

COUNCIL**Budget Committee****Financial Statements of the Organisation for Economic Co-operation and Development as at 31 December 2022*****Summary:***

This document sets out the Organisation's Financial Statements for 2022.

Required Action:

The Financial Statements are presented to the Budget Committee for information

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OPINION OF THE EXTERNAL AUDITOR



NAJWYŻSZA IZBA KONTROLI
SUPREME AUDIT OFFICE OF POLAND

Addressed to:

COUNCIL OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

Headquarters

2, rue André-Pascal
75016 Paris

We have audited the accompanying financial statements of the Organisation for Economic Co-operation and Development (OECD), which comprise the statement of financial position as at 31 December 2022, and statement of financial performance, statement of changes in net assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Audit Opinion

In our opinion, the OECD Financial Statements present fairly, in all material respects, the financial position of the Organisation for Economic Co-operation and Development as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards. The underlying transactions were carried out in compliance with applicable rules and regulations considered within the realm of the financial statements audit.

Basis for Opinions

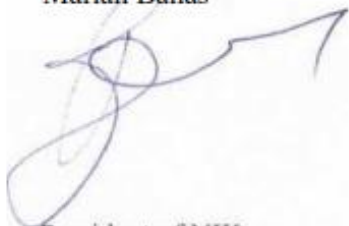
We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the audited Organisation in accordance with the INTOSAI-P-10 – Mexico Declaration of SAI¹ Independence and ethical requirements laid down in ISSAI 130 – Code of Ethics and the Code of Conduct of the Supreme Audit Office of Poland, together with other requirements that are relevant to our audit of the financial statements of an international

¹ SAI – Supreme Audit Institution

institution as set in INTOSAI Guidance GUID 5090 – Audit of International Institutions. We have fulfilled our ethical and other responsibilities in accordance with the said standards and requirements. **We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.**

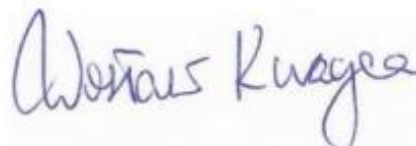
Signed by:

Marian Banas



President of NIK
Chairman of OECD Audit
Steering Committee

Wieslaw Kurzyca



Mission Head
of OECD External Audit

25 May 2023
Supreme Audit Office
ul. Filtrów 57
Warsaw, Poland



REPORT OF MANAGEMENT

10 May 2023

The Organisation for Economic Co-operation and Development's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Organisation's Financial Regulations. The Management of the Organisation, in this context the three signatories below, is responsible for these statements, as well as for establishing and maintaining adequate internal financial controls.

The Organisation's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements. This system includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) permit preparation of financial statements in accordance with IPSAS; (iii) provide reasonable assurance that receipts and expenditures are being made in accordance with relevant authorisations and in compliance with the Organisation's Financial Regulations and (iv) provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposal of the Organisation's assets. Because of their inherent limitations, internal controls may not prevent or detect all misstatements.

The Audit Committee reviews the situation of the Organisation as well as its internal control system and its risk management system. The Committee meets regularly and, among other things, reviews reports by Management, the Director of Internal Audit and the External Auditor.

In the opinion of OECD Management, these financial statements present fairly the Organisation's financial position at 31 December 2022 and of the results of operations and cash flows for the year ended at that date.

Mathias Cormann
Secretary-General

Josée Touchette
Executive Director

Ana José Varela
Head of
Programme, Budget and Financial
Management Service

OECD Statement of Financial Position

		31 December 2022	31 December 2021
		€'000	€'000
ASSETS	Notes		
Current assets			
Cash and cash equivalents, unrestricted	5	293 880	280 406
Cash and cash equivalents, restricted	5	63 792	53 541
Inventories	10	27	137
Accounts receivable and prepayments	6	249 140	249 531
Staff loans receivable	7	5 060	4 577
Total current assets		611 899	588 192
Non-current assets			
Accounts receivable and prepayments	6	76 223	88 397
Staff loans receivable	7	9 320	8 347
Investments and security deposits	8	1 137 144	1 252 425
Furniture, fixtures and equipment	11	25 362	27 843
Land and buildings	12	587 683	600 753
Intangible assets	13	20 090	15 479
Total non-current assets		1 855 822	1 993 244
TOTAL ASSETS		2 467 721	2 581 436
LIABILITIES			
Current liabilities			
Borrowings	14	13 000	14 000
Payables	15	176 522	146 804
Provisions for liabilities and charges	16	1 032	1 332
Employee benefits	17	124 406	113 681
Deferred revenue	18	235 332	240 083
Total current liabilities		550 292	515 900
Non-current liabilities			
Employee benefits	17	3 112 194	5 326 740
Deferred revenue	18	236 663	245 102
Total non-current liabilities		3 348 857	5 571 842
TOTAL LIABILITIES		3 899 149	6 087 742
NET ASSETS		(1 431 428)	(3 506 306)
Reserves and long-term commitments	19	(1 001 463)	(3 377 351)
Accumulated surplus / (deficit)	19*	(429 965)	(128 955)
TOTAL NET ASSETS		(1 431 428)	(3 506 306)

* 2022 deficit of k€ 385 392 plus accumulated deficit from prior years of k€ 44 573.

OECD Statement of Financial Performance

		31 December 2022 €'000	31 December 2021 €'000
REVENUES	Notes		
Assessed contributions	20	321 282	318 872
Voluntary contributions	20	267 471	236 716
Pension contributions	17 & 20	123 328	118 782
Sales of publications	20	18 735	17 402
Other	20	26 255	26 280
Total revenues		757 071	718 052
EXPENSES			
Personnel	21	438 324	413 117
Pension and post-employment benefits	17 & 21	372 090	428 835
Consulting	21	62 620	60 102
Travel	21	15 265	1 845
Operating	21	83 031	75 454
Other	21	3 933	1 727
Total expenses		975 263	981 080
Deficit before net financial revenue		(218 192)	(263 028)
Financial revenue	22	7 466	11 136
Post-Employment Reserve Fund (PERF) investment gain / (loss)	22	(173 407)	168 366
Financial expenses	22	(1 259)	(495)
SURPLUS / (DEFICIT) FOR THE PERIOD	19 & 26	(385 392)	(84 021)

OECD Statement of Changes in Cash Flows

		31 December 2022 €'000	31 December 2021 €'000
Cash flow from operating activities	Notes		
Surplus / (deficit) from ordinary activities		(385 392)	(84 021)
Depreciation, net	11,12 & 13	24 320	22 864
Loss / (gain) on disposal of fixed assets	11,12 & 13	751	394
Increase / (decrease) in provisions for liabilities and charges	16	(300)	(708)
Defined benefit programmes expense	17	280 107	341 117
Decrease / (increase) in receivables	6	12 565	(33 639)
Decrease / (increase) in inventories	10	110	63
Decrease / (increase) in investments due to revaluation - PERF	8	168 160	(172 193)
Increase / (decrease) in payables	15	29 718	(2 397)
Increase in deferred revenue	18	(13 190)	73 678
Net cash flow from operating activities		116 849	145 158
Cash flow from investing activities			
Purchase of fixed assets	11,12 & 13	(15 243)	(13 610)
Proceeds from sale of fixed assets	11,12 & 13	21	34
(Increase)/decrease in staff loan programme	7	(1 456)	464
Decrease in financial assets - Staff Provident Fund	8	464	1 542
Decrease / (increase) in financial assets - other	8	(6)	-
Net purchase of investments - PERF	8	(53 337)	(50 966)
Net cash flow from investing activities		(69 557)	(62 536)
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	17	(464)	(1 542)
Proceeds from borrowings	14	27 000	30 000
Repayment of borrowings	14	(28 000)	(32 000)
Credits to Member countries and others	19	(22 103)	(14 057)
Net cash flow from financing activities		(23 567)	(17 599)
Net increase in cash and cash equivalents		23 725	65 023
Cash and cash equivalents at beginning of period	5	333 947	268 924
Cash and cash equivalents at end of period	5	357 672	333 947

Cash flows from operating activities are reported using the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

OECD Statement of Changes in Net Assets

	Long-term commitments and associated reserves €'000	Technical reserves €'000	Budgetary reserves €'000	Total reserves €'000	Surplus / (deficit) for the period €'000	Accumulated deficit (prior period) €'000	Total €'000
Balance at 31 December 2020	(5 341 001)	595 847	7 749	(4 737 405)	(178 772)	(32 488)	(4 948 665)
Allocation of prior year result	(180 487)	(739)	843	(180 383)	178 772	1 611	-
Utilisation of reserves and budget surpluses added to future budgets	-	-	-	-	-	(13 645)	(13 645)
Budget surpluses to be returned to Member countries and other donors	-	-	-	-	-	(412)	(412)
Transfers / revaluations	1 489 721	50 716	-	1 540 437	-	-	1 540 437
Deficit for the period	-	-	-	-	(84 021)	-	(84 021)
Subtotal	1 309 234	49 977	843	1 360 054	94 751	(12 445)	1 442 359
Balance at 31 December 2021	(4 031 767)	645 824	8 592	(3 377 351)	(84 021)	(44 934)	(3 506 306)
Allocation of prior year result	(107 886)	(706)	2 108	(106 485)	84 021	22 464	-
Utilisation of reserves and budget surpluses added to future budgets	-	-	-	-	-	(20 603)	(20 603)
Budget surpluses to be returned to Member countries and other donors	-	-	-	-	-	(1 500)	(1 500)
Transfers / revaluations	2 483 463	(1 090)	-	2 482 373	-	-	2 482 373
Deficit for the period	-	-	-	-	(385 392)	-	(385 392)
Subtotal	2 375 577	(1 796)	2 108	2 375 888	(301 371)	361	2 074 878
Balance at 31 December 2022	(1 656 190)	644 027	10 700	(1 001 463)	(385 392)	(44 573)	(1 431 428)

'Long-term commitments and associated reserves' includes the commitments for pension benefits and post-employment health cover and their reserves, as detailed in Note 19.

'Technical reserves' include a reserve for fixed assets comprising Member countries' contributions for land and buildings and subsequent revaluations. Any surplus on the revaluation of property is credited directly to net assets, except if it reverses a revaluation decrease of the same asset class previously recognised as an expense in the Statement of Financial Performance (*cf. Note 12*).

'Budgetary reserves' includes a number of Part I, Part II and other reserves as detailed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

The Organisation for Economic Co-operation and Development (OECD or the “Organisation”) was founded in 1961, replacing the Organisation for European Economic Co-operation, which had been established in 1948 in conjunction with the Marshall Plan. The Organisation groups 38 Member countries committed to democratic government and the market economy, and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations, in line with the mission and role set forth in the Organisation’s Convention:

- Achieve the highest sustainable growth and a rising standard of living in Member countries, while maintaining financial stability;
- Contribute to sound economic expansion, in Member as well as non-Member countries in the process of economic development; and
- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Organisation is governed by a Council composed of representatives of all the Member countries. The Council appoints a Secretary-General for a term of five years.

The 38 Members of the Organisation are Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, United Kingdom and the United States.

Accession to the OECD Convention remains the most effective way to secure countries’ comprehensive commitment to OECD standards and to fulfil the Organisation’s mission. On 25 January 2022, the OECD Council decided to take the first step in accession discussions with six

candidate countries – Argentina, Brazil, Bulgaria, Croatia, Peru and Romania. Accession Roadmaps for Brazil, Bulgaria, Croatia, Peru and Romania were adopted at the Council meeting at Ministerial level on 10 June 2022.

The Council decided to formally terminate the accession process with Russia on 25 February 2022, in response to Russia’s war of aggression on Ukraine.

The Organisation enjoys privileges and immunities, notably that of being exempt from most forms of taxation.

Financing of the Organisation

The Organisation operates within the framework of the Programme of Work and Budget (PWB). The PWB is approved by Council and its outputs are funded by assessed contributions from its Member countries and voluntary contributions. Notwithstanding that voluntary contributions are included in the PWB, they do not form part of the Budget.

Council accords the necessary commitment authorisations and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities.

Part I of the Budget: All of the Organisation’s Member countries fund the Budget for the Part I Programme of Work, accounting for approximately 52% of total Part I resources in 2022. Their contributions are based on both a proportion that is shared equally and a scale proportional to the relative size of their economies.

Part II of the Budget: This funds programmes relating to sectors of activity not covered by Part I. Participating countries may include some or all OECD Members as well as other Members that are not Members of the OECD. Part II Programmes are funded according to a scale of contributions or other financing arrangements agreed among the participating countries.

Annex Budgets are established for certain specific activities such as Pensions, Investments and Publications.

The pre-accession budget relates to non-recurring costs associated with accession that are borne by the candidate countries.

Note 24 gives further details of the income and expenditure of the Budget and actual results for 2022. The approval of the Budget by Council empowers the Secretary-General, subject to any special conditions established by Council, to:

- commit and authorise expenditures and to make all payments to be borne by the Organisation, for the purposes assigned and within the limits of the appropriations and the commitment authority, as the case may be; and
- receive the income entered in the Budget, together with any other resources accruing to the Organisation in respect of its activities.

Location

The Organisation is based in Paris, France. All OECD Directorates and Programmes, with the exception of the International Energy Agency, are located at OECD Headquarters (La Muette) or OECD Boulogne. In addition, the Organisation has representative Centres in Washington (DC), Mexico City, Berlin and Tokyo. The Centres serve as regional contacts for a wide range of public affairs and communication activities, contributing to the visibility and impact of the work of the Organisation (*c.f.* “*Note 28: Contributions-in-kind*”).

Stakeholders

In addition to our Member countries, close to 100 partners and international organisations participate in the Organisation’s Programme of Work. Partners may participate in OECD Part I Bodies or Part II Programmes to varying degrees based on mutual interest. The 2012 Council Resolution on Partnerships in the OECD bodies provides simplified rules on engagement with partners. The Organisation works closely with some of the world’s largest economies: Brazil, China, India, Indonesia, and South Africa, who are OECD Key Partners.

The Organisation also maintains active relationships with business, labour, civil society and parliamentarians. These stakeholders benefit from and make valuable contributions to the work of the OECD.

Note 2: Adoption of new and revised standards – Supplementary information

The Organisation adopted IPSAS 39 “Employee Benefits” in its 2017 Financial Statements. IPSAS 39 impacts the presentation of the liabilities, and does not change the underlying actuarial methodology of the defined-benefit obligations.

Note 3: Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

When the IPSASB does not prescribe any specific standard, IFRSs and IASs are applied.

The financial statements have been prepared on a going-concern basis, and accounting policies have been applied consistently throughout the period.

The financial statements have also been prepared on the historical-cost basis, except for the revaluation of certain properties and financial instruments.

The principal accounting policies adopted are set out below.

Foreign currencies

All assessed contributions are payable in euros. Voluntary contributions are accepted in euros and other currencies. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates prevailing on the reporting date of the Statement of Financial Position.

Foreign-currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Both realised and unrealised gains and losses resulting from the settlement of such transactions, and from the retranslation at the

reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. The Organisation capitalises software that is purchased or developed. Generally, costs associated with maintaining software are recognised as expenses when incurred. However, expenditures that enhance or extend the performance of software beyond their original specifications may be recognised as capital improvements and added to the original cost of the software.

Capitalised software with finite useful lives are amortised using the straight-line method over a period of three to ten years.

Tangible assets

Land and buildings are measured in the Statement of Financial Position at their revalued amounts, *i.e.* at their fair value at the date of revaluation, adjusted for any subsequent additions, accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity – generally every two to three years – so that carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of land and buildings is credited to the fixed assets revaluation reserve, except if it reverses a revaluation decrease for the same asset class previously recognised as an expense, in which case the increase is credited to the Statement of Financial Performance to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset class.

Depreciation on buildings is recognised in the Statement of Financial Performance. Due to the significantly different useful lives of the individual categories of property, the costs have been allocated to separate components: structure of buildings, roofing and windows, fixtures and fittings, which are also broken down into sub-

components that are depreciated over different periods as shown below. The useful lives of all components of buildings are reviewed periodically, and if they change significantly, depreciation charges to current and future periods are adjusted accordingly.

Freehold land is not depreciated.

Furniture, fixtures and equipment are measured at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to allocate the depreciable amount (cost or fair value) of assets, other than land and buildings under construction/renovation, over their estimated useful lives, using the straight-line method on the following basis:

- Structure of buildings: 50 years
- Roofing and windows: 15 - 50 years
- Fixtures and fittings: 5 - 30 years
- Other fixed assets: 2 - 10 years

The gain or loss arising on the disposal or withdrawal from use of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Works of art

Works of art purchased or donated to the Organisation are not capitalised, as permitted by IPSAS 17 “Property, Plant and Equipment”. However, their estimated aggregate value, including some works on loan, is disclosed in the financial statements (*cf.* “*Note 11: Furniture, fixtures and equipment*”).

Impairment of tangible and intangible assets

The carrying amounts of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may exceed their recoverable service amounts. If any such indication exists, the recoverable service amounts of the assets are estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Statement of Financial Performance in the year concerned.

Leases

Operating leases

Operating lease rentals are recognised as an expense on a straight-line basis over the term of the relevant lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets - initial recognition and measurement

Financial assets within the scope of IPSAS 29 “Financial Instruments: Recognition and Measurement” are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The OECD determines the classification of its financial assets at inception.

Financial assets - subsequent measurement

Since the implementation of this Standard, the Organisation has not designated any financial assets as held-to-maturity or available-for-sale. For the other two designated categories, subsequent measurement is as follows:

Financial assets at fair value through surplus or deficit are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Financial Performance.

Loans and receivables are measured at amortised cost using the effective interest rate method. The

effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Financial assets

Receivables

Current receivables are for those amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements. In the case of the latter, receivables are carried at amortised cost where materially different from cost.

Assessed and voluntary contribution receivables represent uncollected revenues due to the Organisation from Member countries, non-Member economies and donors for the implementation of the Programme of Work.

Following negotiation and signature of a binding agreement, voluntary contribution receivables are recognised upon acceptance of the voluntary contribution by the Organisation, except those whose transfer is subject to governmental approval.

Where necessary, these amounts are reduced by appropriate allowances for estimated irrecoverable amounts.

No allowance for loss is recognised with respect to receivables related to Member countries’ assessed contributions, except for exceptional and agreed technical reasons.

For all other receivables, an allowance for loss is established based on a review of amounts outstanding at the reporting date.

Investments – Post-Employment Reserve Fund (PERF) and Staff Provident Fund

Financial assets reported in the Statement of Financial Position consist mainly of investments held on behalf of participants in the Staff Provident Fund, and the investments relating to Post-Employment Reserve Fund (PERF). The PERF is the joint investment portfolio of the long-term assets of the Pension Budget and Reserve Fund (PBRF) and the Post-Employment Healthcare Liability Reserve (PEHLR). These

assets are included in non-current assets, reflecting the long-term investment strategy.

The PBRF was set up as a long term financing mechanism for the pension liabilities of the Organisation (cf. “*Note 8: Investments and security deposits*”, “*Note 17: Employee benefits*” and “*Note 27: Contingencies and capital commitments*”).

These financial assets consist mainly of units in investment funds, fixed income securities, shares in listed real estate, and infrastructure funds, based on risk and performance objectives. These assets are managed, and performance is evaluated, on a fair value basis in accordance with a documented investment strategy. Since 2013, financial assets of the PERF are classified at fair value through surplus or deficit (cf. “*Note 3: Significant accounting policies*”).

At the end of each reporting period, a valuation is carried out of the investments held by the Funds to record the investments at fair value. The value is determined by reference to official prices quoted on the day of valuation, excluding accrued interest from the date of the last interest payment in the case of bonds and fixed-income securities, or from contract valuations obtained from the fund manager in respect of unlisted investments. The difference between the fair value and the book value is recorded as an unrealised portfolio gain or loss and recognised in the Statement of Financial Performance.

For purchases of investments, the book value of each investment is calculated on the basis of the purchase price, excluding any interest accrued up to the date of purchase and transaction costs. If securities of the same issue are bought at different prices, then an average purchase price is calculated for each unit of security.

For sales or redemption of investments, proceeds are calculated on the basis of the sale price or the amounts repaid on redemption and exclude any interest accrued up to the date of sale, as well as all expenses incurred in connection with the sale.

For the purposes of determining the realised gains or losses on the sale or redemption of investments, the sale proceeds, as determined above, are compared with the book value of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial risks

The Organisation has developed risk-management strategies in accordance with its Financial Regulations. The Organisation is exposed to a variety of financial risks, including market risk, liquidity risk and credit risk.

Financial risks arising from financial instruments are described further in “*Note 9: Risks arising from financial instruments*”.

Provisions

Provisions are constituted when the Organisation has a present obligation arising from a past event, for which it will probably have to bear the cost. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

Employee benefits

Defined-contribution scheme

The Staff Provident Fund is a defined-contribution retirement savings plan which has been closed to new entrants since 1974, when participants were given the choice of remaining in the Fund or transferring to the Organisation’s new defined-benefit Pension Scheme (cf. “*Note 17: Employee benefits*”). In 2006, administration of the Provident Fund was transferred to the International Service for Remunerations and Pensions (ISRP). In accordance with the Fund’s rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated retirees. The Fund collected contributions from affiliated employees at a rate of 7%, and from the Organisation at 14%, of salaries, manages its assets and pays participants’ account withdrawals. Since the end of 2016 there have been no serving staff and no further contributions made to the Fund.

The Fund is consolidated in the accounts of the Organisation, and the Fund’s assets and liabilities are included in the Statement of Financial

Position. Revenues and expenses are not reported in the Statement of Financial Performance since they accrue to the participants. Consequently, even though it is a defined-contribution plan, a liability and an equivalent asset are recognised in the Organisation’s Statement of Financial Position.

Defined-benefit schemes

The Organisation operates a number of defined-benefit plans, including pension schemes, post-employment health cover and long-service benefits (end-of-service allowances for a closed group of employees).

There are two defined-benefit pension schemes in force at the OECD: the Co-ordinated Organisations Pension Scheme (COPS), launched in 1974 to replace the Staff Provident Fund; and the New Pension Scheme (NPS), launched in 2002.

Most OECD employees and pensioners belong to these two schemes.

In 2001, the Organisation decided to close the COPS to new entrants recruited as from 1 January 2002 and adopted the NPS for those new entrants. Officials affiliated to the COPS pay a 33% share of total contributions and the minimum age for retirement on a penalty-free pension is 60. For the NPS, officials affiliated pay a 40% share of total contributions and the minimum age for retirement on a penalty-free pension is 63.

The rates of contribution to the COPS and NPS are reviewed by means of an actuarial study carried out every five years. *Table 1* below sets out the staff and employer’s contribution rates by pension scheme for the periods 2020–2024 and 2015–2019.

Table 1. Pension Scheme Contribution Rates

	2020-2024	2015-2019
Staff Contribution		
COPS	11.80%	9.50%
NPS	11.80%	9.30%
Employer’s Contribution		
COPS	23.60%	19.00%
NPS	17.70%	14.00%

The ISRP administers the pension schemes of the six Co-ordinated Organisations, including the OECD. In its capacity as the Organisation’s actuary, it performs valuations of defined-benefit obligations and related expenses, which are recognised annually.

The latest actuarial valuations for the purposes of financial reporting, as at 31 December 2022, were carried out using the Projected Unit Credit Method, which attributes an additional unit of benefit entitlement for each period of service. Each unit is measured separately until the final obligation is constituted. In 2021 a change of accounting estimate was made in line with a revision to the discount rates used for the valuations (*cf* “*Note 4: Accounting judgements and estimates*” and “*Note 17: Employee benefits*”).

The Organisation’s employee benefit obligations are partially funded by assets held separately and recognised in the Organisation’s Statement of Financial Position. The assets of the Pension Budget and Reserve Fund (PBRF) and those of the Staff Provident Fund are distinct from all other assets of the Organisation. Both Funds’ assets may be used solely to pay out benefits and finance the Funds’ expenses.

The Organisation adopted IPSAS 39 “Employee Benefits” in the Financial Statements for 2017. In accordance with IPSAS 39, actuarial gains or losses are recognised in the period in which they occur directly in net assets/equity. The Organisation’s measurement of post-employment health cover liabilities reflects the obligation of employees and former employees to cover one-third of health cover costs, as set out in the Organisation’s Staff Rules.

Revenue recognition

Revenue from assessed contributions for Part I, Part II, and Annex Budgets is recorded and recognised when these resources are approved. Assessed contributions are considered non-exchange transactions.

Voluntary contributions are subject to conditions related to performance, namely the implementation of the Programme of Work. Except for voluntary contributions whose transfer is subject to governmental approval, a receivable and a liability (deferred revenue) are recognised upon acceptance of the voluntary contribution by the Organisation following the negotiation and signature of a binding agreement. Revenue is recognised and the liability reduced to the extent that performance obligations are met.

Voluntary contributions are considered non-exchange transactions.

Revenue from subscriptions is recognised on a straight line basis over the period of the subscription. Revenue from non-subscription sales of access to online publications, OECD statistics and electronic data (excluding free data) is recognised upon granting of access to the content, while revenue from non-subscription sales of printed publications is recognised upon shipment.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other revenue includes pre-accession country contributions, services invoiced to permanent delegations, and reimbursements of costs of staff on loan. Other revenue is recognised in the period to which it relates or when acquired contractually and invoiced. In the absence of a contract, other revenue, such as non-Member participation fees and conference/workshop participation fees, is recognised upon receipt.

The Organisation's contribution (and related expenses) to the International Service for Remuneration and Pensions (ISRP) is eliminated to avoid duplication of revenue as this is an internal transfer of funds between the Part I and Part II budgets.

Contributions-in-kind

The OECD receives contributions-in-kind primarily in the form of office space and staff-on-loan. The main components are disclosed in "Note 28: Contributions-in-kind".

Note 4: Accounting judgements and estimates

In the application of the Organisation's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Estimates include but are not limited to: the fair value of land and buildings, defined-benefit pension and other post-employment benefit obligations, amounts for litigations, valuation of publications sales returns, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and the degree of impairment of fixed assets.

In 2021 the OECD changed the reference used to determine the discount rates to measure its defined benefit obligations for pensions and post-employment health coverage.

In the case of the Staff Provident Fund, the OECD manages the assets on behalf of the Fund's participants. As such, the OECD recognises an equal and opposite liability and carries the assets at fair value, based on a fund manager's valuation. Income and expenditure of the Staff Provident Fund are not reported in the Statement of Financial Performance, since any investment results accrue to the participants.

Note 5: Cash and cash equivalents**Table 2. Cash and cash equivalents**

	2022 €'000	2021 €'000
Unrestricted		
Cash on hand	1	2
Bank deposits & cash equivalents - Euros	284 922	277 922
Bank deposits & cash equivalents - Other currencies	8 957	2 482
Total unrestricted cash	293 880	280 406
Restricted		
Bank deposits & cash equivalents - PBRF	24 788	17 808
Bank deposits & cash equivalents - Other	39 004	35 733
Total restricted cash	63 792	53 541
Total cash and cash equivalents	357 672	333 947

Unrestricted cash

The General Treasury is composed of all cash and cash equivalents owned by the OECD, which are not restricted to a specific purpose. Unrestricted cash and cash equivalents, which constitute the Organisation's general treasury funds, are held in interest-bearing and non-interest-bearing bank accounts, money-market accounts, bank savings accounts and in an insurance contract.

As at 31 December 2022, the general treasury balance totalled M€ 293.9, versus M€ 280.4 at year-end 2021. Net cash positions were positive throughout the year. The increase in the general treasury balance is in part due to the receipt of M€ 12.7 for 2023 pre-accession contributions from some candidate countries and an increase in assessed contribution advances.

Restricted cash

Restricted cash and cash equivalents (M€ 63.8 at 31 December 2022) are deposits earmarked for specific purposes and appropriated to reserves or administered on behalf of third parties. Restricted cash, whether or not managed in separate bank accounts, is not part of the General Treasury.

Restricted cash includes:

- the cash component of funds dedicated to post-employment benefits (PBRF and PEHLR), managed in separate bank accounts from the general treasury; and
- amounts dedicated to specific purposes or administered on behalf of third parties, though managed through the same bank accounts as the general treasury, including: the Capital Investment Budget and Reserve Fund (CIBRF); NEA joint undertaking project funds; and the Staff Association's Fund.

a) PBRF

PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund's Statutes. As at 31 December 2022, these cash holdings and bank deposits, excluding those held as part of the PERF long-term investment portfolio, accounted for M€ 24.8 or 2.2% of the PBRF's total assets (2021: 1.4%). At 31 December, these corresponded to the estimated amount of cash and cash equivalents that, along with contributions receipts, are needed for benefit disbursements.

Cash and cash equivalents held as part of the PERF are reported in "Note 8: Investments and security deposits".

b) Other

Restricted cash and cash equivalents, excluding those of the PBRF, total M€ 39.0 at 31 December 2022, and include funds allocated to the CIBRF, the PEHLR (M€ 3.4), the OECD Staff Association's funds (M€ 1.5) and NEA joint undertaking project funds (M€ 8.8).

Funds allocated to the Capital Investment Budget Reserve Fund (CIBRF) amounted to M€ 24.7 at 31 December 2022 (2021: M€ 24.1). The increase was attributable to the transfer of funding into the CIBRF and investment returns.

Credit facilities

The Organisation has no confirmed credit lines but does maintain limited and informal borrowing arrangements with its banks. These arrangements are non-contractual. No borrowing was done on overdraft facilities in 2022 or in 2021.

Note 6: Accounts receivable and prepayments

Table 3. Accounts receivable and prepayments

	2022 €'000	2021 €'000
Current - accounts receivable and prepayments		
Assessed contributions - Member countries	62 682	55 748
Assessed contributions - Member countries fiscal adjustment	1 146	248
Assessed contributions - non-Member countries participating in Part II Programmes	6 545	5 901
Provision for uncollected assessed contributions - non-Member countries participating in Part II Programmes	(1 281)	(1 055)
Voluntary contributions	151 412	164 785
Provision for uncollected voluntary contributions	(837)	(682)
Prepayments	4 948	3 541
Other receivables	24 982	20 685
Provision for uncollected other receivables	(634)	(469)
Publications	1 030	881
Provision for uncollected publications	(853)	(52)
Total current - accounts receivable and prepayments	249 140	249 531
Non-current accounts receivable		
Voluntary contributions	76 223	88 397
Total non-current – accounts receivable and prepayments	76 223	88 397
Total accounts receivable and prepayments	325 363	337 928

Assessed contributions receivable from Member countries at year-end 2022 have increased by M€ 6.9 compared to end December 2021.

Outstanding assessed contributions of non-Members, including international organisations, are M€ 0.6 higher at year-end 2022 as compared with their arrears at the end of December 2021.

Total voluntary contributions receivable (current and non-current) has decreased by M€ 25.5 from year-end 2021 to year-end 2022. This reflects the overall value and timing of voluntary contributions accepted in 2022 and the payment terms of multi-year voluntary contributions. Non-current voluntary contributions are due more than 12 months after the period end date in accordance

with the terms of the agreements and are stated at amortised cost. At 31 December 2022, an additional M€ 18.6 (2021: M€ 11.8) of voluntary contribution transfers were not recognised as receivables as they were subject to governmental approval (*cf.* “*Note 27: Contingencies and capital commitments*”).

In October 2022, the Organisation’s publications distribution service provider went into administration. As any final distribution of available funds is not yet known, relevant amounts owed to the Organisation have been fully provided, and are included in the provisions for uncollected other receivables and uncollected publications. Since 2013 (*cf.* “*Note 3: Significant accounting policies*”), non-current receivables have been carried at amortised cost. This has resulted in a reduction in reported non-current receivables of k€ 1 569 at 31 December 2022, compared to a reduction of k€ 701 in 2021 giving rise to a net financial expense of k€ 868 (*cf.* “*Note 22: Financial revenue and expenses*”).

Other receivables consist mainly of:

- M€ 9.3 in reimbursable taxes (2021: M€ 9.8);
- M€ 9.2 from pre-accession countries (2021: M€ 0.0); and
- receivables from Member countries for various services rendered, including office rental and staff costs.

Note 7: Staff loans receivable

Table 4. Staff loans receivable

	2022 €'000	2021 €'000
Current	5 060	4 577
Non-current	9 320	8 347
Total staff loans receivable	14 380	12 924

The Organisation operates a staff loan programme through which staff can obtain loans subject to defined limits. Loans to staff are financed by short-term bank borrowing of M€ 13.0 (2021: M€ 14.0), (*cf.* “*Note 14: Borrowings*”). The interest rate charged on staff loans is adjusted semi-annually, based on market rates, plus a margin for loan administration costs. Collections are assured through payroll withholding and staff severance payments.

Loans outstanding at 31 December are classified as either current assets, for repayments due within one year, or as non-current assets, for amounts due in more than one year.

Note 8: Investments and security deposits

Table 5. Investments and security deposits

	2022 €'000	2021 €'000
Deposits on office leases	363	357
Staff Provident Fund	11 916	12 380
Post-Employment Reserve Fund (PERF)	1 124 865	1 239 688
Total non-current investments and security deposits	1 137 144	1 252 425

Deposits

Deposits on office leases are guarantee deposits made by the Organisation as collateral related to the fulfilment of the Organisation's obligations under operating lease agreements. Since the relocation to OECD Boulogne, the leased estate occupied by the Organisation has remained largely unchanged.

Staff Provident Fund

Changes in the Staff Provident Fund investments during the period were as follows:

Table 6. Changes in Staff Provident Fund

	Capitalisation contract €'000	Cash in portfolio €'000	Total €'000
Opening balance	12 283	97	12 380
Additions	214	22	236
Disposals	(700)	-	(700)
2022 Closing balance	11 797	119	11 916

Disposals were affected to fund participants' withdrawal requests and payments to the estates of deceased participants.

Post-Employment Reserve Fund

In 2000, the Organisation created the Pension Budget and Reserve Fund (PBRF) to "smooth out Member countries' contributions over time, provide financial stability to the Organisation's Programme of Work, introduce investment

income as a complement to staff and Member country contributions, and, with regard to future service, meet the concerns which have arisen about the distribution of the financial burden of pensions related to past service" [C(2000)48/REV4, p. 4]. In 2005, Council carried out a comprehensive review of the Fund and agreed to continue a long-term financing plan in order to increase progressively the percentage of pension liabilities which are funded (cf. "Note 27: Contingencies and capital commitments", section C: Pensions).

In December 2011, the Council approved the creation of a Post-Employment Healthcare Liability Reserve (PEHLR) dedicated to meet post-employment healthcare costs [C(2011)174/FINAL].

Funds allocated to the PEHLR amounted to M€ 129.6 at 31 December 2022 (2021: M€ 129.4). The small increase in 2022 can be explained by larger savings from the reduction in expatriate allowance (for staff hired since 2012) transferred to the PEHLR, and the renegotiation and renewal of the insurance contract with Malakoff Médéric in 2020 on favourable terms, offset by negative returns on the PERF for 2022 as unexpectedly high inflation and many central banks' sharp interest rate rises in 2022 precipitated negative returns across most asset classes, sectors and geographies for the year. (cf. "Note 22: Financial revenue and expenses").

As from 1 January 2014, the long-term assets of the Post-Employment Healthcare Liability Reserve (PEHLR) were transferred into the PBRF long-term investment portfolio and the existing pension investment governance has been applied to PEHLR long-term assets. The PBRF Management Board is responsible for the investment of the PEHLR long-term assets together with those of the PBRF [C(2013)104]. The combined investment portfolio is referred to as the Post-Employment Reserve Fund (PERF).

Changes in the PERF long-term investment portfolio during the period are shown in Table 7 below.

Table 7. Investments – PERF

Financial Asset Class	2021	Additions	Disposals	2022 before Revaluation	Gains / (losses) and/or foreign currency translation	2022	% of Portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	
Cash and cash equivalents							
Cash and cash equivalents	356	194 785	(194 818)	323	2	325	0.0%
Fixed income							
Global government bonds (H)	156 880	5 036	-	161 916	(21 965)	139 951	12.4%
Global corporate bonds (H)	86 075	11 294	-	97 369	(13 888)	83 481	7.4%
Equity							
Euro area equity	200 490	4 917	-	205 407	(24 334)	181 073	16.1%
Global equity (H)	243 172	6 377	-	249 549	(46 547)	203 002	18.0%
Global equity (UH)	258 694	3 557	(11 503)	250 748	(35 823)	214 925	19.1%
Emerging markets equity (H)	43 457	58	-	43 515	(9 790)	33 725	3.0%
Emerging markets equity (UH)	49 788	16 417	-	66 205	(8 855)	57 350	5.1%
Alternative investments							
Euro area listed real estate	63 135	17 217	-	80 352	(23 939)	56 413	5.0%
Infrastructure	137 641	-	-	137 641	16 979	154 620	13.7%
Total	1 239 688	259 658	(206 321)	1 293 025	(168 160)	1 124 865	100.0%

(H) Euro hedged

(UH) Unhedged

In addition to the investments disclosed in the table above, at 31 December 2022 management fee rebates totalling k€ 69 are receivable from external asset managers (2021: k€ 262). These are recognised as part of other receivables (*cf. “Note 6: Accounts receivable and prepayments”*). As at 31 December 2022, of the total investment portfolio of M€ 1 124.9 (excluding management fee rebates payable), the share of the PEHLR is M€ 129.6 (11.5%) and the share of the PBRF is M€ 995.3 (88.5%).

The Pension Budget and Reserve Fund is restricted to paying staff pension benefits and is managed according to its statutes. The Fund’s assigned investment objectives recognise the long-term nature and the type of liabilities under the OECD pension schemes. The Fund invests in equities, fixed-income securities, shares in listed real estate funds and infrastructure funds. In 2022, some global unhedged equity fund investments were divested of and investments were made primarily in equities, listed real estate funds and bonds.

The Pension Budget and Reserve Fund’s long-term strategic objective is to maximise total return, subject to controls over credit and liquidity risk and limited volatility. The Third Five-Year Review of the PBRF was conducted in 2021 and, upon presentation to the Budget Committee on 15 March 2022, a new Investment Policy, Investment Strategy and Environmental, Social and Governance (ESG) Strategy was approved, to be implemented in 2023.

The long-term investments of the PERF are at fair value through surplus or deficit. Consequently, unrealised gains and losses on investments are recognised in the Statement of Financial Performance.

The Staff Provident Fund and the PERF are exposed to the financial risks of changes in foreign currency exchange rates, interest rates and securities market prices (*cf. “Note 9: Risks arising from financial instruments”*). Securities held by both funds are denominated mainly in euros with the exception of the infrastructure investment, which is denominated in US dollars. To cover the

specific short-term liability for current-year pension benefit payments, a portion of the PBRF's assets are held in bank deposits (savings accounts) (cf. "Note 5: Cash and cash equivalents").

Note 9: Risks arising from financial instruments

The Organisation is exposed to various risks arising from financial instruments, most notably market risk and credit risk as described below. The most significant sources of risk are the Post Employment Reserve Fund (PERF) (cf. "Note 8: Investments and security deposits"), cash and cash equivalents (cf. "Note 5: Cash and cash equivalents") and voluntary contributions receivable (cf. "Note 6: Accounts receivable and prepayments").

The Organisation has developed risk-management strategies in accordance with its Financial Regulations to mitigate these risks. The PBRF Management Board is responsible for the cash and cash equivalents of the PBRF, and for the investment of the PBRF and PEHLR long term assets, which are held and invested together in the PERF. The Management Board sets the treasury guidelines and the strategic asset allocation (SAA) of the PERF in accordance with its risk management strategy, all of which are approved and monitored regularly by the Budget Committee.

The SAA is designed to maximise total returns over the long term. Consequently, to achieve these objectives, the investments held within the PERF portfolio have a range of risk ratings from non-existent to very high.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Organisation also manages credit risk associated with its PERF investment portfolio, primarily in the context of bonds, as a component of market risk. For consistency with the approach adopted by IPSAS 30, the credit risk arising from the PERF investment portfolio is reported separately, together with the credit risk of other OECD financial instruments (e.g. OECD and PBRF treasury), below.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Key sources of currency risk from non-PERF OECD financial instruments are:

- Voluntary contributions denominated in non-euro currencies;
- Cash and cash equivalents held in non-euro bank accounts, which facilitate operations and transactions outside the Eurozone, including those relating to the Organisation's offices;
- Income received from the sale of publications in non-euro currencies;
- Supplier contracts denominated in non-euro currencies; and
- The payment of pensions in non-euro currencies.

The impact of the risk arising from the first two of these sources, which are the two most significant, on the Statement of Financial Position is shown by the sensitivity analysis in *Table 8* below.

Table 8. Currency risk – financial instruments (excluding PERF investment portfolio)

Financial Asset Class	Note	In €'000 at 31-12-2022 exchange rate									
		CAD	CHF	DKK	GBP	KRW	MXN	NOK	USD	AUTRE	TOTAL
Cash and cash equivalents	5		-	-	2 640	1 768	932	-	3 151	483	8 974
Voluntary Contributions receivable*	6	1 408	1 455	3 868	6 103	168	157	926	15 205	909	30 199
Total		1 408	1 455	3 868	8 743	1 936	1 089	926	18 356	1 391	39 173
€'000 impact of a 10% strengthening of the euro against all other currencies											
		CAD	CHF	DKK	GBP	KRW	MXN	NOK	USD	AUTRE	TOTAL
Cash and cash equivalents	5	-	-	-	(240)	(161)	(85)	-	(286)	(44)	(816)
Voluntary Contributions receivable*	6	(128)	(132)	(352)	(555)	(15)	(14)	(84)	(1382)	(83)	(2 745)
Total		(128)	(132)	(352)	(795)	(176)	(99)	(84)	(1 668)	(127)	(3 561)
€'000 impact of a 10% weakening of the euro against all other currencies											
		CAD	CHF	DKK	GBP	KRW	MXN	NOK	USD	AUTRE	TOTAL
Cash and cash equivalents	5	-	-	-	264	177	93	-	315	48	897
Voluntary Contributions receivable*	6	141	146	387	610	17	16	93	1 521	91	3 022
Total		141	146	387	874	194	109	93	1 836	139	3 919

* Including voluntary contributions receivable on a cash basis (payment in full is received prior to spending)

For the PERF investment portfolio, non-euro unhedged investments across global equities, emerging markets equities and infrastructure are subject to currency risk. The Organisation has assessed these risks as shown in *Table 9*.

Table 9. Currency risk – PERF investment portfolio

Financial Asset Class	Note	Risk Rating	Maximum Exposure to Currency Risk €'000
Cash and cash equivalents			
Cash and cash equivalents	8	NS	325
Fixed income			
Global government bonds (H)	8	NS	139 951
Global corporate bonds (H)	8	NS	83 481
Equity			
Euro area equity	8	NE	181 073
Global equity (H)	8	NS	203 002
Global equity (UH)	8	High	214 925
Emerging markets equity (H)	8	High	33 725
Emerging markets equity (UH)	8	Very High	57 350
Alternative investments			
Euro area listed real estate	8	Very Low	56 413
Infrastructure	8	High	154 620
Total portfolio (weighted)		Medium	1 124 865

(H) Euro hedged NS - Not significant
 (UH) Unhedged NE – Non existent

Interest rate risk

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.

A key source of interest rate risk from non-PERF financial instruments is the variation of interest rates on bank deposits. The Organisation actively manages its interest rate risk through its investment management strategy of prioritising the safety and liquidity of its deposits while obtaining competitive interest rates as judged against benchmarks including the Euro Short Term Rate (€STR) and the three-month Euro Interbank Offered Rate (EURIBOR).

PBRF treasury and PERF bank deposits are actively managed through a Treasury Management Plan to ensure that competitive interest rates are obtained while meeting the target of capital preservation and keeping interest rate and counterparty or credit risk low. Interest rate risk associated with the PERF investment portfolio affects bonds, real estate and cash and cash equivalents in that portfolio.

Table 10 below provides a sensitivity analysis of the impact of a change of interest rates on components in the Statement of Financial Performance. Financial revenue is detailed in “Note 22: Financial revenue and expenses”. The Organisation is sensitive to variations in interest revenue on cash and cash equivalents as this is a source of funding for its Programme of Work and Budget (cf. “Note 24: Organisation’s Resources and Appropriations”).

Table 10. Interest rates sensitivity - financial instruments (excluding PERF investment portfolio)

Interest revenue (expense)	€'000					
	Notes	2022	Interest rates 25 basis points higher	Difference	Interest rates 25 basis points lower*	Difference
Cash and cash equivalents	5, 22	2 138	2 881	743	1 654	(484)
Voluntary Contributions receivable (amortised cost)	6, 22	(868)	(1 226)	(358)	(509)	359
Borrowings	14, 22	(84)	(118)	(34)	(50)	34
Total		1 186	1 537	351	1 095	(91)

* Assuming interest rates on the OECD and PBRF treasury do not fall below 0%

For the PERF investment portfolio, the level of interest rate risk is assessed by the Organisation as shown in Table 11 below.

Table 11. Interest rate risk – PERF investment portfolio

Financial Asset Class	Note	Risk Rating	Maximum Exposure to Interest Rate Risk €'000
Cash and cash equivalents			
Cash and cash equivalents	8	Medium	325
Fixed income			
Global government bonds (H)	8	Very High	139 951
Global corporate bonds (H)	8	High	83 481
Equity			
Euro area equity	8	Very Low	181 073
Global equity (H)	8	Very Low	203 002
Global equity (UH)	8	Very Low	214 925
Emerging markets equity (H)	8	Very Low	33 725
Emerging markets equity (UH)	8	Very Low	57 350
Alternative investments			
Euro area listed real estate	8	Low	56 413
Infrastructure	8	Very Low	154 620
Total portfolio (weighted)		Medium	1 124 865

(H) EUR hedged

(UH) Unhedged

Table 12. Other price risk and its components – PERF investment portfolio

Financial Asset Class	Note	Company / Business Risk Rating	Political / Regulatory Risk Rating	Economy / Growth Risk Rating	Maximum Exposure to Risk €'000
Cash and cash equivalents					
Cash and cash equivalents	8	NS	Very Low	Very Low	325
Fixed income					
Global government bonds (H)	8	NS	Low	Medium	139 951
Global corporate bonds (H)	8	High	Low	Medium/High	83 481
Equity					
Euro area equity	8	High	Very Low	High	181 073
Global equity (H)	8	High	Very Low	High	203 002
Global equity (UH)	8	High	Very Low	High	214 925
Emerging markets equity (H)	8	Very High	Medium	High	33 725
Emerging markets equity (UH)	8	Very High	Medium	High	57 350
Alternative investments					
Euro area listed real estate	8	Very High	Very Low	Medium	56 413
Infrastructure	8	Very High	Medium	Medium	154 620
Total portfolio (weighted)		High	Very Low/Low	High	1 124 865

(H) EUR hedged

(UH) Unhedged

NS - Not significant

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Aside from currency risk and interest rate risk, the Organisation is exposed to, and mitigates, other components of market risk and other risks in its management of the PERF investment portfolio. The management of the risks of the PERF investment portfolio is overseen by the PBRF Management Board. The Board examines the risk framework of the PERF and, in parallel, studies the best ways to reduce, monitor and control the risks. It undertakes measures to reduce risk when designing the investment strategy and strategic asset allocation, and assesses the risk measures presented in performance reports on a quarterly basis. The OECD Budget Committee approves the strategic asset allocation and monitors its performance. The Organisation has assessed the different components of other price risk across the asset classes as shown in *Table 12* (cf. *Currency risk and Interest rate risk* – see above):

The PBRF Management Board accepts to bear some market risk in order to achieve its target

return. The objective of the investment strategy is to maximise the net real return with the aim of

funding the OECD's pension liabilities in a sustainable manner and at a reasonable level of risk. The Organisation also considers that the PEHLR shall have the same target return and risk as the PBRF. Market risk can be reduced through portfolio diversification, which is an important factor when the PBRF Management Board designs the strategic asset allocation. The strategic asset allocation currently in place was adopted in November 2016, during the second Five-Year Review. An interim review was done in 2019 confirming the optimality of this strategy. The third Five-Year Review was completed in 2021

and presented to the Budget Committee in March 2022 and to the Council on 2 June 2022 [C(2022)12]. This resulted in the approval of a revised SAA, which has not been implemented at 31 December 2022 as its implementation will commence in 2023.

Aside from other price risk, the PBRF Management Board oversees a number of other risk sources in the PERF investment portfolio. The Organisation has assessed these risks as shown in *Table 13*.

Table 13. Other risk sources – PERF investment portfolio

Financial Asset Class	Note	Relative Risk Rating	Liquidity Risk Rating	Operational Risk Rating	Maximum Exposure to Risk €'000
Cash and cash equivalents					
Cash and cash equivalents	8	NS	Very Low	Very Low	325
Fixed income					
Global government bonds (H)	8	Medium	Very Low	Very Low	139 951
Global corporate bonds (H)	8	Low	Very Low	Very Low	83 481
Equity					
Euro area equity	8	Very Low	Very Low	Very Low	181 073
Global equity (H)	8	Low	Very Low	Very Low	203 002
Global equity (UH)	8	Low	Very Low	Very Low	214 925
Emerging markets equity (H)	8	High	Low	Very Low	33 725
Emerging markets equity (UH)	8	Very Low	Low	Very Low	57 350
Alternative investments					
Euro area listed real estate	8	High	Low	Very Low	56 413
Infrastructure	8	High	High	Low	154 620
Total portfolio (weighted)		Medium	Very Low/Low	Very Low/Low	1 124 865

(H) EUR hedged (UH) Unhedged NS – Not significant

Relative risk is the probability of deviation from the related benchmark's performance, which represents the target return, due to factors such as the portfolio's mechanical drift (different growth patterns of different asset classes), tactical decisions related to the strategic asset allocation and active management (investment timing or other strategies) within the asset classes. The risk is controlled with the portfolio rebalancing strategy, a static strategic asset allocation, investing in index-linked products when possible and close monitoring of active asset managers.

Liquidity risk in the PERF is the risk of losses when liquidating positions due to a lack of liquidity (*cf. liquidity risk of financial liabilities – section c) below*) or no possibility of liquidation.

The PERF can afford some illiquidity as it is a long-term investor, and the liquidity risk is minimised by the selection of liquid asset classes and easily redeemable investment vehicles (mutual funds). Some illiquidity risk is allowed as it pays a premium.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

In the performance report dated 31 December 2022, the risk and risk-adjusted return measures of the PERF investment portfolio were as shown in *Table 14*.

Table 14. Risks and risk-adjusted return measures – PERF investment portfolio

	Annualised		Annualised since the inception of the new investment strategy
	1 year	3 years	
Absolute Market Risk			
Volatility PERF [a]	10.67%	12.64%	10.12%
Volatility PERF benchmark	10.77%	12.56%	9.89%
Relative Risk			
Correlation [b]	0.97	0.99	0.99
Tracking error [c]	2.73%	1.97%	1.65%
Beta [d]	0.96	0.99	1.01
Risk-Adjusted Return			
Sharpe ratio PERF [e]	-1.24	0.18	0.61
Sharpe ratio PERF benchmark	-1.19	0.22	0.55
Information ratio [f]	-0.15	-0.24	0.43
Alpha [g]	-0.95%	-0.45%	0.67%

[a] Annualised standard deviation of periodic returns.

[b] Extent to which investments vary together. Figures close to +1 indicate low relative risk.

[c] Volatility of the performance difference between an investment and its benchmark index.

[d] Measure of the Fund's volatility relative to the benchmark. Should be approximately +1 for the PERF.

[e] Excess return compared to that of the risk-free rate per unit of risk taken. Should be higher than the benchmark.

[f] Benchmark-relative return gained for taking on benchmark-relative risk. Should be above zero.

[g] Measure of excess return relative to benchmark [after accounting for market risk]. Should be above zero when active management is involved.

Generally, the PERF investments follow very closely the SAA represented by the benchmark. As a result, the volatility of the PERF and benchmark are very similar. Deviations can occur when implementing a new strategy or in periods of exceptional circumstances.

The relative risk of the PERF is also low as shown by the correlation between the Fund and the benchmark, the tracking error and the Beta, with values close to 1.00. Starting 2017, the investment strategy of the PERF was progressively implemented over two and a half years whereas the benchmark corresponding to the new SAA was fully applied with immediate effect on 30 November 2016.² As a result, the Fund has deviated from its benchmark since December 2016, and the relative risk measures partly reflected that deviation. With the implementation finalised, the correlation, beta and tracking error reveal only the relative risk originating from the active managers or from temporary deviations between the Fund and the benchmark (due to different growth rates within asset classes). With a positive information ratio and alpha, and Sharpe ratio above the benchmark considered over three years and since the inception of the SAA, the risk-adjusted return measures show that the asset managers effectively used market and relative risk to generate returns above the benchmark over the long run.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Organisation has two principal sources of credit risk:

- Cash and investments
- Receivables

The credit ratings, per class of financial asset, of the Organisation's counterparties are shown below in *Table 15*.

² As noted above, a new SAA was approved in 2022, however, was yet to be implemented as at 31 December 2022.

Table 15. Credit ratings per class of financial asset

Financial Asset Class	Note	Credit Ratings	Maximum Exposure to Credit Risk €'000
Cash, cash equivalents and receivables			
Cash and cash equivalents*	5, 8	SG/CIC/CA: S&P: A/A+/A+, Moody's: A1/Aa3/Aa3, Fitch: A/AA-/A+	299 193
Insurance capitalisation contract**	5, 8	IFS: S&P: AA-, Moody's: Aa3, AM Best: A+	58 479
Staff loans receivable	7	NA	14 380
Assessed contributions receivable	6	NA	70 373
Voluntary contributions receivable	6	NA	227 635
Fixed income***			
Global government bonds (H)	8	S&P: AA-, Fitch: AA-	139 951
Global corporate bonds (H)	8	S&P: BBB+, Moody's: A3, Fitch: A-	83 481
Equity			
Euro area equity	8	NA	181 073
Global equity (H)	8	NA	203 002
Global equity (UH)	8	NA	214 925
Emerging markets equity (H)	8	NA	33 725
Emerging markets equity (UH)	8	NA	57 350
Alternative investments			
Euro area listed real estate	8	NA	56 413
Infrastructure	8	NS	154 620
Total			1 794 600

Notes relating to Table 15:

* Excluding petty cash balances. Credit ratings shown for Société Générale counterparty long term / short term. Société Générale cash and cash equivalents represent M€169.2 of the M€299.2 total.

** Excluding the amount attributable to the Staff Provident Fund of k€ 11 916 at 31 December 2022. Issuer Default Ratings (IDRs) opine on an entity's relative vulnerability to default on financial obligations. The Insurer Financial Strength (IFS) Rating provides an assessment of the financial strength of an insurance organisation. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts.

*** Average rating of underlying fund's positions.

NS - Not significant

NA – Not applicable

(H) EUR hedged

(UH) Unhedged

The Organisation has limited credit risk since its Members, partners and other donors generally have excellent credit ratings. Staff loans are limited by reference to emoluments and purpose and are repaid monthly by direct payroll

deduction. Collection risk is low and is secured by leaving indemnities and pensions.

The significant financial assets of the Organisation that are past due as at 31 December 2022 are summarised in *Table 16*.

Table 16. Financial assets past due as at 31 December 2022

Financial Asset Class	Note	€'000				Total
		1-90 days	91-180 days	181-365 days	More than one year	
Assessed contributions receivable – Members*	6	61 688		522	472	62 682
Assessed contributions receivable – non-Members	6	2 833			3 712	6 545
Voluntary contributions receivable**	6	7 761	1 781	1 816	1 262	12 621
Total		72 282	1 781	2 338	5 447	81 848

* Excluding assessed contributions – Member countries fiscal adjustment

** Including voluntary contributions receivable on a cash basis (payment in full is received prior to spending)

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Organisation has low liquidity risk as its only financial liability is a bank loan, re-drawn every six months, to finance the Organisation's staff loan programme (cf. "Note 14: Borrowings", "Note 7: Staff loans receivable").

Liquidity in the context of the PBRF refers to the capacity of the Fund to settle its pension payment and investment activity obligations in full as they fall due, and or on terms that are not materially disadvantageous. The risk of the PBRF not being able to pay its pension obligations is considered low as contributions are expected to be higher than expenses until 2044, and 85% of the investments have small liquidation time and costs, even in stressed markets. Therefore, in the event of non- or late-payment of contributions to the PBRF, Fund investments could be liquidated to meet pension payments. This is an undesirable solution as, independent of the liquidity conditions, selling investments in adverse market conditions could lead to an irrecoverable financial loss. Finally, the PBRF's external asset managers have liquidity policies in place to ensure the smooth management of their investment portfolios. Further analysis of the PBRF liquidity is provided in document [C/PBRF/MB/WD\(2021\)3](#).

provisioned at 31 December 2022 as management consider it unlikely that they will be returned to the Organisation.

Note 10: Inventories

Table 17. Inventories

	2022 €'000	2021 €'000
Finished publications	481	474
Diplomatic reserve	24	45
Gross inventories	505	519
Provision for depreciation of inventories	(478)	(382)
Net inventories	27	137

Finished publications include publications held for sale and publications issued free of charge. In October 2022, the Organisation's publications distribution service provider went into administration. Inventories held at the service provider's distribution centre have been fully

Note 11: Furniture, fixtures and equipment

Changes in furniture, fixtures and equipment for the period were as follows:

Table 18. Furniture, fixtures and equipment

	31 December 2021 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	Revaluation €'000	31 December 2022 €'000
Cost of furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	22 298	33	-	-	-	22 331
Other furniture, fixtures and equipment	56 319	4 290	(3 109)	-	-	57 500
Fixed assets in progress	37	83	-	-	-	120
Total cost of furniture, fixtures and equipment	78 654	4 406	(3 109)	-	-	79 951
Depreciation						
Leasehold premises - fixtures and fittings	(9 226)	(2 151)	-	-	-	(11 377)
Other furniture, fixtures and equipment	(41 585)	(4 735)	3 108	-	-	(43 212)
Total depreciation	(50 811)	(6 886)	3 108	-	-	(54 589)
Net furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	13 072	(2 118)	-	-	-	10 954
Other furniture, fixtures and equipment	14 734	(445)	(1)	-	-	14 288
Fixed assets in progress	37	83	-	-	-	120
Total net furniture, fixtures and equipment	27 843	(2 480)	(1)	-	-	25 362

No significant one-off acquisitions of furniture, fixtures and equipment were made in 2022.

Acquisitions and disposals of furniture, fixtures and equipment per asset category, including transfers but excluding fixed assets in progress, in 2022 were as follows:

Table 19. Furniture, fixtures and equipment - acquisitions and disposals

Asset Category	Acquisitions & Transfers €'000	Disposals €'000	Net Movement €'000
Security and video conferencing equipment	676	(809)	(133)
Furniture	368	(663)	(295)
Desktop and portable computer equipment	1 468	(506)	962
IT network equipment	1 690	(99)	1 591
Telecommunications equipment	1	-	1
Vehicles	45	(28)	17
Other equipment	42	(1 004)	(962)
Total	4 290	(3 109)	1 181

Based on the insurance value, works of art purchased, loaned or donated to the Organisation amounted to M€ 0.8 as at 31 December 2022 (cf. "Note 3: Significant accounting policies").

Note 12: Land and buildings

The Organisation's land and buildings are comprised principally of its headquarters at La Murette, Paris.

Table 20. Land and buildings

	31 December 2021	Acquisitions / Depreciation	Disposals	Transfer	Revaluation	31 December 2022
	€'000	€'000	€'000	€'000	€'000	€'000
At cost / fair value						
Land	112 590	-	-	-	-	112 590
Buildings	485 652	2 128	(1 937)	1 042	-	486 885
Buildings in progress	2 511	936	-	(1 042)	-	2 405
Total land and buildings	600 753	3 064	(1 937)	-	-	601 880
Depreciation						
Buildings	-	(14 273)	1 166	-	(1 090)	(14 197)
Total depreciation	-	(14 273)	1 166	-	(1 090)	(14 197)
Net land and buildings						
Land	112 590	-	-	-	-	112 590
Buildings	485 652	(12 145)	(771)	1 042	(1 090)	472 688
Buildings in progress	2 511	936	-	(1 042)	-	2 405
Total net land and buildings	600 753	(11 209)	(771)	-	(1 090)	587 683

During 2022, the capitalised building works per building, including transfers but excluding works in progress, and disposals were as follows:

Table 21. Land and buildings - acquisitions and disposals

Building	Acquisitions & Transfers €'000	Disposals €'000	Net Movement €'000
Château	164	(164)	-
Franqueville	1 435	(840)	595
Marshall	1 299	(688)	611
Conference Centre	235	(235)	-
Monaco (Conseiller Colignon)	10	(10)	-
Henri Martin	27	-	27
Total	3 170	(1 937)	1 233

The most significant projects completed in 2022 were the replacement of the Franqueville roof (M€ 1.4), including the installation of hybrid solar panels which are expected to generate the equivalent of one third of that building's annual energy needs (around 81.5 MWh/year) and works to waterproof the tunnels between the Marshall Building and Conference Centre (M€ 0.6).

Revaluation

Land and buildings are measured at fair value and are revalued at least every three years. They were last revalued on the basis of their market values at 31 December 2021, in accordance with the valuation made by *Domaine de Paris*. These market values are primarily derived from a range of recent market transactions of comparable properties on arm's length terms.

The cumulative effect of revaluations has been recognised as follows:

Table 22. Land and buildings - revaluation

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2021		
Revaluation increase on land		38 579
Revaluation increase on buildings		449 150
At 31 December 2022		
Revaluation increase on land		-
Revaluation decrease on buildings		(1 090)
Net accumulated revaluation variances at 31 December 2022		486 639

The revaluation decrease in 2022 represents a partial realisation of the reserve for land and buildings. This is due to the replacement of certain building components and is recognised in the Statement of Financial Position (cf. “*Note 19: Member countries’ contributed interest and reserves*”).

Note 13: Intangible assets

Intangible assets consist of purchased software licenses and developed software.

Table 23. Intangible assets

	2021	Acquisitions / Depreciation	Disposals	Transfers	2022
	€'000	€'000	€'000	€'000	€'000
Cost	25 873	2 519	(1 899)	998	27 491
Intangible assets in progress	3 418	5 253	-	(998)	7 673
Depreciation	(13 812)	(3 161)	1 899	-	(15 074)
Total net intangible assets	15 479	4 611	-	-	20 090

During 2022 the Organisation acquired or developed a number of software and applications assets, including digital identification and authentication management (M€ 0.4), new translation system architecture (M€ 0.3), evolutions of its suite of robotic process automation tools (M€ 0.3) and an iterative upgrade of its conference management system (M€ 0.2). Intangible assets in progress at 31 December 2022 comprise the cost of digital development projects for the replacement and evolution of various corporate systems. As at 31 December 2022, several significant such projects were in train, including the renewal of the Organisation's website, the development of the IEA website and evolutions of the Organisation's O.N.E platform.

Note 14: Borrowings

Table 24. Borrowings

	2022	2021
	€'000	€'000
Relating to staff loan programme	13 000	14 000
Total borrowings	13 000	14 000

Borrowings to fund the staff loan programme are reviewed every six months. The related receivables are disclosed in “*Note 7: Staff loans receivable*”. A repayment of M€ 1 was made in June 2022, reducing the total borrowings from M€ 14 to M€ 13.

Note 15: Payables

Table 25. Payables

	2022	2021
	€'000	€'000
Current - payables		
Suppliers and accrued charges	60 527	58 496
Payables to staff and welfare institutions	50 297	47 911
Advances on assessed and voluntary contributions	22 247	20 153
Other payables	43 451	20 244
Total current - payables	176 522	146 804
Non-current payables		
Other payables	-	-
Total payables	176 522	146 804

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed during the year but not yet invoiced. Accrued charges amounted to M€ 42.0 at 31 December 2022 (2021: M€ 45.1). This decrease is largely explained by a reduction due to the passage of time in the accrual for lease incentives included in the OECD Boulogne lease, which are amortised over the period of the lease.

Payables to staff primarily represent accrued annual leave, other entitlements to leave and other payments due to staff. Payables to welfare institutions consist of current contributions, the most significant of which is in respect of the health insurance contract.

Members are invited in the last quarter of each year to make an advance payment in respect of their assessed contributions due for the following financial year, and donors may make payment

immediately prior to the Organisation's formal acceptance of their voluntary contributions. There has been an increase in advances for assessed contributions at 31 December 2022 of M€ 2.4.

Other payables include budget surpluses and interest amounting to M€ 4.6 (2021: M€ 3.9), and advance payments of M€ 31.3 (2021: M€ 7.4) for special projects and from pre-accession countries.

Budget surpluses are credited to an account attributable to each Member country after they are approved by Council and are then available for any use that a Member country may decide. Balances within Payables at 31 December 2022 include unused surpluses arising from the implementation of the office space strategy and the termination of the Site Project. All surpluses up to the end of 2021 have been approved by Council.

Note 16: Provisions for liabilities and charges

Table 26. Provisions

	Publications sales returns €'000	Tax provisions €'000	Other provisions €'000	Total €'000
Balance at the beginning of the year	58	902	372	1 332
Additional provisions raised	55	-	120	175
Amounts used	(39)	(206)	(93)	(338)
Unused amounts reversed during the year	(19)	-	(118)	(137)
Balance at the end of the year	55	696	281	1 032

Provisions for liabilities and charges represent the evaluation at the reporting date of payments to be made in respect of publications sales returns, taxation and various litigations to which the Organisation is party.

A group of current and former officials have been assessed taxes by a Member for the years 2014 – 2021 on their OECD remuneration, pursuant to the privileges and immunities agreement applicable to

the OECD in that country. The Organisation determined that it must reimburse those taxes for the years concerned and therefore has made a provision for the reimbursement of these taxes. The total estimated amount of taxes is M€ 2.1, as calculated by the OECD Secretariat (*cf. "Note 27: Contingencies and capital commitments"*).

Note 17: Employee benefits

Defined-contribution scheme

The Organisation holds the Staff Provident Fund assets, which are invested for the benefit of participants (*cf. "Note 8: Investments and security deposits"*). A liability to the participants is recognised to offset the Fund's assets.

As at 31 December 2022, there were 88 participants in the Staff Provident Fund (2021: 98) and all are retired. There is no obligation of the Organisation to contribute further.

Defined-benefit schemes

The Organisation operates employee defined-benefit plans through the Co-ordinated Organisations Pension Scheme (COPS) and the New Pension Scheme (NPS), a post-employment health cover and a long-service benefit plan (end-of-service allowances) applicable to a closed group of employees (*cf. "Note 27: Contingencies and capital commitments, section C: Pensions"*).

Table 27 below summarises the number of pensioners by pension scheme, the number of members with deferred rights by pension scheme and the number of officials affiliated to each pension scheme.

Table 27. Defined-benefit scheme membership

	31 December 2022	31 December 2021
Pensioners by Pension Scheme	1 752	1 730
COPS	1 647	1 636
NPS	105	94
Members with Deferred pension rights	140	113
COPS	64	62
NPS	76	51
Total Affiliated officials	3 471	3 372
COPS	388	444
NPS	3 083	2 928

Employee benefits represent the estimated actuarial liability of the defined-benefit pension schemes, post-employment health cover and long-service benefits in accordance with IPSAS 39 – “Employee Benefits”.

Actuarial assumptions

At 31 December 2022, the main actuarial assumptions used to calculate the defined-benefit liability (expressed as weighted averages) were:

Table 28. Defined-benefit liability actuarial assumptions

	Pension benefits		Post-employment health coverage	
	2022	2021	2022	2021
Discount rate	3.94%	1.34%	3.97%	1.43%
Future salary increase	1.95%	2.17%		
Future COPS and NPS increase	1.71%	1.93%		
Future health cost increase			3.71%	3.93%

Discount rate

One of the key financial assumptions for estimating defined-benefit liabilities is the discount rate used to calculate the present value of the future obligations.

IPSAS 39 states that the discount rate used to discount the defined-benefit obligation may be determined by reference to market yields of financial instruments with terms of maturity approximating the expected terms of the related benefit liabilities. The financial instruments used as a reference may be government bonds, high quality corporate bonds or other financial instruments, which are judged to best reflect the time value of money. In the 2021 financial year, the reference used to calculate the discount rate was changed from French government bonds to high quality (AA rated) European corporate bonds. This is distinct from the annual change in financial assumptions for the discount rate, as explained in the context of *Table 31* and *Table 32* below.

Other assumptions

All demographic assumptions, including mortality, turnover, career progression, invalidity,

early retirement and new entrants, are reviewed every five years. The mortality table was last updated in 2018. In 2021, revisions to certain other demographic assumptions were made.

Measures aimed at reducing costs and liabilities for post-employment health care were adopted in December 2011. At that time, it was estimated that 60% of new pensioners would be affiliated to their respective primary national health care schemes. Based on experience since then, this assumption has been revised to 50% of new pensioners.

The future medical inflation rate is 3.71% at year-end 2022.

The provisions for pension scheme obligations and other social obligations as at 31 December 2021 are set out in *Table 29* below:

Table 29. Provisions for pension scheme obligations and other social obligations

	31 December 2022	31 December 2021
	€'000	€'000
Staff Provident Fund	11 916	12 380
Defined contribution schemes	11 916	12 380
Pension Scheme	2 822 547	4 631 770
Post-employment health coverage	402 137	796 271
Defined benefit schemes	3 224 684	5 428 041
Total employee benefits	3 236 600	5 440 421
Employee benefits current	124 406	113 681
Employee benefits non-current	3 112 194	5 326 740

Changes in defined-benefit obligations

The Organisation performs an actuarial valuation of the various defined-benefit schemes in force at the reporting date to measure its employee benefits obligation.

The actuarial valuation of the defined-benefit obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The changes in the present value of the defined benefit obligations is shown in *Table 30* below:

Table 30. Changes in the present value of defined benefit obligations

	31 December 2022			31 December 2021		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
Opening employee future benefits obligation	(4 631 769)	(796 271)	(5 428 040)	(5 536 419)	(1 040 226)	(6 576 645)
Current service cost	(277 535)	(50 549)	(328 084)	(359 105)	(75 433)	(434 538)
Interest expense	(61 300)	(11 341)	(72 641)	(16 995)	(4 045)	(21 040)
Remeasurements	2 033 759	449 704	2 483 463	1 172 294	317 427	1 489 721
Net benefits paid	114 298	6 320	120 618	108 455	6 006	114 461
Closing employee future benefits obligation	(2 822 547)	(402 137)	(3 224 684)	(4 631 770)	(796 271)	(5 428 041)

Current service cost is the increase in the present value of the defined-benefit obligation resulting from benefits earned through employee service in the current period.

Interest expense is the increase, during the period, in the present value of the defined-benefit obligation which arises because the benefits are one period closer to settlement.

Remeasurements comprise actuarial gains decreasing the obligation or actuarial losses increasing the obligation. Actuarial gains (or losses) arise when the actuarial assessment differs from the long-term expectation of the evolution of the obligations: they result from experience adjustments (difference between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions, both demographic and financial.

As at 31 December 2022, an actuarial gain of M€ 2 033.8 arose in respect of the pension liability (2021: actuarial gain of M€ 1 172.3). An actuarial gain of M€ 449.7 arose in respect of the post-employment health care (2021: actuarial gain of M€ 317.4). Hence, in 2022, actuarial gains of M€ 2 483.5 were generated in total (2021: actuarial gains of M€ 1 489.7). These movements are explained in further detail in the context of *Table 31* and *Table 32* below.

Cost of defined-benefit schemes

Amounts recognised in the Statement of Financial Performance plus remeasurements (actuarial gains or losses) that are attributable to pension benefits are shown in *Table 31*.

Table 31. Pension benefits – Statement of Financial Performance plus remeasurements

	Pension benefits					
	31 December 2022					31 December 2021
	Part I	PBRF	Other budgets	IPSAS adjustments	Total	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Net investment income/(expense)	-	(149 487)	-	-	(149 487)	158 761
Member country PBRF contributions	-	57 914	-	-	57 914	57 595
Employer contributions	-	56 420	-	-	56 420	53 339
Other contributions (tax reimbursements)	-	-	8 994	-	8 994	7 848
Revenues/(expenses) for the year	-	(35 153)	8 994	-	(26 159)	277 543
Benefits paid	641	113 657	-	(114 298)	-	-
Current service cost	-	-	-	277 535	277 535	359 105
Interest expense	-	-	-	61 300	61 300	16 995
Employee contributions from salary	-	(35 623)	-	-	(35 623)	(33 476)
Employee contributions – other	-	(2 220)	-	-	(2 220)	(1 353)
Other expenses (tax reimbursements)	-	-	8 994	-	8 994	7 848
Expenses for the year: pensions (cf. Note 21)	641	75 814	8 994	224 537	309 986	349 119
Administration expenses	-	3	-	-	3	2
Amount recognised in surplus / (deficit)	(641)	(110 970)	-	(224 537)	(336 148)	(71 578)
Actuarial gains / (losses) recognised in the year	-	-	-	2 033 759	2 033 759	1 172 294
Remeasurements recognised in net assets	-	-	-	2 033 759	2 033 759	1 172 294
Total surplus / (deficit) and remeasurements	(641)	(110 970)	-	1 809 222	1 697 611	1 100 716

The increase in surplus in 2022 compared to 2021 for the pension benefits can primarily be attributed to the increase in actuarial gains in 2022 derived mainly from the evolution of the discount rate, notwithstanding the negative investment returns in 2022. The net actuarial gain of M€ 2 033.8 comprises a loss of M€ 145.3 due to changes in experience and a gain of M€ 2 179.1, most of which is attributable to a higher discount rate.

Investment returns on the PERF investments in 2022 were lower than in 2021. As at 31 December 2022, 88.5% of the PERF portfolio was invested

for pension entitlements (cf. “*Note 22: Financial revenue and expenses*”).

Other contributions include pension tax adjustments (reimbursements by the Member countries of a portion of the taxes that retirees must pay on their pensions) which are equally reported as expenses.

Amounts recognised in the Statement of Financial Performance plus remeasurements (actuarial gains or losses) that are attributable to post-employment health coverage are shown in *Table 32* below.

Table 32. PEHC – Statement of Financial Performance plus remeasurements

	Post-employment health coverage					
	31 December 2022					31 December 2021
	Part I	PEHLR	Non budgetary operations	IPSAS adjustments	Total	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Investment income/(expense)	-	(17 823)	-	-	(17 823)	17 773
Transfer from equalisation provision	-	-	-	-	-	5 695
Net differential of contributions over costs	-	3 997	-	-	3 997	3 771
Expatriation allowance savings net of related administration costs	-	8 697	(8 697)	-	-	-
Revenues/(expenses) for the year	-	(5 129)	(8 697)	-	(13 826)	27 239
Benefits paid	3 540	-	2 780	(6 320)	-	-
Current service cost	-	-	-	50 549	50 549	75 433
Interest expense	-	-	-	11 341	11 341	4 045
Other expenses (maintenance of rights of former officials)	214	-	-	-	214	238
Expenses for the year: post-employment health coverage (cf. Note 21)	3 754	-	2 780	55 570	62 104	79 716
Amount recognised in surplus / (deficit)	(3 754)	(5 129)	(11 477)	(55 570)	(75 930)	(52 477)
Actuarial gains/(losses) recognised in the year	-	-	-	449 704	449 704	317 427
Remeasurements recognised in net assets	-	-	-	449 704	449 704	317 427
Total surplus / (deficit) and remeasurements	(3 754)	(5 129)	(11 477)	394 134	373 774	264 950

The total surplus in 2022 for the post-employment health coverage has increased from 2021 mainly due to higher actuarial gains in 2022, most notably the discount rate, notwithstanding lower investment returns. The net actuarial gain of M€ 449.7 comprises a gain of M€ 429.0 due to changes in financial assumptions, most of which is attributable to a higher discount rate and a gain of M€ 20.7 arising from changes in experience.

Investment returns on the PERF portfolio were lower in 2022 than those achieved in 2021. As at 31 December 2022, 11.5% of this portfolio was invested for post-employment health coverage entitlements (cf. “Note 22: Financial revenue and expenses”).

Sensitivity to medical cost inflation

Assumptions in connection with health care cost trends have a significant effect on the amounts recognised in the Statement of Financial Performance and Statement of Financial Position. A one percentage point change in the assumed rate of health care cost trends would have the following effects:

Table 33. Sensitivity to medical cost inflation

	1% €'000	-1% €'000
Effect on the aggregate of the 2022 service cost and interest cost	12 167	(8 371)
Effect on the present value of the defined benefit obligation at 31 December 2022	111 878	(82 098)

Sensitivity to the discount rate

The choice of discount rate has a significant impact on the estimation of the defined benefit obligation.

A half percentage point increase and decrease in the discount rate at 31 December 2022 would have the following effects on the present value of the defined benefit obligations:

Table 34. Defined benefit obligation discount rate sensitivity

	0.50% €'000	-0.50% €'000
Pension benefits	(230 230)	264 786
Post-employment health coverage	(43 014)	50 600

History of the liability, value of financial assets and actuarial experience variances

For the defined-benefit pension plans, the five-year history and experience adjustments are shown in *Table 35*.

The Organisation has established two long-term funding mechanisms to finance the post-employment benefit liabilities (cf. “*Note 8: Investments and security deposits*” and “*Note 9: Risks arising from financial instruments*”). The

background to the establishment of the long-term pension funding mechanism is explained in “*Note 27: Contingencies and capital commitments*”, section *C: Pensions*”. Both the Pension Budget and Reserve Fund (PBRF) and Post-Employment Healthcare Liability Reserve (PEHLR) decreased in value in 2022, as shown in *Table 35* below, due to negative investment returns. However, these reserves are planned to cover an increasing proportion of the respective liabilities in the long term.

Table 35. Evolution of defined benefit liabilities related financial assets & experience adjustments

	2022 €'000	2021 €'000	2020 €'000	2019 €'000	2018 €'000
Present value of defined benefit obligations					
[a] Pension liability	2 822 547	4 631 770	5 536 419	4 596 910	3 839 883
[b] Post employment health liability	402 137	796 271	1 040 226	799 538	615 565
Total	3 224 684	5 428 041	6 576 645	5 396 448	4 455 448
Net value of assets*					
[a] PBRF	1 015 414	1 127 002	930 357	844 895	684 221
[b] PEHLR	132 969	138 130	103 542	90 551	68 959
Total	1 148 383	1 265 132	1 033 899	935 446	753 180
Experience adjustments on scheme liabilities - % of scheme liabilities					
[a] Pension liability - %	3.1	1.9	-1.5	-2.8	0.1
[b] Post employment health liability - %	-2.6	-1.6	-0.3	-4.9	-3.9

* See Note 19.

Contributions of the Organisation expected in 2023

The Organisation expects to contribute approximately M€ 125 to its pension schemes in 2023.

Note 18: Deferred revenue

Table 36. Deferred revenue

	2022 €'000	2021 €'000
Current - deferred revenue		
Voluntary contributions	200 389	214 474
Publications	5 336	6 161
Other operations, Part I, Part II and Annex budgets	29 607	19 448
Total current - deferred revenue	235 332	240 083
Non-current - deferred revenue		
Voluntary contributions	236 436	244 986
Publications	227	116
Total non-current - deferred revenue	236 663	245 102
Total deferred revenue	471 995	485 185

Deferred revenue corresponds to revenue that has been recorded but for which the corresponding

charges will be incurred after the reporting date.

Non-current deferred revenue is in respect of activities more than 12 months after the reporting date.

The split between current and non-current deferred revenue in connection with voluntary contributions is estimated based on historical expenditure trends in meeting the performance obligations of the voluntary contribution agreements accepted by the Organisation. Voluntary contributions are accepted to fund outputs which are planned for implementation and delivery during the biennial Programme of Work.

Publications deferred revenues have decreased due to lower subscription sales relating to future periods being invoiced and paid before 31 December 2022.

The increase in Other operations, Part I, Part II and Annex budget deferred revenues is principally due to an increase in the deferral of accession funds (M€ 3.8) following the adoption of Accession Roadmaps for 5 countries (cf. Note 1: General

information) in 2022, and an increase in CIBRF funded commitments (M€ 3.3) relating to fixed asset acquisitions and replacements.

Note 19: Member countries' contributed interest and reserves, including associated long-term commitments

Table 37. Member countries' contributed interest and reserves

	Before allocation of 2021 results	Allocation of 2021 results				Change in net assets in 2022			Before allocation of 2022 results
	31 December 2021	IPSAS adjustments carried forward	Budgetary surpluses to be allocated	Previous year results added to reserves	Total	Utilisation of reserves and budget surpluses	Budget surpluses to be returned to Member and non-Members	Transfers / revaluations and current year deficit	31 December 2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Pension benefits	(4 364 125)	-	-	(267 644)	(267 644)	-	-	2 033 759	(2 598 010)
Pension Budget and Reserve Fund (PBRF) reserve	930 357	-	-	196 645	196 645	-	-	-	1 127 002
Post-employment health coverage	(722 799)	-	-	(73 472)	(73 472)	-	-	449 704	(346 567)
Post-Employment Health Liability (PEHL) reserve	103 542	-	-	34 588	34 588	-	-	-	138 130
Capital Investment Budget and Reserve Fund (CIBRF) Class 2	21 032	-	-	56	56	-	-	-	21 088
CIBRF Class 3	1 375	-	-	1 644	1 644	-	-	-	3 019
Publications - one off adjustment	(1 149)	-	-	297	297	-	-	-	(852)
Long-term commitments and associated reserves	(4 031 767)	-	-	(107 886)	(107 886)	-	-	2 483 463	(1 656 190)
Indemnities and Benefits Fund (IBF)	13 770	-	-	(1 556)	(1 556)	-	-	-	12 214
Fixed assets - Land and Buildings (Revaluation per Note 12 and Members' Initial Contribution)	631 937	-	-	-	-	-	-	(1 090)	630 847
Exchange differences	117	-	-	849	849	-	-	-	966
Technical reserves	645 824	-	-	(707)	(707)	-	-	(1 090)	644 027

	Before allocation of 2021 results	Allocation of 2021 results				Change in net assets in 2022			Before allocation of 2022 results
	31 December 2021	IPSAS adjustments carried forward	Budgetary surpluses to be allocated	Previous year results added to reserves	Total	Utilisation of reserves and budget surpluses	Budget surpluses to be returned to Member and non-Members	Transfers / revaluations and current year deficit	31 December 2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
CIBRF Class 1	162	-	-	615	615	-	-	-	777
Asbestos early retirement scheme	248	-	-	(77)	(77)	-	-	-	171
BFMP project	170	-	-	(170)	(170)	-	-	-	-
Publications (Part I)	330	-	-	-	-	-	-	-	330
Part II - IEA Reserve (ex IEA Net publications results)	5 249	-	-	1 606	1 606	-	-	552	7 407
Part II - IEA - Office space	552	-	-	-	-	-	-	(552)	-
Part II - IEA - Loss of Employment	1 290	-	-	125	125	-	-	-	1 415
Part II - SLI - Loss of Employment	31	-	-	10	10	-	-	-	41
Part II - Sahel	442	-	-	-	-	-	-	-	442
Part II - Agriculture	118	-	-	(1)	(1)	-	-	-	117
Budgetary reserves	8 592	-	-	2 108	2 108	-	-	-	10 700
Total reserves	(3 377 351)	-	-	(106 485)	(106 485)	-	-	2 482 373	(1 001 463)
Allocation of the net surplus for the prior period	(84 021)	(361)	(24 015)	108 397	84 021	-	-	-	-
Net deficit for the current period	-	-	-	-	-	-	-	(385 392)	(385 392)
Net surplus / (deficit)	(84 021)	(361)	(24 015)	108 397	84 021	-	-	(385 392)	(385 392)
Accumulated surplus / (deficit)	(44 934)	361	24 015	(1 912)	22 464	(20 603)	(1 500)	-	(44 573)
Total Member countries' contributed interest and reserves	(3 506 306)	-	-	-	-	(20 603)	(1 500)	2 096 981	(1 431 428)

Member countries' contributed interest and reserves (a net obligation of M€ 1 431 at 31 December 2022) comprise principally a reserve for Land and Buildings owned by the Organisation less liabilities for Pension benefits and Post-employment health cover as detailed in "Note 17: *Employee benefits*".

The balance shown at 31 December 2022 excludes movements in the reserves for the current year that are included in the net deficit for the current period. The net deficit for the current period will be allocated to reserves and accumulated deficit, as shown in "Note 26: *Proposed allocation of the results for the period*".

Long-term commitments and associated reserves

Financing reforms were put in place in 2000 to build up a reserve to fund the pension liability over the long term (cf. "Note 27: *Contingencies and capital commitments*", section C: *Pensions*). Since 1 January 2012, savings generated by the new system of expatriation allowance are allocated to the Post-Employment Healthcare Liability Reserve (PEHLR). The movement is predominantly due to savings generated by the new system of expatriation and investment returns earned on the counterpart assets invested as part of the PERF (cf. "Note 8: *Investments and security deposits*").

The creation of the Capital and Investment Budget and Reserve Fund (CIBRF) was approved by Council in December 2011 to provide for future investment needs for three asset classes as set out in [C\(2011\)144](#); [C\(2011\)144/FINAL](#) and [C\(2013\)152](#). Class 1 covers short and medium-term operating assets which have useful lives of less than 10 years. This part of the CIBRF is shown under the category 'Budgetary reserves'. Class 2 covers long-term assets relating to buildings' infrastructure with useful lives of 10 - 20 years, and Class 3 covers long-term assets relating to buildings' infrastructure whose useful lives extend beyond 20 years. The CIBRF relating to Classes 2 and 3 are shown under the category 'Long term commitments and associated reserves'. The CIBRF is funded mainly by cost recovery charges, interest income and Members' assessed contributions.

Technical reserves

The Indemnities and Benefits Fund (IBF) was created as of 1 January 2009 to support both budget and human resources reforms and contribute to more efficient administration. Statutory benefits and allowances payable to officials, together with a levy to cover loss of employment indemnities, are consolidated in this fund by applying a rate, based on historical experience, to basic salaries. This rate is reviewed regularly and is generally adjusted annually based on actual experience. Surpluses are carried forward and, *ceteris paribus*, any reduction of the rate applied should also reduce the amount of future carry-forwards. The IBF average rate was 51.51% in 2022 (2021: 51.49%).

The reserve for fixed assets – Land and Buildings comprises principally the revaluation surplus of land and buildings owned by the Organisation.

The reserve for exchange differences is maintained to cover the risk of exchange rate losses. Net realised foreign exchange gains are accumulated in this reserve to offset net realised foreign exchange losses.

The Publications – one-off adjustment has been recorded following the approval of Council to move from cash-based to accruals based recognition of publications income from 1 January 2017 [[C\(2016\)149/REV1](#)] in the Publications annex budget. At 31 December 2022 the balance of this adjustment is k€ 853.

Budgetary reserves

The reserve for the Asbestos early retirement scheme was created by Council to finance an early retirement scheme for a closed group of officials who have had significant exposure to asbestos (cf. "Note 27: *Contingencies and capital commitments*", A. *Contingencies*).

The Publications (Part I) reserve is maintained to manage publications revenue risk.

Part II reserves are intended to fund similar specific financing requirements for the purposes cited in their respective titles. Effective 1 January 2022, the IEA consolidated 2 pre-existing reserves for Net Publication Results and Office Space into a single reserve, the IEA Reserve.

The accumulated surplus / (deficit) results from IPSAS accounting adjustments carried forward.

Note 20: Revenues**Table 38. Revenues**

	2022 €'000	2021 €'000
Assessed contributions	321 282	318 872
Voluntary contributions	267 471	236 716
Pension contributions	123 328	118 782
Sales of publications	18 735	17 402
Other revenues	26 255	26 280
Total revenues	757 071	718 052

Assessed contributions called up for Part I, Part II and Annex Budgets changed in line with the annual Budget (2022: M€ 306.8; 2021: M€ 305.0). The amounts reported for assessed contributions include accounting adjustments for deferred income, approved carry forwards of budgetary surpluses and funding from reserves.

Revenue from voluntary contributions is recognised up to the amount expensed cumulatively in the period. The increase in income from voluntary contributions in 2022 reflects the volume of voluntary contributions accepted in 2022 as well as continuing multi-year financing from voluntary contributions accepted in prior years.

Pension contributions include amounts paid by Member countries to the Pension Budget and Reserve Fund, employer contributions and other contributions in respect of tax reimbursements (*cf. "Note 17: Employee benefits", Table 31*).

Publications income increased in 2022 compared with 2021, reflecting strong demand for some publications and favourable exchange rates.

Other revenue is broken down as follows:

Table 39. Other revenues

	2022 €'000	2021 €'000
Accession countries	4 410	350
Non-Member countries' participation in OECD bodies	3 867	3 958
Other	17 978	21 972
Total other revenues	26 255	26 280

Revenue from accession countries is higher in 2022 than in 2021 following the adoption of accession road maps for Brazil, Bulgaria, Croatia, Peru and Romania.

Other revenues include employee health insurance contributions, employee salary reimbursements, supplementary contributions to ISRP, services invoiced to permanent delegations and miscellaneous cost reimbursements. The decrease compared to 2021 is primarily due to the inclusion of M€ 5.7 accrued income for an insurance contract equalisation provision in 2021.

Note 21: Expenses

Table 40. Expenses

	2022 €'000	2021 €'000
Personnel costs:		
Salaries and benefits	422 142	397 347
Temporary staff salaries and benefits	14 363	14 244
Other personnel costs (incl. training)	1 819	1 526
Total personnel costs	438 324	413 117
Employee benefits – defined benefit schemes:		
Pension expenses (<i>cf. Note 17</i>)	309 986	349 118
Post-employment health coverage expenses (<i>cf. Note 17</i>)	62 104	79 717
Total employee benefits – defined benefit schemes	372 090	428 835
Total consulting costs	62 620	60 102
Travel costs:		
Travel costs missions - personnel	11 975	1 667
Travel costs - external invitees	3 290	178
Total travel costs	15 265	1 845
Operating costs:		
External services	8 899	7 944
Building rentals	18 431	18 418
Licenses, small equipment, maintenance and repairs	14 688	14 095
Utilities	1 958	1 602
Consumables and supplies	3 780	3 731
Printing and reproduction	114	82
Conference, meetings, interpretation and translation	6 571	4 026
Communication	1 734	1 657
Marketing and receptions	1 758	575
External publications	764	522
Depreciation	24 320	22 864
Inventory variation	14	(62)
Total operating costs	83 031	75 454
Other costs:		
Non-refundable taxes and insurance	1 802	1 715
Other administration expenses and net operating gains and losses	979	550
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	1 152	(538)
Total other costs	3 933	1 727
Total expenses	975 263	981 080

The main variances between 2022 and 2021 are as follows:

- The increase in total personnel costs of 6.1% is due to the combined effects of an increase in staffing levels between 2021 and 2022 in

line with the 2021-2022 Programme of Work, and the effect of the approved salary adjustment in 2022.

- Pension and post-employment benefit costs show a significant decrease in 2022

compared with 2021. This is primarily due to the impact of a higher discount rate on the current service cost (cf. “*Note 17: Employee benefits*”).

- Travel costs of OECD officials and external invitees increased significantly in 2022 following the end of COVID 19 pandemic related travel restrictions, which impacted travel in 2021 (and 2020), as more missions were undertaken for implementing the Programme of Work.
- Building rental costs relate primarily to OECD Boulogne and office space leased by the International Energy Agency (IEA).
- Costs relating to external services and utilities increased in 2022 compared with 2021. This is due principally to increased electricity costs, security and other building related operational costs, as staff returned to regular on-site working during 2022.
- The increase in conference, meeting, interpretation and translation costs in 2022 is attributable to the ending of the COVID-19 pandemic restrictions which allowed in-person events to be held. In 2021, the majority of meetings and conferences were held remotely.
- Reception costs increased as more conferences, meetings and workshops were held in-person during 2022 compared with 2021.
- Depreciation charges have increased in line with the revaluation of the Organisation’s buildings, recent office renovations, software developments and other acquisitions.
- Further information on movements in provisions for liabilities and charges is detailed in “*Note 16: Provisions for liabilities and charges*”.

Additional information is provided in “*Note 23: Segment information - Statement of Financial Performance*” which provides further analysis based on the Organisation’s main activities and sources of financing.

³ The EONIA rate, which was reported in the OECD’s 2021 financial statements, has not been published by

Note 22: Financial revenue and expenses

Table 41. Financial revenue and expenses

	2022 €'000	2021 €'000
Interest income on restricted cash	745	505
Interest income on general treasury cash	1 393	483
Net foreign currency conversion gain	5 328	10 148
Total financial revenue	7 466	11 136
Post-Employment Reserve Fund (PERF) realised investment gain / (loss)	3 079	4 252
PERF unrealised investment gain / (loss)	(176 486)	164 114
PERF investment gain / (loss)	(173 407)	168 366
Interest expense	84	75
Bank charges	307	288
Other financial expense (net)	868	132
Total financial expenses	1 259	495
Financial revenue, net	(167 200)	179 007

Total financial revenue (net) decreased by M€ 346.2 in 2022 compared with 2021, as shown above.

Interest income on restricted cash and on general treasury increased by k€ 1 150 in 2022 as compared to 2021. Most of the restricted funds are invested with the AXA capitalisation contract, which yielded an interest rate of 1.81% in 2022 (2021: 1.31%) which explains the increase in interest income on restricted cash balances.

Short-term interest rates increased in 2022 compared to 2021 which, combined with a higher average general treasury balance in 2022 compared to 2021, resulted in higher interest revenue on general treasury funds in 2022. The general treasury funds are derived mostly from voluntary contributions received in advance of the related expenditure. In 2022 the €STER³ average (Euro Short Term Rate) was a negative 0.011%, starting the year at a negative 0.578% and ending at positive 1.89%. The weighted average interest rate earned by the Organisation on these funds for 2022 was 0.49% versus 0.19% in 2021. The Organisation’s weighted average interest rate

the European Central Bank since 3 January 2022, and has been replaced by €STER.

achieved for 2022 exceeded the €STER benchmark as a result of higher interest rates negotiated by the OECD with its banks.

Interest income earned by the restricted cash portion of the Pension Budget and Reserve Fund was k€ 158 for the period ending 31 December 2022 (2021: k€ 86). An increase in the interest rates earned on the AXA capitalisation contract, term deposits and savings accounts, were the drivers of this increase in interest income from 2021 to 2022.

Investment income (net realised and unrealised gains or losses), including management fee rebates and transaction costs booked through surplus or deficit, amounted to a net loss of M€ 173.4 in 2022. In the period ending 31 December 2022, long-term investments of the PERF had a negative time-weighted return of 13.28% (2021: positive return of 16.98%). The return in 2022 is below the benchmark (-12.87%). The negative relative return versus the benchmark is mostly due to the underperformance of the World Equity allocation.

Net foreign-exchange gains for the period ending 31 December 2022 totalled M€ 5.3 (versus net gains of M€ 10.1 in 2021). A significant component of the net gain in 2022 is the revaluation of a USD denominated infrastructure investment held as part of the PERF (M€ 6.0) as mentioned in the previous paragraph.

Interest expense, relating to borrowings to fund the staff loan programme, has increased by k€ 9 from 2021 to 2022, as the interest rate paid by the Organisation increased from 0.48% to 2.434% in December 2022, notwithstanding the amount borrowed decreased from M€ 14.0 to M€ 13.0 in May 2022.

Other financial expense of k€ 868 in 2022 (k€ 132 in 2021) relates to the restatement of non-current voluntary contributions to amortised cost at 31 December 2022. The discount rate is based on the Organisation's average borrowing rate over the last three years (*cf. "Note 6: Accounts receivable and prepayments"*).

Note 23: Segment information - Statement of Financial Performance

Segment information is based on the Organisation's main activities and sources of financing. These service segments conform to the 2021-22 Programme of Work of the Organisation. Part I is for programmes financed by the Members, whereas Part II is for special programmes financed by some or all Members and non-Members. Non-budgetary operations include the staff on loan programme, foreign-exchange variances and other sundry operations (*cf. "Note 3: Significant accounting policies", "Note 1: General information"*).

Owing to the nature of the Organisation's activities, its assets and liabilities are used jointly by all segments and cannot be separated by segment.

The following table combines budgetary and IPSAS financial reporting. IPSAS adjustments are accounting entries that are required for compliance with IPSAS but are not mandated by the Organisation's budgetary reporting rules. The primary purpose of these adjustments is to apply the accrual accounting principle with regard to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. When possible, accrual adjustments are allocated to revenue and expenses by segment. IPSAS accrual adjustments that are not allocated to a specific segment are reported in the "IPSAS" column. Internal operations reflect the estimated cost of services exchanged between segments.

Internal operations have been split into four categories:

1. Recurrent internal invoicing between services, which includes an internal levy on travel costs as part of the Organisation's 'Greening Initiative';
2. Overhead Charges re-billed between Part I and Part II of the Budget;
3. Recoveries of administration costs for voluntary contributions, as per Council Decision [\[C\(2021\)73\]](#); and
4. Internal transfers of expenditure between segments.

Table 42. Segment reporting

	Part I		Part II		Annex budgets (Incl. Pre- & Post-accession)		Voluntary contributions	
	(1)		(2)		(3)		(4)	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Assessed contributions	200 530	198 248	110 958	107 189	2 894	2 746	-	-
Voluntary contributions	-	-	-	-	-	-	267 471	236 743
Pension contributions	-	-	-	-	8 994	7 848	-	-
Sales of publications	-	-	10 082	8 561	8 655	8 841	-	-
Other	2 965	2 575	6 301	6 599	4 410	350	5 409	4 458
Total revenues	203 494	200 823	127 341	122 349	24 953	19 785	272 880	241 201
Personnel	183 228	176 598	67 767	67 591	13 251	9 620	186 078	167 849
Pension & post-employment benefits	4 396	4 298	-	-	8 994	7 847	-	-
Consulting	15 724	15 446	14 696	11 622	611	689	30 890	32 048
Travel	2 937	606	2 422	343	140	1	9 760	889
Operating	41 828	41 178	11 288	9 844	1 373	1 623	6 334	3 558
Other	1 538	1 081	301	(178)	1 067	138	259	253
Total expenses	249 651	239 207	96 474	89 222	25 436	19 918	233 321	204 597
Surplus/ (deficit) from operating activities	(46 156)	(38 384)	30 867	33 127	(483)	(133)	39 559	36 604
Other financial revenue and expenses, net	1 254	235	(24)	(21)	(32)	(29)	(871)	(135)
PERF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	1 254	235	(24)	(21)	(32)	(29)	(871)	(135)
Surplus / (deficit) from ordinary activities	(44 902)	(38 149)	30 843	33 106	(515)	(162)	38 688	36 469
Internal invoicing	13 971	11 749	(9 431)	(8 440)	539	866	(5 038)	(4 151)
Overhead	10 327	10 236	(10 158)	(9 958)	-	-	(169)	(278)
Voluntary Contribution cost recoveries	26 759	25 725	6 516	5 903	-	-	(32 864)	(31 485)
Internal transfers	748	694	519	537	(1)	(21)	(617)	(555)
Total internal operations	51 805	48 404	(12 554)	(11 958)	538	845	(38 688)	(36 469)
Net surplus / (deficit) for the period	6 903	10 255	18 289	21 148	23	683	-	-

	Non-budgetary operations		Post-Employment Healthcare Liability Reserve		Pension Budget and Reserve Fund		IPSAS (Unallocated)		TOTAL	
	(5)		(6)		(7)		(8)		(1 to 8)	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000	2022 €'000	2021 €'000	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Assessed contributions	6 900	10 689	-	-	-	-	-	-	321 282	318 872
Voluntary contributions	-	(27)	-	-	-	-	-	-	267 471	236 716
Pension contributions	-	-	-	-	114 334	110 934	-	-	123 328	118 782
Sales of publications	(2)	-	-	-	-	-	-	-	18 735	17 402
Other	1 557	1 310	5 613	10 988	-	-	-	-	26 255	26 280
Total revenues	8 455	11 972	5 613	10 988	114 334	110 934	-	-	757 071	718 052
Personnel	2 198	1 463	(8 664)	(7 369)	-	-	(5 534)	(2 635)	438 324	413 117
Pension & post-employment benefits	-	512	-	-	75 814	72 426	282 886	343 752	372 090	428 835
Consulting	951	510	-	-	-	-	(252)	(213)	62 620	60 102
Travel	6	6	-	-	-	-	-	-	15 265	1 845
Operating	6 553	8 471	1 582	1 511	-	-	14 073	9 269	83 031	75 454
Other	11	3	-	-	2	2	755	428	3 933	1 727
Total expenses	9 719	10 965	(7 082)	(5 858)	75 816	72 428	291 928	350 601	975 263	981 080
Surplus/ (deficit) from operating activities	(1 264)	1 007	12 695	16 846	38 518	38 506	(291 928)	(350 601)	(218 192)	(263 028)
Other financial revenue and expenses, net	(216)	2 423	14	2	6 082	8 166	-	-	6 207	10 641
PERF investment income	-	-	(17 837)	17 771	(155 570)	150 595	-	-	(173 407)	168 366
Total fin. revenue and expense, net	(216)	2 423	(17 823)	17 773	(149 488)	158 761	-	-	(167 200)	179 007
Surplus / (deficit) from ordinary activities	(1 480)	3 430	(5 128)	34 619	(110 970)	197 267	(291 928)	(350 601)	(385 392)	(84 021)
Internal invoicing	(39)	(23)	(2)	(1)	-	-	-	-	-	-
Overhead	-	-	-	-	-	-	-	-	-	-
Voluntary Contribution cost recoveries	(411)	(143)	-	-	-	-	-	-	-	-
Internal transfers	-	(3)	(32)	(29)	(617)	(623)	-	-	-	-
Total internal operations	(450)	(169)	(34)	(30)	(617)	(623)	-	-	-	-
Net surplus / (deficit) for the period	(1 930)	3 261	(5 162)	34 589	(111 587)	196 644	(291 928)	(350 601)	(385 392)	(84 021)

Note 24: Organisation's Resources and Appropriations

The Organisation operates a results-based planning, budgeting and management framework that seeks to direct the Organisation's efforts to the identified policy impacts approved by Member governments. Resources are deployed to achieve these outcomes through the Programme of Work and performance is evaluated after the fact.

The focus on results aims to sharpen accountability at all levels in the Organisation, to reassure Member countries that the resources they entrust to the Organisation are managed efficiently and used for the purposes for which they were intended. It ensures both that the Organisation's outputs respond to the most important policy concerns of governments, and that the results achieved are the ones expected in terms of policymaking in the capitals.

The Organisation's Programme of Work and Budget (PWB) forms part of an integrated, continuous management cycle linking planning, prioritisation, budgeting, reporting and evaluation.

Since 2002, the Organisation has had in place a Strategic Management Framework based on six Strategic Objectives that reflect the OECD Convention. These are:

1. Promote sustainable economic growth, financial stability and structural adjustment.
2. Provide employment opportunities for all, improve human capital and social cohesion and promote a sustainable environment.
3. Contribute to shaping globalisation for the benefit of all through the expansion of trade and investment.
4. Enhance public- and private-sector governance.
5. Contribute to the development of non-Member economies.
6. Provide effective and efficient corporate management.

These Strategic Objectives cascade down to Output Groups and, at a lower level, to Output Areas. The Strategic Management Framework provides the basis for Council decisions on resource allocation and for Committee planning, budgeting and reporting.

Table 43 shows the amount of the original Budget of income and expenditure for 2022 that was approved by Council in 2021, and the final Budget, which includes commitments carried forward from 2021, appropriations carried forward for certain Part II Programmes and, in accordance with the provisions of the Financial Regulations, new, revised and supplementary budgets approved in 2022. This budget does not include voluntary contributions.

Table 43. Budgeted resources and appropriations

	Budget Amount		Actual*	Difference Final Budget and Actual €'000
	Original Budget	Final Budget		
	€'000	€'000		
Income				
Part I	209 886	224 387	224 913	526
Part II	113 390	132 376	134 562	2 186
Annex budgets	78 979	79 812	80 768	956
Pre-Accession budgets	7 803	7 803	7 803	-
Post-Accession budget	-	512	512	-
Fixed fees from post-2017 Members	2 000	2 055	2 055	-
Total income	412 058	446 945	450 613	3 668
Expenditure				
Part I	209 886	224 387	224 287	100
Part II	113 390	132 376	116 716	15 660
Annex budgets	78 979	79 812	80 049	(236)
Pre-Accession budgets	7 803	7 803	3 919	3 884
Post-Accession budget	-	512	512	
Fixed fees from post-2017 Members	2 000	2 055	2 055	
Total expenditure	412 058	446 945	427 538	19 408
Net result				
Part I			626	626
Part II			17 846	17 846
Annex budgets			720	720
Pre-Accession budgets			3 884	3 884
Post-Accession budget				
Fixed fees from post-2017 Members				
Total net result			23 076	23 076

* Actual Expenditure is the sum of disbursements plus expenditure committed but not paid at the financial period end that will be carried forward to the next financial period under Financial Regulation 10§ 1.

The Part I Budget shows an income surplus of M€ 0.5 and unspent appropriations of M€ 0.1.

Part I Budget income is higher than budget due principally to a positive variance on short term investment income arising from higher than expected interest rates in the latter part of 2022 (M€ +1.1). This positive variance was offset by negative variances on other income lines, mainly on Members' assessed contributions due to the cap on increases in assessed contributions (M€ -0.3) and lower than planned "Other contributions and fees" due mainly to the exclusion of Russia from all OECD Bodies (M€ -0.2).

Part I Budget expenditure is under budget by M€ 0.1. Some budget adjustments between Output Groups were made during the year, resulting in this overall positive result. This positive balance is the result of minor over or under expenditure across Output Groups and will be used to fund the one-off budgetary adjustment resulting from the

change in accounting method for publications income in the Publications Annex Budget, as planned in Council decision [C\(2016\)149/REV1](#).

Part II shows a net result of M€ 17.8. This is attributable principally to those Part II Programmes who are authorised by Council to carry over part of their budgets as a smoothing mechanism for their future financing needs.

The pre-accession budget relates to Brazil, Bulgaria, Croatia, Peru and Romania following the adoption of Accession Roadmaps on 10 June 2022. Unspent appropriations are carried forward to 2023 (cf. "Note 1: General information").

The following schedule shows the original and final expenditure budgets as well as planned expenditure on voluntary contributions, actual expenditure against the Budget and voluntary contributions, and the difference between the Budget and planned expenditure for Part I, by Output Group, and for Part II, by Programme.

Table 44. Resources and appropriations by Output and Programme

	Budget Amount		Voluntary Contributions	Total	Expenditure ²			Difference:
	Original Budget €'000	Final Budget €'000	Planned Expenditure €'000	Final Budget and Planned Expenditure €'000	Budget Actual €'000	Voluntary Contributions €'000	Total €'000	Budget & Planned and Expenditure €'000
Part I: Output Group								
Economic Surveillance	22 253	22 756	5 946	28 702	22 756	3 158	25 914	2 788
Industrial and Sectoral Policies	3 449	3 474	6 755	10 229	3 429	5 800	9 230	999
Science and Technology Policies	8 076	8 173	8 884	17 057	8 247	8 180	16 427	630
Human and Social Capital	4 516	4 548	19 213	23 761	4 548	13 151	17 699	6 062
Employment Policies and Social Cohesion	6 957	7 007	12 799	19 806	7 020	10 687	17 706	2 100
Environmental Sustainability	9 280	9 784	19 977	29 761	9 784	16 319	26 103	3 658
Health System Performance	3 035	3 110	6 393	9 503	3 110	6 273	9 384	119
International Trade	6 252	6 359	1 260	7 619	6 360	391	6 751	868
Agriculture	7 559	7 677	515	8 192	7 678	1 152	8 829	(637)
Taxation	7 468	7 793	19 863	27 656	7 804	17 818	25 622	2 034
Business Climate	6 952	7 002	17 237	24 239	7 002	15 151	22 153	2 086
Competition and Market Efficiency	5 427	5 478	9 505	14 983	5 478	7 908	13 386	1 597
Public Sector Economics and Governance	8 024	8 073	51 574	59 647	8 070	50 378	58 449	1 198
Development	6 471	6 519	26 203	32 722	6 518	24 367	30 885	1 837
Global Relations	2 869	3 084	15 362	18 446	3 084	12 083	15 167	3 279
Corporate Management	12 815	12 907	1 763	14 670	12 788	1 390	14 178	492
Statistics	10 821	11 112	1 739	12 851	11 102	1 367	12 469	382
Corporate Services	68 893	68 983	44	69 027	69 431	144	69 575	(548)
Corporate Visibility	8 769	8 829	2 010	10 839	8 729	1 047	9 776	1 063
2021 Commitments carried forward		11 719		11 719	11 349		11 349	370
Total Part I	209 886	224 387	227 042	451 429	224 287	196 764	421 052	30 377
Part I: Difference Final Budget and Actual		224 387			224 287			100

	Budget Amount	Voluntary Contributions		Total	Expenditure ²			Difference:
	Original Budget	Final Budget	Planned Expenditure	Final Budget and Planned Expenditure	Budget Actual	Voluntary Contributions	Total	Budget & Planned and Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Part II Programmes								
International Energy Agency	30 069	31 555	30 225	61 780	31 512	28 852	60 364	1 416
Development Centre	6 907	6 390	11 896	18 286	6 350	9 512	15 862	2 424
The Sahel and West Africa Club	2 149	3 283	2 020	5 303	2 319	2 018	4 337	966
OECD Nuclear Energy Agency	11 600	12 361	4 589	16 950	12 351	5 409	17 760	(810)
Nuclear Energy Agency Data Bank	3 278	3 372	239	3 611	3 372	90	3 462	149
Centre for Educational Research and Innovation	3 836	4 128	5 000	9 128	3 840	1 276	5 116	4 012
International Transport Forum	6 528	7 541	5 452	12 993	6 778	5 295	12 073	920
Special Programme on the Control of Chemicals	1 858	2 002	1 319	3 321	1 958	1 599	3 557	(236)
Steel	693	698	781	1 479	698	701	1 399	80
Co-operative Research Programme: Sustainable Agricultural and Food Systems ¹	750	1 578		1 578	1 415		1 415	163
Co-operative Action Programme on Local Economic and Employment Development	1 284	1 334	6 540	7 874	1 328	4 495	5 823	2 051
Programme for the International Assessment of Adult Competencies	5 586	8 478	106	8 584	6 043	276	6 319	2 265
Financial Action Task Force	8 034	8 279	4 849	13 128	7 378	4 078	11 456	1 672
OECD Global Science Forum	589	625	179	804	625	220	845	(41)
Agricultural Codes and Schemes for International Trade ¹	1 328	1 751		1 751	1 702	48	1 750	1
Network on Fiscal Relations across Levels of Government	373	468	220	688	392	78	470	218
Shipbuilding	353	359	233	592	359	180	539	53
Global Forum on Transparency and Exchange of Information for Tax Purposes	4 963	7 652	5 623	13 275	4 424	6 291	10 715	2 560
Programme For Teaching And Learning International Survey	3 859	6 022	811	6 833	4 042	779	4 821	2 012

	Budget Amount	Voluntary Contributions		Total	Expenditure ²			Difference:
	Original Budget	Final Budget	Planned Expenditure	Final Budget and Planned Expenditure	Budget Actual	Voluntary Contributions	Total	Budget & Planned and Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
German Linguistic Section ¹	1 962	1 995		1 995	1 935		1 935	60
Italian Linguistic Section ¹	320	489		489	376		376	113
International Service for Remunerations and Pensions ¹	7 796	8 096		8 096	7 370	29	7 399	697
Reimbursable Posts ¹	2 799	2 799		2 799	2 401		2 401	398
Programme for International Student Assessment	6 476	11 121	6 257	17 378	7 748	5 133	12 881	4 497
Total Part II	113 390	132 376	86 339	218 715	116 716	76 359	193 075	25 640
Part II: Difference Final Budget and Actual		132 376			116 716			15 660
Adjustments ³						(243)	(243)	243
Total Part I and Part II	323 276	356 763	313 381	670 144	341 003	272 880	613 884	56 260

1. These Part II Programmes did not include 'Planned Expenditure' financed by Voluntary Contributions in their 2022 Programme of Work and Budget.

2. For the Budget, actual expenditure relates to the sum of disbursements plus expenditure committed but not paid at closing that will be carried forward to the next financial period under Financial Regulation 10§1.

3. Accounting adjustments.

The budget execution and the accounting bases differ. The financial statements of the Organisation are prepared on an accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. The budget execution is managed on a commitment basis by Output Group, Part II Programmes and Annex Budgets and on an accrual basis for the principal categories of revenue (assessed contributions and publication revenues). Commitments are defined in the Organisation’s Financial Regulations as “part or all of an appropriation that is formally reserved for identified expenditure and/or to meet a legal obligation on behalf of the Organisation”. The basis of the Budget may be considered to be on a “modified accrual basis”.

Table 45. Accounting basis - Budget vs Financial Statements

	Budget execution	Financial statements
Revenues:		
Assessed contributions	Accrual	Accrual
Voluntary contributions	N/A	Accrual
Publications	Accrual	Accrual
Other income	Cash/Accrual	Cash/Accrual
Interest income	Accrual	Accrual
Expenditures	Commitment	Accrual

Note 25 provides a reconciliation between the budgetary results and the financial statements.

Note 25: Reconciliation of budgetary results and results after IPSAS adjustments

As a general principle, the budget execution is managed on a commitment basis for expenditures (as described in “*Note 24: Organisation’s Resources and Appropriations*”) and an accrual basis for revenues whereas the financial statements recognise all income and expenditure on an accrual basis in accordance with IPSAS. IPSAS give rise to accounting adjustments which in many cases may be of a non-cash nature. In order to reconcile the Budget outturn with the results after IPSAS adjustments, this fundamental difference needs to be taken into account. The most significant differences are as follows:

a) *Revenue and expenditure*: For the budget, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses include only amounts accruing in a given year. The difference is treated as deferred revenue or expenses in accrual accounting.

b) *Capital expenditure*: For the budget, capital expenditures are recorded as current-year expenses. In accrual accounting, these expenses are capitalised as assets and depreciated over their useful lives. These capital expenditures and the associated accumulated depreciation result in assets being recorded at their net book value in the Statement of Financial Position. The annual depreciation expense is recorded in the Statement of Financial Performance.

c) *Pensions and post-employment healthcare*: For the budget, post-employment health care expenditure is accounted for on a pay-as-you-go basis. For pension benefits, the budget contributions are estimated on an actuarial basis to represent the long-term cost of the benefits provided. In addition to the normal budget contributions, Member countries provide supplementary pension budget contributions to meet unfunded past service costs.

In accrual accounting, the expense for both pensions and post-employment health cover is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 39. The pension and post-employment health cover benefits obligations are reported in the Statement of Financial Position as detailed in “*Note 17: Employee benefits*”.

The following *Table 46* shows the budgetary results reconciled with the results after IPSAS adjustments for the period as reported in the Statement of Financial Performance.

Table 46. Reconciliation of budgetary and accounting results

	Budgetary results to be allocated (1)	Transfer to reserves and carry-forward to 2023 (2)	Results for the period (3) = (1) + (2)	IPSAS adjustments (4)	Nature of reconciling adjustments	Net results for the period (3) + (4)
	€'000	€'000	€'000	€'000		€'000
Part I	626	-	626	6 277	a	6 903
Part II	17 846	-	17 846	443	a	18 289
Annex budgets	720	-	720	(697)	a	23
Pre-Accession budgets	3 884	(3 884)	-	-		-
Post-Accession budget	-	-	-	-		-
Fixed fees from post-2017 Members	-	-	-	-		-
Subtotal - Budget operations	23 076	(3 884)	19 192	6 023		25 215
Non-budgetary operations	-	(380)	(380)	(1 550)		(1 930)
Pension Budget and Reserve Fund (PBRF)	-	(111 587)	(111 587)	-		(111 587)
Post-Employment Healthcare Liability Reserve (PEHLR)	-	(5 162)	(5 162)	-		(5 162)
Subtotal - Other operations	-	(117 129)	(117 129)	(1 550)		(118 679)
Change in employee defined benefit liabilities - Pensions	-	-	-	(224 537)	c	(224 537)
Change in employee defined benefit liabilities - Healthcare	-	-	-	(55 570)	c	(55 570)
Adjustments for fixed assets	-	-	-	(11 821)	b	(11 821)
Subtotal - Accounting adjustments	-	-	-	(291 928)		(291 928)
Net result for the period	23 076	(121 013)	(97 937)	(287 455)		(385 392)

The most significant of the IPSAS adjustments relates to changes in employee defined benefit liabilities. These changes are the sum of the annual current service cost and interest cost less the benefits paid. These are detailed in “*Note 17: Employee benefits*”.

Note 26: Proposed allocation of the results for the period

The results for 2022 will be allocated as follows, subject to approval by Council:

Table 47. Proposed allocation of net results

	2022	Proposed treatment of the results	
	Net results for the period	Transfer to reserves, long-term commitments and accumulated surplus / (deficit)	Budgetary net results to be allocated or carried forward to 2023*
	€'000	€'000	€'000
Part I	626	-	626
Part II	17 846	-	17 846
Annex budget	720	-	720
Pre-Accession budgets	-	-	-
Post-Accession budget	-	-	-
Fixed fees from post-2017 Members	-	-	-
Subtotal 1 - Budgetary results	19 192	-	19 192
Pension Budget and Reserve Fund (PBRF)	(111 587)	(111 587)	-
Post-Employment Healthcare Liability Reserve (PEHL)	(5 162)	(5 162)	-
CIBRF - Class 1	(380)	(380)	-
CIBRF - Class 2	(461)	(461)	-
CIBRF - Class 3	1 040	1 040	-
Indemnity and Benefits Fund (IBF)	(1 919)	(1 919)	-
Exchange differences – realised	1 216	1 216	-
Asbestos early retirement scheme	(52)	(52)	-
Part II - IEA - Loss of Employment	176	176	-
Subtotal 2 - Results associated with Reserves	(117 129)	(117 129)	-
Pension benefits liability	(224 537)	(224 537)	-
Post-employment healthcare liability	(55 570)	(55 570)	-
Subtotal 3 - Long-term commitments - IPSAS adjustments	(280 107)	(280 107)	-
Other IPSAS adjustments			
Included in Part I	6 277	6 277	-
Included in Part II	443	443	-
Included in Annex budgets	(697)	(697)	-
Included in Non-budgetary operations	(1 550)	(1 550)	-
Adjustments for fixed assets	(11 821)	(11 821)	-
Subtotal 4 - Other IPSAS adjustments	(7 348)	(7 348)	-
Net result for the period	(385 392)	(404 584)	19 192

* In accordance with the Financial Regulations and other Council decisions, k€ 526, k€ 12 647 and k€ 3 884 of the 2022 Part I, Part II and Annex budget results respectively are carried forward to 2023, based on automatic authorisation in the Programmes' mandates or subject to specific Council decisions in 2023. This is in addition to appropriations already included in the Organisation's 2023 Budget as "funding from prior years carry-forwards".

** See Note 19: Member countries' contributed interest and reserves.

Note 27: Contingencies and capital commitments

A. Contingencies

At 31 December 2022, an amount of M€ 18.6 of voluntary contribution transfers were subject to governmental approval (2021: M€ 11.8) (cf. “*Note 6: Accounts receivable and prepayments*”). All of these voluntary contributions have been concluded with donors and formally accepted by the Organisation to fund its Programme of Work.

The Organisation is or may be a party to a limited number of legal proceedings or technical disputes. Management believes that the liabilities or assets that might result from these litigations or disputes will not be material in relation to the Organisation’s operations or financial position.

Following discussions between the Organisation and the Member country in regard to the provisions noted in “*Note 16: Provisions for liabilities and charges*”, a sustainable solution has been found going forward.

In 2002, the Organisation set up an early retirement scheme for a closed group of employees that had been exposed to an asbestos risk. The scheme allows these employees to request early retirement if they are over 50 and less than 60 years of age, provided they meet certain conditions as to their job duties and medical condition. At 31 December 2022, no employee was receiving early retirement payments under the scheme. In the unlikely event that the last remaining eligible employee applied for benefits under the scheme, the maximum amount payable by the Organisation would be approximately M€ 0.5 over the period to June 2031.

Following a call for tender, the Organisation renewed its insurance contract for medical and other benefits for a period of five years from 1 January 2021 to 31 December 2025, with Malakoff Médéric (“the Insurer”), to cover payments of medical expenses, salary for long term sick leave, lump sum payments for death or permanent disability for any cause, and lump sum payments for death and permanent disability (partial or total) related to an accident at work or work-related illness.

This contract includes a provision under which the difference between the premiums due to the Insurer and the amounts paid out in claims each year is transferred by the Insurer to an equalisation provision, which is available to manage risk in respect of the events described above, thereby allowing premiums to be lower than would be the case had the provision not existed. The equalisation provision was re-established at M€ 5 at the start of the current contract, and the transfer of M€ 5.7 due to the Organisation at 31 December 2021 was allocated to the PEHLR upon its receipt in February 2022.

B. Capital commitments

a) Operating lease commitments

Future minimum lease payments for the following periods are:

Table 48. Operating lease commitments

	31 December 2022 € million	31 December 2021 € million
Within one year	25	22
In the second to fifth years inclusive	94	86
After five years	13	26
Total operating lease commitments	132	134

Operating lease payments represent rental payments for certain properties. The decrease in the total value of lease payments as at 31 December 2022 can primarily be attributed to the end dates of the leases for OECD Boulogne and the IEA’s premises moving one year closer.

b) Bank guarantees

The Organisation’s obligations to lessors of certain office premises are guaranteed by banks for a maximum of M€ 5.3. The guarantees are for obligations under leases for offices and parking for periods up to 30 November 2027.

C. Pensions

The Organisation's first defined-benefit Pension Scheme (COPS) was adopted by a Council Resolution of 16 November 1976 [C/M(76)20/FINAL]. The Council adopted a second defined-benefit Pension Scheme on 27 September 2001 [C(2000)221 and C/M(2001)18/PROV, item 306]. These acts constitute decisions that are binding upon the Organisation and its Member countries by virtue of Articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation for the Organisation towards pensioners and staff and an offsetting legal obligation for the Member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay pensions. Article 40 of both defined-benefit Pension Schemes confirms that pensions are a charge on the Organisation's Budget and provides a joint guarantee of that liability by each of its Member countries. That guarantee is equivalent in amount to the accrued pension obligation at 31 December 2022 of M€ 2 823 (2021: M€ 4 632), as shown in "Note 17: Employee benefits".

The 1976 Council Resolution of the Organisation adopted the first defined-benefit Pension Scheme for staff in service as of 1 July 1974. At this time, no dedicated capital funding mechanism was established towards the liabilities generated by staff service under the Pension Scheme, initiating an unfunded liability. In addition, under Article 44 of the Pension Scheme rules, staff whose service began prior to 1 July 1974 were given the option to surrender their holding in the Staff Provident Fund (the defined-contributions scheme in operation since 1957) in exchange for credit for past service under the Pension Scheme. In 1979, the Council agreed that such Provident Fund assets corresponding to the cost of validating past service under Article 44 of the Pension Scheme Rules, as well as accrued interest, be transferred to Member countries, creating additional unfunded liabilities in respect of this past service.

In the period up to 2000, pension payments were financed by the Organisation's Budget on a "pay as you go" basis. During this time, staff service every year created additional unfunded pension

liabilities, with no funding put aside in a dedicated reserve. To address this, since 2000 the Member countries participate in the constitution of a fund (Pension Budget and Reserve Fund) towards both the historical liability (pre-2000) and new liabilities resulting from staff in service every year (2000 onwards). The net assets of the Fund at 31 December 2022 were M€ 1 015.4 (2021: M€ 1 127.0).

Note 28: Contributions-in-kind

Staff-on-loan

Experts are sometimes made available to the OECD without charge mainly from Member governments as a way of increasing mutual co-operation and technical competence. As at 31 December 2022, there were 134 staff on loan at the OECD (2021: 115).

Premises

The OECD receives in-kind contributions of the right to use office space and other facilities in the execution of its Programme of Work. The Organisation has not received title to these properties which remain with the government providing the rights to use. The financial value of these facilities is not recognised in the Statement of Financial Position nor has the annual right to use been recognised in the Statement of Financial Performance.

The major contributions representing the right to use facilities are as follows:

- The Mexico Centre serves as a regional contact for a wide range of public affairs and communication activities. The premises are provided by the Mexican government (Ministry of Education).
- The OECD-Korea Policy Centre focuses on the following: Competition, Health and Social Policy, Public Governance and Taxation. The premises and facilities are provided by the Korean government.
- The OECD LEED Trento Centre for local development in Italy builds capacities for local development by facilitating co-operation, the transfer of expertise and the exchange of experience between OECD Members and partner countries. Facilities

- are provided by the Autonomous Province of Trento.
- Multilateral Tax Centres (MTCs) are established in Budapest, Vienna, Ankara, Mexico and Yangzhou as a forum for dialogue between OECD countries and partners on tax matters. In all cases, the physical facilities are provided free of charge by the respective governments. In addition, three centres for the OECD International Academy for Tax and Financial Crime Investigation have been established. One centre is based in Ostia, Italy, in facilities provided by the Italian Guardia de Finanza, the second in Buenos Aires, Argentina, in facilities provided by Argentina's Federal Administration of Public Revenues, and the third centre is based in Wako, Japan, in facilities provided by the National Tax Agency of Japan.
 - The OECD Istanbul Centre provides a platform for fostering international co-operation and high-level policy dialogue, supporting the Organisation's regional initiatives. The Centre is hosted in the premises of the Istanbul Chamber of Industry and financed by Türkiye.
 - The OECD has one office stationed in Beijing to support the Organisation's co-operation with China. Office facilities are provided by the Embassy of the Netherlands.
 - Some competition-related activities have been organised in Regional Centres for Competition (RCCs). There are currently two RCCs. One centre is in Budapest, whose office space is provided by the Hungarian Competition Authority. Another centre is hosted by the Peruvian Competition Authority in Lima.
 - The MENA-OECD Governance Programme Training Centre of Caserta, Italy was established to pursue the broadest dissemination of knowledge-sharing through innovative and cost-efficient means. The Italian National School of Administration provides office space and training facilities at its premises in Caserta (and office space in Rome) to accommodate the personnel dedicated to the functioning and administration of the Centre.
 - The OECD/CVM Centre on Financial Education and Literacy in Latin America and the Caribbean in Rio de Janeiro has been established to promote efficient financial education, through a range of activities including meetings, surveys, mutual learning through peer reviews, and research. The premises are provided by the Securities and Exchange Commission of Brazil.
 - The Financial Action Task Force (FATF) Training and Research Institute in Busan, Korea has been established to provide capacity-building and knowledge-sharing programmes to combat money laundering and terrorist financing. The premises are provided by the Metropolitan City of Busan.

Note 29: Key management personnel

The Organisation is governed by a Council composed of representatives of all the Member countries. The Organisation is under the direct control of the Member countries. It has no ownership interest in associations or joint ventures. Council Members receive no remuneration from the OECD for their roles.

The Council is presided over by the Secretary-General, who directs the Secretariat and implements the Organisation's Programme of Work, assisted by Deputy Secretaries-General and other senior managers and officers (key management personnel). They are remunerated by the Organisation. The Secretary-General also has the use of the Organisation's official residence.

Key management personnel (in FTE - full time equivalent) and their aggregate remuneration were as follows:

Table 49. Key management personnel remuneration

	2022	2021
Numbers in FTE		
• The Secretary-General, Deputies and other senior managers	6	5
• Senior officers	24	26
Total	30	31
Remuneration		
	€'000	€'000
Emoluments:		
• The Secretary-General, Deputies and other senior managers	1 997	1 812
• Senior officers	8 339	7 292
Subtotal	10 336	9 104
Leaving allowances:		
• The Secretary-General, Deputies and other senior managers	179	294
• Senior officers	236	489
Subtotal	415	783
Aggregate remuneration:		
• The Secretary-General, Deputies and other senior managers	2 176	2 106
• Senior officers	8 565	7 781
Total	10 751	9 887

Leaving allowances represent a lump-sum settlement of pension benefits to staff who have left the Organisation before having completed ten years' service, paid in accordance with the Staff Rules.

There was no other remuneration or compensation to key management personnel or their close family members.

Note 30: Related-party transactions

There were no material transactions with related parties during the years 2022 and 2021.

There were no loans to key management personnel or their close family members that were not available to other categories of staff.

GLOSSARY

BFMP: Budget and Financial Management Programme

CIBRF: Capital Investment Budget Reserve Fund

COPS: The Co-ordinated Organisations Pension Scheme

CVM: Centre on financial Education and Literacy

EONIA: Euro Over Night Index Average

EURIBOR: Euro Interbank Offered Rate

€STR: Euro Short Term Rate

FATF: Financial Action Task Force

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IBF: Indemnities and Benefits Fund (IBF)

IEA: International Energy Agency

IFRS: International Financial Reporting Standards

INTOSAI: International Organisation of Supreme Audit Institutions

IPSAS: International Public Sector Accounting Standards

IPSASB: International Public Sector Accounting Standards Board

ISRP: International Service for Remunerations and Pensions

ISSAI: International Standards of Supreme Audit Institutions

MTCs: Multilateral Tax Centres

NPS: New Pension Scheme

PBRF: Pension Budget and Reserve Fund

PEHLR: Post-Employment Healthcare Liability Reserve

PERF: Post-Employment Reserve Fund

PWB: Programme of Work and Budget

RCCs: Regional Centres for Competition

SAA: Strategic Asset Allocation

SAI: Supreme Audit Institution