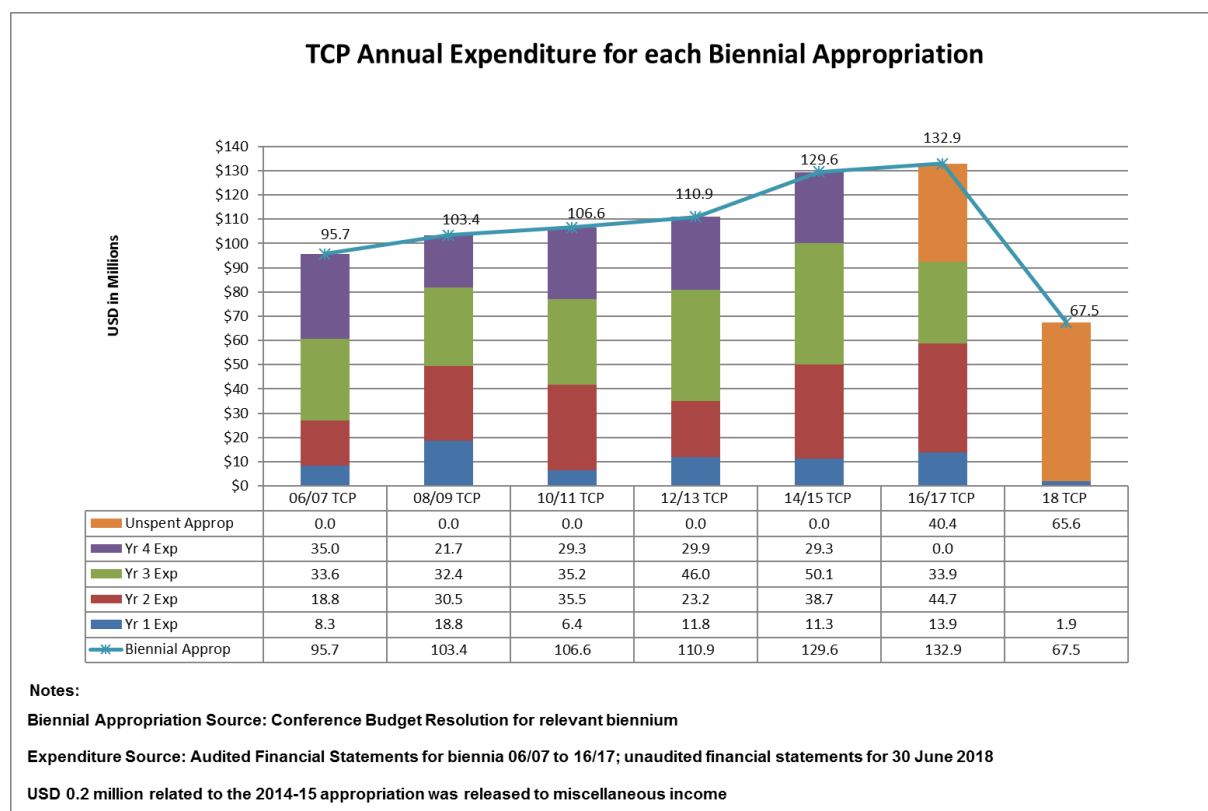
13. The average monthly TCP expenditure of all appropriations is shown in Table 4 below:

Table 4

Average monthly expenditure	Average monthly TCP expenditure						
	Time period						
	30-Jun-18 6 months	2016-17 24 months	2014-15 24 months	2012-13 24 months	2010-11 24 months	2008-09 24 months	2006-07 24 months
	6.0	5.8	5.2	4.1	4.0	4.9	2.5

14. 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 2006 to 30 June 2018. The expenditure incurred during the six months ended 30 June 2018 against the 2016-17 appropriation represented 45.6 percent of the available brought forward balance of the appropriation. This balance is available for expenditure through 31 December 2019.

Table 5



Losses on Exchange Differences

15. During the six months ended 30 June 2018 the Organization recorded a net loss on exchange of USD 6.3 million, of which:

- USD 5.8 million was generated from Euro-Dollar translation differences¹ (non-cash); and
- USD 0.5 million reflected actual cash backed foreign exchange net losses incurred by the Organization and that were transferred to the Special Reserve Account.

Voluntary Contributions

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

17. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 778.4 million at 30 June 2018 compared to USD 752.5 million at 31 December 2017. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

18. Table 6 presents an analysis of the Trust Fund contributions received² from donors during the six months ended 30 June 2018. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium (six months to 30 June 2016).

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

20. Income reported on Trust Fund and UNDP projects for the six months to 30 June 2018 amounted to USD 361.0 million, compared with USD 326.0 million reported for the six months to June 2016.

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.

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

6 Months to 30 June 2018	USD 000's	6 Months to 30 June 2016	USD 000's
(1) European Union UN Office for the Coordination of Humanitarian Affairs (OCHA)	60,019	(1) European Union	72,777
(2) United States	40,716	(2) United States	43,788
(3) Sweden	40,028	(3) United Kingdom	23,056
(4) Pakistan	21,037	(4) UN Office for the Coordination of Humanitarian Affairs (OCHA)	18,387
(5) Guyana Redd Investment Fund (GRIF)	16,548	(5) Japan	17,958
(6) Global Environment Fund (GEF)	14,792	(6) Saudi Arabia	12,544
(7) United Kingdom	12,600	(7) Canada	10,262
(8) Germany	11,480	(8) Germany	8,948
(9) Canada	11,262	(9) Global Environment Fund (GEF)	8,300
(10) Colombia	10,518	(10) Least Developed Countries Fund For Climate Change (LDCF)	7,924
(11) Japan	9,594	(11) UNDP Administered Donor Joint Trust Fund	7,817
(12) Global Agriculture And Food Security Programme (GAF)	8,540	(12) Switzerland	7,337
(13) Belgium	7,960	(13) The World Bank	6,463
(14) World Bank	7,910	(14) Sweden	6,122
(15) Chad	7,886	(15) Brazil	5,931
(16) Mexico	6,524	(16) Mexico	5,191
(17) Least Developed Countries Fund For Climate Change (LDCF)	6,114	(17) Venezuela	5,000
(18) Japan International Cooperation Agency (JICA)	5,425	(18) FAO	3,595
(19) Provincial Government Of Quebec	5,247	(19) Special Climate Change Fund (SCCF)	3,420
(20) UNDP Administered Donor Joint Trust Fund	5,000	(20) France	3,111
(21) World Food Programme, Administered Trust Fund	4,470	(21) The Common Fund for Humanitarian Action in Sudan (CHF)	2,932
(22) Switzerland	4,350	(22) Belgium	2,905
(23) International Organization For Migration (IOM)	4,323	(23) Norway	2,842
(24) Peace Building Fund (PBF)	4,298	(24) CropLife International	2,621
	3,392	(25) UNICEF	2,609
Top 25	330,033	Top 25	291,840
Multi-donor:		Multi-donor:	
Multi-donor	23,961	Multi-donor	24,456
Other donors	46,555	Other donors	46,315
Total	400,549	Total	362,611