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联合国
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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
الأغذية والزراعة
للأمم المتحدة

CONFERENCE

Forty-fourth Session
Rome, 28 June - 4 July 2025
Audited Accounts – FAO 2022

FINANCIAL STATEMENTS for 2022

of the

Food and Agriculture Organization

of the

United Nations

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The Report of the External Auditor is available under Conference document reference number C 2025/5 B.

INDEPENDENT AUDITOR'S REPORT

To the FAO Conference of Member Nations

Opinion

We have audited the financial statements of the Food and Agriculture Organization of the United Nations (FAO), which comprise the statement of financial position as at 31 December 2022, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FAO as at 31 December 2022, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the section below 'Auditor's Responsibilities for the audit of the Financial Statements'. We are independent of FAO in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the information included in the Director General's Report for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control, as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of FAO to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management either intends to liquidate FAO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of FAO.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of FAO;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusion as to the appropriateness of management's use of the going concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of FAO to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report;

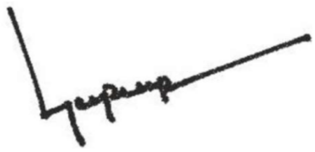
(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of the FAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations of FAO.

In accordance with Article 12.9 of the Financial Regulations, we have also issued a long form report on our audit of the Food and Agriculture Organization of the United Nations.



16 October 2023 **Girish Chandra Murmu**

Comptroller and Auditor General of India

FINANCIAL STATEMENTS 2022

CERTIFICATION OF FINANCIAL STATEMENTS

The amounts shown in the statements properly reflect the recorded financial transactions for the period:

Beth Bechdol
Deputy Director-General

Beth Bechdol

Approved:

29/09/2023

Director-General

29 September 2023

DIRECTOR-GENERAL'S STATEMENT

Pursuant to the Basic Texts of the Food and Agriculture Organization of the United Nations (FAO) (2017 edition), in particular, Rule XXXVIII, paragraph 2 (h) of the General Rules of the Organization, and in accordance with Financial Regulation XI, I have the honour to submit for adoption by the Conference, the Financial Statements for the year ended 31 December 2022 prepared in accordance with International Public Sector Accounting Standards (IPSAS) and FAO's Financial Rules and Regulations.

Under Financial Regulation X.1, the Director-General is accountable to the Governing Bodies for the internal control of the Organization, in order to ensure effective financial administration and exercise of economy, and effective custody of the physical assets of the Organization.

Internal control and accountability processes are exercised continually at all levels within the Organization in line with the requirements established in FAO's Internal Control Framework, which lays out the elements of FAO's system of internal control.

A Statement on Internal Control (SIC) has been issued with the annual financial statements. The SIC has been prepared based on a thorough and Organization-wide review of internal controls by managers as well as on recommendations of FAO's internal and external oversight mechanisms.

The Organization continues to strengthen its commitment towards transparency and safeguarding of funds entrusted to the Organization through progressing on improvements to the process of safeguarding of assets, diversified and prudent investment strategies and by strengthening the risk management and internal controls.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

1. The Director-General of the Food and Agriculture Organization of the United Nations (FAO) is accountable for maintaining a sound system of internal control that supports the achievement of FAO's vision, goals and objectives, while safeguarding the funds and assets, in accordance with the responsibilities entrusted under FAO's Constitution, General Rules, Financial Regulations and by the Governing Bodies.

Purpose of the System of Internal Control

2. The system of internal control is designed to reduce and manage, rather than eliminate, risks and to increase the likelihood that FAO's policies, aims and objectives will be achieved. It therefore provides a reasonable assurance and not absolute guarantee of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of the Organization's mandate and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. The system of internal control has been in place at FAO for the year 1 January 2022 through 31 December 2022, and up to the date of the signature of this document.

3. The system of internal control covers all aspects of FAO's activities. Managers and their staff throughout FAO are required to use internal controls to develop, implement, monitor and adjust strategies, policies, processes and plans with a view to the following benefits:

a) Developing **controls that efficiently and effectively respond to the operational and other risks** faced in achieving FAO's objectives.
b) Maintaining and improving the **reliability, integrity and timeliness of financial and operational information**.
c) Improving the **observance of legal, statutory or regulatory obligations, FAO's ethical standards and of its internal rules**.
d) **Avoiding losses and waste of assets and resources**, whether through misdirected effort, avoidable **errors, mismanagement, abuse or fraud**.
e) Sustaining and increasing the confidence among Members and other stakeholders in the **effectiveness and efficiency of FAO's management systems**.

Risk and Control Framework

4. FAO operates its internal controls within a comprehensive policy framework in compliance with the Committee of Sponsoring Organizations (COSO) framework's five components (control environment, risk assessment, control activities, information and communication and monitoring activities). The FAO framework covers all aspects of internal controls, including accountability, risk management, control activities, fraud prevention and detection and ethical behaviour. High-level oversight is provided by the Director-General and his Core Leadership Team, consisting of the three Deputy Directors-General, the Chief Economist, the Chief Scientist, and the Director of Cabinet, in line with FAO's internal management governance policies. This model ensures that information and knowledge is shared in a transparent manner and benefits from multiple input and analysis. This approach is further strengthened by the established A and B reporting lines of head of units to the Core Leadership, as well as by regular briefings from the Inspector General to senior management across the Organization on issues identified. The Internal Control Board (ICB), chaired at the level of Deputy Director-General, provides coordination and internal governance of control-related initiatives while the Office of Strategy, Programme and Budget manages FAO's policies on accountability, risk management and the Internal Control Framework as well as leads the internal control reporting process.

5. The design of controls, procedures and tools for managing risks in business processes is assigned to specific policy owners of business processes that are also responsible for facilitating operational monitoring and reporting.

6. Compliance with the Internal Control Framework is the responsibility of the managers in headquarters and the Decentralized Offices. As a basic premise, however, all FAO staff, consultants, subscribers, contractors and partners are expected to bring control issues to the attention of the Organization, through their supervisors or other established channels, such as the Office of the Inspector General.

7. FAO is committed to managing risks efficiently and responsibly, ensuring that significant risks be identified, assessed, mitigated and reported in a way that enhances FAO's ability to meet its objectives and deliver the benefits and purpose expected by its stakeholders. Risk management must be embedded into existing practices and business processes so that it forms part of FAO's culture.

Review of Effectiveness

8. As Director-General, I review the effectiveness of the system of internal control. My review is informed by:

a) Letters of Representation from the Deputy Directors-General, Chiefs, Regional Representatives and Director of Cabinet, in which they provide assurance that FAO's management and control systems are being applied methodically and effectively across the Organizational units under their command. The Letters of Representation are informed, *inter alia*, by the analysis of the Internal Control Questionnaires completed by offices and divisions throughout FAO, and the resulting control improvement plans.

b) Conclusions and recommendations in the audit reports of the Office of the Inspector General and the Annual Reports of the Inspector General, the Oversight Advisory Committee and the Ethics Officer.

c) Observations, conclusions and recommendations made by the External Auditor in their long-form report, management letters and other reports.

d) Other matters that have come to my attention during the year, for example, data from corporate monitoring systems such as the Operational Monitoring Dashboard.

9. FAO further benefits from other relevant information stemming from the activities of its Office of the Inspector General, its Oversight Advisory Committee, its External Auditor, its Office of Evaluation, the UN Joint Inspection Unit as well as from the work of its Governing Bodies that exercise oversight and support the implementation of the Internal Control Framework.

10. FAO is committed to a process of continuous development and improvement in risk management and internal control, and reports below on four key areas identified, where internal control improvements are required, together with related action taken and further improvements foreseen.

Enterprise Risk Management (ERM) and Fraud Risk Management

11. FAO has established a sound framework for risk management, with the corporate policy on risk management, risk logs for all FAO offices and risk considerations embedded into planning and business processes such as the Extra-budgetary project cycle and country programming frameworks. The Organization is working to progressively achieve greater risk management maturity through a comprehensive workplan.

12. Fraud risk is an important component of FAO-wide risk management. FAO has a zero-tolerance policy framework in place, supported by the assessment of fraud risk vulnerability and guidance for fraud prevention and detection, and the Fraud Prevention Plan preparation and monitoring for FAO offices worldwide, in a dedicated online tool.

<u>Action taken in 2022</u>

13. The process to gradually strengthen risk management practices, including for fraud risk, continued in 2022, including the following actions:

a) A review of risk management in FAO, carried out by the Office of the Inspector General, recommending a series of next steps towards greater risk management maturity.

b) Strengthened integration of risk in planning and reporting processes, with the embedding of risk management principles in the Mid-Term Review for 2022, where reporting was based on risk factors that may impact capacity to deliver on planned outputs and achieve objectives for the biennium, including formulation of related mitigating action.

c) Continued awareness raising and capacity building on FAO risk management, with regular Open House sessions at corporate level as well as tailored briefings and workshops. A Fraud Awareness week was organized, open to all FAO staff, with interactive sessions on fraud risks in major business processes.

d) Increasing involvement of Core Leadership in risk identification, monitoring and planning for next steps in ERM implementation, in line with new risk management governance arrangements.

e) Complete review and update of the Corporate Risk Log, with an active role of Core Leadership, aiming for a more focused and strategic view of the main risks for the Organization.

Action planned in 2023

14. The gradual progress towards greater risk management maturity continues and the main steps planned to be taken in 2023 include:

a) Review of the risk management policy, with the aim to provide a completely updated framework, in line with best practice, including clear roles and responsibilities for all aspects of risk management.

b) Initiate development of improved IT tools, supporting integrated management of risk and fraud prevention and allowing for greater embedding in key planning and monitoring processes in the future.

c) Further enhancing learning and guidance materials, meeting the increasing needs following the growing risk management maturity, with tailored training for different functions.

d) Developing regular senior management reporting, both on key risks raised throughout the Organization and related risk mitigation measures, and on the progress of risk management implementation and maturity.

Competencies and Capacity

Action taken in 2022

15. The competency and capacity of personnel in core programmatic, operations and administrative functions at all locations is fundamental to the internal control system and efficient delivery of FAO's programme, in line with the changing global context, FAO's more agile business model and UN reform. During 2022, progress was made in several of the identified priority areas:

a) The efforts to modernize the business models of the administrative functions are ongoing. In 2022, a comprehensive review of the procurement function was initiated, aiming at identifying opportunities to streamline procurement processes and define requirements to enhance efficiency, effectiveness and strategic value of the service.

b) The process of implementing the adjustments to regional and subregional structures, aiming to improve relevance, timeliness, cost-efficiency, technical quality and effectiveness of support, was initiated during 2022 and is expected to be concluded before the end of 2023.

c) Numerous capacity development efforts were implemented in areas of the project cycle, including a global training program on how to engage with the private sector, an updated project budget holder course, new e-learning courses and handbooks supporting the cash transfer, beneficiary grants and vouchers operational modality policies and a series of open sessions on topics of interest in the area of resource mobilization, with nearly 2000 participants in total.

d) New learning courseware and reporting tools were delivered for improved performance in fraud prevention, risk management and internal controls, ethics and protecting staff. They included online courses (e.g. for 'GRMS Accounts Payable', and 'FAO Basic Texts') and a video to enhance awareness and understanding of risk management. A reporting tool providing real-time training-related data was also put in place to allow organizational units to monitor compliance to mandatory training.

e) Development of improved guidance for enhanced workforce planning and management, supported by better dashboard information, is in progress. The comprehensive tools and system support will be integrated in the Enterprise Resource Planning (ERP) transformation project.

f) Support to the technical integrity of FAO's work in all locations through roll-out of the new model for technical support to projects, developed to better leverage FAO's technical know-how in project formulation and execution, as well as through review of the processes for recruitment of technical staff to strengthen the linkages between technical units at headquarters and technical staff in Decentralized Offices.

g) Following the creation of virtual platforms in previous years, in 2022, focus was on developing new learning content, in support of career development, leadership and management skills, two-way communication, and promotion and awareness of diversity and inclusion. The profile-specific learning plans for different roles were updated to reflect the latest training opportunities and to enable customization and adaptation to individual learning needs.

<u>Action planned in 2023</u>

16. As noted above, several of the initiatives to strengthen capacities, knowledge and skills across core operations, administrative and programmatic function undertaken in 2022 are still ongoing and implementation will continue in 2023. Steps planned include:

a) Continuation of the initiatives to optimize central administrative functions, with particular focus on the clarification of roles and responsibilities in the Shared Services Centre and headquarters service functions, implementation of the Human Resources (HR) strategic action plan and the completion of the review of the procurement function.

b) Further capacity building efforts will be rolled out in the area of programme and project management and monitoring, including specific support to Decentralized Offices in the area of new operational modalities.

c) Focus on improving organizational capacity on matters relating to harassment, sexual harassment, discrimination and abuse of authority, coordinated by the Internal Committee on Workplace Conduct and Protection from Sexual Exploitation and Abuse (PSEA), and in line with the Policy on the prevention of harassment, sexual harassment and abuse of authority.

d) Capacity building for Decentralized Offices in financial, human resources, procurement and risk management, with particular support to countries in a crisis and emergency context.

e) Pilot a mechanism to ensure timely, effective and efficient support to country offices' participating in UN joint country programming, by creating a network of technical expertise at headquarters and regional levels.

Systems, Policies, Procedures and Tools

<u>Action taken in 2022</u>

17. Risk based, streamlined and effective processes for the management of core activities are the basis of good internal controls and achieving the Organization's objectives. During 2022, the main initiatives taken in this area were:

a) Reform of several key administrative processes have been initiated, including the preparation of new guidelines for recruitment of both staff and affiliate workforce, aiming to implement audit recommendations and enhancing UN collaboration, and a full update of the Financial Rules.

b) Further steps have been taken to lay the foundation for strengthened digital support to FAO business processes by implementing an ERP integration layer to improve interoperability and process integration between different systems, as well as upgrades and migration to cloud based services of several ERP components.

c) Efforts to strengthen support to the project cycle, from resource mobilization to implementation, are underway, starting from improved definition of project management roles and responsibilities and streamlined templates. Two entirely new Manual Sections were also launched, providing extensive guidance and defining risk-based controls for the implementation of projects using beneficiary grants or voucher schemes.

d) The second phase of the PROMYS project has been launched, with the recruitment of a full-time project manager, the set-up of governance arrangements and definition of scope and objectives, including programme and project planning and management support. This project will commence implementation in 2023 and is expected to continue for several years.

Action planned in 2023

18. Many of the initiatives launched in 2022 will have a profound impact on the support to FAO core activities and are of a longer-term nature, spanning several years. In 2023, focus will be on the following activities:

a) Implementation of the PROMYS project, aiming for the creation of an innovative solution for integrated programme management and monitoring, starting in 2023 with the selection of a technical platform and the definition of initial pilot components.

b) Continuation of the review and streamlining of policies and procedures in the area of Finance. The updated Financial Rules of the Organization’s administrative Manual will address internal controls and provide guidance on asset management. Additional efforts will also be given to the extension of digital payment methods through non-banking channels to enable the Organization to increase financial inclusion.

c) Process improvement activities within Human Resources management will include finalization of the Staff recruitment guidelines and the selection guidelines for the Affiliate Workforce (NSHR), enhanced outreach to increasingly attract diverse talent and the development of a policy for flexible working arrangements.

d) Further optimization and digitalization of FAO business processes for improved planning, management, monitoring, reporting and oversight, through the continuation of the implementation of the updated ERP roadmap 2022-25 and the related detailed implementation plan for key areas of work: programme management; workforce planning and talent management; procurement; supply chain management and data integration.

e) Roll out of the new Data Protection Policy, including development of corporate instruments, standards, procedures and guidance and relevant templates.

f) With the support of the established internal taskforce an incremental approach for implementation of the records archives management in FAO will be developed.

Roles, Responsibilities and Accountability in Managerial Oversight

Action taken in 2022

19. Clear definition of accountability for oversight and monitoring of risk management and internal controls in all processes and tools supporting oversight are fundamental components of a strong internal control environment. In 2022, the Organization has undertaken several related initiatives:

a) Launch of the Country Office Management and Monitoring Indicators Tool, COMMIT, to support Managers in Decentralized Offices in their monitoring and oversight over key indicators, allowing for early detection of issues that may affect programmes and operations.

b) Development of project monitoring dashboards, including key indicators of project performance, currently used within the Project Support Services division but aiming for future roll out throughout FAO.

c) Further work to strengthen FAO's governance on workplace conduct (harassment, sexual harassment, discrimination and abuse of authority) and PSEA, ensuring a victim- and survivor-centered approach, enhanced reporting channels and investigative mechanisms, and organizing a wide span of outreach and training activities.

d) Clarification of accountability for oversight over corporate processes, based on the results of the assurance mapping exercise and in line with the established Internal Control Framework, including formulation of required next steps.

Action planned in 2023

20. Many of the actions planned under the aforementioned sections will also significantly contribute to the clarification of roles and strengthened accountability throughout the Organization. Further to these, the following specific actions are foreseen:

a) Introduction of a new Project Manager role to complement the role of the Budget Holder and the Lead Technical Officer, for the purpose of strengthening project management and increasing segregation of duties. The roll out of the new function will be supported by operational guidelines.

b) Strengthening the capacity of Regional Offices to support and monitor critical administrative and operational functions across Country Offices, through peer exchanges and support in the Internal Controls and Compliance network.

c) Gradual implementation of the strengthened role of the business units in managing risk and monitoring compliance with internal controls, aligned with the development of a strengthened policy framework for risk management.

Conclusion

21. Effective internal control, no matter how well designed, has inherent limitations. Furthermore, the effectiveness of internal control may vary over time. I am committed to addressing any weaknesses in internal controls noted during the year brought to my attention.

22. Based on the review of effectiveness of the system of internal control, described in paragraphs 8 and 9 above, I conclude that, to the best of my knowledge and information, there were no material weaknesses that compromised the overall effectiveness of the internal control system for the year ended 31 December 2022.

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The Director-General

Date:

29/09/2023

STATEMENT I – STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(thousands of US dollars)	Note	31-Dec-22	31-Dec-21 (Restated)
Assets			
Current assets			
Cash and cash equivalents	3	1 798 722	1 494 113
Investments and derivative financial instruments	4	786 888	625 666
Receivables from non-exchange transactions	5	1 531 092	1 135 583
Receivables from exchange transactions	6	3 801	3 699
Prepayments and other current assets	7	70 141	57 911
Inventories	8	13 890	14 586
		4 204 534	3 331 558
Non-current assets			
Investments	4	522 132	667 530
Receivables from non-exchange transactions	5	984 176	885 164
Prepayments and other non-current assets	7	575	656
Property, plant and equipment	9	55 626	40 864
Intangible assets	10	4 764	6 434
		1 567 273	1 600 648
Total assets		**5 771 807**	**4 932 206**
Liabilities			
Current liabilities			
Accounts payable	11	58 364	46 752
Accrued expenses	11	190 971	203 987
Derivative financial instruments	4	-	2 378
Payments received in advance	12	451 520	375 225
Employee benefit obligations	13	76 060	74 717
Provisions	16	765	596
Other current liabilities	17	3 012	3 365
		780 692	707 020
Non-current liabilities			
Employee benefit obligations	13	941 048	1 489 373
Other non-current liabilities	17	34 596	35 814
		975 644	1 525 187
Total liabilities		**1 756 336**	**2 232 207**
Net assets		**4 015 471**	**2 699 999**
Equity			
Accumulated surplus/(deficit)		3 401 225	2 550 964
Reserves	18	614 246	149 035
Total equity		**4 015 471**	**2 699 999**

STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022

(thousands of US dollars)	**Note**	**31-Dec-22**	**31-Dec-21 (Restated)**
Revenue			
Revenue from non-exchange transactions			
Assessments of Member Nations under Regular Programme	19	488 399	505 331
Voluntary contributions	19	2 234 253	1 525 189
Other non-exchange revenue	19	63 138	73 564
		2 785 790	2 104 084
Revenue from exchange transactions			
Exchange revenue	19	10 045	8 294
		10 045	8 294
Total revenue		**2 795 835**	**2 112 378**
Expenses			
Employee benefits and other personnel costs	20	433 951	436 799
Consultants	20	368 065	364 861
Travel costs	20	92 782	46 463
Depreciation, amortization and impairment of long-lived assets	20	9 499	11 126
Training expenses	20	42 124	35 023
Contractual services	20	387 026	372 794
Grants and other transfer payments	20	115 307	106 428
Supplies and consumables used	20	391 995	245 667
Other expenses	20	67 495	52 848
Total expenses		**1 908 244**	**1 672 009**
Non-operating income and expenses			
Investment income	21	9 232	16 800
Foreign exchange gains/(losses)	21	(7 277)	(8 684)
Finance (expenses)/income	21	(51 130)	(26 422)
Other non-operating income/(expense)	21	11 845	(184)
Total non-operating income and (expenses)		**(37 330)**	**(18 490)**
Surplus		**850 261**	**421 879**

STATEMENT III – STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

(thousands of US dollars)	Note	Accumulated surplus/ (deficit)	Special Reserve Account	Actuarial gains & (losses) reserve	Cumulative unrealized gains/(losses) on Available-for-sale investments	Total equity/ (deficit)
Balance year ended 31 Dec 2021		**2 578 761**	**17 559**	**(15 597)**	**147 073**	**2 727 796**
Correction of Error		**(723)**	**-**	**-**	**-**	**(723)**
Change in Accounting Policy		**(27 074)**	**-**	**-**	**-**	**(27 074)**
Balance year ended 31 Dec 2021 (Restated)		**2 550 964**	**17 559**	**(15 597)**	**147 073**	**2 699 999**
Actuarial gains/(losses)	18	**-**	**-**	585 207	**-**	**585 207**
Unrealized holding gains/(losses)	18	**-**	**-**	**-**	(119 996)	**(119 996)**
Net revenue recognized directly in equity		**-**	**-**	**585 207**	**(119 996)**	**465 211**
Surplus for the period		**850 261**	**-**	**-**	**-**	**850 261**
Balance year ended 31 Dec 2022		**3 401 225**	**17 559**	**569 610**	**27 077**	**4 015 471**
Balance year ended 31 Dec 2020 (Restated)		**2 141 089**	**17 559**	**(11 423)**	**130 912**	**2 278 137**
Adjustment to Retained Earnings	18	**-**	**-**	**-**	**-**	**-**
Actuarial gains/(losses)	18	**-**	**-**	(4 174)	**-**	(4 174)
Unrealized holding gains/(losses)	18	**-**	**-**	**-**	16 161	16 161
Net revenue recognized directly in equity		-	-	(4 174)	16 161	11 987
Surplus for the period		**437 672**	**-**	**-**	**-**	**437 672**
Balance year ended 31 Dec 2021		**2 578 761**	**17 559**	**(15 597)**	**147 073**	**2 727 796**

STATEMENT IV – CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022			
(thousands of US dollars)	**Notes**	**31-Dec-22**	**31-Dec-21 (Restated)**
Cash flows from operating activities			
Surplus/(deficit) for the period		**850 261**	**421 879**
Adjustments required to reconcile surplus/(deficit) for the period to cash flows from operating activities:			
Depreciation and amortization	20	9 499	11 126
In-kind contributions (donated-goods)	19	(412)	(97)
Prior period adjustments	2.3 i	(6 408)	-
Provision for legal obligations	21	170	705
Internal Project Support Costs	19 ii	104	196
(Gains)/losses on sale or disposal of fixed assets	9	2 541	3 556
(Gains)/losses on trading and derivative investments	21 iii	(6 132)	12 006
(Gains)/losses on Available-for-sale investments	21 iv	33 339	(11 037)
Interest received	21 v	(14 097)	(11 093)
Dividends received	21 v	(4 716)	(6 242)
Changes in assets and liabilities:			
Receivables from non-exchange transactions	5	(494 521)	(255 829)
Receivables from exchange transactions	6	(102)	1 663
Inventories	8	696	784
Other current and non-current assets	7	(12 149)	(2 312)
Accounts payable and accrued expenses	11	(1 404)	25 880
Staff related liabilities	13	(546 982)	38 455
Actuarial (gains)/losses	18	585 207	(4 174)
Advances	12	76 295	45 682
Provisions and contingencies	16	169	384
Other current and non-current liabilities	17	(1 571)	(525)
Net cash flows from operating activities		**469 787**	**271 007**
Cash flows from investing activities			
Purchases of property, plant and equipment	9, vi	(19 020)	(16 966)
Proceeds from the sale of property, plant and equipment	9, vii	983	1 312
Net (purchases)/sales of intangible assets	10	(363)	(776)
Net (purchases)/sales of trading and derivative investments	4, viii	(144 052)	(37 859)
Net (purchases)/sales of Available-for-sale investments	4, ix	(2 726)	(604)
Net cash flows from investing activities		**(165 178)**	**(54 893)**
Net increase/(decrease) in cash and cash equivalents		**304 609**	**216 114**
Cash and cash equivalents at beginning of period		**1 494 113**	**1 277 999**
Cash and cash equivalents at end of period		**1 798 722**	**1 494 113**

Please note that there were no cash flows from financing activities during the year.

Notes to Statement IV: Cash Flow Statement

The 2021 Cash Flow Statement, presented for comparative information, has been restated to reflect the correction of prior period errors in the accounting pass through transactions, and a revised assessment of cash versus non-cash transactions in the period. Further information has been presented in paragraphs 2.63-2.66.

Additional information is presented below in respect of certain line items included in the 2022 Cash Flow Statement for ease of understanding:

i) Prior period adjustments of USD (6.4) million gains represents the 2022 non-cash generating prospective adjustment to the Estimated useful lives for plant and equipment (PP&E) that the Organization recorded in the Statement of Financial Performance in line with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

ii) Internal Project Support Costs of USD 0.1 million (USD 0.2 million in 2021) represent the net direct and indirect costs incurred by Trust Fund and UNDP projects, from FAO services provided in support of its activities and programmes. These costs are adjusted in the Statement of Cash Flows as they do not generate any net cash flows.

iii) Gains on trading and derivative investments of USD 6.1 million have been calculated as the 2022 return on Held-for-trading investments, excluding interest income, amounting to USD (2.3) million, offset by the USD 8.4 million of fair value gains on derivative financial instruments, as presented within Note 21. In 2021 the reported loss of USD (12.0) million was generated by losses of USD (8.5) million on the Held-for-trading investments, excluding interest income, as well as fair value losses of USD (3.5) million on derivative financial instruments.

iv) Losses on Available-for-sale investments of USD 33.3 million been calculated as the 2022 return on Available-for-sale investments, excluding interest and dividend income (USD 11.0 million gains in 2021).

v) Interest received of USD 14.1 million in 2022 has arisen on the Held-for-trading and Available-for-sale debt portfolios (USD 11.3 million on Held-for-trading investments, as reported within Note 21, and USD 2.8 million out of the USD 7.5 million reported within Available-for-sale investments in Note 21). The remaining USD 4.7 million of interest and dividend presented in Note 21 under Available-for-sale portfolios, represents the dividend income on the equity portfolios within Available-for-sale investments and has been presented separately in the Cash Flow Statement.

vi) Purchases of property, plant and equipment of USD 19.0 million reflects the value of asset additions (USD 26.1 million) included within Note 9, offset by USD 6.6 million of disposals of assets under construction, which have been completed and placed into service during the year, further adjusted by USD 0.4 million of donated asset additions in 2022.

vii) Proceeds from the sale of property, plant and equipment of USD 1.0 million in 2022 have been presented in Note 9. The Organization sold items of PP&E with a net book value of USD 3.5 million, at a loss of USD 2.5 million in 2022 (excluding USD 6.6 million of assets under construction which were completed during the period and placed in service).

viii) Net purchases of trading and derivative investments amounted to USD 144.1 million in 2022. Net additions of USD 151.6 million in Held-for-trading fixed income securities, as presented in Note 4.5, have been included as purchases, off-set by USD 7.5 million of positive returns on the cash and cash equivalent instruments held within these portfolios that are reclassified to Cash and Cash equivalents at the yearend reporting date.

ix) Net purchases of Available-for-sale investments of USD 2.7 million in 2022 have been included in Note 4.5, under Net additions/(deductions) for equities and fixed income.

STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (a)
FOR THE YEAR ENDED 31 DECEMBER 2022

(thousands of US dollars)

	Chapter	Approved Budget (b)	Amounts brought forward (c)	Transfers (d)	Amounts carried forward (e)	Revised Budget	Actual Other Income (f)	Actual Expenditure (g)	Currency variance (h)	Budget rate net expenditure (i)	Budget vs. actual variance (j)
1	Better Production	78 219	-	-	-	78 219	(13 038)	81 998	4 176	73 136	5 083
2	Better Nutrition	64 795	-	-	-	64 795	(11 929)	69 110	3 424	60 605	4 190
3	Better Environment	59 109	-	-	-	59 109	(13 000)	61 071	3 188	51 259	7 850
4	Better Life	61 876	-	-	-	61 876	(26 162)	75 985	3 625	53 448	8 428
5	Technical quality, statistics, cross-cutting themes and accelerators	35 646	-	-	-	35 646	(2 283)	30 651	1 939	30 307	5 339
6	Technical Cooperation Programme	70 394	89 248	-	(95 708)	63 934	-	62 677	1 257	63 934	-
7	Outreach	35 595	-	-	-	35 595	(10 650)	40 766	2 514	32 630	2 965
8	Information and Communications Technology (ICT)	17 773	-	-	-	17 773	(14 420)	21 887	1 009	8 476	9 297
9	FAO governance, oversight and direction	29 709	-	-	-	29 709	(17 220)	44 248	2 504	29 532	177
10	Efficient and effective administration	31 191	-	-	-	31 191	(35 317)	49 987	4 109	18 779	12 412
11	Contingencies	300	-	-	-	300	-	-	-	-	300
12	Capital Expenditure	7 000	-	-	(271)	6 729	-	6 092	637	6 729	-
13	Security Expenditure	11 211	3 222	-	-	14 433	(8 178)	21 807	804	14 433	-
	Subtotal	**502 818**	**92 470**	**-**	**(95 979)**	**499 309**	**(152 197)**	**566 279**	**29 186**	**443 268**	**56 041**
	Transfer to Tax Equalization Fund	58 711	-	(58 711)	-	-	-	-	-	-	-
	TCP deferred income (Chapter 6)	89 248	(89 248)	-	95 708	95 708	-	-	-	-	95 708
	Capital expenditure account	52 190	-	-	271	52 461	-	-	-	-	52 461
	Security expenditure account	27 176	(3 222)	-	-	23 954	-	-	-	-	23 954
	Total	**730 143**	**-**	**(58 711)**	**-**	**671 432**	**(152 197)**	**566 279**	**29 186**	**443 268**	**228 164**

(thousands of US dollars)	31-Dec-22	31-Dec-21
Actual expenses as per Statement V	**566 279**	**679 686**
Basis differences		
In-kind/in-service expenses	36 778	46 685
Accruals basis	42 083	(59 455)
PP&E, intangibles and inventory	(8 681)	(1 554)
Concessionary Loans	1 159	-
Consolidation	(875)	(863)
Total basis differences	**70 464**	**(15 187)**
Presentation differences		
Provision expenses	7 313	19 049
Programme budget expenses in prior periods	(2 193)	5
Classification of income/expenditure items	38 045	17 641
Total presentation differences	**43 165**	**36 695**
Entity differences		
Expenses under Other Fund, excluding TCP	1 671	(15 119)
Expenses under Trust Fund and UNDP	1 263 995	1 004 424
Total entity differences	**1 265 666**	**989 305**
Expenses and non-operating income and expenses as per the Statement of Financial Performance	**1 945 574**	**1 690 499**
Of which: Total expenses	1 908 244	1 672 009
Non-operating income and expenses	37 330	18 490

Refer to Note 24 for further information on the Statement of Comparison of Budget and Actual Amounts.

Notes to Statement V: Statement of Comparison of Budget and Actual Amounts

(a) The budget and accounting basis is different. This statement of Comparison of Budget and Actual Amounts is prepared on the budget basis. The budget is prepared on a modified cash basis.

(b) Annualized share (at 50 percent) of the Conference resolution 8/2021 net appropriation of USD 1 005.6 million with budget distribution by Chapter reflecting adjustments as approved by Council in Further Adjustments to the Programme of Work and Budget (PWB) 2022-23 (CL 168/3 and CL 168/REP Report of the 168th Council, paragraph 12).

(c) USD 89.2 million of TCP 2021 appropriation deferred until 2022. None of the USD 52.2 million prior years' unspent balance on the Capital Expenditure Account (Chapter 12) was made available for use in 2022, while USD 3.2 million of the prior years' unspent balances on the Security Expenditure (Chapter 13) was made available for use.

(d) The Tax Equalization Fund was established as of 1 January 1972. In line with the practice followed since 1972-73, the 2022 budget is presented on a gross basis, by adding to the total effective working budget an appropriation for staff assessment. This has no effect on the contributions payable by Members not levying tax on FAO staff emoluments; their full share of the staff assessment appropriation is refunded by deduction from the contributions payable by them. Members which levy tax on FAO staff emoluments have their shares of the appropriation for staff assessment reduced by the amount estimated to be required to meet claims from the FAO staff concerned for tax reimbursement.

(e) USD 95.7 million of TCP 2022 appropriation deferred until 2023 (at budget rate of exchange). USD 0.3 million under the Capital expenditure account was deferred until 2023, while there was no deferral to 2023 made under the Security Expenditure Account (both at budget rate of exchange).

(f) Actual Other Income is comprised of the following items:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Voluntary contributions	120 064	84 250
Funds received under inter-organizational arrangements	133	47
Jointly financed activities	18 327	17 136
Other sundry income	13 673	12 465
Total actual other income	**152 197**	**113 898**

(g) Represents amounts charged to the Regular Programme budget and the TCP prior biennium appropriation (USD 505.9 million and USD 60.4 million, respectively, for 2022). The Organization accounts for payments for health insurance premiums on behalf of retirees differently for financial reporting than for budgetary reporting. For 2022, USD 9.3 million (USD 10.2 million in 2021) of payments for health insurance premiums on behalf of retirees are recognized as expenditure but are recorded as reduction of After Service Medical Coverage (ASMC) liability for financial reporting purposes.

(h) Currency Variance represents adjustments to the actual expenditure to reflect the translation of Euro-denominated transactions at the Budget Rate of Exchange rather than the UN Operational Rate of exchange in effect at the date of the transactions.

(i) Budget rate net expenditure represents actual net expenditure adjusted by currency variance.

(j) Variance between adjusted net budget and budget rate net expenditure in 2022, with the balance of USD 56.0 million carried forward to the second year of the 2022-23 biennium.

STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (a)
FOR THE YEAR ENDED 31 DECEMBER 2021

(thousands of US dollars)

	Chapter	Approved Budget (b)	Amounts brought forward (c)	Transfers (d)	Amounts carried forward (e)	Revised Budget	Actual Other Income (f)	Actual Expenditure (g)	Currency variance (h)	Budget rate net expenditure (i)	Budget vs. actual variance (j)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	42 897	480	4 250	-	47 627	(8 867)	61 332	532	52 997	(5 370)
2	Make agriculture, forestry and fisheries more productive and sustainable	101 204	496	3 150	-	104 850	(20 260)	139 014	1 489	120 243	(15 393)
3	Reduce rural poverty	33 464	523	2 700	-	36 687	(4 679)	44 857	474	40 652	(3 965)
4	Enable more inclusive and efficient agricultural and food systems	56 883	424	950	-	58 257	(11 368)	77 767	841	67 240	(8 983)
5	Increase the resilience of livelihoods to threats and crises	27 911	222	150	-	28 283	(6 097)	41 237	442	35 582	(7 299)
6	Technical quality, statistics and cross cutting themes (climate change, gender, governance and nutrition)	33 612	-	(10 300)	-	23 312	(440)	29 012	448	29 020	(5 708)
7	Technical Cooperation Programme	70 395	102 027	-	(89 248)	83 174	(11)	82 655	530	83 174	-
8	Outreach	36 438	-	2 200	-	38 638	(6 897)	45 587	615	39 305	(667)
9	Information Technology	18 189	781	(1 900)	-	17 070	(4 928)	30 847	265	26 184	(9 114)
10	FAO Governance, oversight and direction	29 418	-	850	-	30 268	(13 463)	45 310	603	32 450	(2 182)
11	Efficient and effective administration	32 449	414	(2 050)	-	30 813	(29 286)	59 621	1 369	31 704	(891)
12	Contingencies	300	-	-	-	300	-	-	-	-	300
13	Capital Expenditure	8 446	830	-	-	9 276	-	9 018	258	9 276	-
14	Security Expenditure	11 211	-	-	(5 177)	6 034	(7 602)	13 429	207	6 034	-
	Subtotal	**502 817**	**106 197**	**-**	**(94 425)**	**514 589**	**(113 898)**	**679 686**	**8 073**	**573 861**	**(59 272)**
	Transfer to Tax Equalization Fund	46 081	-	(46 081)	-	-	-	-	-	-	-
	TCP deferred income (Chapter 15)	102 027	(102 027)	-	89 248	89 248	-	-	-	-	89 248
	SFDFA deferred income	3 340	(3 340)	-	-	-	-	-	-	-	-
	Capital expenditure account	53 021	(830)	-	-	52 191	-	-	-	-	52 191
	Security expenditure account	21 999	-	-	5 177	27 176	-	-	-	-	27 176
	Total	**729 285**	**-**	**(46 081)**	**-**	**683 204**	**(113 898)**	**679 686**	**8 073**	**573 861**	**109 343**

Note 1. *The Organization*

Objectives and activities

1.1 The Food and Agriculture Organization of the United Nations (‘FAO’ or ‘the Organization’), was established pursuant to its Constitution originally adopted on 16 October 1945. The headquarters of the Organization is located in Rome, Italy. In addition, there are Representation Offices throughout the world, in charge of implementing the values, mission and vision of the Organization. The purpose of the Organization is to raise levels of nutrition and standards of living, secure improvements in the efficiency of the production and distribution of all food and agricultural products, better the condition of rural populations and thus contribute toward an expanding world economy and ensure humanity’s freedom from hunger.

Funding

1.2 The Organization’s “Regular Programme” Programme of Work is approved by the Conference of Member Nations. The related budget appropriations voted are financed by annual contributions based on an assessment on Member Nations and Associate Members by the Conference. Unutilized appropriations at the close of the financial period are cancelled, except for the Technical Cooperation Programme (TCP) appropriation which remains available for obligations during the financial period following that for which the funds were voted and Capital Expenditure and Security Expenditure appropriations, which are transferred to the Capital Expenditure Account and the Security Expenditure Account, respectively, to be carried forward for use in subsequent financial periods.

1.3 Voluntary contributions for special purposes, which are consistent with the policies, aims and activities of the Organization, may be accepted by the Director-General and Trust and Special Funds established accordingly. In addition, the Organization receives funds under an inter-organizational arrangement with the United Nations Development Programme (UNDP) to participate as an executing agency for UNDP technical cooperation projects or act as implementing agency for UNDP funded projects executed by other executing agencies. Voluntary contributions and funds received include payment towards recovering certain costs relating to technical, managerial and administrative services (support costs) which are a necessary part of Extra-budgetary projects.

1.4 The statements on segment reporting by fund provide further detail on how these activities are managed and financed.

Note 2. *Significant accounting policies*

Basis of preparation

2.1 These financial statements comply with International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting using the historic cost convention, other than certain investments and liabilities for employee benefits which are carried at fair value. The Cash Flow Statement has been prepared using the indirect method.

2.2 The accounting policies set out below are applied consistently in the preparation and presentation of these financial statements.

Use of estimates

2.3 The financial statements include certain reasonable estimates based on nature and assumptions by management. Estimates include, but are not limited to: fair value of donated goods, other post-employment benefits obligations, amounts for litigations, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Changes in estimates are reflected in the period in which they become known.

Functional currency

2.4 The financial statements are presented in United States Dollars, which is the functional currency of the Organization. All tables forming part of the Financial Statements present absolute values rounded at USD thousand. Financial information included within the narrative note disclosures are presented in USD million, rounded to one decimal place, while percentage data is rounded to two decimal places.

Presentation

2.5 These financial statements present the results of FAO as a single entity consisting of: (a) General and Related Funds and (b) Trust and UNDP Funds.

Foreign currency transactions

2.6 Foreign currency transactions are translated into United States Dollars using the United Nations Operational Rate of Exchange (UNORE), which approximates the exchange rates prevailing at the dates of the transactions. The UNORE are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

2.7 Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars using the closing rate of the UNORE as at the end of the reporting period. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date when the item was recognized and non-monetary items held at fair value are translated using the exchange rate at the date of the re-valuation.

2.8 Realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Cash and cash equivalents

2.9 Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly-liquid investments with original maturities of three months or less.

2.10 Bank overdrafts for which the right of offset does not exist are recorded within other current liabilities on the Statement of Financial Position.

Investments

Classification

2.11 The Organization classifies its investments in the following two categories:

i) *Held-for-trading* investments are acquired principally for the purpose of selling in the short-term and classified as current assets; and
ii) *Available-for-sale* investments are not considered trading or the Organization does not have the ability or intent to hold until maturity. They are designated to fund the Organization’s post-employment liabilities and classified as non-current assets.

Accounting treatment of investments

2.12 Purchases and sales of investments are recognized on the trade-date, which is the date on which the Organization enters into a legally binding agreement to purchase or sell the investment. Investments are initially recognized at fair value. The carrying value of Held-for-trading investments and Available-for-sale investments are subsequently adjusted to reflect the current fair market value on a periodic basis. Gains and losses arising from changes in the market value of Held-for-trading investments are recognized in the Statement of Financial Performance during the period in which they arise. Changes in the market value of Available-for-sale investments are recorded as unrealized gains and losses within reserves in the Statement of Financial Position with the exception of unrealized foreign exchange gains and losses on debt securities, which are recognized in the Statement of Financial Performance during the period in which they occur. When Available-for-sale investments are subsequently sold or impaired, any cumulative market value adjustments previously recognized in the unrealized gains and losses account within reserves are recognized in the Statement of Financial Performance.

2.13 Interest on Available-for-sale fixed income investments and dividends on Available-for-sale equity investments are recognized in the Statement of Financial Performance during the period earned and when the right to receive dividend payments is established, respectively.

2.14 The fair values of all investments are based on quoted prices in active financial markets.

Derecognition

2.15 The Organization derecognizes an investment when:

a) The rights to receive cash flows from the investment have expired or are waived; or

b) The Organization has transferred its rights to receive cash flows from the investment or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the Organization has transferred substantially all the risks and rewards of the asset; or (b) the Organization has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of investments

2.16 The Organization assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired, other than those classified as Held-for-trading investments. An investment or a group of investments is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the investment (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the investment or a group of investments that can be reliably estimated.

2.17 The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

2.18 For Available-for-sale financial assets at each reporting date, the Organization assesses whether there is objective evidence that an investment or a group of investments is impaired. In the case of investments classified as Available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value was below its original cost. Where there is evidence of impairment, the cumulative loss that had been recognized directly in Net Assets/Equity – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that investment previously recognized in the surplus or deficit – is removed from the reserve in net assets and recognized in surplus or deficit.

Derivative financial instruments

2.19 Derivative financial instruments are financial instruments that contains all three of the following characteristics:

i) value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;

ii) requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

iii) settled at a future date.

2.20 Derivative financial instruments are recognized at fair value on their trade-date. The carrying value of derivative financial instruments is adjusted to reflect the current fair market value on a periodic basis. Gains and losses arising from changes in the market value of derivative financial instruments are recorded directly in the Statement of Financial Performance.

Receivables

2.21 The Organization classifies its receivables as ‘loans and receivables’. Receivables are stated at nominal value unless the effect of discounting is material, at which point they are recorded at amortized cost.

Allowance for doubtful accounts

2.22 The Organization records an allowance for doubtful accounts for voluntary contributions based on a review of receivables at the reporting date when there is objective evidence of its impairment. Assessed contributions are provided for after being outstanding for more than two years. Additional provisions on assessed contributions outstanding for less than two years are calculated on an individual basis, as required. Receivables from exchange transactions are provided for after being outstanding for more than one year from the date of invoice. Other allowances can be calculated individually or by application of a statistical method.

2.23 The Organization reports allowance for doubtful accounts in the Statement of Financial Position. The recognition of an allowance for doubtful accounts and the recognition of an expense associated with the write-off of a receivable are both reflected as expenses within the Statement of Financial Performance.

Prepaid and other assets

2.24 The Organization classifies its prepayments and other assets as ‘loans and receivables’. These items are recognized in the Statement of Financial Position at their nominal value unless the effect of discounting is material. Agreements with Service Providers or beneficiaries that require the provision of service, will be recognized on a pro-rata temporis method straight-lined over the estimated period.

Inventories

2.25 Inventories are stated at the lower of cost, current replacement cost or net realizable value. Current replacement cost, is utilized for inventories to be distributed to beneficiaries and is the cost the Organization would incur to acquire the asset on the reporting date. Net realizable value, which is utilized for inventories to be sold by the Organization, is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Estimated freight costs for inventories is added to the cost of project inputs when calculating the total value.

2.26 Inventories held for distribution for specific projects shall be measured utilizing the specific identification method. Inventories held for sale not identified for use by a specific project shall be measured utilizing the First In, First Out (FIFO) method. Publications are available for distribution for no or nominal charge and are therefore not valued as inventory, which conforms to UN System guidance.

2.27 If the recorded value of the inventories falls below the current replacement costs due to obsolescence, damage, price changes, etc. then impairment is recorded in the Statement of Financial Performance in the year in which the inventories are deemed to be impaired.

Property, plant and equipment

2.28 Items of PP&E are stated at historical cost less accumulated depreciation and any recognized impairment loss. For donated assets, fair value as of the date of acquisition is utilized as a proxy for historical cost. Heritage assets are not capitalized.

2.29 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they incur.

2.30 Depreciation is charged to write off the cost of assets over their estimated useful lives using the straight-line method. As of 1 January 2022, the Organization prospectively increased the estimated useful lives for plant and equipment (PP&E), and recognized the adjustment to accumulated depreciation in the Statement of Financial Performance in line with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The useful lives of major classes of PP&E are:

Class	**Estimated useful lives**
Office furniture and fixtures	10 years
Machinery and equipment	10 years
Computer and IT equipment	5 years
Motor vehicles	7 years
Buildings	40 years
Leasehold improvements	Shorter of lease term or useful life

Class	**Impact of change in Estimated useful lives, USD thousands**
Office furniture and fixtures	264
Machinery and equipment	743
Computer and IT equipment	455
Motor vehicles	4 951
Buildings	-
Leasehold improvements	-

2.31 The cost, accumulated depreciation and accumulated impairment losses of an item of PP&E shall continue to be reflected in the financial statements until the time the item meets the criteria for derecognition. An item of PP&E shall be derecognized from the financial statements when the item is disposed or no future economic benefit or service potential is expected from its use or disposal.

2.32 Project assets are derecognized upon final disposal or upon transfer to designated beneficiaries, by FAO. Vehicles (automobiles, station wagons or vans) in the field will only be derecognized when title and restrictions on use as documented in mutual agreements, have officially been transferred from FAO to a government, an Implementing Partner or a beneficiary. Gains or losses on the disposal or derecognition of items of PP&E shall be disclosed through surplus or deficit when the asset is derecognized.

Intangible assets

2.33 Intangible assets are capitalized, inclusive of directly attributable cost of preparing the assets for their intended use, and carried at historical cost less accumulated amortization and any recognized impairment loss. For donated intangible assets, fair value as of the date of acquisition is utilized as a proxy for historical cost.

Amortization

2.34 Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. Residual values in most cases are expected to be zero. The useful lives of major classes of intangible assets are:

Class	Estimated useful life
Software acquired separately	Contractual obligation or up to 5 years
Software internally developed	Based on business case up to 5 years
Intangible assets under development	No amortization
Other intangible assets	Based on expected asset life

Software acquisition and development

2.35 Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2.36 Gains or losses on the disposal or derecognition of items of intangible assets shall be disclosed through surplus or deficit when the asset is derecognized.

Impairment

2.37 Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

Leases

Operating leases

2.38 Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Expenditures incurred under operating leases are charged to the Statement of Financial Performance as expense, on a straight-line basis, over the period of the lease. Leasehold improvements are high value renovations and new constructions upon leased facilities, and are recognized as Property, Plant and Equipment and depreciated over the lesser of lease term or useful life.

Borrowings

2.39 Borrowings are accounted for on the amortized cost basis and borrowing costs are expensed as incurred. Where the Organization holds interest-free loans or does not pay interest on loans, the benefit to FAO of the arrangement is treated as an in-kind contribution.

Provisions and contingencies

2.40 Provisions are recognized for contingent liabilities when the Organization has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2.41 The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expected expenditures to settle the obligation.

2.42 Contingent liabilities for which the possible obligations are uncertain, or yet to be confirmed whether the Organization has a present obligation that could lead to an outflow of resources, are disclosed.

Employee benefit obligations

2.43 The Organization recognizes expenses and liabilities in respect of the following employee benefits:

i) *Short-term employee benefits* comprise of wages, salaries, allowances, paid annual leave, paid sick leave, and the short-term component of post-employment benefits and the Staff Compensation Plan. They are due to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their value based on accrued entitlements at current rates of pay;

ii) *Post-employment benefits* are employee benefits that are payable after the completion of employment. They comprise of defined benefit plans, consisting of the Separation Payments Scheme (SPS), the Terminal Payments Fund (TPF), and the After Service Medical Coverage plan (ASMC). The post-employment benefit obligations are calculated annually by independent actuaries, and the long-term component of the liabilities are disclosed within Non-current liabilities. All actuarial gains and losses are recognized immediately in reserves; and

iii) *Other non-current employee benefits* comprise of Compensation Plan which are due to staff members, consultants, and their dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the United Nations Joint Staff Pension Fund. The Compensation Plan benefit obligations are calculated annually by independent actuaries. All actuarial gains and losses are recognized immediately in the Statement of Financial Performance.

2.44 FAO recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

United Nations Joint Staff Pension Fund

2.45 FAO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

2.46 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. FAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify FAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, FAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, *Employee Benefits*. The FAO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Revenue recognition

Non-exchange revenue

2.47 Assessed contributions are assessed and approved for a two-year budget period. The amount of these contributions is then apportioned between the two years for invoicing and payment. Assessed contributions are recognized as revenue at the beginning of the apportioned year in the relevant two-year budget period.

2.48 Voluntary contributions and other transfers which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding, with a corresponding asset being recognized for amounts unbilled, unless the agreement establishes a condition on the transferred asset that requires recognition of a liability. In such cases, revenue is recognized as the conditional liability is discharged.

Cost recovery policy

2.49 Under the Organization's cost recovery policy centrally managed expenses incurred in support of activities and programmes, including indirect costs which cannot be unequivocally traced to those activities and programmes, are funded through cost recovery charges levied on projects. The net recovery is included within Non-exchange revenue.

Donated and in-kind contributions

2.50 In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized at fair value. These contributions include the use of premises, project inputs, utilities and interest on concessionary loans under the Working Capital Fund. Goods that are donated to the Organization are recognized as revenue, with a corresponding increase in the appropriate asset, at the earlier of when such donations are received by the Organization or when an unconditional binding arrangement to receive the goods has been entered into and the fair value of the goods can be reliably determined. The Organization recognizes revenue for the "right to use" of facilities, with a corresponding expense, once a legal agreement with the host government is signed by both parties.

2.51 The Organization is provided the use of buildings and facilities for no or nominal charge from the government owning such facilities. The Organization recognizes this "right to use" of such buildings and facilities as a donated operating lease. As such, revenue and expense will be recorded equally based on rental market value. As each of the facilities and the related agreements to utilize such facilities, is unique, fair value of right to use agreements is generally determined based upon valuation techniques such as local market conditions and estimated cash flows, assuming an arms-length transaction.

2.52 Certain services are donated or provided in-kind to the Organization to assist the Organization in carrying out its mandate. These in-kind contributions of services are not recognized on the financial statements, due primarily to the practical challenges of estimating the fair value of such donations and related uncertainties associated with determining the Organization's control over them. These services primarily include:

- Administrative and security personnel provided by host governments, primarily in the Organization's Decentralized Offices;
- Technical staff provided by either Member Nations and educational institutions;
- Volunteer staff providing primarily administrative support;
- Services of volunteers;
- Maintenance and repair for the Organization's facilities.

Exchange revenue

2.53 Revenue from exchange transactions are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

Unearned revenue

2.54 The Organization receives funds in the form of voluntary contributions, which are used to finance specific projects agreed between the Organization and the donor. *Payments received in advance* includes amounts received from donors in advance of concluding a specific project funding agreement for use of the funds, interest amounts earned during the life of a project on project funds that are held on behalf of the donor until they are repaid, and balances on financial closed projects that have not yet been repaid to the donor

Expense recognition

Exchange expense

2.55 The Organization recognizes exchange expense arising from the purchase of goods and services at the point the supplier performs its contractual obligations, which is when the goods and services are delivered and accepted. For some service contracts, this process may occur in stages.

Non-exchange expense

2.56 Transactions with service providers and beneficiaries requiring the provision of service will be recognized under the pro-rata temporis method and agreements with beneficiaries without the provision of service will be recognized upon payment. Project inventories are recognized upon delivery to service providers or final beneficiaries upon loss of control over the assets.

Impact of changes to IPSAS

2.57 The International Public Sector Accounting Standards Board (IPSASB) has issued new accounting standards, IPSAS 41, *Financial Instruments,* and IPSAS 42, *Social Benefits,* in August 2018 and January 2019, respectively. The IPSASB has published the final pronouncement, COVID-19: Deferral of Effective Dates, which delays the effective dates of both of these recently published Standards and Amendments to IPSAS by one year to 1 January 2023.

2.58 IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, *Financial Instruments: Recognition and Measurement.* The Organization has conducted a review of IPSAS 41, and determines that there will not be any material impact on the presentation, recognition or measurement of its financial assets and liabilities.

2.59 IPSAS 42 defines social benefits, as cash transfers provided to specific individuals and/or households who meet eligibility criteria, to mitigate the effect of social risks and address the needs of society, such as State pensions, unemployment benefits, and income support. The standard determines when expenses and liabilities for social benefits are recognized and how they are measured. FAO does not consider IPSAS 42 as applicable to the operations of the Organization.

2.60 In January 2022, the IPSASB issued IPSAS 43, *Leases,* with an effective date of 1 January 2025, although earlier application is permissible. The Organization anticipates that IPSAS 43 will have a material impact on the accounting and presentation of leases, items of PP&E, and result in accounting for a lease liability.

2.61 IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* was released by the IPSASB in May 2022, and IPSAS 45, *Property, Plant, and Equipment*, and IPSAS 46, Measurement are expected to be released by the IPSASB in May 2023, all with an effective date of 1 January 2025. FAO does not anticipate the introduction of these standards having a material impact on the financial results of the Organization.

2.62 In March 2023, the IPSASB approved IPSAS 47, *Revenue*, and IPSAS 48, *Transfer Expenses*, for issuance in May 2023, both with an effective date of 1 January 2026, although earlier application is permissible. The Organization anticipates that IPSAS 47 will have a material impact on the accounting for revenues, particularly for non-exchange Voluntary Contribution revenue, with the possible derecognition of unearned revenues and recognition of liabilities for payments received in advance. IPSAS 48 addresses the recounting and measurement of expenses incurred where a transfer provider provides resources to another entity without receiving anything directly in return. The Organization does not anticipate IPSAS 48 having a material impact on its future results.

Restatement of Financial Statements as a result of a Change in Accounting Policy, and Correction of Errors

2.63 During 2022, in light of rising interest rates having a material impact on asset valuation, the Organization changed its measurement method for non-current receivables from non-exchange transactions to capture the time value of money within the amortized cost calculations. The impact of this change on the comparative period Financial Statements was a reduction in non-current receivables from non-exchange transactions in the amount of UD 27.1 million as at 31 December 2021, with a reduction in 2021 revenues from Assessments of Member Nations under Regular Programme and Voluntary contributions of USD 0.1 million and USD 15.8 million, respectively, and a reduction in retained earnings carried forward to 2022 of USD 27.1 million.

2.64 During 2022, the Organization identified an error in the recognition of prior period pass-through transactions. The correction of this error resulted in recognizing an additional USD 0.7 million of accounts payable balances as at 31 December 2021, with a corresponding USD 0.7 million reduction in retained earnings carried forward to 2022. The 2021 revenue from exchange transactions increased by USD 25 thousand. The effect of this adjustment has also been presented in the Cash Flow Statement for the year ended 31 December 2021.

2.65 The 2021 Cash Flow Statement was restated to correct the evaluation of certain non-cash revenue and expense items, regarding internally generated revenues, donated assets, accrued interest on investment portfolios, and fair value changes on derivate liabilities. The impact of these corrections resulted in a USD 0.2 million reduction to Cash flows from operating activities, and a USD 2.5 million increase in Cash flows from investing activities. There was no impact on Net Assets or Surplus for the year 2021 as a result of these changes.

2.66 The 2021 Cash Flow Statement was restated to reflect a more accurate depiction of the non-cash impact of provisions for doubtful accounts. Previously, the Provision for doubtful accounts expense was eliminated in the cash flow statement, while the movement on Balance Sheet provision accounts was excluded from the calculation of changes in receivables. This method did not consider the impact of changes in provision balances resulting from the movement in foreign exchange rates used to convert the underlying assets to US Dollars at the yearend. The impact of these corrections resulted in a USD 2.2 million reduction to Cash flows from operating activities in 2021. There was no impact on Net Assets or Surplus for the year 2021 as a result of this change.

2.67 The above adjustments resulted in a USD 25 thousand increase in surplus for the year 2021 and USD 0.7 million decrease in Total Equity as at 31 December 2021. The table below shows the restatement of each line item affected.

31 December 2021 Comparative year Financial Statement Line Item/Balance Affected

(thousands of US dollars)	Note	Reported 31-Dec-21	Discount Non-current Receivables, Non-exchange	Pass through transactions	Restated 31-Dec-21
Statement of Financial Position (Extract)					
Non-current assets					
Receivables from non-exchange transactions	5	912 238	(27 074)	-	885 164
Non-current assets		1 627 722	(27 074)	-	1 600 648
Total Assets		4 959 278	(27 074)	-	4 932 204
Current liabilities					
Accounts payable	11	46 029	-	723	46 752
Current liabilities		706 297	-	723	707 020
Total Liabilities		2 231 484	-	723	2 232 207
Equity					
Accumulated surplus/ (deficit) Reserves	18	2 578 761	(27 074)	(723)	2 550 964
Total Equity		2 727 796	-	(723)	2 727 073
Statement of Financial Performance (Extract)					
Revenue from non-exchange transactions					
Assessments of Member Nations under Regular Programme	19	505 384	(53)	-	505 331
Voluntary contributions	19	1 540 954	(15 765)	-	1 525 189
Revenue from non-exchange transactions		2 119 901	(15 818)	-	2 104 084
Revenue from exchange transactions					
Exchange revenue	19	8 269	-	25	8 294
Total Revenue		2 128 171	(15 818)	25	2 112 378
Surplus		437 672	(15 818)	25	421 879

(thousands of US dollars)	Note	Reported 31-Dec-21	Discount Non-current Receivables, Non-exchange	Pass through transactions	Correction to Non-cash items	Provisions for doubtful accounts	Restated 31-Dec-21
Cash Flow Statement (Extract)							
Cash flows from operating activities							
Surplus/Deficit		437 672	(15 818)	25	-	-	421 879
Internal Project Support Costs	19	250		-	(54)	-	196
Provision for doubtful accounts	20	18 344		-	-	(18 344)	-
In-kind contributions (donated-goods)		-		-	(97)	-	(97)
Receivables from non-exchange transactions	5	(288 148)	15 818	-	-	16 501	(255 829)
Receivables from exchange transactions	6	2 103	-	-	-	(440)	1 663
Other current and non-current assets	7	(2 281)	-	-	(74)	43	(2 312)
Accounts payable and accrued expenses	11	25 905	-	(25)	-		25 880
Cash flows from operating activities		273 472	-	-	(225)	(2 240)	271 007
Purchases of property, plant and equipment	9	(17 063)	-	-	97	-	(16 966)
Net (purchases) / sales of trading and derivative investments	4	(40 227)	-	-	2 368	-	(37 859)
Cash flows from investing activities		(57 358)	-	-	2 465	-	(54 893)

Note 3. C*ash and cash equivalents*

3.1 Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

(thousands of US dollars)	31-Dec-22	31-Dec-21
Cash at banks and money market funds	218 702	92 338
Short-term time deposits	1 090 000	890 000
Cash equivalents held with investment managers	490 020	511 775
Total cash and cash equivalents	**1 798 722**	**1 494 113**

3.2 Due to the short-term, highly liquid nature of cash and cash equivalents, there is no significant interest rate or credit risk associated with these balances.

3.3 Of the total cash and cash equivalents, USD 24.5 thousand (USD (0.1) million in 2021) is held in currencies that are not readily convertible into other currencies. These balances are held in order to satisfy general business and project-related requirements in the various countries in which the Organization operates. At 31 December 2022 the Organization had USD 34 thousand of restricted cash at bank

(USD 34 thousand in 2021). Additional information on operational cash and cash equivalents restricted to be utilized for Trust Fund projects is presented in Note 23. Segment Reporting.

3.4 Cash equivalents held with investment managers includes USD 3.6 million (USD 6.3 million in 2021) of cash and cash equivalents pertaining to the Organization's Available-for-sale investment portfolio. These amounts are earmarked towards funding the Organization's Staff Related Schemes.

Note 4. ***Investments and derivative financial instruments***

Investments

4.1 The investments of the Organization are comprised of:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Current		
Held-for-trading investments		
Government bonds	562 306	540 535
Corporate bonds	80 703	40 029
Mortgage backed securities	130 499	23 350
Other	4 997	21 752
Total Held-for-trading investments	**778 505**	**625 666**
Derivative financial instruments	**8 383**	**-**
Total current	**786 888**	**625 666**
Non-current		
Available-for-sale investments		
Government bonds	201 610	269 419
Corporate bonds	47 686	63 020
Equities	272 836	335 091
Total Available-for-sale investments	**522 132**	**667 530**
Total non-current	**522 132**	**667 530**

4.2 The Held-for-trading investments are current investments at year-end due to the fact that these investments are managed on a short-term basis to ensure preservation of capital for Trust Fund donors while providing a return. Additionally, these investments are generally available and required for use in current operations and carried at fair value. The unrealized gains and losses on the trading portfolio are recognized in the Statement of Financial Performance as incurred.

4.3 Successive interest rate increases in the United States negatively impacted the price of the portfolio securities, however, this was offset by the higher income on portfolio securities. The principal of the Organization's working capital portfolio remains safe, in line with its investment policy on working capital, as it holds high-quality assets aimed at preserving principal. There have been no impairments of investment assets held during this period in any of the resources invested. The USD investment portfolio exposure is to highly rated sovereigns, supranationals and banks in line with the principal investment objective of preservation of capital.

4.4 The Organization's Available-for-sale investments are classified as non-current investments at year-end and carried at fair value. The unrealized gains and losses on the Available-for-sale investments are finally recognized in the Statement of Financial Position, through the Statement of Changes in Equity. The Available-for-sale investments are not for use in the Organization's current operations and have been designated for funding the Organization's post-employment benefits. The investments are not subject to separate legal restrictions and do not qualify as Plan Assets as defined in IPSAS 39, *Employee Benefits*.

4.5 The return on the available-for-sale investment portfolio as at 31 December 2022 was -20.26 percent, versus a benchmark return of -20.74 percent exceeding the combined benchmark by 48 basis points. The value of the long term portfolio declined in line with the decline in value of both its fixed income component (-22.37 percent as at 31 December 2022), as a result in the increase in interest rates worldwide causing debt security prices to fall, and the volatile equity valuations (-18.17 percent as at 31 December 2022), fuelled by concerns over the Ukraine-Russia conflict, the rise in inflation and in commodity prices. While annual performance versus the benchmark is an important measurement, such investments have a much longer time horizon to achieve their objectives. The Organization closely monitors investment performance over several years and several market cycles to filter out the short- term volatility and understand the longer-term trends of the chosen investment styles and objectives. There have been no objective signs of impairment of Available-for-sale investments as of 31 December 2022. Principal movements in all investments during the year were:

(thousands of US dollars)	Balance 31-Dec-21	Net additions/ (deductions)	Management fees	Interest received	Realized	Unrealized Gains/ (Losses) change other	Unrealized Gains/ (Losses) change FX	Balance 31-Dec-22
Held-for-trading investments								
Fixed income	625 666	151 566	(1 215)	7 190	(5 023)	321	-	778 505
Available-for-sale investment								
Equities	335 091	(636)	(271)	4 706	3 809	(69 863)	-	272 836
Fixed income	332 439	3 362	(585)	2 902	(32 681)	(60 909)	4 768	249 296
Total investments	**1 293 196**	**154 292**	**(2 071)**	**14 798**	**(33 895)**	**(130 451)**	**4 768**	**1 300 637**

4.6 The cost, unrealized gains or losses and fair value of the Available-for-sale investments by investment type were:

(thousands of US dollars)	31-Dec-22			31-Dec-21		
	Cost	Unrealized gains/ (losses) on Available-for-sale investments	Fair value	Cost	Unrealized gains/ (losses) on Available-for-sale investments	Fair value
Available-for-sale investments						
Government bonds	228 339	(26 729)	201 610	250 988	18 431	269 419
Corporate bonds and other	58 441	(10 755)	47 686	62 794	226	63 020
Equities	218 020	54 816	272 836	210 412	124 679	335 091
Total Available-for-sale investments	**504 800**	**17 332**	**522 132**	**524 194**	**143 336**	**667 530**

4.7 The loss in value of unrealized gains from USD 143.3 million as at 31 December 2021 to USD 17.3 million as at 31 December 2022 reflects the decline in value of the fixed income portfolio component (-22.37 percent as at 31 December 2022), as a result in the increase in interest rates worldwide causing debt security prices to fall. Equity valuations have also suffered during 2022 (-18.17 percent as at 31 December 2022), fuelled by concerns over the Ukraine-Russia conflict and the rise in inflation and in commodity prices.

4.8 Unrealized gains of USD 27.1 million are recorded within equity and the cumulative remainder USD 9.8 million of unrealized foreign exchange net losses generated on the debt portfolios (USD 3.7 million unrealized foreign exchange net losses at 31 December 2021) are recorded directly in the Statement of Financial Performance during the period in which they occur.

Derivative financial instruments

4.9 The Organization uses derivative financial instruments within its investment portfolio for the purpose of mitigating the foreign currency risk in the portfolio. The Organization utilizes forward contracts, options and swaps in order to mitigate this risk. There are no non-current derivatives in this category.

4.10 The face value represents the value of the contract. The face value and the fair value of the derivative financial instruments are as follows:

(thousands of US dollars)	**31-Dec-22**		**31-Dec-21**	
	Face value	**Fair value**	**Face value**	**Fair value**
Assets				
Forwards	495	4	-	-
Swaps	508 363	8 379		
Liabilities				
Forwards	-	-	1 229	-
Swaps	-	-	(300 729)	(2 378)
Total derivative financial liability instruments	**508 858**	**8 383**	**(299 500)**	**(2 378)**

Note 5. ***Receivables from non-exchange transactions***

(thousands of US dollars)	31-Dec-22	31-Dec-21 (Restated)
Current receivables		
Assessed contributions receivable		
Assessments on Member Nations	170 197	216 722
Working Capital Fund	27	27
Special Reserve Account	2 286	2 286
Allowance for doubtful accounts	(54 273)	(58 768)
Total assessed contributions receivable	**118 237**	**160 267**
Voluntary contributions receivable		
Voluntary contributions	1 415 103	978 377
Allowance for doubtful accounts	(3 527)	(3 527)
Total voluntary contributions receivable	**1 411 576**	**974 850**
Other receivables		
Other receivables	5 711	4 437
Allowance for doubtful accounts	(4 432)	(3 971)
Total other receivables	**1 279**	**466**
Total current receivables	**1 531 092**	**1 135 583**
Non-current assessed contributions receivable		
Assessment of Member Nations under Regular Programme	1 129	366
Total non-current assessed contributions receivable	**1 129**	**366**
Non-current Voluntary Contributions Receivable		
Voluntary contributions	983 047	884 798
Total Non-current Voluntary Contributions Receivable	**983 047**	**884 798**
Total Non-current receivables	**984 176**	**885 164**
Total receivables from non-exchange transactions	**2 515 268**	**2 020 747**

5.1 Certain Member Nations have payment plans for their assessments which are due after more than one year from 31 December 2022. Amounts due subsequent to 31 December 2022 of USD 1.1 million, have been classified as non-current. The decrease of USD 46.5 million in the value of outstanding assessments on Member Nations from 31 December 2021 was driven by the improved collection in 2022 of current assessments on some of the Organization's largest Members.

5.2 The allowance for doubtful amounts is based on the estimate of amounts that are not probable of collection under the original terms of the receivables, and according to the policy defined in Note 2.22.

5.3 Non-current receivables have been recorded at amortized cost, with 2021 figures restated as presented in Note 2.63.

(thousands of US dollars)	**Balance at 31-Dec-21**	**Increase**	**Amounts written off**	**Allowance reversed**	**Balance at 31-Dec-22**
Assessed contributions receivable					
Assessments on Member Nations	(56 455)	(7 210)	-	11 705	(51 960)
Working Capital Fund	(27)	-	-	-	(27)
Special Reserve Account	(2 286)	-	-	-	(2 286)
Total assessed contributions receivable	**(58 768)**	**(7 210)**		**11 705**	**(54 273)**
Voluntary contributions receivable					
Voluntary contributions	(3 527)	-	-	-	(3 527)
Total voluntary contributions receivable	**(3 527)**	**-**	**-**	**-**	(3 527)
Other receivables					
Other receivables	(3 971)	(417)	-	(44)	(4 432)
Total other receivables	**(3 971)**	**(417)**	**-**	**(44)**	**(4 432)**
Total allowance for doubtful accounts	**(66 266)**	**(7 627)**	**-**	**11 661**	**(62 232)**

5.4 Provisions for Voluntary contributions receivable represent an allowance on items pertaining to transactions pending with UNDP, from 2003 and prior, in line with the policy for the allowance for doubtful accounts stated in Note 2.22.

5.5 The aging of receivables is:

(thousands of US dollars)	**Carrying amount**	**< 1 year**	**1 – 3 years**	**3 – 5 years**	**> 5 years**
Current receivables					
Assessed contributions receivable					
Assessments on Member Nations	170 197	101 480	34 991	11 678	22 048
Working Capital Fund	27	-	-	-	27
Special Reserve Account	2 286	-	-	-	2 286
Allowance for doubtful accounts	(54 273)	(5 362)	(12 872)	(11 678)	(24 361)
Total assessed contributions receivable	**118 237**	96 118	22 119	**-**	**-**
Voluntary contributions receivable					
Voluntary contributions	1 415 103	731 767	387 302	286 800	9 234
Allowance for doubtful accounts	(3 527)				(3 527)
Total voluntary contributions receivable	**1 411 576**	**731 767**	**387 302**	**286 800**	**5 707**
Other receivables					
Other receivables	5 711	863	833	432	3 583
Other allowance for doubtful accounts	(4 432)	-	(417)	(432)	(3 583)
Total other receivables	**1 279**	**863**	**416**	**-**	**-**
Total current receivables	**1 531 092**	**828 748**	**409 837**	**286 800**	**5 707**
Non-current assessed contributions receivable					
Assessment of Member Nations under Regular Programme	1 129	1 129	-	-	-
Total non-current assessed contributions receivable	**1 129**	**1 129**	**-**	**-**	**-**
Non-current Voluntary contributions receivable					
Voluntary contributions	983 047	551 863	354 877	76 307	-
Total Non-current voluntary contributions receivable	**983 047**	**551 863**	**354 877**	**76 307**	**-**
Total non-current receivables	**984 176**	**552 992**	**354 877**	**76 307**	**-**
Total receivables	**2 515 268**	**1 381 740**	**764 714**	**363 107**	**5 707**

5.6 The allowance for doubtful accounts in relation to assessed contributions receivable has been calculated on contributions that have been outstanding for more than two years. Additional provisions on the less than two year portion of assessed contributions have been included to fully provide on an individual basis, as required.

5.7 Contributions in arrears related to 24 countries facing voting rights issues amount to USD 44.4 million for assessed contributions FAO does not have collateral for any of the assessments, however, FAO rules and regulations require that Member Nations cannot be in arrears in payment of its financial contributions to the Organization in an amount equal to or exceeding the contributions due from it for the two preceding calendar years. Actions specified by the rules and procedures include a loss of voting rights, ineligibility for election to the Council and loss of seat in the Council.

5.8 The main types of other receivables are in relation to the Government Counterpart Cash Contribution (GCCC) and jointly financed projects with other international organizations, in which the Organization makes payments on behalf of such third parties.

Note 6. *Receivables from exchange transactions*

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Due from UN and other organizations	5 631	5 475
Allowance for doubtful accounts	(1 830)	(1 776)
Total receivables from exchange transactions	**3 801**	**3 699**

6.1 Receivables from exchange transactions are in relation to recoveries due from the Rome based international organizations, e.g. International Fund for Agricultural Develoopment (IFAD), World Food Programme (WFP), and the FAO Credit Union for the administrative services which FAO provides; utility recharges to be recovered from businesses which have offices within the FAO headquarters e.g. the bookshop, the travel agent etc., and others.

Allowance for doubtful accounts

(thousands of US dollars)	**Balance at 31-Dec-21**	**Expense**	**Amounts written off**	**Allowance reversed**	**Balance at 31-Dec-22**
Due from UN and other organizations	(1 776)	(264)	-	210	(1 830)
Total allowance for receivables from exchange transactions	**(1 776)**	**(264)**	**-**	**210**	**(1 830)**

6.2 The aging of receivables is:

(thousands of US dollars)	**Carrying amount**	**< 1 year**	**1 – 3 years**	**3 – 5 years**	**> 5 years**
Due from UN and other organizations	5 631	3 801	355	238	1 237
Allowance for doubtful accounts	(1 830)	-	(355)	(238)	(1 237)
Total receivables from exchange transactions	**3 801**	**3 801**	**-**	**-**	**-**

Note 7. ***Prepayments and other assets***

(thousands of US dollars)	31-Dec-22	31-Dec-21
Employee receivables	17 836	10 824
Prepayments	39 018	37 903
Other assets	19 616	11 865
Allowance for doubtful accounts	(5 754)	(2 025)
Total prepayments and other assets	**70 716**	**58 567**
Total current	70 141	57 911
Total non-current	575	656
Total prepayments and other assets	**70 716**	**58 567**

7.1 The total prepayments and other assets as of 31 December 2022 consist of employee receivables, prepayments and other assets. The employee receivables represents advances given to employees such as salary advances, education grants, and travel advances, whereas prepayments are primarily comprised of advances to service providers under the approved Letters of Agreements.

7.2 Current commitments are expected to be utilized or collected within a year of the balance sheet date.

Allowance for doubtful accounts

(thousands of US dollars)	Balance at 31-Dec-21	Expense	Amounts written off	Allowance reversed	Balance at 31-Dec-22
Employee receivables	(1 513)	(241)	-	25	(1 729)
Other assets	(512)	(3 621)	-	108	(4 025)
Total allowance for prepayments and other assets	**(2 025)**	**(3 862)**	**-**	**133**	**(5 754)**

Note 8. ***Inventories***

(thousands of US dollars)	31-Dec-22	31-Dec-21 (Restated)
Machinery, tools, accessories	3 082	3 442
Plants and Seeds	2 164	3 552
Medical and Veterinary Supplies	538	1 469
Other expendable equipment	1 144	1 434
High Value Machinery and equipment	1 180	913
Fertilizers	3 526	908
Pesticides	407	106
Others	2 168	2 984
Inventory write-down	(319)	(222)
Total inventories	**13 890**	**14 586**

8.1 For the year ended 31 December 2022, the Organization recognizes in the Statement of Financial Performance USD 354.5 million (USD 209.0 million in 2021) in expense associated with project inventories. The difference of USD 4.4 million in 2022 (USD 4.2 million in 2021) pertains to the expense of publications, which is not capitalized as inventory in line with the policy stated in Note 2.26.

8.2 Inventories were reviewed for write-off during the year, which resulted in recognizing a loss of USD 0.3 million (USD 0.2 million in 2021). The 2021 comparative inventory write down was restated upwards from USD (64 thousand) to USD 0.2 million to reflect losses incurred on plant and seeds held at the end of 2021 and disposed of in 2022.

Note 9. *Property, plant and equipment*

(thousands of US dollars)	Balance at 31-Dec-21	Change in UEL	Additions	Disposals/ Transfers	Depreciation	Balance at 31-Dec-22
Cost of PP&E						
Office furniture and fixtures	2 190	-	37	(226)	-	2 001
Machinery and equipment	7 637	-	614	(690)	-	7 561
Computer and IT equipment	13 130	-	316	(1 385)	-	12 061
Motor vehicles	66 924	-	10 010	(6 719)	-	70 215
Buildings	4 565	-	2 771	(90)	-	7 246
Leasehold improvements	16 280	-	4 820	(441)	-	20 659
Assets under construction	6 174	-	7 511	(6 646)	-	7 039
Total cost of PP&E	**116 900**	**-**	**26 079**	**(16 197)**	**-**	**126 782**
Accumulated depreciation						
Office furniture and fixtures	(1 879)	264	-	224	(89)	(1 480)
Machinery and equipment	(6 212)	743	-	555	(303)	(5 217)
Computer and IT equipment	(11 992)	455	-	1 316	(482)	(10 703)
Motor vehicles	(49 787)	4 951	-	3 916	(5 388)	(46 308)
Buildings	(1 229)	-	-	8	(184)	(1 405)
Leasehold improvements	(4 937)	-	-	2	(1 108)	(6 043)
Total accumulated depreciation	**(76 036)**	**6 413**	**-**	**6 021**	**(7 554)**	**(71 156)**
Net PP&E	**40 864**	**6 413**	**26 079**	**(10 176)**	**(7 554)**	**55 626**

9.1 In 2022, construction in progress in the value of USD 6.6 million was completed and placed in service (USD 6.4 million in 2021).

9.2 Additions of USD 19.0 million were purchased in 2022 (USD 17.0 million in 2021), and a further USD 0.4 million of assets were donated (USD 0.1 million in 2021). Disposals from PP&E in the amount of USD 3.5 million (USD 4.9 million in 2021) were realized in 2022, the majority of which were property transfers to beneficiaries (host governments, Non-Governmental Organizations (NGOs) or other recipient organizations) involved in special projects. The Organization received USD 1.0 million in proceeds from asset disposals, resulting in a loss on disposal of USD 2.5 million in 2022 (USD 1.3 million and USD 3.6 million, respectively, in 2021). Fully-depreciated assets with a cost of USD 52.6 million are in use at the end of 2022 (USD 77.8 million in 2021).

9.3 The Organization reviews PP&E for indicators of impairment. These reviews did not identify any impairment during the year.

9.4 Accrual for purchase commitments for PP&E at 31 December 2022 is USD 1.2 million (USD 0.6 million in 2021).

Note 10. ***Intangible Assets***

(thousands of US dollars)	Balance at 31-Dec-21	Additions	Disposals/ Transfers	Amorti-zation	Balance at 31-Dec-22
Cost of intangible assets					
Software acquired separately	3 196	363	(502)	-	3 057
Software internally developed	10 608	-	-	-	10 608
Intangible assets under development	1 850	-	-	-	1 850
Total cost of intangible assets	**15 654**	363	(502)	**-**	**15 515**
Accumulated amortization					
Software acquired separately	(1 549)	-	414	(1 043)	(2 178)
Software internally developed	(7 671)	-		(902)	(8 573)
Total accumulated amortization	**(9 220)**	**-**	**414**	**(1 945)**	**10 751**
Net intangible assets	**6 434**	**363**	**(88)**	**(1 945)**	**4 764**

10.1 At 31 December 2022, the cost and related accumulated amortization of intangible assets purchased or developed by the Organization are USD 15.5 million (USD 15.7 million in 2021) and USD 10.8 million (USD 9.2 million in 2021) respectively. During 2022, the Organization invested an additional net USD 0.4 million intangible assets (USD 0.8 million in 2021), while no software development projects were completed and placed in service (USD 2.7 million in 2021).

10.2 FAO performs an impairment review when conditions arise indicating the need as such. These reviews did not identify any impairment during the year.

Note 11. ***Accounts payable and accrued expenses***

(thousands of US dollars)	31-Dec-22	31-Dec-21 (Restated)
Accounts payable		
Accounts Payable	44 800	33 789
Money Vendor	4 003	4 623
Pass through transactions	9 561	8 839
Total accounts payable	**58 364**	**46 752**
Accrued expenses		
Purchase order accrued expenses	146 062	152 394
NSHR accrued expenses	32 828	36 092
Travel accrued expenses	9 478	6 328
Payroll accrued expenses	191	240
Other accruals	2 412	8 933
Total accrued expenses	**190 971**	**203 987**
Total accounts payable and accrued expenses	**249 335**	**250 739**

11.1 Accounts payable constitute amounts due for goods and services for which invoices have been received. Money vendor payable constitute of invoices received from money vendors who execute payments to suppliers in the field where there are no banking facilities available. Pass through transactions is used to record transactions where FAO acts as a payment agent on behalf of other organizations. Accruals are liabilities for goods and services that have been received or provided to FAO during the period but not invoiced for payment. Other accruals are obligations incurred in the field and headquarters related to (a) locally recruited labour not in NSHR, (b) local travel not in GRMS Travel module, and (c) contracts not covered by GRMS purchase orders.

11.2 The 2021 value of pass through transactions has been restated in line with Note disclosure 2.64.

Note 12. *Payments received in advance*

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Assessments on Member Nations received in advance	42 291	32 407
Voluntary contributions received in advance	384 287	318 949
SFERA contributions	24 942	23 869
Total payments received in advance	**451 520**	**375 225**

12.1 Assessments on Member Nations received in advance are funds received from Member Nations against future year's assessment.

12.2 Voluntary contributions received in advance represent funds received from donors related to a contribution agreement. The amount of USD 384.3 million (USD 318.9 million at 31 December 2021) is net of cumulative refunds paid and payable to partners across all years which total USD 1 632.0 million at 31 December 2022 (USD 1 635.5 million at 31 December 2021).

12.3 Voluntary contributions received which are subject to conditions will be recognized as revenue, as and when the conditions are satisfied.

12.4 The Trust Funds also include activities under the Special Fund for Emergency and Rehabilitation Activities (SFERA), which was established in May 2003 to support a rapid response to emergency and rehabilitation activities. The SFERA is funded by voluntary contributions.

Note 13. ***Employee benefit obligations***

(thousands of US dollars)	31-Dec-22	31-Dec-21
Current employee benefit obligations		
Annual leave	18 783	17 473
Home leave travel	1 611	1 688
Post-employment benefit obligations due within 12 months		
After Service Medical Coverage	30 858	31 055
Termination Payment Fund	12 852	11 777
Separation Payment Scheme	6 473	6 224
Compensation Plan Fund due within 12 months	1 456	1 352
Other short-term employee benefits	4 027	5 148
Total current employee benefit obligations	**76 060**	**74 717**
Non-current employee benefit obligations		
Post-employment benefit obligations		
After Service Medical Coverage	843 524	1 362 312
Termination Payment Fund	50 900	64 083
Separation Payment Scheme	29 998	41 257
Total post-employment benefit obligations	**924 422**	**1 467 652**
Other non-current employee benefit obligations		
Compensation Plan Fund	16 626	21 721
Total non-current employee benefit obligations	**941 048**	**1 489 373**
Total employee benefit obligations	**1 017 108**	**1 564 090**

Valuation of employee benefit obligations

13.1 Employee benefit obligations for post-employment (current and non-current) and current and non-current employee benefit obligations in respect of the Compensation Plan Fund are determined by independent professional actuaries. Current employee benefit obligations in respect of Annual leave, Home leave travel, and Other short-term employee benefits are calculated by FAO based on personnel data and past payment experience. As at 31 December 2022, total employee benefit obligations amounted to USD 1 017.1 million (USD 1 564.1 million in 2021), of which USD 992.8 million (1 539.8 million in 2021) were calculated by the actuaries and USD 24.4 million (24.3 million in 2021) were calculated by FAO. FAO reports the portion of the actuarially valued employee benefit obligations expected fall due within 12 months within current liabilities, and the remainder within non-current liabilities.

Current employee benefit obligations

13.2 Current employee benefit obligations relate to wages, salaries, allowances, paid annual leave and paid sick leave, in addition to the short-term portion of the post-employment benefit obligations and of the Compensation Plan Fund.

Post-employment benefit obligations

Separation Payments Scheme

13.3 Separation Payments Scheme (SPS) are due to General Service category staff at headquarters who are entitled to receive a separation payment equivalent to 1/12th of the staff member's Final Net Annual Salary rate multiplied by years of service between 1 January 1975 and 31 December 1990, plus 1/13.5th of the staff member's Final Net Annual Salary rate multiplied by years of service after 1 January 1991. SPS are subject to actuarial review to ascertain the liabilities and recommend rates of contribution.

Terminal Payments Fund

13.4 Terminal Payments Fund (TPF) relate to payment of accrued annual leave, repatriation grant, cost of repatriation travel and the removal of household goods for all eligible staff, and death grant. TPF are subject to actuarial review to ascertain the related liabilities and recommend rates of contribution. Termination indemnity is not included in the valuation, in accordance with IPSAS.

After Service Medical Coverage

13.5 After Service Medical Coverage (ASMC) provides for worldwide coverage of necessary medical expenses of eligible former staff members and their eligible dependants. The ASMC liability represents the present value of the share of the Organization's medical insurance costs for retirees and active staff post-retirement benefits accrued to-date. ASMC is subject to actuarial review to ascertain the related liabilities and recommend rates of contribution.

13.6 An alternative plan, After-Service Medical Insurance (ASMI), is offered to active National staff hired after 30 September 2016 in duty stations categorized other than headquarters 'H'. The plan details were ratified by the Organization in 2023, with retroactive application to 1 January 2022. At the reporting date, there were no retirees eligible for ASMI, and these National Staff were included in the 31 December 2022 ASMC valuation, as a proxy for reflecting ASMI-specific information. A separate valuation will be prepared for the year ended 31 December 2023.

Other employee benefit obligations

Compensation Plan Fund

13.7 Compensation Plan Fund (CPF) are due to staff members, consultants, and their dependants, in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the UNJSPF. CPF are subject to actuarial review to ascertain the liabilities and recommend rates of contribution.

Actuarial Assumptions and Methods

13.8 The following assumptions and methods have been used to determine the value of post-employment benefit obligations and the Compensation Plan Fund obligations:

	Details
Actuarial Methods	
ASMC	Projected Unit Credit Cost with service prorate.
SPS	Projected Unit Credit Cost method.
TPF	Commutation of Accrued leave and Repatriation Travel and Removal use projected unit credit with an attribution period from the entry on duty date to separation; Repatriation Grant, Death Grant and Termination Indemnity payable before retirement eligibility use projected unit credit with an attribution based on the actual benefit formula; Termination Indemnity payable after retirement eligibility is excluded from the valuation and accounted for as it occurs.
CPF	One Year Term Cost.

FAO used a yield curve approach based on Aon AA Above Median Curve outside of the Euro Zone and the Aon AA Yield Curve for the discount rate in the Euro Zone.

Discount rates	**2022**	**2021**
SPS	3.8%	0.7%
TPF	4.6%	2.0%
ASMC	4.5%	2.2%
CPF	5.2%	3.0%

General Inflation rate	**2022**	**2021**
SPS	2.5%	2.1%
TPF	2.3%	2.4%
ASMC	2.5%	2.4%
CPF	2.2%	2.5%

Medical cost inflation rate	At 31 December 2022, the assumed increases in medical costs are 4.5% during 2023, decreasing 0.05% annually to 4.0% in 2033 and later years.
	At 31 December 2021, the assumed increases in medical costs are 4.40% during 2022, decreasing 0.05% annually to 3.85% in 2033 and later years.
Annual salary scale	At 31 December 2022, the salary inflation assumptions are harmonized with the general inflation assumptions for each plan, plus 0.5% for productivity increases, plus merit increases.
	At 31 December 2021, the salary inflation assumptions are harmonized with the general inflation assumptions for each plan, plus 0.5% for productivity increases, plus merit increases.

	Details
Mortality rates	At 31 December 2022, mortality rates are headcount-weighted. At 31 December 2021, mortality rates are headcount-weighted.
Disability rates	Disability rates have been provided and approved by the UN Task Force as recommended assumptions for the United Nations' staff benefits valuations as of 31 December 2022.
Withdrawal rates	Based on a study of FAO's withdrawal experience for staff from 2014 to 2019.
Turnover and Retirement rates	Based on a study of FAO's experience for staff from 2014 to 2019.
Coverage of Adult Dependents	Based on a study of FAO's and WFP's aggregate experience from 2015 through 2018, 80% of male and 60% of female retirees who elect coverage at retirement are assumed to cover an adult dependent at that time.
Age Variation in Claims Costs	Based on recent experience of the Rome-based agencies. The COVID-19 pandemic is reflected via a temporary reduction to claims, assumed to phase out as lockdowns are lifted and economic conditions recover.
Year-end spot rate EUR/USD	1.065 (1.135 in 2021).

Reconciliation of defined benefit obligation

13.9 The following tables provide additional information and analysis in relation to employee benefit obligations, as calculated by the actuaries:

(thousands of US dollars)	ASMC	TPF	SPS	CPF	Total
Net defined benefit obligation at 31-Dec-21	**1 393 367**	**75 860**	**47 481**	**23 073**	**1 539 781**
Service cost for year ended 31 Dec 2022	37 374	7 209	2 896	1 537	49 016
Interest cost for year ended 31 Dec 2022	30 314	1 400	311	672	32 697
Actual gross benefit payments for the year 31 Dec 2022	(23 725)	(6 891)	(5 775)	(1 593)	(37 984)
Remeasurements (demographic) for the year ended 31 Dec 2022	3 922	1 243	230	(1 365)	4 030
Remeasurements (financial) for the year ended 31 Dec 2022	(566 870)	(15 069)	(8 672)	(4 242)	(594 853)
Net defined benefit obligation at 31-Dec-22	874 382	**63 752**	**36 471**	**18 082**	**992 687**

13.10 Demographic remeasurements relate principally to unexpected new annuitants, as well as new entries in the period, which have a negative impact on the valuation. Financial remeasurements with a significant impact on the value of the employee benefit obligations for the year ending 31 December 2022 were driven by the significant increase in discount rates across all plans (representing USD 480.7 million of the total decrease in liabilities), in addition to fewer claims and administrative expenses than expected (amounting to a USD 104.3 million decrease specific to the ASMC liability). Other demographic and financial remeasurements had a residual impact on the value of the liabilities as at 31 December 2022.

Annual expense recognized

13.11 The annual expense amounts recognized in the Statement of Financial Performance, within employee benefits and other personnel costs, and finance income/(expenses), and are as follows:

(thousands of US dollars)	31-Dec-22	31-Dec-21
Service cost	49 016	46 767
Remeasurements (demographic and financial)	(5 607)	(521)
Interest cost	32 697	25 730
Total expense recognized	**76 106**	**71 976**

13.12 During 2022, the Organization recorded USD (5.6) million of plan remeasurements in the Statement of Financial Performance (USD (0.5) million in 2021) in relation to the Compensation Plan Fund, and USD (585.2) million of remeasurements on the post-employment benefits plans were recorded within equity (USD 4.2 million in 2021).

ASMC plan – sensitivity analysis

13.13 Following are the three principal assumptions in the valuation of the ASMC plan:

i) exchange rate between the Euro and the US Dollar;
ii) discount rate used to determine the present value of benefits that will be paid from the plan in the future; and
iii) medical inflation rate.

13.14 A 1 percent change in the discount and medical inflation rate would have the following effects on the defined benefit obligation:

(thousands of US dollars)		Ultimate medical inflation rate	
Exchange rate	**Discount rate**	**4.0% Per Year**	**5.0% Per Year**
1.0650 USD per EUR	4.5%	874 382	1 031 560
1.1650 USD per EUR	4.5%	915 434	1 079 992
1.0650 USD per EUR	3.5%	1 037 600	1 224 118
1.1650 USD per EUR	3.5%	1 086 315	1 281 590

13.15 A 1 percent change in the discount and medical inflation rate would have the following effects on the current service cost:

(thousands of US dollars)		Ultimate medical inflation rate	
Exchange rate	**Discount rate**	**4.0% Per Year**	**5.0% Per Year**
1.0650 USD per EUR	4.5%	17 988	24 262
1.1650 USD per EUR	4.5%	18 833	25 401
1.0650 USD per EUR	3.5%	24 186	32 621
1.1650 USD per EUR	3.5%	25 322	34 153

TPF plan – sensitivity analysis

13.16 The principal assumption in the valuation of the TPF plan is the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

13.17 A 1 percent reduction in the discount rate would have the following effect on the defined benefit obligation:

(thousands of US dollars) **Discount rate**	**Defined Benefit Obligation**
4.6%	63 752
3.6%	67 969

13.18 A 1 percent change in the discount and medical inflation rate would have the following effects on the current service cost:

(thousands of US dollars) **Discount rate**	**Current service cost**
4.6%	5 719
3.6%	6 114

SPS plan – sensitivity analysis

13.19 The principal assumption in the valuation of the SPS plan is the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

13.20 A 1 percent reduction in the discount rate would have the following effect on the defined benefit obligation:

(thousands of US dollars) **Discount rate**	**Defined Benefit Obligation**
3.8%	36 471
2.8%	38 731

13.21 A 1 percent change in the discount and medical inflation rate would have the following effects on the current service cost:

(thousands of US dollars) **Discount rate**	**Current service cost**
3.8%	2 113
2.8%	2 294

CPF plan – sensitivity analysis

13.22 The principal assumption in the valuation of the CPF plan is the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

13.23 A 1 percent reduction in the discount rate would have the following effect on the defined benefit obligation:

(thousands of US dollars) **Discount rate**	**Defined Benefit Obligation**
5.2%	18 082
4.2%	20 190

13.24 A 1 precent change in the discount and medical inflation rate would have the following effects on the current service cost:

(thousands of US dollars) **Discount rate**	**Current service cost**
5.2%	977
4.2%	1 143

Future funding

13.25 During 2022 no prior years' assessment was transferred to the investment portfolio (USD none in 2021). Assessed funds are typically transferred into the investment portfolio based on the percentage of total Member contributions actually received. Long-term investments and any generated income are applied first to ensure the adequacy of funding of the SPS and CPF. Any additional investments and related income then is earmarked for the ASMC and subsequently for the TPF. As of 31 December 2022, both the ASMC and TPF continue to be underfunded. The diversification of asset classes, currency composition and duration of FAO's long-term investments is determined in accordance with the parameters effecting the valuation of its liabilities.

13.26 The earmarking of the long-term investments and the SPS advances to the plans is shown in the below table:

(thousands of US dollars)	31-Dec-22	31-Dec-21
Fully funded by earmarked long-term investments		
CPF	18,082	23 073
SPS	36,471	47 481
Total fully funded by earmarked long-term investments	**54,553**	**70 554**
Partially funded by earmarked long-term investments		
ASMC	479 577	600 925
Total partially funded by earmarked long-term investments	**479 577**	**600 925**
Total funded liabilities	**534 130**	**671 479**
Unfunded by earmarked long-term investments		
ASMC	394 805	792 442
TPF	63,752	75 860
Total unfunded by earmarked long-term investments	**458 557**	**868 302**

Maturity profile

13.27 The table below presents the maturity profile of the Organization's post-employment benefit obligations and the Compensation Plan Fund obligations as at 31 December 2022, expressed in nominal value:

(thousands of US dollars)	ASMC	TPF	SPS	CPF	Total
Years					
Due in 0-5 Years	171 568	36 710	22 021	6 893	237 192
Due in 6-10 Years	208 601	19 959	10 094	6 160	244 814
Due in 11-15 Years	237 639	14 834	8 169	5 298	265 940
Due in 16-20 Years	256 838	10 015	4 532	4 477	275 862
Due in 21-25 Years	264 499	5 149	1 262	3 718	274 628
Due in 26-30 Years	258 271	1 936	550	3 031	263 788
Due in More than 30 Years	782 761	422	204	7 882	791 269
Total	**2 180 177**	**89 025**	**46 832**	**37 459**	**2 353 493**

Note 14. *United Nations Joint Staff Pension Fund*

14.1 FAO is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

14.2 The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. FAO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify FAO’s proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, FAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. FAO’s contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

14.3 The Fund’s Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

14.4 The FAO’s financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 percent for participants and 15.8 percent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

14.5 The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

14.6 The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 percent (107.1 percent in the 2019 valuation). The funded ratio was 158.2 percent (144.4 percent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

14.7 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

14.8 Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization’s contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 2.1 percent was contributed by FAO.

14.9 During 2022, contributions paid to the Fund by FAO amounted to USD 63.9 million (2021 USD 62.7 million). Expected contributions due in 2023 are approximately USD 65.7 million.

14.10 Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the Organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

14.11 The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

Note 15. *Operating lease commitments*

15.1 For the year ended 31 December 2022, total rental expense under operating leases are USD 11.8 million (USD 10.7 million in 2021). At 31 December 2022, obligations for property leases to be paid in the subsequent years aggregated to USD 12.8 million (USD 9.5 million in 2021). The increase from the commitments in place at the end of the prior year has been due to a new long term high value contract in the United States expiring in 2034. The commitments below do not include nominal lease transactions. The total aggregate lease payments for the periods are due to be paid as follows:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Within twelve months	6 432	6 383
More than one to five years	4 649	3 069
Beyond five years	1 748	-
Total lease commitments	**12 829**	**9 452**

Note 16. *Provisions and contingencies*

16.1 The provisions of the Organization are comprised of:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Labour-related and other claims	572	412
Pending negotiations and arbitrations	193	184
Total provisions and contingencies	**765**	**596**

16.2 The movement in the provisions during 2022 were as follows:

(thousands of US dollars)	**Balance at 31-Dec-21**	**Increases**	**Amounts charged**	**Amounts reversed**	**Balance at 31-Dec-22**
Labour-related and other claims	**412**	186	(1)	(25)	**572**
Pending negotiations and arbitrations	**184**	20	-	(11)	**193**
Total provisions	**596**	**206**	**(1)**	**(36)**	**765**

Labour-related and other claims

16.3 As part of its normal ongoing operations, FAO receives claims related to labor or contract disputes. The Organization intends to defend itself fully in all cases, however the possibility that it will incur liabilities related to these complaints is not remote. The total amount of possible losses is approximately USD 0.1 million (USD 0.4 million in 2021).

Pending negotiations and arbitrations

16.4 As at 31 December 2022, the Organization has pending litigations with suppliers. The Organization intends to defend itself fully in all cases, however a provision of USD 193 thousand has been included in the accounts for the value of probable losses (USD 184 thousand in 2021). In addition to this amount, the Organization considers a further USD 717 thousand as a contingent liability for cases in which the possibility of incurring a liability is not remote (USD 690 thousand at 31 December 2021).

Note 17. *Other liabilities*

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Current		
Settlements with employees	-	29
Other accounts payables	3 012	3 336
Total current	**3 012**	**3 365**
Non-current		
Staff fiduciary accounts	8 851	10 069
Working Capital Fund	25 745	25 745
Total non-current	**34 596**	**35 814**
Total other liabilities	**37 608**	**39 179**

17.1 Settlements with employees represent Staff Credit Union recovery related transactions.

17.2 Other accounts payable represent deposits received from suppliers and insurance premiums payable on behalf of retired and active staff of IFAD, one of the Agencies participating in the Medical Insurance Plans.

17.3 Staff fiduciary accounts represent funds related to the operation of the contributory medical and insurance arrangements for staff.

17.4 The purposes of the Working Capital Fund are (i) to advance money on a reimbursable basis to the General Fund in order to finance budgetary expenditures pending receipt of contributions to the budget, (ii) finance emergency expenditures not provided for in the current budget, and (iii) make loans for such purposes as the Council may authorize in specific cases. The authorized level for the Fund was set by Conference resolution 15/91 at USD 25 million and is increased by the Working Capital Assessments on new Member Nations. The Fund is presented as a liability since it is refundable to Member Nations who withdraw from the Organization, after liquidation of any financial obligations such nation may have to the Organization.

Working Capital Fund

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Authorized level at beginning and end of period	25 793	**25 793**
Balance at beginning and end of period	25 745	**25 745**

17.5 During 2022 no new Member Nations joined the Organization and the Working Capital Fund was not utilized during the year. The authorized level is part of the assessments to Member Nations and the balance comprises the receipts of those assessments.

Note 18. *Reserves*

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Special Reserve Account	17 559	17 559
Unrealized (losses)/gains on investments	27 077	147 073
Actuarial gains/(losses) reserve	569 610	(15 597)
Total reserves	**614 246**	**149 035**

18.1 The purpose of the Special Reserve Account (SRA) is to protect the Organization’s Programme of Work against the effects of unbudgeted extra costs arising from adverse currency fluctuations and unbudgeted inflationary effects. The authorized level of the SRA is set by Conference resolution 13/81 at up to 5 percent of the effective working budget for the respective subsequent biennium, amounting to USD 50.3 million at 31 December 2022.

18.2 Unrealized gains on investments relate to the Available-for-sale portfolios. USD 120.0 million unrealized losses on investments (USD 16.2 million gains in 2021) are recognized in equity during 2022. The cumulative foreign exchange rate portion of unrealized gains and losses arising on debt portfolios amounted to USD 9.7 million of losses (USD 3.7 million losses at 31 December 2021), and has been charged to the Statement of Financial Performance in line with accounting standards in the period in which it has arisen. The increase in the value of unrealized gains on investments is due to current market values.

18.3 Actuarial gains and losses reserve results from the increase or decrease in the present value of a defined benefit obligation. There were USD 585.2 million (USD 4.2 million losses in 2021) actuarial gains recognized in equity during the year ended 31 December 2022, and a further USD 5.6 million of gains (USD 0.5 million gains in 2021) was recognized in the Statement of Financial Performance in relation to the CPF.

Note 19. ***Revenue***

(thousands of US dollars)	31-Dec-22	31-Dec-21 (Restated)
Non-exchange revenue		
Assessments on Member Nations	**488 399**	**505 331**
Voluntary contributions		
TF contributions	2 230 376	1 523 171
UNDP contributions	3 877	2 018
Total voluntary contributions	**2 234 253**	**1 525 189**
Other non-exchange revenue		
Associate Member Assessments	20	21
Jointly Financed Activities	16 249	19 562
Government counterpart cash contributions	3 001	2 711
In-kind donations	43 868	51 270
Total other non-exchange revenue	**63 138**	**73 564**
Total non-exchange revenue	**2 785 790**	**2 104 084**
Exchange revenue	**10 045**	**8 294**
Total revenue	**2 795 835**	**2 112 378**

19.1 Non-exchange revenue recognized in 2021 from both Member Nations and Voluntary Contributions has been restated to reflect the impact of discounting non-current revenue cash flows to their amortized cost, as presented in Note 2.63.

19.2 Assessments from Member Nations Conference resolution CR 8/2021 approved appropriations of USD 1 005.6 million to be used for the Programme of Work as proposed by the Director-General for 2022-23. Such appropriations, minus estimated Miscellaneous Income of USD 5.0 million, were budgeted to be financed by contributions from Member Nations of USD 1 000.6 million. The contributions are comprised of split assessments in US Dollars of USD 546.4 million and in Euros of EUR 376.4 million (equivalent to USD 459.2 million at the budget rate of exchange of USD 1.22 to Euros 1.00). The difference between actual Assessments on Member Nations of USD 488.4 million and amounts approved under the Conference resolution, of USD 1 005.6 million, reflect the recognition of only one year of the biennial revenue and the difference between the average UNORE of USD 1.135 to Euros 1.00 at the time the Euros component of the contributions was assessed and the rate of exchange applied in the budget.

19.3 The split assessment arrangement was approved by Conference resolution 11/03, in 2003 and this arrangement was first used for the assessments on Member Nations in 2004-05. Based on total assessments expressed in USD as reported in the Statement of Financial Performance, the actual split of assessments in USD and Euro for 2022 was approximately 54 percent and 46 percent, respectively (2021; 54 percent and 46 percent respectively).

19.4 Non-exchange revenue from voluntary contributions of USD 2 234.3 million in 2022 reflects the present value of contractual agreements entered during the year (USD 1 525.2 million in 2021).

19.5 Non-exchange revenue from voluntary contributions includes USD 149.9 million arising from cost recoveries of direct and indirect costs incurred by Trust Fund and UNDP projects, offset by the recharged expenses of USD 150.1 million (USD 116.3 million and USD 116.5 million, respectively in 2021), in line with the policy presented in Note 2.49.

19.6 Other Non-exchange revenue is driven by the recognition of income for in-kind donated facilities located in Rome of USD 22.8 million (USD 30.4 million in 2021) and USD 19.5 million (USD 20.2 million in 2021) for in-kind donated facilities world-wide; and Jointly Financed Activities, principally established with the World Bank, the African Development Bank and the Asian Development Bank. A counterpart expense of USD 42.3 million (USD 50.6 million in 2021) is recorded as in-kind donated facilities.

19.7 Of the remainder in-kind donated goods of USD 1.6 million (USD 0.6 million in 2021), USD 1.1 million (USD 0.6 million in 2021) relates to donated interest revenue on the Working Capital Fund concessionary loan of USD 25.7 million (USD 25.7 million in 2021) granted by Member Nations. A counterpart expense of USD 1.1 million (USD 0.6 million in 2021) is recorded in interest expense calculated at 4.5 percent (2.20 percent in 2021) using the ASMC discount rate. A further USD 0.4 million of donated assets were received in 2022 (USD 0.1 million in 2021).

19.8 Exchange revenue mainly represents payments to the Organization of expenditure incurred on behalf of third parties, including other international organizations to which services such as medical, social security, legal and administrative are provided. Exchange revenue in 2021 has been restated in line with Note 2.64.

Note 20. *Expenses*

20.1 Employee benefits and other personnel costs include all compensation entitlements for Regular Programme and Project Professional and General Service category staff.

(thousands of US dollars)	31-Dec-22	31-Dec-21
Employee benefits and other personnel costs		
Base salary	203 777	205 707
Post adjustment	46 824	54 241
Staff medical insurance	43 738	41 663
Pension plan	63 766	62 502
Staff Compensation Plan	701	638
Staff Termination Plan	7 306	6 831
Staff Separation Scheme	2 791	3 078
Education grant	15 566	16 363
Locally hired non-professional staff	3 313	3 491
Entitlement travel	6 186	5 181
Income Tax Reimbursement	2 247	1 744
Dependents Allowance	12 548	13 269
Installation, assignment and mobility allowance	9 625	10 168
Other employee benefits and staff costs	15 563	11 923
Total employee benefits and other personnel costs	**433 951**	**436 799**

(thousands of US dollars)	31-Dec-22	31-Dec-21
Consultants		
Internationally recruited	65 397	60 119
Locally recruited	190 253	198 696
National projects personnel	107 252	100 588
Other consultants expenses	5 163	5 458
Total consultants	**368 065**	**364 861**

20.2 During 2022 there have been no significant variations in the cost structure associated with the varying types of Consultants employed.

(thousands of US dollars)	31-Dec-22	31-Dec-21
Travel costs		
Duty travel	15 905	3 393
Consultants	40 827	24 022
Governing body meetings	30 641	15 420
Other travel costs	5 409	3 628
Total travel costs	**92 782**	**46 463**

20.3 Governing body meetings include travel-related costs associated with sessions of the Conference, the Council, the Council committees, Technical committees, and other statutory meetings. Travel costs have significantly increased during 2022 as the COVID-19 pandemic travel restrictions of the prior two years have eased, however they remain significantly below 2019 and prior year levels.

(thousands of US dollars)	31-Dec-22	31-Dec-21
Depreciation, amortization and impairment of long-lived assets		
Depreciation of PP&E	7 554	9 811
Amortization of intangible assets	1 945	1 315
Total depreciation, amortization and impairment of long-lived assets	**9 499**	**11 126**

(thousands of US dollars)	31-Dec-22	31-Dec-21
Training expenses		
In-service	5 417	3 181
Other training expenses	36 707	31 842
Total training expenses	**42 124**	**35 023**

20.4 In-service training represents the cost of on-site training carried out at the local office in relation to projects in the field. Other training expenses include the costs of training materials and expenses incurred with participation in off-site training courses, including lodging and daily subsistence. The Organization has incurred higher training expenses in 2022 as travel limitations imposed in the prior two years have eased in 2022, allowing more training activities to be undertaken. The annual 2022 training expenses have returned to pre-COVID 19 pandemic levels.

(thousands of US dollars)	31-Dec-22	31-Dec-21
Contractual services		
Services	75 752	92 062
Construction contracts	26 680	20 153
Repairs and maintenance	6 544	6 374
Rental expense	17 498	14 845
In-kind donated facilities	42 298	50 607
Communications and IT	16 155	15 335
Letters of Agreement	186 039	158 999
Other contracted services	16 060	14 419
Total contractual services	**387 026**	**372 794**

20.5 Services mainly represents contracts entered into by projects, and include amongst others statistical services, contracts for environmental protection and waste, agriculture, crop protection and irrigation services, and fisheries and aquaculture services.

20.6 Letters of agreement comprise the following items; USD 64.3 million (USD 52.4 million in 2021) in relation to agreements for distribution of inputs and community micro infrastructure, USD 31.4 million (USD 31.9 million in 2021) for scientific research services and surveys, USD 48.5 million (USD 39.0 million in 2021) for training beneficiaries, USD 23.4 million (USD 20.3 million in 2021) for capacity development of national public institutions, USD 5.7 million (USD 6.8 million in 2021) for policy development, USD 9.2 million (USD 5.2 million in 2021) for conferences and workshops, and USD 3.5 million (USD 3.4 million in 2021) for others.

(thousands of US dollars)	31-Dec-22	31-Dec-21
Grants and other transfer payments		
National execution with governments	25 211	14 247
Contributions to joint UN administrative activities	12 714	19 902
Cash transfers	64 733	63 188
Other grants and transfer payments	12 649	9 091
Total grants and other transfer payments	**115 307**	**106 428**

20.7 During 2022 FAO continued to enhance the use of Cash and Voucher Assistance in its emergency and resilience programme, with cash transfers amounting to USD 64.7 million (USD 63.0 million in 2021).

20.8 National execution with governments relates to funds transferred in advance to operational partners for the implementation of parts of, or an entire, project entrusted to FAO. The increase in 2022 in expenses for National execution with governments in 2022 has been driven by the overall increase in voluntary funded projects compared to the previous period.

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21 (Restated)**
Supplies and consumables used		
Utilities	6 585	4 886
Vehicles maintenance and running costs	3 843	3 658
Inventories distributed	358 778	213 323
inventory packaging costs	935	1 286
Inventories write-down	319	372
Supplies and consumables	21 535	22 142
Total supplies and consumables used	**391 995**	**245 667**

20.9 Expenses incurred in 2021 in the amount of USD 0.3 million were reclassified from Inventories distributed in the period to Inventories write down. A breakdown of Inventories distributed during the years ended 31 December 2022 and 31 December 2021 is presented in the table below:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21 (Restated)**
Inventories distributed		
Plants and Seeds	82 782	49 667
Agricultural Tools	42 623	23 923
Animal Feed	34 620	21 056
Medical And Veterinary Supplies	21 026	17 348
Building Maintenance Equipment	13 114	13 846
Pesticides	3 783	13 079
Other Expendable Equipment	11 116	10 597
Fertilizers	99 002	9 883
Livestock	10 053	8 447
Other Field Supplies and equipment	5 437	7 412
High Value Attractive Items	6 386	6 012
Public Information Equipment	2 847	6 000
Construction Equipment And Materials	3 648	4 357
Publications	4 375	4 241
High Value Vehicles	5 135	4 153
Others	12 831	13 302
Total Inventories distributed	**358 778**	**213 323**

20.10 The increased cost of inventories distributed in 2022 versus 2021, of USD 145.5 million, has been driven by emergency projects operating in Afghanistan, Ukraine, Ethiopia, and Sudan.

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Other expenses		
Provisions for receivables	7 144	18 344
Insurance	2 310	1 600
Bank charges	2 227	1 357
Transportation of Banknotes	3 891	-
Other operating expenses	51 923	31 547
Total other expenses	**67 495**	**52 848**

20.11 Provisions for receivables' expense is predominantly in relation to Member Nation receivables, and in line with the Organization's policy on recording an allowance for doubtful accounts.Transportation of banknotes refers to the cost of transporting hard currency such as flights, land transportation, and insurance in areas with very specific liquidity conditions.

20.12 The increase in other operating expenses was primarily due to amounts repayable to resource partners on the closure of finalized Trust Fund projects which result in the recognition of an expense (USD 17.8 million in 2021, USD 5.1 million in 2020) to off-set the associated revenue recognized in prior periods.

Note 21. *Non-operating income and expenses*

Investment income

21.1 The investment income recorded within other income and expenses represents the returns earned on the Held-for-trading and the Available-for-sale investment portfolios, inclusive of the cash and cash equivalent portion reallocated in the Statement of Financial Position to cash and cash equivalents, as well as the losses in fair value of derivative financial instruments.

21.2 Net returns generated on the Held-for-trading and Available-for-sale investment portfolios represent the investment income earned, in addition to gains and losses of market value realized in 2022.

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21**
Return on investments, liquidity deposits and Held-for-trading		
Interest income – liquidity deposits	17 627	434
Interest income – Held-for-trading	11 268	8 055
Gains/(losses) on disposal	(2 331)	(5 326)
Fees and commissions charged	(2 023)	(1 024)
Unrealized gains/ (losses)	2 102	(2 144)
Total return on investments, liquidity deposits and Held-for-trading	**26 643**	**(5)**
Return on investments, Available-for-sale		
Interest and dividend income	7 545	9 280
Unrealized foreign exchange gains/(losses)	(3 611)	(12 480)
Gains/(losses) on disposal	(28 872)	24 225
Fees and commissions charged	(856)	(708)
Total return on investments, Available-for-sale	**(25 794)**	**20 317**
Fair value loss on derivative financial instruments		
Fair value gains/(losses) on derivative financial instruments	8 383	(3 512)
Total fair value gains/(losses) on derivative financial instruments	**8 383**	**(3 512)**
Total investment income	**9 232**	**16 800**

21.3 In 2022, given FAO’s prudent, low risk investment style and the interest environment in the United States, the return on the Held-for-trading investment portfolio was 1.25 percent (0.06 percent in 2021), exceeding the benchmark return by 19 basis points.

21.4 The Available-for-sale investment portfolio represents the accumulated assets set aside over a period of decades to fund the Organization’s share of staff-related liabilities. The current investment policy sets a strategic asset allocation for the long-term portfolio of 50 percent equities and 50 percent fixed income. The fixed income portion is in Euros, while the equities are in US Dollars. During 2022 the Available-for-sale investment portfolio yielded an annual return of negative 20.26 percent (5.11 percent in 2021), but outperformed its benchmark return by 48 basis points. The Euro lost 5.85 percent of its value versus the United States Dollar in 2022, which negatively impacted the return of the Euro portfolio when converted into United States Dollar.

Foreign exchange gains and losses

21.5 USD 8.5 million (USD 8.7 million loss in 2021) net foreign exchange loss represents the net amount exchange differences incurred by the Organization during the year ended 31 December 2022. The majority of the exchange differences have been generated by the Euro portion of the Assessments on Member Nations and the revaluation of monetary assets and liabilities at the reporting date.

Finance income and expenses

(thousands of US dollars)	31-Dec-22	31-Dec-21
Interest expenses	(18 433)	(692)
Interest cost of staff related liabilities	(32 697)	(25 730)
Total finance income/(expenses)	**(51 130)**	**(26 422)**

21.6 The finance expenses of the Organization are predominantly borne in relation to operating the staff related schemes. These costs represent the increase in the present value of the defined benefit obligation because the benefits are one period closer to settlement.

Other non-operating income and expenses

(thousands of US dollars)	31-Dec-22	31-Dec-21
Prior period gain/(loss) due to change in FA UEL	6 408	-
Actuarial Gains or (Losses)	5 607	521
Provision for Legal Obligations	(170)	(705)
Total Other non-operating income/(expenses)	**11 845**	**(184)**

21.7 Effective 1 January 2022, the Organization revised the effective useful life of most classes of Property, plant and equipment. This resulted in the recognition of a USD 6.4 million gain on accumulated depreciation that was recorded within Other non-operating income and expenses. Refer to Note 2.30 for further details.

21.8 The actuarial gains reported in 2022 were due to remeasurements from changes in financial and demographic assumptions relating to the Compensation Plan Fund, driven by an increase in the discount rate from 3.0 percent to 5.2 percent.

Note 22. ***Financial instruments***

22.1 This note presents information about the Organization's exposure to various risks, policies and processes for measuring and managing the risks, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

Value of financial instruments

(thousands of US dollars)	31-Dec-22 Fair value & Carrying amount	31-Dec-21 (Restated) Fair value & Carrying amount
Financial assets		
Held-for-trading financial instruments	778 505	625 666
Available-for-sale financial instruments	522 132	667 530
Derivative financial instruments	8 383	-
Receivables from non-exchange transactions	2 515 268	2 020 747
Receivables from exchange transactions	3 801	3 699
Other assets	52 880	47 743
Cash and cash equivalents	1 798 722	1 494 113
Total financial assets	**5 679 691**	**4 859 498**
Financial liabilities		
Derivative financial instruments	-	2 378
Accounts payable and accruals	249 335	250 739
Employee benefits obligations	998 325	1 546 617
Other liabilities	37 608	39 178
Total financial liabilities	**1 285 268**	**1 838 912**

22.2 The fair value of the financial assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The fair value and carrying amounts of the investment portfolio are the same because they are marked to market. The item “Other liabilities” excludes non-cash items such as advances and accruals for annual leave that are not settled in the short term with cash payments. The fair values and carrying values of certain financial assets and liabilities as at 31 December 2021 have been restated in line with details provided in Notes 2.63-2.64.

22.3 The following methods and assumptions are used to estimate the fair values:

i) Cash and short-term deposits, trade receivables, trade payables and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
ii) Long-term fixed-rate and variable-rate receivables/borrowings are recorded at amortized cost and evaluated by the Organization based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics. Based on this evaluation, allowances are taken to account for the incurred losses of these receivables and market related interest rates. As at 31 December 2022, the carrying amounts of such receivables, net of allowances, reflect their calculated fair values;
iii) Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities; and
iv) Fair value of financial assets is derived from quoted market prices in active markets.

The fair value hierarchy

22.4 The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held can be realized.

22.5 The Organization uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

i) Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
iii) Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

22.6 The majority of FAO's financial instruments have quoted prices in active markets and are classified as Level 1. Derivative instruments that are "over-the-counter" are classified as Level 2 because their fair value is observable either directly as a price, or indirectly after being derived from prices. The instruments shown under the Level 2 fair value measurement category consist of the forward contracts for foreign currency hedges and the derivative contracts in the externally managed portfolios.

Financial instruments measured at fair value

(thousands of US dollars)	31-Dec-22			
	Level 1	**Level 2**	**Level 3**	**Total**
Current assets				
Financial assets at fair value through surplus or deficit	778 505	-	-	**778 505**
Derivative financial instruments		8 383	-	**8 383**
Non-current assets				
Financial assets at fair value through equity	522 132	-	-	**522 132**
	-			
Current liabilities				
Derivative financial instruments	-	-	-	**-**
Total financial instruments measured at fair value	**1 300 637**	**8 383**	**-**	**1 309 020**

(thousands of US dollars)	31-Dec-21			
	Level 1	**Level 2**	**Level 3**	**Total**
Current assets				
Financial assets at fair value through surplus or deficit	625 666	-	-	**625 666**
Derivative financial instruments	-	-	-	**-**
Non-current assets				
Financial assets at fair value through equity	667 530	-	-	**667 530**
Current liabilities				
Derivative financial instruments	-	(2 378)	-	**(2 378)**
Total financial instruments measured at fair value	**1 293 196**	**(2 378)**	**-**	**1 290 818**

22.7 During the reporting period ending 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Financial risks of the Organization

22.8 FAO has developed risk management policies in accordance with its Financial Rules and Regulations. The Organization is exposed to a variety of financial risks, including market (foreign currency exchange, interest rate, and price), liquidity, interest rate and credit risks. The primary objective of the Investment Policy of FAO's long-term portfolio is provide, over the long term, adequate funding of FAO's long-term liabilities. The Organization considers the maximization of risk-adjusted returns and the use of applicable benchmarks to evaluate investment manager performance.

Financial risk management

22.9 The Organization manages the financial risks linked to its investments by providing strict guidelines to its asset managers. These guidelines are set by the Investment Committee with the assistance of FAO's technical advisor, the World Bank. The treasury function ensures these guidelines are adhered to by actively monitoring the investment manager's compliance to them. The investment guidelines specify the managers' exposure to asset classes, interest rate risk, credit quality, credit concentration and possible deviations from benchmarks. FAO monitors portfolio risk through a variety of risk metrics provided, including the value-at-risk variables provided by the global custodian to measure the risk exposure of the Organization's investments. The metrics stated above collectively guide FAO's risk management. Additionally, a detailed strategic asset allocation review for non-current investments is conducted by specialized firms within the context of an Asset and Liability study (ALM). Reviews are conducted approximately every five years and the last study was undertaken and finalized in 2018. The results were reviewed by the Investment Committee and lead to the definition of a new strategic asset allocation which was presented to the Director-General and subsequently endorsed in late 2020.

Foreign currency exchange risk

22.10 FAO's principal headquarters is located in the Euro zone and the Organization operates field offices on a global level, where it incurs expenses in local currency. Consequently, a significant amount of FAO's expenses are in other currencies (principally Euro), and the Organization is therefore exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates. In 2003, in order to mitigate its foreign currency risk associated with Regular Programme Euro denominated expenses, the Organization began assessing a portion of Member Nation contributions in US Dollars and a portion in Euro. With the introduction of split assessments on Member Nations, the Organization may enter into US Dollar/Euro swaps with banks as counterparties, should the need to fund delays of Euro receipts of these assessments occur. Given the world-wide geographical representation of the Organization, FAO maintains a minimum level of assets in local currencies, and holds accounts in US dollars, Euros and other currencies at headquarters.

22.11 Additionally, the Organization receives voluntary contributions in both US Dollars and other currencies. The Organization generally converts these amounts to US Dollars immediately upon receipt of the funds. Expenditures under projects funded by voluntary contributions are made in both US Dollars and other currencies. The US Dollar funds held are converted to local currency when necessary, to satisfy the obligations of the Organization. No derivative financial instruments are utilized to mitigate the risk associated.

22.12 The carrying amount of the Organization's foreign currency denominated financial assets and financial liabilities, translated to US Dollars at the year-end are set out below. Some of the financial assets are denominated in difficult to use currencies ('illiquid currencies') that cannot be readily converted to US dollars:

(thousands of US dollars)			**31-Dec-22**		
	US Dollar	**Euro**	**Others**	**Illiquid**	**Total**
Cash and cash equivalents	1 599 706	128 724	70 268	24	**1 798 722**
Held-for-trading investments	778 505	-	-	-	**778 505**
Available-for-sale investments	308 797	113 450	99 885	-	**522 132**
Derivative financial instruments	(103 946)	166 020	(53 691)	-	**8 383**
Total financial assets	**2 583 062**	**408 194**	**116 462**	**24**	**3 107 742**

(thousands of US dollars)			**31-Dec-21**		
	US Dollar	**Euro**	**Others**	**Illiquid**	**Total**
Cash and cash equivalents	1 338 686	49 690	105 639	97	**1 494 113**
Held-for-trading investments	625 666	-	-	-	**625 666**
Available-for-sale investments	380 628	146 788	140 114	-	**667 530**
Derivative financial instruments	(124 362)	203 686	(81 702)	-	**(2 378)**
Total financial assets	**2 220 619**	**400 164**	**164 051**	**97**	**2 784 931**

22.13 FAO enters into forward foreign exchange contracts and swap contracts to manage short-term cash flows of foreign currency balances to minimize the foreign currency transaction risk. At 31 December 2022 and 31 December 2021 the total amount of open derivative positions with the internally managed investment portfolios were as follows:

(US dollars)			**31-Dec-22**				
et purchased/sold amount	**Currency forward bought (LCY)**	**Currency forward bought (USD)**	**Un-realized gains/ (losses) (USD)**	**Currency forward sold (LCY)**	**Currency forward sold (USD)**	**Unrealized gains/ (losses) (USD)**	**Total unrealized gains/ (losses) (USD)**
British Pound sterling	120 000	144 565	908	-	-	-	**908**
Swiss Franc	50 000	54 073	136	-	-	-	**136**
Hungarian Forint	45 000 000	119 059	1 733	-	-	-	**1 733**
Thai baht	6 000 000	173 595	905	-	-	-	**905**
Total	**-**	**491 292**	**3 682**	**-**	**-**	**-**	**3 682**

(US dollars)	31-Dec-21						
Net purchased/sold amount	**Currency forward bought (LCY)**	**Currency forward bought (USD)**	**Un-realized gains/ (losses) (USD)**	**Currency forward sold (LCY)**	**Currency forward sold (USD)**	**Unrealized gains/ (losses) (USD)**	**Total unrealized gains/ (losses) (USD)**
British Pound sterling	120 000	162 572	(105)	-	-	-	**(105)**
Swiss Franc	100 000	109 969	(121)	-	-	-	**(121)**
Hungarian Forint	105 000 000	325 338	(14)	-	-	-	**(14)**
Japanese Yen	10 000 000	86 989	-	-	-	-	-
Thai baht	18 000 000	543 729	(198)	-	-	-	**(198)**
Total	**-**	**1 228 597**	**(438)**	**-**	**-**	**-**	**(438)**

22.14 In accordance with the investment guidelines set up for each externally managed portfolio, the external investment managers use forward foreign exchange contracts to manage the currency risk of groups of securities within each portfolio. The net values of these instruments as at 31 December 2022 and 31 December 2021 that were in place to hedge foreign exchange risk in the Available-for-sale investment portfolios have been reclassified to “derivative financial instruments” in the Statement of Financial Position and summarized below:

(thousands of US dollars)	31-Dec-22						
Net purchased/sold amount	**Currency forward bought (LCY)**	**Currency forward bought (USD)**	**Un-realized gains/ (losses) (USD)**	**Currency forward sold (LCY)**	**Currency forward sold (USD)**	**Unrealized gains/ (losses) (USD)**	**Total unrealized gains/ (losses) (USD)**
Australian Dollar	5 186	3 519	97	(9 207)	(6 250)	(268)	(171)
British Pound sterling	27 165	32 683	(272)	(62 296)	(74 989)	(2 132)	(2 404)
Canadian Dollar	5 344	3 944	21	(8 688)	(6 413)	(43)	(22)
Danish Krone	1 511	217	13	(16 208)	(2 329)	(168)	(155)
Euro	268 745	287 391	13 558	(113 659)	(121 371)	(2 172)	11 386
Japanese Yen	422 964	3 208	131	(737 731)	(5 616)	(333)	(202)
Mexican Peso	1 001	51	1	(2 002)	(102)	(3)	(2)
New Zealand Dollar	1 515	958	31	(3 487)	(2 206)	(113)	(82)
Norwegian Krone	6 049	614	29	(6 196)	(629)	(10)	19
Swedish Krona	10 059	966	23	(16 190)	(1 556)	(16)	7
Swiss Franc	971	1 051	45	(755)	(816)	(40)	5
United States Dollar	173 760	173 760	-	(277 706)	(277 706)	-	-
Total	**-**	**508 362**	**13 677**	**-**	**(499 983)**	**(5 298)**	**8 379**

(thousands of US dollars)	31-Dec-21						
Net purchased/sold amount	**Currency forward bought (LCY)**	**Currency forward bought (USD)**	**Un-realized gains/ (losses) (USD)**	**Currency forward sold (LCY)**	**Currency forward sold (USD)**	**Unrealized gains/ (losses) (USD)**	**Total unrealized gains/ (losses) (USD)**
Australian Dollar	1 539	1 119	13	(9 482)	(6 894)	95	**108**
Canadian Dollar	1 937	1 533	14	(7 800)	(6 175)	39	**53**
Danish Krone	-	-	-	(22 133)	(3 385)	131	**131**
British Pound sterling	5 952	8 061	57	(52 981)	(71 755)	552	**609**
Swiss Franc	274	301	4	(240)	(263)	(4)	**-**
Euro	196 709	223 824	(3 393)	(17 700)	(20 138)	48	**(3 345)**
Japanese Yen	83 955	729	(7)	(471 283)	(4 094)	26	**19**
Norwegian Krone	23 888	2 708	(69)	(13 150)	(1 491)	36	**(33)**
New Zealand Dollar	1 207	826	(7)	(3 648)	(2 497)	75	**68**
Swedish Krona	35 579	3 930	(116)	(39 031)	(4 312)	129	**13**
United States Dollar	55 319	55 319	-	(179 680)	(179 680)	-	**-**
Mexican Peso	15	1	-	(907)	(44)	-	**-**
Total		**298 351**	**(3 504)**		**(300 728)**	**1 127**	**(2 377)**

22.15 Foreign exchange exposures on future payroll costs are hedged by the Organization through the utilization of the split assessment regime. Consequently, the Organization does not use financial instruments to mitigate the foreign currency exposure associated with payroll costs. The Organization does not use financial instruments to hedge the foreign exchange exposures on receivables and payables. Currency exchange risk also arises as a result of the differences in timing of recording the foreign currency receivables or payables and the cash receipt or payment in subsequent periods. Any receipts in currencies other than the United States Dollar are exchanged in the spot market.

Equity price risk

22.16 Equity price risk is the risk of a decline in the value of a security or a portfolio, and is dependent on the volatility of the securities held within a portfolio. The Organization seeks to mitigate this risk by maintaining well-diversified equity investment portfolios. The table below shows the diversification of the Organization’s equity portfolios as at the period end, as well as the asset allocation between other types of externally managed investments:

(thousands of US dollars)				31-Dec-22			
Sector	**Cost**	**Unrealized gains/ (losses)**	**Market value**	**Accruals**	**Market including accruals**	**% of Equities**	**% of Total**
Equities							
Communication Services	12 494	716	13 210	9	13 219	5%	1%
Consumer discretionary	15 846	4 741	20 587	24	20 611	8%	1%
Consumer staples	12 827	3 443	16 270	43	16 313	6%	1%
Energy	5 374	6 299	11 673	13	11 686	4%	1%
Financials	19 251	10 147	29 398	25	29 423	11%	2%
Health care	20 872	9 035	29 907	20	29 927	11%	2%
Industrials	14 986	6 954	21 940	17	21 957	8%	1%
Information technology	28 899	12 595	41 494	12	41 506	15%	2%
Materials	5 959	3 261	9 220	7	9 227	3%	1%
Utilities	5 369	1 118	6 487	11	6 498	2%	0%
Real Estate	4 820	544	5 364	21	5 385	2%	0%
Blackrock Emerging Market Fund	71 405	(4 049)	67 356	-	67 356	25%	4%
Other	89	12	101	-	101	0%	0%
Fee accrual	(171)	-	(171)	-	(171)	0%	0%
Total equities	**218 020**	**54 816**	**272 836**	**202**	**273 038**	**100%**	**16%**
Non-equities							
Fixed income	1 067 967	(40 166)	1 027 801	3 616	1 031 417		57%
Cash and cash equivalents	488 152	1 868	490 020	437	490 457		27%
Derivative financial instruments	-	8 379	8 379	-	8 379		0%
Total non-equities	**1 556 119**	**(29 919)**	**1 526 200**	**4 053**	**1 530 253**		**84%**
Total assets in externally managed portfolios	**1 774 139**	**24 897**	**1 799 036**	**4 255**	**1 803 291**		**100%**

(thousands of US dollars)	31-Dec-21						
Sector	**Cost**	**Unrealized gains/ (losses)**	**Market value**	**Accruals**	**Market including accruals**	**% of Equities**	**% of Total**
Equities							
Consumer discretionary	15 950	15 267	31 217	5 138	36 355	7%	2%
Consumer staples	12 990	4 798	17 788	42 532	60 320	11%	3%
Energy	4 758	3 032	7 790	8 766	16 556	3%	1%
Financials	19 229	14 395	33 624	26 451	60 075	11%	3%
Health care	21 201	11 044	32 245	21 147	53 392	10%	3%
Industrials	15 229	10 782	26 011	13 157	39 168	7%	2%
Information technology	28 990	31 409	60 399	11 022	71 421	12%	3%
Materials	5 969	4 767	10 736	8 387	19 123	3%	1%
Equities ETF	63 422	16 317	79 739	42 452	122 191	21%	6%
Telecommunication services	12 399	8 774	21 173	11 192	32 365	6%	2%
Utilities	5 515	1 606	7 121	13 345	20 466	4%	1%
Real Estate	4 664	2 481	7 145	19 669	26 814	5%	1%
Other	121	7	128	-	128	0%	0%
Fee accrual	(25)	-	(25)	-	(25)	0%	0%
Total equities	**210 412**	**124 679**	**335 091**	**223 258**	**558 349**	**100%**	**28%**
Non-equities							
Fixed income	942 452	15 653	958 105	3 105	961 210		47%
Cash and cash equivalents	511 707	68	511 775	41	511 816		25%
Derivative financial instruments	-	(2 377)	(2 377)	-	(2 377)		0%
Total non-equities	**1 454 159**	**13 344**	**1 467 503**	**3 146**	**1 470 649**		**72%**
Total assets in externally managed portfolios	**1 664 571**	**138 023**	**1 802 594**	**226 404**	**2 028 998**		**100%**

22.17 As at 31 December 2022, and 31 December 2021, investments in the above-mentioned sectors are not concentrated in less than five stocks.

Interest rate risk

22.18 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization seeks to earn a competitive market rate of return on its investment portfolio, however, capital preservation and liquidity are emphasized over the rate of return.

22.19 The investing horizon is based upon the anticipated liquidity needs of the Organization, including the requirement that the principal objective of the Organization’s non-current Available-for-sale investment portfolio is to fund the Organization’s share of staff-related liabilities. Within this context and following FAO’s prudent, conservative, low-risk investment style and the prevailing market conditions in 2022, the Organization earned a total return of 1.25 percent for the year (0.06 percent in 2021) on its trading portfolio versus 1.06 percent for the benchmark. Instead, the non-current portfolio designated as Available-for-sale earned negative 20.26 percent, versus a benchmark of negative 20.74 percent, outperforming the benchmark by 48 basis points. The Organization is exposed to changes in interest rates on floating rate financial and fixed income assets.

Credit risk

22.20 Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to FAO, and it arises principally on the Organization's investments, loans, receivables, and cash and cash equivalents. The maximum exposure to credit risk at 31 December 2022 and 31 December 2021 are:

(thousands of US dollars)	**31-Dec-22**	**31-Dec-21 (Restated)**
Investments	1 027 801	958 105
Cash and cash equivalents	1 798 722	1 494 113
Receivables from non-exchange transactions	2 515 268	2 020 747
Receivables from exchange transactions	3 801	3 699
Other assets	52 880	47 743
Maximum exposure to credit risk	**5 398 472**	**4 524 407**

Organizational policy on allowable financial instruments

22.21 To manage credit risk, the Organization assesses the credit quality of those parties with whom the Organization invests in based on the investment policy that restricts investments to particular types of financial instruments along with investment ceilings per issuer depending on the credit quality of the issuer.

22.22 Credit risk associated with cash and cash equivalents is managed through specific bank selection criteria designed to evaluate the bank security, reputation, adherence and compliance to local and international laws and regulations, and where applicable, ratings of recognized rating agencies. The table below shows the Organization's concentration of credit risk by credit rating:

(thousands of US dollars)				**31-Dec-22**			
Instrument	**Aaa**	**Aa**	**A**	**Baa**	**N.R.**	**Short Term Rating Moody's/ S&P P-1/A-1**	**Total by Instrument**
Asset Backed Securities	54 386	-	-	-	12 551	-	66 937
Corporate Bonds	14 001	33 468	22 293	30 924	212	27 549	128 447
Government Agencies	145 125	23 494	-	-	-	-	168 619
Government Bonds	359 890	2 942	829	2 323	-	-	365 984
Government MBS	6 094	-	-	6 552	18 478	307	31 431
Gov't-issued Commercial Mortgage-Backed	4 944	-	-	-	-	27 240	32 184
Index Linked Government Bonds	103 515	56 488	2 478	12 126	131	-	174 739
Municipal/Provincial Bonds	11 226	40 583	-	325	-	2 776	54 910
Other Fixed Income	-	-	5 000	-	-	-	5 000
Fee accrual	-	-	-	-	(450)	-	(450)
Total instruments	699 181	**156 975**	**30 601**	**52 250**	**30 922**	**57 872**	**1 027 801**

(thousands of US dollars)	31-Dec-21						
Instrument	**Aaa**	**Aa**	**A**	**Baa**	**NR**	**Short Term Rating Moody's/ S&P P-1/A-1**	**Total by Instrument**
Corporate Bonds	23 122	7 575	26 915	42 199	-	3 283	**103 094**
Government Agencies	162 191	52 056	-	-	5 249	-	**219 496**
Government Bonds	275 487	5 517	1 131	2 651	-	-	**284 786**
Index Linked Government Bonds	125 901	88 126	2 738	11 467	146	-	**228 378**
Asset Backed Securities	9 282	-	-	-	10 130	-	**19 412**
Government MBS	8 818	-	-	-	13 223	1 319	**23 360**
Municipal/Provincial Bonds	30 391	34 461	-	432	3 499	8 857	**77 640**
Other Fixed Income	-	-	-	-	2 349	-	**2 349**
Fee accrual	-	-	-	-	(410)	-	**(410)**
Total instruments	**635 192**	**187 735**	**30 784**	**56 749**	**34 186**	**13 459**	**958 105**

Liquidity risk

22.23 Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial assets. The liquidity risk of the Organization is primarily managed on an individual fund basis. For the Extra-budgetary Programme, commitment can generally only be made once funds are available and therefore liquidity risk is minimal. For the Regular Programme, the appropriation based budget for incurring expenditures ensures that expenses do not exceed revenue streams for any given year, and monthly cash flow forecasting ensures that the Organization has sufficient cash on demand to meet expected operating expenses as they arise. Furthermore, the Working Capital Fund and the Special Reserve Account can both advance monies to the General Fund on a reimbursement basis to finance expenditures pending receipt of assessed contributions and in the event of adverse currency fluctuations and unbudgeted inflationary trends. The combined balance on the Working Capital Fund and the Special Reserve Account provides a liquidity cushion to the Organization's Regular Programme of approximately one month. The contractual policy of both the Organization's receivables and payables is within 30 days of invoice. The table below presents a maturity profile of the Organization's financial liabilities presented in Note 22.1:

(thousands of US dollars)	**Carrying amount**	**< 1 year**	**1 – 3 years**	**3 – 5 years**	**> 5 years**
Accounts payable and accruals	249 335	249 335	-	-	-
Other liabilities	37 608	2 938	69	5	34 596
Employee Benefit Obligations – other	5 638	5 638	-	-	-
	292 581	**257 911**	**69**	**5**	**34 596**
Employee Benefit Obligations – subject to actuarial valuation	992 688	51 639	*Refer to Note 13.27 for the maturity profile of the Organization's employment benefit obligations, expressed in nominal value*		
Total financial liabilities	**1 285 269**	**309 550**	**69**	**5**	**34 596**

Interest rate risk

22.24 If the weighted average interest rate had been 100 basis points higher or lower, the value of the investment portfolios would have been affected as follows in the sensitivity analysis:

(thousands of US dollars)	31-Dec-22	
	Increase/(decrease) in basis points	**Effect on surplus/ (deficit)**
Held-for-trading	100	(6 129)
Held-for-trading	(100)	6 129
Available-for-sale investments	100	(21 685)
Available-for-sale investments	(100)	21 685

(thousands of US dollars)	31-Dec-21	
	Increase/(decrease) in basis points	**Effect on surplus/ (deficit)**
Held-for-trading	100	(5 518)
Held-for-trading	(100)	5 518
Available-for-sale investments	100	(31 128)
Available-for-sale investments	(100)	31 128

Foreign exchange rate risk

22.25 All of the Organization's foreign currency investments in the fixed income Available-for-sale investment portfolios that are non US Dollar denominated are hedged to the Euro. If the EUR/USD exchange rate at 31 December 2022 and 31 December 2021 had been 5 percent higher or lower the value of the Euro denominated investment portfolios would have been affected as follows:

(thousands of US dollars)	31-Dec-22	
	Increase/(decrease) in USD/EUR exchange rate	**Effect on surplus/ (deficit)**
Available-for-sale investments (fixed income only)	5%	(12 935)
Available-for-sale investments (fixed income only)	(5%)	12 935

(thousands of US dollars)	31-Dec-21	
	Increase/(decrease) in USD/EUR exchange rate	**Effect on surplus/ (deficit)**
Available-for-sale investments (fixed income only)	5%	(16 723)
Available-for-sale investments (fixed income only)	(5%)	16 723

Equity price risk

22.26 If the equity market risk at 31 December 2022 and 31 December 2021 had been 10 percent higher or lower, the value of the equity investment portfolios would have been affected as follows:

(thousands of US dollars)	31-Dec-22	
	Increase/(decrease) in Equity Market Risk	**Effect on surplus/ (deficit)**
Available-for-sale investments	10%	27 557
Available-for-sale investments	(10%)	(27 557)

(thousands of US dollars)	31-Dec-21	
	Increase/(decrease) in Equity Market Risk	**Effect on surplus/ (deficit)**
Available-for-sale investments	10%	32 311
Available-for-sale investments	(10%)	(32 311)

Note 23. *Segment Reporting*

23.1 The Organization operates, and generally reports financial information to the Director-General and the Governing Bodies in two segments, the General and Related Fund and the Trust Funds and UNDP.

23.2 Amounts received by the Organization with respect to the General and Related Fund are utilized in the execution of the Organization's mandate based upon the Programme of Work supporting the appropriations approved by the Member Nations and funded through assessed contributions.

23.3 Amounts received by the Organization with respect to the Trust Funds and UNDP are utilized in the execution of the Organization's mandate based upon specific project activities in addition to the Programme of Work and are funded through voluntary contributions from countries, other organizations and under an inter-organizational arrangement with the UNDP.

23.4 For the year ended 31 December 2022, the Organization acquired for the General Fund and the Trust Fund and UNDP, PP&E for internal use amounting to USD 16.7 million (USD 14.5 million in 2021) and USD 9.4 million (USD 9.4 million in 2021), respectively.

23.5 The accumulated deficit under the General and Related Fund mainly represents the unfunded liability associated with the After Service Medical Coverage Plan, offset in part by the unexpended portion of assessed contributions, including cash received and accounts receivable from Member Nations, to be utilized for future operational requirements.

23.6 The accumulated surplus under the Trust Funds and UNDP represented the unexpended portion of voluntary contributions to be utilized for future project related operational requirements.

23.7 The Statement of Financial Position at 31 December 2022 and 31 December 2021, on a segment basis, are as follows, with 2021 data having been restated to reflect the impact of the accounting adjustments outlined in Notes 2.63-2.64:

(thousands of US dollars)	31-Dec-22		
	General and Related	**Trust and UNDP**	**Total**
Assets			
Current assets			
Cash and cash equivalents	536 589	1 262 133	1 798 722
Investments and derivative financial instruments	8 383	778 505	786 888
Receivables from non-exchange transactions	116 398	1 414 694	1 531 092
Receivables from exchange transactions	3 801	-	3 801
Prepayments and other current assets	37 176	32 965	70 141
Inventories	301	13 589	13 890
	702 648	3 501 886	4 204 534
Non-current assets			
Investments	522 132	-	522 132
Receivables from non-exchange transactions	1 129	983 047	984 176
Prepayments and other non-current assets	575	-	575
Property, plant and equipment	39 221	16 405	55 626
Intangible assets	4 492	272	4 764
	567 549	999 724	1 567 273
Total assets	**1 270 198**	**4 501 609**	**5 771 807**
Liabilities			
Current liabilities			
Accounts payable	55 563	2 801	58 364
Accrued expenses	27 761	163 210	190 971
Payment received in advance	42 462	409 058	451 520
Employee benefits obligations	76 060	-	76 060
Provisions	765	-	765
Other current liabilities	3 012	-	3 012
	205 623	575 069	780 692
Non-current liabilities			
Employee benefit obligations	941 048	-	941 048
Other non-current liabilities	34 596	-	34 596
	975 644	-	975 644
Total liabilities	**1 181 267**	**575 069**	**1 756 336**
Net assets	**88 931**	**3 926 540**	**4 015 471**
Equity			
Accumulated surplus/(deficit)	(525 315)	3 926 540	3 401 225
Reserves	614 246	-	614 246
Total equity/(deficit)	**88 931**	**3 926 540**	**4 015 471**

(thousands of US dollars)	**31-Dec-21 (Restated)**		
	General and Related	**Trust and UNDP**	**Total**
Assets			
Current assets			
Cash and cash equivalents	433 733	1 060 380	1 494 113
Investments and derivative financial instruments	-	625 666	625 666
Receivables from non-exchange transactions	160 733	974 850	1 135 583
Receivables from exchange transactions	3 699	-	3 699
Prepayments and other current assets	39 705	18 206	57 911
Inventories	578	14 008	14 586
	638 448	2 693 110	3 331 558
Non-current assets			
Investments	667 530	-	667 530
Receivables from non-exchange transactions	366	884 798	885 164
Prepayments and other non-current assets	656	-	656
Property, plant and equipment	29 542	11 322	40 864
Intangible assets	5 978	456	6 434
	704 072	896 576	1 600 648
Total assets	**1 342 520**	**3 589 686**	**4 932 206**
Liabilities			
Current liabilities			
Accounts payable	39 842	6 910	46 752
Accrued expenses	54 477	149 510	203 987
Payment received in advance	32 407	342 818	375 225
Derivative financial instruments	2 378	-	2 378
Employee benefits obligations	74 717	-	74 717
Provisions	596	-	596
Other current liabilities	3 365	-	3 365
	207 782	499 238	707 020
Non-current liabilities			
Employee benefit obligations	1 489 373	-	1 489 373
Other non-current liabilities	35 814	-	35 814
	1 525 187	-	1 525 187
Total liabilities	**1 732 969**	**499 238**	**2 232 207**
Net assets	**(390 449)**	**3 090 448**	**2 699 999**
Equity			
Accumulated surplus/(deficit)	(539 484)	3 090 448	2 550 964
Reserves	149 035	-	149 035
Total equity/(deficit)	**(390 449)**	**3 090 448**	**2 699 999**

23.8 The Statement of Financial Performance for the year ended 31 December 2022 and 31 December 2021, on a segment basis, are as follows:

(thousands of US dollars)	31-Dec-22		
	General and Related	**Trust and UNDP**	**Total**
Revenue			
Revenue from non-exchange transactions			
Assessments of Member Nations under Regular Programme	488 399	-	488 399
Voluntary contributions	141 403	2 092 850	2 234 253
Other non-exchange revenue	57 589	5 549	63 138
	687 391	2 098 399	2 785 790
Revenue from exchange transactions			
Exchange revenue	8 358	1 687	10 045
	8 358	1 687	10 045
Total revenue	**695 749**	**2 100 086**	**2 795 835**
Expenses			
Staff related costs	310 515	123 436	433 951
Consultants	113 729	254 336	368 065
Travel costs	21 749	71 033	92 782
Depreciation, amortization and impairment of long-lived assets	5 803	3 696	9 499
Training expenses	7 452	34 672	42 124
Contracted services	121 822	265 204	387 026
Grants and other transfer payments	11 951	103 356	115 307
Supplies and consumables used	35 969	356 026	391 995
Other expenses	13 894	53 601	67 495
Total expenses	**642 884**	**1 265 360**	**1 908 244**
Non-operating income and expenses			
Investment income/(expenses)	(8 307)	17 539	9 232
Foreign exchange gains/(losses)	(5 640)	(1 637)	(7 277)
Finance income/(expenses)	(33 591)	(17 539)	(51 130)
Non-operating income/(expense)	8 842	3 003	11 845
Total non-operating income and expenses	**(38 696)**	**1 366**	**(37 330)**
Surplus	**14 169**	**836 092**	**850 261**

(thousands of US dollars)	31-Dec-21 (Restated)		
	General and Related	**Trust and UNDP**	**Total**
Revenue			
Revenue from non-exchange transactions			
Assessments of Member Nations under Regular Programme	505 331	-	505 331
Voluntary contributions	105 264	1 419 925	1 525 189
Other non-exchange revenue	69 169	4 395	73 564
	679 764	1 424 320	2 104 084
Revenue from exchange transactions			
Exchange revenue	7 983	311	8 294
	7 983	311	8 294
Total revenue	**687 747**	**1 424 631**	**2 112 378**
Expenses			
Staff related costs	322 523	114 276	436 799
Consultants	136 056	228 805	364 861
Travel costs	9 770	36 693	46 463
Depreciation, amortization and impairment of long-lived assets	6 042	5 084	11 126
Training expenses	7 787	27 236	35 023
Contracted services	113 438	259 356	372 794
Grants and other transfer payments	19 390	87 038	106 428
Supplies and consumables used	33 491	212 176	245 667
Other expenses	20 683	32 165	52 848
Total expenses	**669 180**	**1 002 829**	**1 672 009**
Non-operating income and expenses			
Investment income/(expenses)	16 668	132	16 800
Foreign exchange gains/(losses)	(7 089)	(1 595)	(8 684)
Finance income/(expenses)	(26 290)	(132)	(26 422)
Non-operating income/(expense)	(184)	-	(184)
Total non-operating income and expenses	**(16 895)**	**(1 595)**	**(18 490)**
Surplus	**1 672**	**420 207**	**421 879**

Note 24. ***Statement of Comparison of Budget and Actual Amounts (Statement V)***

24.1 The budget is prepared and approved on a modified cash basis. Under the modified cash basis of accounting, income and expenditures are recognized when a commitment to purchase the goods or services has been raised. The expenditures are classified by chapter as designated and approved in the Programme of Work. The budget level was approved in Conference Resolution 8/2021 and the budget distribution by chapter was approved by Council in Adjustments to PWB 2022-23 in December 2022. The approved budget represents the “net appropriation” for the fiscal biennial period from 1 January 2022 to 31 December 2023 and provides funding for the Regular Programme activities of the Organization. The expenditures recorded on the Trust Fund and UNDP accounts are included in Statement II of this document. As the approved budget covers a fiscal biennial period, the budgets presented in Statement V are based upon “calendarized” budget at 50 percent of the biennial budget. The actual expenditures, prepared on the same basis as the budget, represent actual expenditures for the year ended 31 December 2022 on the modified cash basis of accounting.

Reconciliation between the actual amounts on a comparable basis and the cash flow statement

24.2 The financial statements have been presented on an accrual basis. Under the accrual basis of accounting, income and expenses are recognized when the underlying transactions occur. Additionally, the financial statements are classified based upon the nature of the transactions. As a result, the budget and the accounting bases differ. For the year ended 31 December 2022 and 31 December 2021, the actual amounts prepared on the same basis as the revised budget have been reconciled to the actual amounts presented in the Cash Flow Statement. The reconciliations are presented here, with 2021 data having been restated to reflect the impact of the adjustments outlined in Notes 2.63-2.66:

(thousands of US dollars)	**31-Dec-22**			
	Operating	**Investing**	**Financing**	**Total**
Actual amount on comparable basis	566 279	-	-	**566 279**
Basis differences	70 464	-	-	**70 464**
Presentation differences	(1 432 622)	(165 178)	-	**(1 597 800)**
Entity differences	1 265 666	-	-	**1 265 666**
Actual amount on the Cash Flow Statement	**469 787**	**(165 178)**	**-**	**304 609**

(thousands of US dollars)	**31-Dec-21 (Restated)**			
	Operating	**Investing**	**Financing**	**Total**
Actual amount on comparable basis	679 686	-	-	**679 686**
Basis differences	(15 187)	-	-	**(15 187)**
Presentation differences	(1 382 797)	(54 893)	-	**(1 437 690)**
Entity differences	989 305	-	-	**989 305**
Actual amount on the Cash Flow Statement	**271 007**	**(54 893)**	**-**	**216 114**

24.3 Basis differences occurred due to differences between the modified cash basis supporting the actual amounts on a comparable basis to the budget and the accrual basis supporting the financial statements.

24.4 Timing differences have arisen as the current year cash flows include expenditures budgeted for in the prior period.

24.5 Presentation differences occurred due to differences in the format and classification methods adopted for presentation of the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts, including the use of the budget rate of exchange in the Statement of Comparison of Budget and Actual Amounts. Presentation differences also include those resulting for classes of transactions not included within the budget. The most significant component of presentation differences arise from the fact that revenues are not included in the budget. Additionally, few investing activities and no financing activities are budgeted for by the Organization.

24.6 The entity differences arise due to the fact that all funds are required to be reported for financial reporting purposes, but are not included in the approved final budget. For example, the Trust Funds and UNDP are not included in the approved final budget, however they are presented in these financial statements.

Budget to actuals variance analysis

24.7 Material differences between the approved budget and the revised budget represent the amounts brought forward from the previous biennium and the amounts carried forward to 2023, as there are no annual chapter transfers effected in 2022. Budget utilization levels in 2022 were driven by a combination of the following factors: (a) approved budget levels; and (b) implementation of the FAO Programme of Work and Budget 2022-23 (PC 135/2 - FC 195/8 and FC 195/9).

24.8 In 2022 expenditure was USD 56.0 million lower than the revised "calendarized" budget, which implies an overall expenditure of 88.8 percent. Spending in the first year of the biennium is habitually lower than in the second year. This is partly due to the management of budget on biennial basis and the opportunity to carry-over of divisional under-spending in the first year of the biennium, through the allotments, into the second year of the biennium

24.9 The spending by budgetary chapter in 2022 follows the biennial forecasted trends reported to the Finance Committee in March 2023 (FC 195/9.

24.10 Accordingly, the budget utilization level in 2022 for all chapters is the difference between the revised budget and budget rate net expenditure, as follows:

i) Chapter 1 "Better Production" budget rate net expenditure amounted to USD 73.1 million, representing 93.50 percent of the revised budget of USD 78.2 million. The planned activities of Chapter 1 are progressing satisfactorily to achieve the biennial targets and expenditure rates are expected to increase in 2023;

ii) Chapter 2 "Better Nutrition" budget rate net expenditure amounted to USD 60.6 million, representing 93.53 percent of the revised budget of USD 64.8 million. The planned activities of Chapter 2 are progressing well to achieve the biennial targets and expenditure rates are expected to increase in the second year of the biennium;

iii) Chapter 3 "Better Environment" budget rate net expenditure amounted to USD 51.3 million, representing 86.72 percent of the revised budget of USD 59.1 million. FAO's work in Chapter 3 in 2022 progressed as planned toward reaching the biennial targets with delivery expected to accelerate in the second year of the biennium;

iv) Chapter 4 "Better Life" budget rate net expenditure amounted to USD 53.4 million, representing 86.38 percent of the revised budget of USD 61.9 million. Expenditure patterns are expected to increase in 2023 as more activities are planned in the second year of the biennium;

v) Chapter 5 "Technical quality, statistics, cross-cutting themes and accelerators" budget rate net expenditure amounted to USD 30.3 million, representing 85.02 percent of the revised budget of USD 35.6 million. The expenditure pattern is as expected due to the Multidisciplinary Fund of USD 8.5 million being budgeted in Chapter 5 and allocated to the *four betters* (Chapters 1 through 4);

vi) Chapter 7 "Outreach" budget rate net expenditure amounted to USD 32.6 million, representing 91.67 percent of the revised budget of USD 35.6 million. Performance against budget in Chapter 7 is as expected for the first year of the biennium;

vii) Chapter 8 "Information and Communications Technology" budget rate net expenditure amounted to USD 8.5 million, representing 47.69 percent of the revised budget of USD 17.8 million.

Expenditure patterns are expected to increase in 2023 as more activities are planned in the second year of the biennium;

viii) Chapter 9 “FAO governance, oversight and direction” budget rate net expenditure amounted to USD 29.5 million, representing 99.40 percent of the revised budget of USD 29.7 million. FAO’s work in Chapter 9 in 2022 progressed as planned. Additional expenditure is forecasted in 2023 to meet the increased requirements for coordination and implementation of the corporate strategic policy framework for multilingualism endorsed by the Council; and

ix) Chapter 10 “Efficient and effective administration” budget rate net expenditure amounted to USD 18.8 million, representing 60.21 percent of the revised budget of USD 31.2 million. Expenditure in Chapter 10 is mainly affected by changes in distribution of recoveries from projects following implementation of the new cost recovery model for new projects.

24.11 The unspent balances on Chapter 6 Technical Cooperation Programme, Chapter 12 Capital Expenditure, and Chapter 13 Security Expenditure are fully carried forward for use in the subsequent financial period in line with the Financial Regulations, and therefore do not result in a variance against budget.

Note 25. *Related parties*

25.1 Total compensation and remuneration to key management personnel and other senior management for the year ended 31 December 2022 and 31 December 2021 were as follows:

(thousands of US dollars) **Employee Group**	**Number of Individuals**	**Number of Positions**	**Compensation**	**Entitlements**	**Pension and Health Plans**	**Total Compensation**	**Outstanding Loans**
2022	4	4	1 047	116	166	1 329	13
2021	4	4	1 103	222	223	1 548	95

25.2 Key management personnel include the Director-General and the Deputy Director-Generals, as they have the authority and responsibility for planning, directing and controlling the activities of the Organization. The Conference consists of 194 Member Nations without personal appointment.

25.3 Compensation includes net salaries and post adjustment. Entitlements include allowances such as assignment and other grants, rental subsidies, education grants and personal effect shipment costs. Pension and health plans include the Organization’s contribution with respect to the pension plan and health plan.

25.4 Each of the key management personnel, their close family members and other senior management are also qualified for other post-employment benefits at the same level as other employees. These personnel are also ordinary members of the UNJSPF. As these benefits cannot be reliably quantified on an individual or subgroup level, they have not been included in the above disclosure.

25.5 Outstanding loans are advances made against entitlements, such as education grants, in accordance with staff rules and regulations. Such advances are widely available to the Organization’s staff.

Note 26. *Interests in other entities*

Joint FAO/IAEA Division

26.1 The Joint Division of Nuclear Techniques in Food and Agriculture was established to operate in areas of common interest between the Organization and the International Atomic Energy Agency (IAEA), to avoid duplication of activities and promote synergy. As such, the Joint Division implements a Programme drawn up biennially in consultation between the two organizations. The operations and governance of the Joint Division are established by the Revised Arrangements between the Directors General of FAO and IAEA for the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture (the Arrangements). The Arrangements establish a binding arrangement whereby the two organizations are committed to undertake an activity that is subject to joint control. The Joint Division is not considered to be structured as a separate vehicle for the purposes of IPSAS 37, *Joint Arrangements*, and is consequently accounted for as a Joint Operation.

Codex Alimentarius Commission

26.2 The Codex Alimentarius, or "Food Code" is a collection of standards, guidelines and codes of practice adopted by the Codex Alimentarius Commission. The Commission, also known as CAC, is the central part of the Joint FAO/WHO Food Standards Programme and was established by FAO and the World Health Organization (WHO) to protect consumer health and promote fair practices in food trade. Membership of the Commission is open to all Member Nations and Associate Members of FAO and WHO which are interested in international food standards. The Commission is a binding arrangement whereby the two organizations are committed to undertake an activity that is subject to joint control. The Commission is not considered to be structured as a separate vehicle for the purposes of IPSAS 37 and is consequently accounted for as a Joint Operation.

http://www.fao.org/fao-who-codexalimentarius/en/

Note 27. *Events after the reporting date*

27.1 FAO's reporting date is 31 December 2022. On the date of approval and signing of these accounts, there have been no material events, favorable or unfavorable, incurred between the reporting date and the date when the financial statements were authorized for issue that would have impacted these statements.