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Food and Agriculture
Organization of the
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Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
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FINANCE COMMITTEE

Hundred and Ninety-ninth Session

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Financial Position of the Organization

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EXECUTIVE SUMMARY

- This document presents an update to the Finance Committee on the financial position of the Organization as at 31 December 2023.
- Regular Programme Liquidity Position – As at 31 December 2023, the balance of Regular Programme cash, cash equivalents and short-term deposits amounted to USD 422.4 million (USD 391.8 million at 31 December 2022).
- Staff Related Liabilities – The total liability of the staff related plans as at 31 December 2023 was USD 982.3 million of which USD 374.2 million was unfunded (After Service Medical Coverage accounted for USD 301.7 million of the unfunded liability, whilst the Termination Payments Fund accounted for USD 66.7 million, and the After Service Medical Insurance accounted for the remaining unfunded portion of USD 5.8 million). The underfunding of the After Service Medical Coverage (ASMC) liability continues to be a cause of major structural deficit on the General Fund.
- Long-term Investments – The value of long-term investments at 31 December amounted to USD 608.1 million (USD 534.1 million at 31 December 2022). The increase of USD 74.0 million reflected an improvement in the value of both fixed income and equity securities.
- General and Related Fund deficit – The General Fund deficit decreased from USD 929.1 million as at 31 December 2022 to USD 877.4 million as at 31 December 2023, mainly due to positive investment returns.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to take note of the financial position of the Organization at 31 December 2023 and provide its guidance as deemed appropriate.

Draft Advice

The Committee:

- **noted that based on the latest Regular Programme cash levels and projected payment patterns of Member Nations, the Organization's liquidity was expected to be sufficient to cover operational needs through 31 December 2024;**
- **recognizing that the Organization's ongoing cash flow health was dependent on the timely payment of assessed contributions, urged Member Nations to make payments of assessed contributions on time and in full;**
- **noted that the overall level of the deficit was primarily due to unfunded charges for staff related liabilities; and**
- **noted the information provided on TCP approval and expenditure rates and emphasized the importance of maintaining TCP expenditure at a level that ensured full implementation of the TCP appropriation as approved by the Conference.**

Introduction and Contents

1. The update of the Report on the Financial Position of the Organization presents an overview of the unaudited results as at and for the biennium ended 31 December 2023. The report is organized as follows:

- Financial Results for the biennium ended 31 December 2023:
 - i) Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2023 presented by source of funds and including comparative balances as at 31 December 2022 – Table 1.
 - ii) Statement of Income and Expenditure and Changes in Reserves and Fund Balances for the biennium ended 31 December 2023 presented by source of funds and including comparative balances for the biennium ended 31 December 2021 – Table 2.
- Summary Comment on Financial Results for the biennium ended 31 December 2023.
- Cash Flow for 2023 and Forecast for 2024 (Regular Programme).

Financial Results for the biennium ended 31 December 2023

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES				
As at 31 December 2023				
(USD 000)	Funds		Unaudited	Audited
	General and Related	Trust and UNDP	Total	
			31 December 2023	31 December 2022
ASSETS				
Cash and Cash Equivalents	422,372	1,495,510	1,917,882	1,795,103
Investments - Short-Term	-	1,002,936	1,002,936	778,505
Contributions Receivable from Member Nations and UNDP	206,613	20,660	227,273	198,351
less: Provision for Delays of Contributions	(54,957)	(11,789)	(66,746)	(70,053)
Accounts Receivable	46,111	13,415	59,526	48,521
Investments - Long-Term	608,121		608,121	534,130
TOTAL ASSETS	1,228,260	2,520,732	3,748,992	3,284,557
LIABILITIES				
Contributions Received in Advance	43,863	1,886,360	1,930,223	1,674,955
Unliquidated Obligations	115,205	589,334	704,539	605,095
Accounts Payable	81,711	-	81,711	89,979
Deferred Income	86,691	-	86,691	97,323
Staff Related Schemes	982,299	-	982,299	992,690
TOTAL LIABILITIES	1,309,769	2,475,694	3,785,463	3,460,042
RESERVES AND FUND BALANCES				
Working Capital Fund	25,745	-	25,745	25,745
Special Reserve Account	46,223	-	46,223	39,270
Capital Expenditure Account	53,960	-	53,960	54,619
Security Expenditure Account	28,233	-	28,233	23,806
Special Fund for Emergency and Rehabilitation Activities	-	45,038	45,038	13,545
Unrealised Gains / (Losses) on Investments	31,452	-	31,452	27,077
Actuarial (Gains)/ Losses	610,286	-	610,286	569,583
Fund Balances (deficit) , End of Period	(877,408)	-	(877,408)	(929,130)
TOTAL RESERVES AND FUND BALANCES	(81,509)	45,038	(36,472)	(175,485)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,228,260	2,520,732	3,748,992	3,284,557

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
For the Biennium ended 31 December 2023

(USD 000)

	Funds		Total	
	General and Related	Trust and UNDP	31 December 2023	31 December 2021
INCOME:				
Assessment on Member Nations	955,655	-	955,655	982,437
Voluntary Contributions	228,936	2,863,934	3,092,870	2,124,576
Funds Received Under Inter-Oganizational Arrangements	404	5,112	5,516	1,186
Jointly Financed Activities	35,784	-	35,784	36,658
Miscellaneous	80,224	86,489	166,713	25,228
Return on Investments - Long-Term	52,704	-	52,704	32,249
Net Other Sundry Income	27,986	-	27,986	23,420
(Loss) / Gain on Exchange Differences	11,241	-	11,241	4,346
TOTAL INCOME	1,392,934	2,955,535	4,348,469	3,230,100
EXPENDITURE:				
Regular Programme	1,223,775	-	1,223,775	1,190,051
Projects	-	2,869,045	2,869,045	1,950,324
TOTAL EXPENDITURE	1,223,775	2,869,045	4,092,820	3,140,375
EXCESS OF INCOME OVER EXPENDITURE	169,159	86,489	255,648	89,725
Actuarial Gains or Losses	7,879	-	7,879	1,052
Interest Cost of Staff Related Liabilities	(76,165)	-	(76,165)	(54,699)
Provision for Contributions Receivable and Other Assets	(627)	-	(627)	(39,514)
Deferred Income	3,426	-	3,426	(3,342)
Net Movement in Capital Expenditure Account	(248)	-	(248)	(4,042)
Net Movement in Utilisation of Security Expenditure Account	(2,009)	-	(2,009)	(3,996)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	101,415	86,489	187,904	(14,816)
Transfer of Interest to Donor Accounts	-	(86,489)	(86,489)	(8,344)
Net Transfers from/(to) Reserves Special Reserve Account	(11,088)	-	(11,088)	(3,586)
Fund Balances, Beginning of Period (as previously reported)	(967,735)	-	(967,735)	(937,589)
FUND BALANCES, END OF PERIOD	(877,408)	-	(877,408)	(964,334)

Summary Comment on Financial Results for the biennium ended 31 December 2023

Liquidity position and outstanding contributions

2. The liquidity of the Organization under the General Fund as represented by cash and cash equivalents, totalled USD 422.4 million at 31 December 2023. This compared with USD 391.8 million at 31 December 2022.

Investments – Short-Term

3. The value of “Investments – Short-Term” as at 31 December 2023 amounted to USD 1 667.1 million, of which USD 664.2 million was reclassified to cash and cash equivalents. This together with “term deposits” and “liquidity funds” of a combined USD 1 120.8 million (reported within cash and cash equivalents) total USD 2 787.9 million¹ (USD 2 415.1 million as at 31 December 2022). These mainly represent voluntary contributions received from resource partners held pending project implementation and unliquidated obligations on Trust Fund projects.

4. Given the higher level of interest rates in the United States of America, FAO’s prudent, low-risk investment style generated returns of 5.21 percent in the year to December 2023. These returns exceeded the weighted average benchmark return of 4.94 percent by 27 basis points.

Investments – Long-Term

5. Long-Term investment portfolios, which represent those investments set aside to fund the Organization’s Staff Related Schemes, increased in value from USD 534.1 million at 31 December 2022 to USD 608.1 million² as at 31 December 2023.

6. The return on the long-term investment portfolio as at 31 December 2023 was 14.08 percent, versus a benchmark return of 13.82 percent, exceeding the combined benchmark by 26 basis points.

7. The value of the long-term portfolio has increased due to the positive performance of all long-term assets held by FAO. The equity markets performed exceptionally well in 2023; FAO’s global equity holdings returned 20.95 percent, driven by the exceptional growth in developed markets equity (24.49 percent), and strong performance of emerging markets equity (10.54 percent). Fixed income also performed well (7.34 percent), and, being EUR denominated, benefitted from the positive EUR/USD performance over the year.

Staff Related Schemes

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

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

¹ USD 2 787.9 million reported in FC 199/2 differs from USD 2 852.7 million reported in FC 199/3 due to the differences in accounting and account classifications of: i) accrued interest income being reported within Accounts Receivable; ii) Northern Trust Government Select Fund excluded in FC 199/2 as reported as Cash; and iii) Accounting for the Investment fee accrual as a cost against Investments.

² USD 608.1 million reported in FC 199/2 differs from USD 610.7 million reported in FC 199/3 due to: i) differences in accounting valuation standards; ii) the accounting classification of accrued interest income reported within Accounts Receivable; and iii) Accounting for the Investment fee accrual as a cost against Investments.

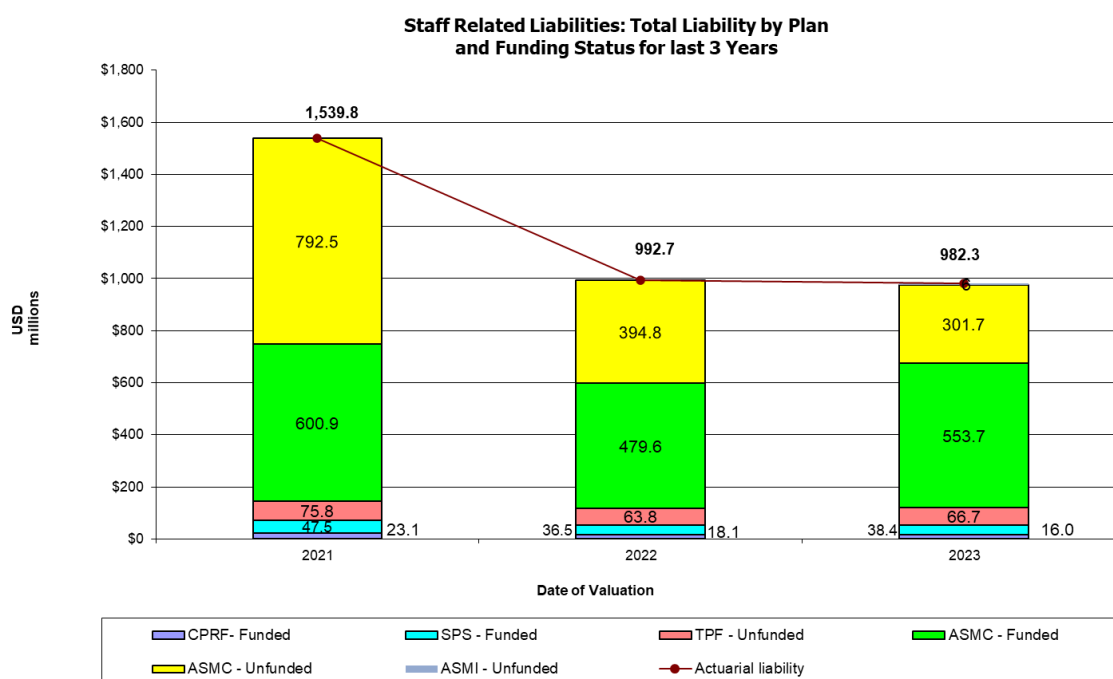
9. The After Service Medical Insurance is an alternative medical plan offered to active National staff in duty stations categorized other than headquarters 'H'. The plan details were ratified by the Organization in 2023, with retroactive application to 1 January 2022. At the reporting date, there were no retirees eligible for ASMI. Historically, active participants in the ASMI were included in the valuation of the ASMC; however, with the ratification of ASMI in 2023, a separate valuation has been performed.

10. The results of the latest actuarial valuation as at 31 December 2023 and related funding requirements and issues are presented to the 199th Session of the Finance Committee in document FC 199/4, *2023 Actuarial Valuation of Staff Related Liabilities*.

11. The total liability of the Plans at 31 December 2023 amounted to USD 982.3 million, representing a decrease of USD 10.4 million compared with the balance of USD 992.7 million as at 31 December 2022.

12. As at 31 December 2023, unfunded staff related liabilities amounted to USD 374.2 million, of which After Service Medical Coverage accounted for USD 301.7 million, the Termination Payments Fund accounted for USD 66.7 million, and the After Service Medical Insurance accounted for the remaining unfunded portion of USD 5.8 million. Graph 1 presents the analysis of the total actuarial liability by plan by funding status.

Graph 1



General and Related Fund Balance

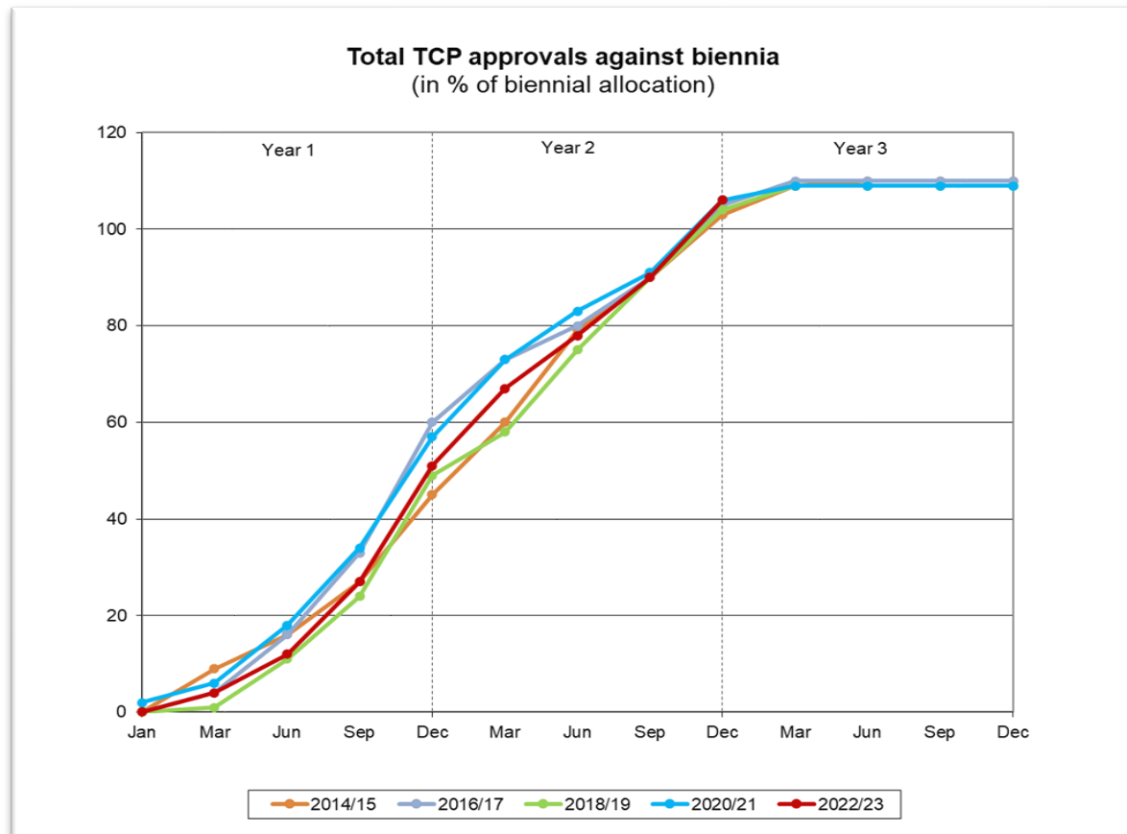
13. The General Fund deficit at 31 December 2023 was USD 877.4 million. This compared with USD 929.1 million at 31 December 2022 and USD 964.3 million at 31 December 2021, the end of the previous biennium 2020-21.

14. The reduction of USD 51.7 million in the General Fund deficit during 2023 is the result of high investment returns earned during the period. As in previous years, unbudgeted costs associated with the Staff Related liability plans continue to be the main reason for the General Fund deficit.

TCP Implementation

15. As can be seen in Graph 2, TCP approvals against the 2022-23 appropriation have followed a pattern comparable with previous biennia. No particular issues affecting approvals have been observed.

Graph 2



16. As of 31 December 2023, TCP projects for a total value of USD 147.8 million had been approved against the 2020-21 net appropriation of USD 135.8 million. The 9 percent over programming aimed at ensuring the full expenditure of the appropriation by 31 December 2023, taking into account that the average expenditure rate of TCP projects is below 100 percent of their approved budgets.

17. As of 31 December 2023, TCP projects for a total value of USD 143.3 million had been approved against the 2022-23 net appropriation of USD 135.8 million, corresponding to an approval rate of 105.5 percent. Full programming of the appropriation by the end of 2023 was achieved as expected.

18. Tables 3 and 4 provide approval data disaggregated by region as of 31 December 2023. All regions have exceeded a 100 percent approval rate against the 2022-23 appropriation. With regard to the allocation held by headquarters, funds not programmed under the interregional window were used under the emergency window.

Table 3 – TCP Approvals against the 2020-21 Appropriation (as of 31 December 2023)

Region	Allocation	Approvals	Appr/Alloc
Development Support			
Africa	44 280 717	48 790 000	110.2%
Asia	27 162 765	29 207 000	107.5%
Europe	11 070 179	11 909 000	107.6%
Interregional	4 050 066	1 000 000	24.7%
Latin America	19 926 323	22 061 000	110.7%
Near East	9 058 611	9 990 984	110.3%
Subtotal	115 548 661	122 957 984	106.4%
Emergency Assistance			
Africa		9 712 000	
Asia		6 800 000	
Europe		2 050 000	
Interregional		-	
Latin America		4 300 000	
Near East		2 008 000	
Subtotal	20 250 328	24 870 000	122.8%
Grand Total	135 798 989	147 827 984	108.9%

Table 4 – TCP Approvals against the 2022-23 Appropriation (as of 31 December 2023)

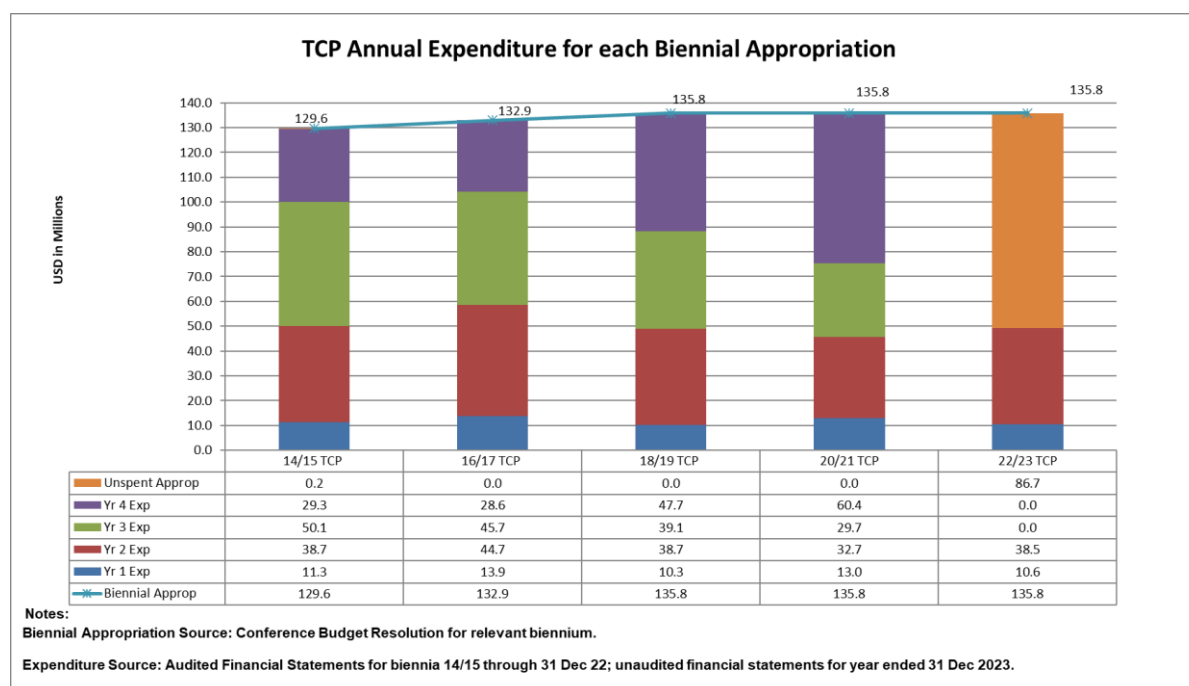
Region	Allocation	Approval	Appr/Alloc
Development Support			
Africa	44 280 717	46 092 000	104.1%
Asia	27 162 765	29 002 000	106.8%
Europe	11 070 179	11 832 000	106.9%
Interregional	4 050 066	1 640 000	40.49%
Latin America	19 926 323	21 520 000	108.0%
Near East	9 058 611	9 810 797	108.3%
Subtotal	115 548 661	119 896 797	103.8%
Emergency Assistance			
Africa		10 600 000	
Asia		3 400 000	
Europe		2 900 000	
Interregional		-	
Latin America		3 670 000	
Near East		2 800 000	
Subtotal	20 250 328	23 370 000	115.4%
Grand Total	135 798 989	143 266 797	105.5%

19. Graph 3 illustrates historical TCP expenditure patterns and compares them with the status of expenditures of the 2020-21 and 2022-23 biennia as of 31 December 2023. Financial Regulation 4.3 of the Organization provides that the “appropriations voted by the Conference for the Technical Cooperation Programme, together with any funds transferred to the Technical Cooperation Programme under Financial Regulation 4.5(b), shall remain available for obligations during the financial period following that during which the funds were voted or transferred.” As such TCP expenditures are spread over four years.

20. The flow of expenditures is closely linked to the timing of approvals (see Graph 2 above), in particular of emergency projects, which typically entail large procurement components that result in expenditure spikes in some years. Therefore, average monthly delivery rates for a year can vary without indicating a particular performance issue. However, the cumulative average monthly TCP expenditure for the biennium ended 31 December 2023 was USD 5.8 million. This compares favourably with the cumulative average monthly TCP expenditure for the previous biennium ended 31 December 2021 of USD 5.5 million.

21. The 2020-21 biennium appropriation has been fully expended by 31 December 2023. As at 31 December 2023, the available unspent appropriation on the 2022-23 appropriation totalled USD 86.7 million (compared with USD 90.1 million that was available on the 2020-21 appropriation as at 31 December 2021). This amount is available for utilization until 31 December 2025.

Graph 3



Losses on Exchange Differences

22. During the biennium that ended 31 December 2023, the Organization recorded a net gain on exchange of USD 11.2 million, of which:

- USD 0.1 million of net gains were generated from Euro-Dollar translation differences³ (non-cash); and

³ The exchange differences are generated both as Assessments are received and also on the translation of the outstanding balance of Assessments at the period end.

- USD 11.1 million were actual cash backed foreign exchange net gains incurred by the Organization that were transferred to the Special Reserve Account.

Voluntary Contributions

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

24. Contributions Received in Advance for Trust and UNDP Funds amounted to USD 1 886.4 million at 31 December 2023 compared with USD 1 633.1 million at 31 December 2022. These amounts represent the balance of voluntary contributions received from donors which have not yet been expended on the implementation of projects.

25. Table 5 presents an analysis of the Trust Fund contributions received⁴ from donors during the biennium ended 31 December 2023. This table includes details of the top 25 contributors during the period together with comparative rankings for the equivalent period in the previous biennium.

Table 5 – Analysis of Voluntary Contributions Received

Biennium Ended 31 December 2023	USD 000's	Biennium Ended 31 December 2021	USD 000's
(1) United States of America	552,406	(1) European Union	424,809
(2) European Union	458,258	(2) United States of America	344,027
(3) Global Environment Facility	237,410	(3) Germany	154,841
(4) World Bank	228,105	(4) Global Environment Facility	153,528
(5) Green Climate Fund	180,267	(5) Green Climate Fund	132,419
(6) Germany	178,755	(6) UN Office for the Coordination of Humanitarian Affairs	131,494
(7) UN Office for the Coordination of Humanitarian Affairs	166,319	(7) Sweden	86,370
(8) Asian Development Bank	128,045	(8) Norway	83,218
(9) Norway	146,789	(9) United Kingdom	77,971
(10) UNDP Administered Donor Joint Trust Fund	115,903	(10) UNDP Administered Donor Joint Trust Fund	65,055
(11) Japan	100,130	(11) Japan	52,042
(12) South Sudan*	88,684	(12) Netherlands	50,488
(13) Canada	77,592	(13) Italy	46,179
(14) Sweden	80,594	(14) World Bank	45,612
(15) China	52,256	(15) Canada	45,385
(16) Netherlands	50,713	(16) Saudi Arabia*	36,196
(17) United Kingdom	40,200	(17) Republic Of Korea	35,063
(18) Italy	39,560	(18) World Food Programme Administered Trust Fund	32,009
(19) Saudi Arabia**	31,993	(19) Colombia**	29,141
(20) Democratic Republic of the Congo***	31,037	(20) Denmark	28,163
(21) Somalia	28,757	(21) Peace Building Fund	24,240
(22) Republic Of Korea	28,944	(22) Global Development Program Of The Bill & Melinda Gates Foundation	23,522
(23) Global Development Program Of The Bill & Melinda Gates Foundation	23,589	(23) Switzerland	22,194
(24) Central African Republic****	20,070	(24) Belgium	21,172
(25) Peace Building Fund	19,912	(25) Mastercard Foundation	15,613
Top 25	3,106,288	Top 25	2,160,752

26. The significant increase in funds received during the biennium ended 31 December 2023 compared with the biennium ended 31 December 2021 reflects the overall increase in voluntary contributions mobilized by FAO (+54 percent), particularly in relation to support for emergency programming and resilience building, engagement with climate and environment funds, and increased engagement with international financial institutions, both directly and in triangular Unilateral Trust Fund arrangements through recipient country governments. Contributions received through multilateral trust funds have been disaggregated and attributed to individual resource partners in the

⁴ For operational purposes, FAO also maintains a comprehensive tracking of the approval of voluntary contributions, counted at the time when trust funds are both approved by the resource partner and have become operationally active. At that time, part but frequently not all of the funds have been received by FAO. The phased model of funds receipt for trust funds explains the difference between the figures reported in this document for “Contributions Received” and the figures for “Contributions Approved” published elsewhere.

figures reported above. Further analysis of contributions made by resource partners to multilateral trust funds is provided in Table 6 below.

Table 6 – Analysis of Voluntary Contributions Received to multilateral Trust Funds

Biennium Ended 31 December 2023		USD 000's	Biennium Ended 31 December 2021		USD 000's
(1)	Norway	36,714	(1)	Norway	15,594
(2)	European Union	12,275	(2)	Sweden	12,518
(3)	Sweden	10,140	(3)	European Union	9,773
(4)	Denmark	8,317	(4)	Belgium	8,037
(5)	Germany	8,112	(5)	Italy	5,173
(6)	Italy	5,952	(6)	France	4,833
(7)	Switzerland	4,061	(7)	New Zealand	3,604
(8)	Belgium	4,018	(8)	Netherlands	3,117
(9)	Canada	3,749	(9)	Germany	2,812
(10)	Austria	3,025	(10)	China	2,779
	Top 10	96,363		Top 10	68,241
	Others	28,612		Others	31,681
Total		124,975	Total		99,923

27. In Table 2, income reported from voluntary contributions is recognized proportionately with the degree of project activity completed as measured in terms of expenditure. Income reported on Trust Fund and UNDP projects for the biennium ended 31 December 2023 amounted to USD 2 839.9 million, compared with USD 1 950.3 million reported for the biennium ended 31 December 2021.

Cash Flow for 2023 and Forecast for 2024 (Regular Programme)

28. Graph 4 below presents the Organization's actual consolidated Regular Programme month-end short-term liquidity position (which includes cash and cash equivalents) for 2023, closing at USD 422.4 million, and a forecast through 31 December 2024. All figures are expressed in United States Dollars millions.

29. The percentage of 2023 assessed contributions paid to the Organization by Member Nations as at 31 December 2023 was 72.0 percent, a lower rate of receipts than the equivalent figure of 79.4 percent for the previous year. Further details on the status of current assessments and arrears as at 31 December 2023 are presented in document FC 199/INF/2.

30. Based on Members' past payment patterns and the Regular Programme cash level as at 31 December 2023, the Organization's liquidity is expected to be sufficient to cover operational needs through the end of 2024. The current forecast is based on a similar trend as in the previous year and is subject to change upon receipt of confirmation from the Members of their expected payment dates. Consequently, the accuracy of the forecast in Graph 4 below is dependent on the actual timing of the receipts of the most significant contributions in 2024.

Graph 4

