ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

Financial Statements of the Organisation for Economic Co-operation and Development as at 31 December 2019

[BC(2020)13]

The financial statements were audited by Najwyższa Izba Kontroli, Supreme Audit Office of Poland, and were approved by the OECD Council on 10 December 2020.

DECLASSIFIED

Table of contents

Tables

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

Audit Opinion on the OECD Financial Statements

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 2019, 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.

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 2019, 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 ISSAI 10 – Mexico Declaration of SAI[1] 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 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 Banaś

President of NIK
Chairman of the OECD Audit
Steering Committee

Wieslaw Kurzyca

Mission Head
of OECD External Audit

28 May 2020
Supreme Audit Office
ul. Filtrowa 57
Warsaw, Poland

[1] SAI – Supreme Audit Institution

REPORT OF MANAGEMENT

20 May 2020

REPORT OF MANAGEMENT

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 disposition 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 2019 and of the results of operations and cash flows for the year ended at that date.

Angel Gurría Secretary-General	**Josée Touchette** Executive Director	**Ana José Varela** Head of Programme, Budget and Financial Management Service

OECD Statement of Financial Position

	Notes	31 December 2019 €'000	31 December 2018 (restated) €'000
ASSETS			
Current assets			
Cash and cash equivalents, unrestricted	5	217 667	195 106
Cash and cash equivalents, restricted	5	44 504	60 345
Inventories	10	279	255
Accounts receivable and prepayments	6	231 375	189 480
Staff loans receivable	7	5 806	6 108
Total current assets		**499 631**	**451 294**
Non-current assets			
Accounts receivable and prepayments	6	69 406	56 364
Staff loans receivable	7	9 081	9 554
Investments and security deposits	8	933 503	747 733
Furniture, fixtures and equipment	11	31 839	28 228
Land and buildings	12	572 065	503 966
Intangible assets	13	8 406	5 719
Total non-current assets		**1 624 300**	**1 351 564**
TOTAL ASSETS		**2 123 931**	**1 802 858**
LIABILITIES			
Current liabilities			
Borrowings	14	16 018	15 000
Payables	15	155 942	146 194
Provisions for liabilities and charges	16	2 204	678
Employee benefits	17	104 908	100 340
Deferred revenue	18	208 586	176 836
Total current liabilities		**487 658**	**439 048**
Non-current liabilities			
Borrowings	14	33	-
Payables	15	5 080	-
Employee benefits	17	5 306 821	4 370 539
Deferred revenue	18	182 514	165 822
Total non-current liabilities		**5 494 448**	**4 536 361**
TOTAL LIABILITIES		**5 982 106**	**4 975 409**
NET ASSETS		**(3 858 175)**	**(3 172 551)**
Reserves and long-term commitments	19	(3 900 844)	(2 966 342)
Accumulated surplus / (deficit)	19 & 26	42 669	(206 209)
TOTAL NET ASSETS		**(3 858 175)**	**(3 172 551)**

OECD Statement of Financial Performance

		31 December 2019	31 December 2018 (restated)
		€'000	€'000
REVENUES	Notes		
Assessed contributions	20	300 367	313 012
Voluntary contributions	20	219 347	199 132
Pension contributions	17 & 20	102 581	99 307
Sales of publications	20	17 433	17 195
Other	20	25 996	23 783
Total operating revenues		**665 724**	**652 429**
EXPENSES			
Personnel	21	375 950	354 585
Pension and post-employment benefits	17 & 21	207 590	276 914
Consulting	21	51 425	54 225
Travel	21	28 765	29 168
Operating	21	79 910	78 164
Other	21	3 597	2 545
Total expenses		**747 237**	**795 601**
Deficit before net financial revenue		**(81 513)**	**(143 172)**
Financial revenue	22	5 458	6 619
Post-Employment Reserve Fund (PERF) investment gain / (loss)	22	151 438	(38 976)
Financial expenses	22	(387)	(355)
SURPLUS / (DEFICIT) FOR THE PERIOD	19 & 26	**74 996**	**(175 884)**

OECD Statement of Changes in Cash Flows

		31 December 2019	31 December 2018 (restated)
		€'000	€'000
Cash flow from operating activities	Notes		
Surplus / (deficit) from ordinary activities		74 996	(175 884)
Depreciation, net	11,12 & 13	19 631	19 617
Loss / (gain) on disposal of fixed assets	11,12 & 13	55	(16)
Increase / (decrease) in provisions for liabilities and charges	16	1 526	(70)
Defined benefit programmes expense	17	120 165	193 969
Decrease / (increase) in receivables	6	(54 937)	8 267
Decrease / (increase) in inventories	10	(24)	11
Decrease / (increase) in investments due to revaluation - PERF	8	(129 757)	47 788
Increase / (decrease) in payables	15	14 828	(5 120)
Increase in deferred revenue	18	48 442	23 743
Net cash flow from operating activities		**94 925**	**112 305**
Cash flow from investing activities			
Purchase of fixed assets	11,12 & 13	(15 262)	(9 535)
Proceeds from sale of fixed assets	11,12 & 13	21	23
Decrease in staff loan programme	7	775	484
Decrease in financial assets - Staff Provident Fund	8	150	2 115
Decrease / (increase) in financial assets - other	8	187	(81)
Net purchase of investments - PERF	8	(56 350)	(43 835)
Net cash flow from investing activities		**(70 479)**	**(50 829)**
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	17	(150)	(2 115)
Proceeds from borrowings	14	32 054	30 000
Repayment of borrowings	14	(31 003)	(30 000)
Credits to Member countries and others	19	(18 627)	(23 203)
Net cash flow from financing activities		**(17 726)**	**(25 318)**
Net increase in cash and cash equivalents		**6 720**	**36 158**
Cash and cash equivalents at beginning of period	5	255 451	219 293
Cash and cash equivalents at end of period	**5**	**262 171**	**255 451**

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.

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OECD Statement of Changes in Net Assets

	Long-term commitments and associated reserves	Technical reserves	Budgetary reserves	**Total reserves**	Surplus / (deficit) for the period	Accumulated deficit (prior period)	**Total**
	€'000	€'000	€'000	**€'000**	€'000	€'000	**€'000**
Balance at 31 December 2017 (restated)	**(3 046 513)**	**513 167**	**9 342**	**(2 524 004)**	**(48 854)**	**(11 864)**	**(2 584 722)**
Allocation of prior year result	(51 558)	(564)	(832)	**(52 954)**	48 854	4 100	**-**
Utilisation of reserves and budget surpluses added to future budgets	-	-	(642)	**(642)**	-	(20 524)	**(21 166)**
Budget surpluses to be returned to Member countries and other donors	-	-	-	**-**	-	(2 037)	**(2 037)**
Transfers / revaluations	(388 691)	(336)	285	**(388 742)**	-	-	**(388 742)**
Deficit for the period	-	-	-	-	(175 884)	-	**(175 884)**
Subtotal	(440 249)	(900)	(1 189)	**(442 338)**	(127 030)	(18 461)	**(587 829)**
Balance at 31 December 2018 (restated)	**(3 486 762)**	**512 267**	**8 153**	**(2 966 342)**	**(175 884)**	**(30 325)**	**(3 172 551)**
Allocation of prior year result	(195 472)	2 969	399	**(192 104)**	175 884	16 220	**-**
Utilisation of reserves and budget surpluses added to future budgets	-	-	(405)	**(405)**	-	(5 535)	**(5 940)**
Budget surpluses to be returned to Member countries and other donors	-	-	-	**-**	-	(12 687)	**(12 687)**
Transfers / revaluations	(821 240)	79 247	-	**(741 993)**	-	-	**(741 993)**
Surplus for the period	-	-	-	**-**	74 996	-	**74 996**
Subtotal	(1 016 712)	82 216	(6)	**(934 502)**	250 880	(2 002)	**(685 624)**
Balance at 31 December 2019	**(4 503 474)**	**594 483**	**8 147**	**(3 900 844)**	**74 996**	**(32 327)**	**(3 858 175)**

'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 36 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 36 Members of the Organisation are Australia, Austria, Belgium, Canada, Chile, 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, Turkey, United Kingdom and the United States.

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

The Organisation is funded primarily by assessed contributions from its Member countries, within the framework of a biennial Programme of Work and Budget. It also receives voluntary contributions to fund outputs in its Programme of Work. However, these do not form part of the Budget.

The Budget is the act whereby Council accords the necessary commitment authorisations and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities. It determines the amount of contributions to be paid by Members after taking into account other resources of the Organisation.

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 the total Budget in 2019. 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.

In May 2013, the OECD Council decided to launch accession discussions with Colombia and Latvia. Latvia became a Member of the Organisation on 1 July 2016. In April 2015, the Council invited Costa Rica and Lithuania to open accession discussions. Lithuania became a Member of the Organisation on 5 July 2018. Colombia signed an accession agreement on 30 May 2018 and will become a Member of the Organisation on the date on which it deposits its instrument of accession to the OECD Convention. Following a meeting of the Council on 12 March

2014, activities related to the accession process for the Russian Federation to the OECD are postponed for the time being.

Note 24 gives further details of the income and expenditure of the Budget and actual results for 2019. 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.

The Organisation is based in Paris, France. An office space rationalisation programme was completed in November 2016. 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"*).

Close to 100 partners and international organisations participate in the Organisation's Programme of Work. Partners may participate in OECD Part I Bodies/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 has progressively sought to expand cooperation and engage more formally with five Key Partners: Brazil, China, India, Indonesia and South Africa since 2007.

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

In 2013, the Organisation adopted IPSAS 28 ("Financial Instruments: Presentation"), IPSAS 29 ("Financial Instruments: Recognition and Measurement") and IPSAS 30 ("Financial Instruments: Disclosures").

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. Capitalised software with infinite useful lives are not amortised but are tested for impairment, as a minimum, on an annual basis.

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 - 33 years
- Fixtures and fittings: 5 - 25 years
- Other fixed assets: 3 - 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

Finance leases

Assets acquired under finance leases are recognised as assets and the associated lease obligations as liabilities, at the commencement of the lease term, in the Statement of Financial Position. The assets and liabilities are recognised at amounts equal to the fair value of the leased equipment, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable owned assets (*cf. Significant Accounting Policy - Tangible Assets*). Leased assets are fully depreciated over the shorter of the lease term and their useful lives, when ownership is not expected to be transferred at the end of the lease period.

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. Due to the short- to medium-term focus of publications, a provision for depreciation is made for all printed publications issued prior to 2016, as well as for more-recent issues with inventory on hand in excess of one year's sales volume. Free publications are valued at cost.

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.

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 Post-Employment Reserve Fund 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.

These financial assets consist mainly of units in investment funds. The investment funds may be invested in bonds, equity, real estate, infrastructure funds and derivative financial instruments, 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, as summarised below:

a) Market risk

This 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: foreign currency risk, interest rate risk and other price risk.

b) 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.

c) 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.

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. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and 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 provision 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; and the New Pension Scheme (NPS), launched in 2002.

Most OECD employees and pensioners belong to these two schemes.

As noted above, the Staff Provident Fund was closed to new entrants in 1974, at which point it was replaced by the COPS – a scheme that is also in effect in the five other organisations that have decided to co-ordinate their pay and pension policies.

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 2015-2019 and 2020–2024.

Table 1. Pension Scheme Contribution Rates

	2020-2024	2015-2019
Staff Contribution		
COPS	11.8%	9.5%
NPS	11.8%	9.3%
Employer's Contribution		
COPS	23.6%	19.0%
NPS	17.7%	14.0%

The International Service for Remunerations and Pensions (ISRP) administers the pension schemes of 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 2019, 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.

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 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. With the exception of 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 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.

Site project - Deferred revenues

The Site Project (2003–2014) consisted of the renovation of OECD owned buildings, removal of asbestos and the creation of a new Conference Centre at the La Muette site in Paris. Members' contributions to the Site Project were deferred in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", and subsequently recognised in the Statement of Financial Performance over the useful lives of the assets. Following the formal closure of the Site Project Budget by Council in 2019, Site Project revenue is not deferred in accordance with IPSAS 23 – Revenue from Non-Exchange Transactions. Site Project revenues have been restated in the Statement of Financial Performance for the periods ended 31 December 2019 and 2018.

Consequently the Statements of Financial Position, Financial Performance, Changes in Cash Flows and Changes in Net Assets, as well as Tables 37, 38, 39 and 43, have been restated for 2018.

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 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

	2019 €'000	2018 €'000
Unrestricted		
Cash on hand	2	6
Bank deposits & cash equivalents - Euros	216 041	193 244
Bank deposits & cash equivalents - Other currencies	1 624	1 856
Total unrestricted cash	**217 667**	**195 106**
Restricted		
Bank deposits & cash equivalents - PBRF	21 084	26 929
Bank deposits & cash equivalents - Other	23 420	33 416
Total restricted cash	**44 504**	**60 345**
Total cash and cash equivalents	**262 171**	**255 451**

Unrestricted cash

Unrestricted cash and cash equivalents, which constitute the Organisation's general treasury funds, are held in interest-bearing bank accounts, money-market accounts, bank savings accounts and in an insurance contract. General treasury funds comprise all cash and cash equivalents available for the operating expenditures of the Part I and Part II budgets and voluntary contributions.

As at 31 December 2019, the general treasury balance totalled M€217.7, versus M€195.1 at year-end 2018. Net cash positions were positive throughout the year. The cash balance at 31 December 2019 was higher than the cash balance at 31 December 2018 despite an increase in assessed contributions payable to the Organisation. Total outstanding assessed contributions balances were M€61.2 at 31 December 2019 compared to M€39.7 (restated) at 31 December 2018 - (*cf. "Note 6: Accounts receivable and prepayments"*). Following a Council decision, in 2019 a budgetary surplus plus interest totalling M€9.2 resulting from the implementation of the office space strategy was reclassified from restricted funds to general treasury.

Restricted cash

Restricted cash and cash equivalents (M€44.5 at 31 December 2019) are deposits earmarked for specific purposes and appropriated to reserves.

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 2019, these cash holdings and bank deposits, excluding those held as part of the PERF long-term investment portfolio, accounted for 2.2% of the PBRF's total assets (2018: 3.5%). 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€23.4 at 31 December 2019, comprising funds allocated to the CIBRF (M€22.2), the PEHLR (M€0.3) and the OECD Staff Association's funds (M€0.9).

Funds allocated to the Capital Investment Budget Reserve Fund (CIBRF) amounted to M€22.2 at 31 December 2019 (2018: M€21.3). 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 may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2019 or in 2018.

Note 6: Accounts receivable and prepayments

Table 3. Accounts receivable and prepayments

	2019 €'000	2018 (restated) €'000
Current - accounts receivable and prepayments		
Assessed contributions - Member countries	56 019	35 606
Assessed contributions - non-Member countries participating in Part II Programmes	5 174	4 104
Provision for uncollected assessed contributions - non-Member countries participating in Part II Programmes	(776)	(609)
Voluntary contributions	149 075	126 488
Provision for uncollected voluntary contributions	(404)	(489)
Prepayments	2 780	2 856
Other receivables	19 476	21 625
Provision for uncollected other receivables	(477)	(469)
Publications	518	394
Provision for uncollected publications	(10)	(26)
Total current - accounts receivable and prepayments	**231 375**	**189 480**
Non-current accounts receivable		
Voluntary contributions	67 041	56 364
Other receivables	2 365	-
Total non-current – accounts receivable and prepayments	**69 406**	**56 364**
Total accounts receivable and prepayments	**300 781**	**245 844**

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

Assessed contributions receivable from Member countries at year-end 2019 have increased by M€20.4 compared to end December 2018.

Outstanding assessed contributions of non-Members, including international organisations, are M€1.1 higher at year-end 2019 as compared with their arrears at the end of December 2018.

Total voluntary contributions receivable (current and non-current) have increased from year-end 2018 to year-end 2019 (increase of M€33.3). This reflects the overall value and timing of voluntary contributions accepted in 2019 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 2019, an additional M€10.3 (2018: M€8.6) of voluntary contribution transfers were not recognised as receivables as they were subject to governmental approval (*cf. "Note 27: Contingencies and capital commitments"*).

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€418 at 31 December 2019, compared to a reduction of K€321 in 2018 giving rise to a net financial expense of K€97 (*cf. "Note 22: Financial revenue and expenses"*).

Other receivables consist mainly of M€10.1 in reimbursable taxes (2018: M€14.7), receivables of M€2.0 from accession countries (2018: M€2.5) and receivables from Member countries for various services rendered, including office rental and staff costs. They also include M€ 5.1 to be recovered from pensioners relating to 2018 tax advances following changes in tax legislation in a Member country (*cf. "Note 15: Payables"*).

As at 31 December 2019, the "Assessed contributions – member countries fiscal adjustment" balance amounted to K€31 owed to relevant Member countries. This amount is therefore included in "Advances on assessed and voluntary contributions" in "*Note 15: Payables*", and the 2018 comparative figures have been restated accordingly.

Note 7: Staff loans receivable

Table 4. Staff loans receivable

	2019 €'000	2018 €'000
Current	5 806	6 108
Non-current	9 081	9 554
Total staff loans receivable	**14 887**	**15 662**

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€16.0 (2018: M€15.0), (*cf. "Note 14: Borrowings"*). The interest rate charged on staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, 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

	2019 €'000	2018 €'000
Deposits on office leases	360	547
Staff Provident Fund	15 281	15 431
Post-Employment Reserve Fund (PERF)	917 862	731 755
Total non-current investments and security deposits	**933 503**	**747 733**

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. Following the relocation to OECD Boulogne, the leased estate occupied by the Organisation has remained largely unchanged. The IEA moved out of some temporary office space in 2019 resulting in a decrease in the value of guarantee deposits.

Staff Provident Fund

The Staff Provident Fund was closed to new entrants in 1974, when participants were given the choice of remaining in the Fund or transferring their pension rights 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 ISRP.

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	15 390	41	**15 431**
Additions	296	-	**296**
Disposals	(415)	(31)	**(446)**
2019 Closing balance	**15 271**	**10**	**15 281**

Disposals were effected 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.

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€90.2 at 31 December 2019 (2018: M€67.0). The increase in 2019 can be explained by increasing expatriate allowance savings transferred to the PEHLR, the renegotiation of the insurance contact with Malakoff Médéric in 2016 on favourable terms and positive returns on the PERF for 2019 (*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	2018	Additions	Disposals	2019 before Revaluation	Gains / (losses) and/or foreign currency translation	2019	% of Portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	
Cash and cash equivalents							
Cash and cash equivalents	378	260 129	(260 248)	**259**	1	**260**	0.0%
Insurance capitalisation contract	50	-	(50)	**-**	-	**-**	0.0%
Fixed income	-	-	-	**-**	-	**-**	
EMU government bonds	50 348	-	(50 348)	**-**	-	**-**	0.0%
Global government bonds (H)	51 460	62 614	-	**114 074**	4 067	**118 141**	12.9%
Global corporate bonds (H)	54 824	3 937	-	**58 761**	5 462	**64 223**	7.0%
Equity	-	-	-	**-**	-	**-**	
Euro area equity	115 566	136 895	(115 566)	**136 895**	8 483	**145 378**	15.8%
Global equity (H)	132 453	7 272	-	**139 725**	33 116	**172 841**	18.8%
Global equity (UH)	132 245	2 569	-	**134 814**	41 196	**176 010**	19.2%
Emerging markets equity (H)	26 999	5 958	-	**32 957**	4 246	**37 203**	4.1%
Emerging markets equity (UH)	28 778	2 688	-	**31 466**	6 070	**37 536**	4.1%
Alternative investments	**-**	**-**	**-**	**-**	**-**	**-**	
Euro area listed real estate	39 107	-	-	**39 107**	9 559	**48 666**	5.3%
Infrastructure	99 547	500	-	**100 047**	17 557	**117 604**	12.8%
Total	**731 755**	**482 562**	**(426 212)**	**788 105**	**129 757**	**917 862**	**100.0%**

(H) Euro hedged
(UH) Unhedged

In addition to the investments disclosed in the table above, at 31 December 2019 management fee rebates totalling K€72 are receivable from external asset managers (2018: K€102). These are recognised as part of other receivables (*cf. "Note 6: Accounts receivable and prepayments"*). As at 31 December 2019, of the total investment portfolio of M€917.9 (excluding management fee rebates receivable), the share of the PEHLR is M€90.2 (9.8%).

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.

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. On 28 November 2016, a new Investment Strategy was approved by the Budget Committee, following the Second Five-Year Review of the PBRF. In 2019 investments and disposals were made primarily in bonds and equities.

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 investment of the PBRF and PEHL long term assets, which are held and invested together in the PERF. The Management Board sets the strategic asset allocation (SAA) of the PERF in accordance with its risk management strategy, both 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 other 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 representative offices in the US, Japan and Mexico;
- 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.

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

Financial Asset Class	Note	In €'000 at 31-12-2019 exchange rate									
		AUD	CAD	CHF	DKK	GBP	NOK	SEK	USD	OTHER	TOTAL
Cash and cash equivalents	5					49			1 280	295	1 624
Voluntary Contributions receivable*	6	687	843	3 781	2 376	31 602	658	9 690	15 950	479	66 066
Total		**687**	**843**	**3 781**	**2 376**	**31 651**	**658**	**9 690**	**17 230**	**774**	**67 699**
		€'000 impact of a 10% strengthening of the euro against all other currencies									
		AUD	CAD	CHF	DKK	GBP	NOK	SEK	USD	OTHER	TOTAL
Cash and cash equivalents	5					(5)			(116)	(27)	(148)
Voluntary Contributions receivable*	6	(62)	(77)	(344)	(216)	(2 872)	(60)	(881)	(1 450)	(44)	(6 006)
Total		**(62)**	**(77)**	**(344)**	**(216)**	**(2 877)**	**(60)**	**(881)**	**(1 566)**	**(71)**	**(6 154)**
		€'000 impact of a 10% weakening of the euro against all other currencies									
		AUD	CAD	CHF	DKK	GBP	NOK	SEK	USD	OTHER	TOTAL
Cash and cash equivalents	5					5			128	29	162
Voluntary Contributions receivable*	6	69	84	378	238	3 160	66	969	1 595	48	6 607
Total		**69**	**84**	**378**	**238**	**3 165**	**66**	**969**	**1 723**	**77**	**6 769**

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

(UH) Unhedged NE – Non existent

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	Medium	260
Fixed income			
Global government bonds (H)	8	NS	118 141
Global corporate bonds (H)	8	NS	64 223
Equity			
Euro area equity	8	NE	145 378
Global equity (H)	8	NS	172 841
Global equity (UH)	8	High	176 010
Emerging markets equity (H)	8	High	37 203
Emerging markets equity (UH)	8	Very High	37 536
Alternative investments			
Euro area listed real estate	8	Very Low	48 666
Infrastructure	8	High	117 604
Total portfolio (weighted)		**Medium**	**917 862**

(H) Euro hedged NS - Not significant

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 other OECD 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 Over Night Index Average (EONIA) and the three month Euro Interbank Offered Rate (EURIBOR).

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: Budget statements"*).

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

Interest revenue (expense)	Notes	2019	Interest rates 25 basis points higher	€'000 Difference	Interest rates 25 basis points lower	Difference
Cash and cash equivalents	5, 22	1 492	2 008	516	977	(515)
Voluntary Contributions receivable (amortised cost)	6, 22	(97)	(428)	(331)	236	333
Borrowings	14, 22	(58)	(98)	(40)	(18)	40
Total		**1 337**	**1 482**	**145**	**1 195**	**(142)**

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

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	Low	260
Fixed income			
Global government bonds (H)	8	Very High	118 141
Global corporate bonds (H)	8	High	64 223
Equity			
Euro area equity	8	Very Low	145 378
Global equity (H)	8	Very Low	172 841
Global equity (UH)	8	Very Low	176 010
Emerging markets equity (H)	8	Very Low	37 203
Emerging markets equity (UH)	8	Very Low	37 536
Alternative investments			
Euro area listed real estate	8	Low	48 666
Infrastructure	8	Very Low	117 604
Total portfolio (weighted)		**Medium**	**917 862**

(H) EUR hedged
(UH) Unhedged

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):

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	260
Fixed income					
Global government bonds (H)	8	NS	Very Low	Medium	118 141
Global corporate bonds (H)	8	High	Low	Medium/High	64 223
Equity					
Euro area equity	8	High	Very Low	High	145 378
Global equity (H)	8	High	Very Low	High	172 841
Global equity (UH)	8	High	Very Low	High	176 010
Emerging markets equity (H)	8	Very High	Medium	High	37 203
Emerging markets equity (UH)	8	Very High	Medium	High	37 536
Alternative investments					
Euro area listed real estate	8	Very High	Very Low	Medium	48 666
Infrastructure	8	Very High	Medium	Low	117 604
Total portfolio (weighted)		**Very High**	**Low**	**High**	**917 862**

(H) EUR hedged (UH) Unhedged

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 on 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 was last modified in November 2016. An interim review was done in 2019 confirming the optimality of this strategy.

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 31-12-2019 (€'000)
Cash and cash equivalents					
Cash and cash equivalents	8	Low	Low	Very Low	260
Fixed income					
Global government bonds (H)	8	High	Very Low	Very Low	118 141
Global corporate bonds (H)	8	Low	Very Low	Very Low	64 223
Equity					
Euro area equity	8	Very Low	Very Low	Very Low	145 378
Global equity (H)	8	Very Low	Very Low	Very Low	172 841
Global equity (UH)	8	Very Low	Very Low	Very Low	176 010
Emerging markets equity (H)	8	High	Low	Very Low	37 203
Emerging markets equity (UH)	8	Very Low	Low	Very Low	37 536
Alternative investments					
Euro area listed real estate	8	High	Very Low	Very Low	48 666
Infrastructure	8	High	High	Low	117 604
Total portfolio (weighted)		**Medium/High**	**Low**	**Very Low**	**917 862**

(H) EUR hedged (UH) Unhedged

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 latest available quarterly performance report dated 31 December 2019, the risk and risk-adjusted return measures of the PERF investment portfolio were as shown below:

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	5 years	
Absolute Market Risk				
Volatility PERF [a]	6.58%	6.65%	8.03%	6.73%
Volatility PERF benchmark	6.53%	6.38%	7.89%	6.37%
Relative Risk				
Correlation [b]	0.99	0.98	0.99	0.98
Tracking error [c]	0.93%	1.24%	1.10%	1.32%
Beta [d]	0.91	1.00	0.99	1.01
Risk-Adjusted Return				
Sharpe ratio PERF [e]	2.96	1.35	0.97	1.46
Sharpe ratio PERF benchmark	2.73	1.19	0.86	1.29
Information ratio [f]	1.82	1.09	0.93	1.24
Alpha [g]	3.61%	1.51%	1.16%	1.68%

[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's
[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.

The table above shows that the absolute risk is very close to that of the benchmark and lower than expected. The relative risk is low and in line with the Board's management decisions, and the risk-adjusted measures show that the extra risk taken has been well rewarded with extra return.

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.

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	S&P: A/A-1, Moody's: A1/P-1, Fitch: A+	210 379
Insurance capitalisation contract**	5, 8	S&P: AA-, Moody's: Aa3, Fitch: AA-	51 791
Staff loans receivable	7	NA	14 886
Assessed contributions receivable	6	NA	61 193
Voluntary contributions receivable	6	NA	216 116
Fixed income			
Global government bonds (H)	8	S&P: BBB+, Moody's: Baa1, Fitch: BBB+	118 141
Global corporate bonds (H)	8	S&P: A-, Moody's: A3, Fitch: A-	64 223
Equity			
Euro area equity	8	NA	145 378
Global equity (H)	8	NA	172 841
Global equity (UH)	8	NA	176 010
Emerging markets equity (H)	8	NA	37 203
Emerging markets equity (UH)	8	NA	37 536
Alternative investments			
Euro area listed real estate	8	NA	48 666
Infrastructure	8	NS	117 604

* Excluding petty cash balances. Credit ratings shown for Société Générale counterparty long term / short term. Société Générale cash and cash equivalents represent M€161.7 of the M€210.4 total
** Excluding the amount attributable to the Staff Provident Fund of K€ 15 271 at 31 December 2019
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 2019 are summarised in Table 16.

Table 16. Financial assets past due as at 31 December 2019

Financial Asset Class	Note	1-90 days	91-180 days	€'000 181-365 days	More than one year	Total
Assessed contributions receivable - Members	6	54 197			1 822	56 019
Assessed contributions receivable - associates	6	2 533			2 641	5 174
Voluntary contributions receivable*	6	5 490	3 155	1 106	1 195	10 946
Total		**62 220**	**3 155**	**1 106**	**5 658**	**72 139**

* 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"*).

Note 10: Inventories

Table 17. Inventories

	2019 €'000	2018 €'000
Finished publications	493	495
Diplomatic reserve	53	35
Gross inventories	**546**	**530**
Provision for depreciation of inventories	(267)	(275)
Net inventories	**279**	**255**

Finished publications include publications held for sale and publications issued free of charge. The provision for depreciation of inventories represents the write-down of inventories of finished publications to net realisable value. In order to minimise storage costs, publication stocks are reviewed to identify surplus stocks. In December 2019, approximately 15 000 surplus copies with an estimated cost of K€181 were destroyed. This operation is reflected in the table above in both 'Finished publications' and the 'Provision for depreciation of inventories' (*cf. "Note 21: Expenses"*).

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 2018 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	Revaluation €'000	31 December 2019 €'000
Cost of furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	16 561	-	-	3 432	-	19 993
Other furniture, fixtures and equipment	54 178	6 808	(6 381)	56	-	54 661
Fixed assets in progress	1 663	3 314	-	(3 488)	-	1 489
Total cost of furniture, fixtures and equipment	**72 402**	**10 122**	**(6 381)**	**-**	**-**	**76 143**
Depreciation						
Leasehold premises - fixtures and fittings	(3 391)	(1 701)	-	-	-	(5 092)
Other furniture, fixtures and equipment	(40 783)	(4 808)	6 328	-	-	(39 263)
Total depreciation	**(44 174)**	**(6 509)**	**6 328**	**-**	**-**	**(44 355)**
Net furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	13 170	(1 701)	-	3 432	-	14 901
Other furniture, fixtures and equipment	13 395	2 000	(53)	56	-	15 398
Fixed assets in progress	1 663	3 314	-	(3 488)	-	1 489
Total net furniture, fixtures and equipment	**28 228**	**3 613**	**(53)**	**-**	**-**	**31 788**

In 2019 the renovation of the International Energy Agency's main office space scheduled was completed and leasehold improvements with a cost of M€2.7 recognised. In addition, underground works at the Boulogne Annex were completed for a cost of M€0.6. As at 31 December 2019, a number of leasehold improvement projects are ongoing, the most significant being the fit-out of the sixth floor at the OECD's Boulogne Annex (M€1.3).

Acquisitions and disposals of furniture, fixtures and equipment per asset category, including transfers but excluding fixed assets in progress, in 2019 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	1 648	(2 365)	(717)
Furniture	759	(287)	472
Desktop and portable computer equipment	1 723	(1 706)	17
IT network equipment	2 132	(971)	1 161
Telecommunications equipment	66	(264)	(198)
Vehicles	59	(63)	(4)
Other equipment	477	(725)	(248)
Total	**6 864**	**(6 381)**	**483**

In addition to the acquisition of desktop and portable computer equipment, the Organisation acquired a small number of laptop computers, computer screens and related components under a finance lease.

Table 20. Assets under finance lease

Asset Category	31 Dec. 2018 €'000	Acquisitions €'000	Depreciation €'000	31 Dec. 2019 €'000
Desktop and portable computer equipment	-	54	(3)	51
Total	**-**	**54**	**(3)**	**51**

Based on the insurance value, works of art purchased, loaned or donated to the Organisation amounted to M€0.9 as at 31 December 2019 (*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 Muette, Paris.

Table 21. Land and buildings

	31 December 2018 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2019 €'000
At cost / fair value						
Land	112 590	-	-	-	-	112 590
Buildings	402 769	213	(60)	60	55 528	458 510
Buildings in progress	292	733	-	(60)	-	965
Total land and buildings	**515 651**	**946**	**(60)**	**-**	**55 528**	**572 065**
Depreciation						
Buildings	(11 685)	(11 672)	43	-	23 314	-
Total depreciation	**(11 685)**	**(11 672)**	**43**	**-**	**23 314**	**-**
Net land and buildings						
Land	112 590	-	-	-	-	112 590
Buildings	391 084	(11 459)	(17)	60	78 842	458 510
Buildings in progress	292	733	-	(60)	-	965
Total net land and buildings	**503 966**	**(10 726)**	**(17)**	**-**	**78 842**	**572 065**

During 2019, the capitalised building works per building, including transfers but excluding works in progress, and disposals were as follows:

Table 22. Land and buildings - acquisitions and disposals

Building	Acquisitions & Transfers €'000	Disposals €'000	Net Movement €'000
Conference Centre	246	(33)	213
Chateau	27	(27)	-
Total	**273**	**(60)**	**213**

During 2019 additional costs of M€0.2 for the new welcome facility in front of the Conference Centre were recognised.

Revaluation

Land and buildings that are measured at fair value were revalued on the basis of their fair market value at 31 December 2019, in accordance with the valuation made by *Domaine de Paris*. This fair market value is 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 23. Land and buildings - revaluation

	Revaluation variances	
	Recognised in the Statement of Financial Performance	Recognised in the Statement of Financial Position
	€'000	€'000
Balance 31 December 2018		
Revaluation increase on land	-	38 579
Revaluation increase on buildings	-	320 574
At 31 December 2019		
Revaluation increase on land	-	-
Revaluation increase on buildings	-	78 842
Net accumulated revaluation variances at 31 December 2019	**-**	**437 995**

A revaluation increase is normally recognised in reserves in the Statement of Financial Position. However, to the extent that it reverses a revaluation decrease previously recognised as an expense, a revaluation increase is recognised as income in the Statement of Financial Performance. In 2018, the revaluation reserve decreased due to the partial disposal of building components, the revaluation of which had been credited to the revaluation reserve in prior years.

Note 13: Intangible assets

Intangible assets consist of purchased software licenses and developed software.

Table 24. Intangible assets

	2018	Acqui-sitions / Depre-ciation	Dispo-sals	Trans-fers	2019
	€'000	€'000	€'000	€'000	€'000
Cost	14 032	1 601	(84)	345	15 894
Intangible assets in progress	137	2 539	-	(345)	2 331
Deprecia-tion	(8 450)	(1 447)	78	-	(9 819)
Total net intangible assets	**5 719**	**2 693**	**(6)**	**-**	**8 406**

During 2019 the Organisation acquired or developed a number of software and applications assets, including evolutions of its O.N.E. Members and Partners platform (M€0.4), O.N.E. Author (M€0.3) and ServiceNow (M€0.2). Intangible assets in progress at 31 December 2019 comprise the cost of digital development projects for the replacement and evolution of various corporate systems. Disposals are in respect of software and applications that have been replaced by either newer versions of the software or by alternative software and applications better suited to the Organisation's operations.

Note 14: Borrowings

Table 25. Borrowings

	2019	2018
	€'000	€'000
Relating to staff loan programme (see Note 7)	**16 000**	**15 000**
Relating to finance leases (see Note 11)		
Finance lease creditor – current	18	-
Finance lease creditor – non-current	33	-
Total borrowings	**16 051**	**15 000**

Borrowings to fund the staff loan programme are reviewed every six months. The related receivables are disclosed in *Note 7*: Staff loans receivable.

Note 15: Payables

Table 26. Payables

	2019 €'000	2018 (restated) €'000
Current - payables		
Suppliers and accrued charges	72 581	77 026
Payables to staff and welfare institutions	40 443	38 012
Advances on assessed and voluntary contributions	17 747	14 731
Other payables	25 171	16 425
Total current - payables	**155 942**	**146 194**
Non-current payables		
Other payables	5 080	-
Total payables	**161 022**	**146 194**

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€57.4 at 31 December 2019 (2018: M€60.6). 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. The increase in advances on assessed and voluntary contributions is primarily due to an increase in advances received for voluntary contributions at 31 December 2019. An amount of K€31 is also included for the "Assessed contributions – member countries fiscal adjustment" balance owed to Member countries at 31 December 2019. 2018 figures have been restated in order to include the comparable balance at 31 December 2018.

Other payables include budget surpluses and interest amounting to M€11.1 (2018: M€2.7), advance payments of M€5.7 (2018: M€6.6) for special projects and from accession countries, and M€5.1 (2018: M€0.0) relating to 2018 tax advances to be refunded to a Member country (*cf. "Note 6: Accounts receivable and prepayments"*).

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 2019 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 2018 have been approved by Council.

Note 16: Provisions for liabilities and charges

Table 27. Provisions

	Publications sales returns €'000	Tax provisions €'000	Other provisions €'000	Total €'000
Balance at the beginning of the year	143	-	535	678
Additional provisions raised	104	2 000	100	2 204
Amounts used	(80)	-	(356)	(436)
Unused amounts reversed during the year	(63)	-	(179)	(242)
Balance at the end of the year	**104**	**2 000**	**100**	**2 204**

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 were assessed taxes by a Member country for the years 2014 – 2019 on their OECD remuneration. In light of 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. The total estimated amount of taxes to be paid related to

these years is M€2, as calculated by the OECD Secretariat. Therefore, a provision for the reimbursement of taxes has been made at 31 December 2019 *(cf. "Note 27: Contingencies and capital commitments").*

Note 17: Employee benefits

Defined-contribution scheme

The Staff Provident Fund, which has been closed to new entrants since 1974, operates a defined-contribution scheme.

As the assets invested are held by the Organisation (*cf. "Note 8: Investments and security deposits*), a li"ability to the participants is recognised to offset the Fund's assets.

As at 31 December 2019, there were 123 members in the Staff Provident Fund (2018: 132) and all of these participants are retired. There is no obligation of the Organisation to contribute further.

Defined-benefit schemes

The Organisation has been operating employee defined-benefit plans that include a Co-ordinated Organisations Pension Scheme (COPS) co-ordinated with five other international organisations, a New Pension Scheme (NPS) for employees hired after 1 January 2002, and a post-employment health cover and a long-service benefit plan (end-of-service allowances) applicable to a group of employees that has been closed since 1993.

Table 28 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 28. Defined-benefit scheme membership

	31 December 2019	31 December 2018
Pensioners by Pension Scheme	**1 702**	**1 663**
COPS	1 624	1 594
NPS	78	69
Members with Deferred pension rights	**105**	**110**
COPS	71	84
NPS	34	26
Total Affiliated officials	**3 175**	**3 089**
COPS	538	583
NPS	2 637	2 506

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 2019, the main actuarial assumptions used to calculate the defined-benefit liability (expressed as weighted averages) were:

Table 29. Defined-benefit liability actuarial assumptions

	Pension benefits		Post-employment health coverage	
	2019	2018	2019	2018
Discount rate	0.91 %	1.70 %	1.01 %	1.83 %
Future salary increase	2.17 %	2.17 %		
Future COPS and NPS increase	1.93 %	-		
Future COPS increase	-	2.17%		
Future NPS increase	-	1.93%		
Future health cost increase			3.93 %	3.93 %

All demographic assumptions are reviewed every five years. A review last took place in 2017 resulting in the updating of these demographic assumptions, namely turnover, career progression,

invalidity, early retirement and new entrants. The mortality table applied was updated in 2018.

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 has been maintained at 3.93% at year-end 2019.

Provisions as at 31 December 2019:

Table 30. Provisions for pension scheme obligations and other social obligations

	31 December 2019 €'000	31 December 2018 €'000
Staff Provident Fund	15 281	15 431
Defined contribution schemes	**15 281**	**15 431**
Pension Scheme	4 596 910	3 839 883
Post-employment health coverage	799 538	615 565
Defined benefit schemes	**5 396 448**	**4 455 448**
Total employee benefits	**5 411 729**	**4 470 879**
Employee benefits current	104 908	100 340
Employee benefits non-current	5 306 821	4 370 539

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 discount rate used is based on market yields, at the reporting date, on euro-denominated French government bonds that have terms to maturity approximating the expected terms of the related benefit liabilities. For the 2019 actuarial valuation, the yield curve was derived from iBoxx indices using the Nelson-Siegel-Svensson model, as the yield curves used previously have not been published at end December. In 2018 yield curves established by the Institute of French Actuaries were used.

Table 31. Changes in the present value of defined benefit obligations

	31 December 2019			31 December 2018		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Opening employee future benefits obligation	(3 839 883)	(615 565)	**(4 455 448)**	(3 342 974)	(530 168)	**(3 873 142)**
Current service cost	(214 391)	(37 962)	**(252 353)**	(194 876)	(32 225)	**(227 101)**
Past service cost	102 329	-	**102 329**	-	-	**-**
Interest expense	(64 432)	(11 211)	**(75 643)**	(56 370)	(9 802)	**(66 172)**
Re-measurements	(680 092)	(140 743)	**(820 835)**	(338 687)	(49 650)	**(388 337)**
Net benefits paid	99 559	5 943	**105 502**	93 024	6 280	**99 304**
Closing employee future benefits obligation	**(4 596 910)**	**(799 538)**	**(5 396 448)**	**(3 839 883)**	**(615 565)**	**(4 455 448)**

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.

Past service cost (or benefit) is the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment, or curtailment.

Re-measurements comprise actuarial losses increasing the obligation. Actuarial losses (or gains) 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.

In accordance with IPSAS 39 "*Employee Benefits"*, the Organisation no longer recognises the deferral of actuarial gains and losses in line with the "corridor approach" previously permitted by IPSAS 25. As at year-end 2019, an actuarial loss of M€680.1 arose in respect of the pension liability (2018: actuarial loss of M€338.7). An actuarial loss of M€140.7 arose in respect of the post-employment health care (2018: actuarial loss of M€49.7). Hence, in 2019, actuarial losses of M€820.7 were generated in total (2018: actuarial losses of M€388.3). These movements are explained in further detail in the context of Tables 32 and 33 below.

Cost of defined-benefit schemes

Amounts recognised in the Statement of Financial Performance plus re-measurements (actuarial losses) that are attributable to pension benefits are shown in Table 32 below*:*

Table 32. Pension benefits – Statement of Financial Performance plus remeasurements

	Pension benefits					
	31 December 2019					31 December 2018
	Part I	PBRF	Other budgets	IPSAS adjustments	Total	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Net investment income	-	139 124	-	-	139 124	(30 662)
Member country PBRF contributions	-	56 010	-	-	56 010	54 648
Employer contributions	-	39 202	-	-	39 202	37 259
Other contributions (tax reimbursements)	-	-	7 369	-	7 369	7 400
Revenues for the year	**-**	**234 336**	**7 369**	**-**	**241 705**	**68 645**
Benefits paid	660	98 899	-	(99 559)	-	-
Current service cost	-	-	-	214 391	214 391	194 876
Past service cost	-	-	-	(102 329)	(102 329)	-
Interest expense	-	-	-	64 432	64 432	56 370
Employee contributions from salary	-	(24 120)	-	-	(24 120)	(22 769)
Employee contributions – other	-	(1 613)	-	-	(1 613)	(1 261)
Other expenses (tax reimbursements)	-	-	7 369	-	7 369	7 400
Expenses for the year: pensions *(cf. Note 21)*	**660**	**73 166**	**7 369**	**76 935**	**158 130**	**234 616**
Administration expenses	-	3	-	-	3	3
Amount recognised in surplus / (deficit)	**(660)**	**161 167**	**-**	**(76 935)**	**83 572**	**(165 974)**
Actuarial losses recognised in the year	-	-	-	(680 092)	(680 092)	(338 687)
Remeasurements recognised in net assets	-	-	-	(680 092)	(680 092)	**(338 687)**
Total surplus / (deficit) and re-measurements	**(660)**	**161 167**	**-**	**(757 027)**	**(596 520)**	**(504 661)**

The increase in total deficit in 2019 compared to 2018 for the pension can primarily be attributed to the recognition of higher actuarial losses, which arose on experience adjustments (see above) and financial assumptions, together with higher current service cost and interest cost and notwithstanding higher investment returns. The net actuarial loss of M€680.1 comprises a loss of M€787.7 due to a lower discount rate (a financial assumption, determined in accordance with the provisions of IPSAS 39), and experience gains of M€107.6. There were no changes in demographic assumptions.

Past service cost results from a change in the adjustment method for pensions in the COPS scheme, which is effective from 1 January 2020 together with the future withdrawal of the education allowance as of January 2030 for members of this scheme.

Investment returns on the PBRF investments were higher in 2019. As at 31 December 2019, 90.2% of this 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 re-measurements (actuarial losses) that are attributable to post-employment health coverage are shown in Table 33.

Table 33. PEHC – Statement of Financial Performance plus remeasurements

	Post-employment health coverage					
	31 December 2019					31 December 2018
	Part I	PEHLR	Non budgetary operations	IPSAS adjustments	Total	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Investment income	-	14 583	-	-	14 583	(3 160)
Transfer from equalisation provision	-	-	-	-	-	-
Net differential of contributions over costs	-	2 624	-	-	2 624	2 408
Expatriation allowance savings net of related administration costs	-	4 811	(4 811)	-	-	-
Revenues for the year	**-**	**22 018**	**(4 811)**	**-**	**17 207**	**(752)**
Benefits paid	3 311	-	2 632	(5 943)	-	-
Current service cost	-	-	-	37 962	37 962	32 225
Interest expense	-	-	-	11 211	11 211	9 802
Other expenses (maintenance of rights of former officials)	287	-	-	-	287	271
Expenses for the year: post-employment health coverage *(cf. Note 21)*	**3 598**	**-**	**2 632**	**43 230**	**49 460**	**42 298**
Amount recognised in surplus / (deficit)	**(3 598)**	**22 018**	**(7 443)**	**(43 230)**	**(32 253)**	**(43 050)**
Actuarial losses recognised in the year	-	-	-	(140 743)	(140 743)	(49 650)
Remeasurements recognised in net assets	**-**	**-**	**-**	**(140 743)**	**(140 743)**	**(49 650)**
Total surplus / (deficit) and remeasurements	**(3 598)**	**22 018**	**(7 443)**	**(183 973)**	**(172 996)**	**(92 700)**

The increase in total deficit in 2019 compared to 2018 for the post-employment health coverage can primarily be attributed to the recognition of higher actuarial losses, which arose on experience and financial assumptions, together with higher current service cost and interest cost and notwithstanding higher investment returns. The net actuarial loss of M€140.7 comprises a loss of M€171.1 due to a lower discount rate (a financial assumption), and experience gains of M€(30.4). There were no changes in demographic assumptions.

Investment returns on the PERF portfolio were higher in 2019. As at 31 December 2019, 9.8% of this portfolio was invested for post-employment health coverage entitlements (*cf. "Note 22: Financial revenue and expenses"*).

Sensitivity to medical cost inflation assumption

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

Table 34. Sensitivity to medical cost inflation

	+1% €'000	-1% €'000
Effect on the aggregate of the 2019 service cost and interest cost	32 431	(20 585)
Effect on the present value of the defined benefit obligation at 31 December 2019	291 087	(202 343)

Sensitivity to the discount rate

The choice of discount rate has a significant impact on the estimation of the defined benefit obligation. For 2019 the yield curve was derived from iBoxx indices using the Nelson-Siegel-Svensson model (*cf. "*Table 31- *Changes in the present value of the defined benefits obligations"*). This yield curve is slightly lower at 31 December 2019 than 31 December 2018. A half percentage point increase and decrease in the discount rate at 31 December 2019 would have the following effects on the present value of the defined benefit obligations:

Table 35. Defined benefit obligation discount rate sensitivity

	+0.5% €'000	-0.5% €'000
Pension benefits	(510 189)	606 437
Post-employment health coverage	(110 924)	134 818

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 as follows:

Table 36. Evolution of defined benefit liabilities related financial assets and experience adjustments

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Present value of defined benefit obligations					
[a] Pension liability	4 596 910	3 839 883	3 342 974	3 094 673	2 731 410
[b] Post employment health liability*	799 538	615 565	530 168	450 341	388 218
Total	**5 396 448**	**4 455 448**	**3 873 142**	**3 545 014**	**3 119 628**
Net value of assets*					
[a] PBRF	844 895	684 221	691 832	601 665	548 803
[b] PEHLR	90 551	68 959	65 495	53 363	26 160
Total	935 446	**753 180**	**757 327**	**655 028**	**574 963**
Experience adjustments on scheme liabilities - % of scheme liabilities					
[a] Pension liability - %	-2.8	0.1	1.9	-0.7	0.6
[b] Post employment health liability - %	-4.9	-3.9	3.9	-3.6	-3.8

* See Note 19.

Contributions of the Organisation expected in 2019

The Organisation expects to contribute approximately M€109 to its pension schemes in 2020.

Note 18: Deferred revenue

Table 37. Deferred revenue

	2019 €'000	2018 (restated) €'000
Current - deferred revenue		
Voluntary contributions	183 512	150 341
Publications	5 653	7 752
Other operations, Part I, Part II and Annex budgets	19 421	18 743
Total current - deferred revenue	**208 586**	**176 836**
Non-current - deferred revenue		
Voluntary contributions	182 422	165 659
Publications	92	163
Total non-current - deferred revenue	**182 514**	**165 822**
Total deferred revenue	**391 100**	**342 658**

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 2019.

2018 comparative figures have been restated following the change in accounting policy for the Site Project (*cf. "Note 3: Significant accounting policies"*).

Note 19: Member countries' contributed interest and reserves

Table 38. Member countries' contributed interest and reserves

	Before allocation of 2018 results	**Allocation of 2018 results**				**Change in net assets in 2019**			**Before allocation of 2019 results**
	31 December 2018 (restated)	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 2019
	€'000	€'000	€'000	€'000	**€'000**	€'000	€'000	€'000	€'000
Pension benefits	**(3 681 661)**	-	-	(158 223)	**(158 223)**	-	-	(680 092)	**(4 519 976)**
Pension Budget and Reserve Fund (PBRF) reserve	**691 832**	-	-	(7 611)	**(7 611)**	-	-	-	**684 221**
Post-employment health coverage	**(579 817)**	-	-	(35 748)	**(35 748)**	-	-	(140 743)	**(756 308)**
Post-Employment Health Liability (PEHL) reserve	**65 427**	-	-	3 532	**3 532**	-	-	(405)	**68 554**
Capital Investment Budget and Reserve Fund (CIBRF) Class 2	**19 148**	-	-	1 579	**1 579**	-	-	-	**20 727**
CIBRF Class 3	**104**	-	-	766	**766**	-	-	-	**870**
Publications - one off adjustment	**(1 795)**	-	-	233	**233**	-	-	-	**(1 562)**
Long-term commitments and associated reserves	**(3 486 762)**	**-**	**-**	**(195 472)**	**(195 472)**	**-**	**-**	**(821 240)**	**(4 503 474)**
Indemnities and Benefits Fund (IBF)	**7 885**	-	-	3 357	**3 357**	-	-	405	**11 647**
Fixed assets - Land and Buildings	**503 361**	-	-	-	**-**	-	-	78 842	**582 203**
Exchange differences	**1 021**	-	-	(388)	**(388)**	-	-	-	**633**
Technical reserves	**512 267**	**-**	**-**	**2 969**	**2 969**	**-**	**-**	**79 247**	**594 483**
CIBRF Class 1	**1 461**	-	-	(371)	**(371)**	-	-	-	**1 090**
Asbestos early retirement scheme	**365**	-	-	-	**-**	-	-	-	**365**
	Before allocation of 2018 results	**Allocation of 2018 results**				**Change in net assets in 2019**			**Before allocation of 2019 results**

	31 December 2018 (restated) €'000	IPSAS adjustments carried forward €'000	Budgetary surpluses to be allocated €'000	Previous year results added to reserves €'000	**Total €'000**	Utilisation of reserves and budget surpluses €'000	Budget surpluses to be returned to Member and non-Members €'000	Transfers / revaluations and current year deficit €'000	31 December 2019 €'000
BFMP project	**366**	-	-	(76)	**(76)**	-	-	-	**290**
Publications (Part I)	**839**	-	-	91	**91**	(261)	-	-	**669**
Part II - IEA - Net publications results	**2 982**	-	-	689	**689**	(144)	-	-	**3 527**
Part II - IEA - Office space	**552**	-	-	-	**-**	-	-	-	**552**
Part II - IEA - Loss of Employment	**997**	-	-	66	**66**	-	-	-	**1 063**
Part II - SLI - Loss of Employment	**31**	-	-	-	**-**	-	-	-	**31**
Part II - Sahel	**442**	-	-	-	**-**	-	-	-	**442**
Part II - Agriculture	**118**	-	-	-	**-**	-	-	-	**1 18**
Budgetary reserves	**8 153**	**-**	**-**	**399**	**399**	**(405)**	**-**		**8 147**
Total reserves	**(2 966 342)**	-	-	(192 104)	**(192 104)**	(405)	-	(741 993)	**(3 900 844)**
Allocation of the net deficit for the prior period	**(175 884)**	2 002	(19 693)	193 575	**175 884**	-	-	-	**-**
Net surplus for the current period		-	-	-	**-**	-	-	74 996	**74 996**
Net surplus / (deficit)	**(175 884)**	**2 002**	**(19 693)**	**193 575**	**175 884**	**-**	**-**	**74 996**	**74 996**
Accumulated surplus / (deficit)	**(30 325)**	**(2 002)**	**19 693**	**(1 471)**	**16 220**	**(8 251)**	**(9 971)**	**-**	**(32 327)**
Total Member countries' contributed interest and reserves	**(3 172 551)**	**-**	**-**	**-**	**-**	**(8 656)**	**(9 971)**	**(666 997)**	**(3 858 175)**

Member countries' contributed interest, excluding the accumulated deficit, primarily represents the liability related to Pension benefits and Post-employment health cover, detailed in Note 17, and a reserve for Land and Buildings owned by the Organisation.

The balance shown at 31 December 2019 excludes movements in the reserves for the current year that are included in the net surplus for the current period. The net surplus 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. 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]. Since 1 January 2012, savings generated by the new system of expatriation allowance are allocated to this reserve. 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 principally by Members' assessed contributions, cost recovery charges, and interest income.

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 49.25% in 2019 (2018: 49.94%).

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 2019 the balance of this adjustment is K€1 562.

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*).

The reserve for the Budget and Financial Management Programme (BFMP) was created by Council to partly finance the BFMP.

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.

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

Note 20: Revenue

Table 39. Revenue

	2019 €'000	2018 (restated) €'000
Assessed contributions	300 367	313 012
Voluntary contributions	219 347	199 132
Pension contributions	102 581	99 307
Sales of publications	17 433	17 195
Other	25 996	23 783
Total operating revenues	**665 724**	**652 429**

Assessed contributions called up for Part I, Part II and Annex Budgets changed in line with the annual Budget (2019: M€293.2; 2018: M€292.1). Revenue is recognised when these resources are approved. The amounts reported for assessed contributions also 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 2019 reflects the volume of voluntary contributions accepted in 2019 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 30*).

Publications income remained stable compared with 2018.

Other revenue is broken down as follows:

Table 40. Other revenue

	2019 €'000	2018 €'000
Accession countries	4 190	4 943
Non-Member countries' participation in OECD bodies	4 442	3 548
Other	17 364	15 292
Total other revenues	**25 996**	**23 783**

Revenue from accession countries is lower in 2019 than in 2018 due to the accession work being completed in 2018 for Lithuania.

Other revenues include employee health insurance contributions, employee salary reimbursements, supplementary contributions to ISRP, services invoiced to permanent delegations and miscellaneous cost reimbursements.

Note 21: Expenses

Table 41. Expenses

	2019 €'000	2018 €'000
Personnel costs:		
Salaries and benefits	358 174	336 316
Temporary staff salaries and benefits	16 216	16 810
Other personnel costs (incl. training)	1 560	1 459
Total personnel costs	**375 950**	**354 585**
Employee benefits – defined benefit schemes:		
Pension expenses (*cf. Note 17*)	158 130	234 616
Post-employment health coverage expenses *(cf. Note 17)*	49 460	42 298
Total employee benefits – defined benefit schemes	**207 590**	**276 914**
Total consulting costs	**51 425**	**54 225**
Travel costs:		
Travel costs missions - personnel	20 434	20 858
Travel costs - external invitees	8 331	8 310
Total travel costs	**28 765**	**29 168**
Operating costs:		
External services	10 159	9 825
Building rentals	17 475	16 157
Maintenance and repairs	11 149	10 832
Utilities	1 993	1 877
Consumables and supplies	3 446	3 762
Printing and reproduction	226	261
Conference, interpretation and translation	8 746	9 301
Communication	2 570	2 565
Marketing and receptions	2 473	2 147
External publications	2 058	1 748
Depreciation	19 631	19 617
Inventory variation	(16)	72
Total operating costs	**79 910**	**78 164**
Other costs:		
Non-refundable taxes and insurance	1 767	1 881
Other administration expenses and net operating gains and losses	186	120
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	1 644	544
Total other costs	**3 597**	**2 545**
Total expenses	**747 237**	**795 601**

The main variances between 2019 and 2018 are as follows:

- The increase in personnel costs is due primarily to the combined effects of the increase (approximately 4%) in staffing levels between 2018 and 2019 in line with the 2019-2020 Programme of Work and the effect of the approved salary adjustment in 2019.
- The decrease in pension and post-employment benefit costs can primarily be attributed to past service cost in 2019, following a change in the method of adjustment for pensions in the COPS scheme (*cf. "Note 17: Employee benefits"*).
- Personnel travel costs decreased by 2% despite the volume of missions remaining constant in 2019 compared with 2018. This is a reflection of the mix of geographical destinations. The cost of external invitees in 2019 remained stable in 2019 compared with 2018.
- Building rental costs relate primarily to OECD Boulogne and office space leased by the IEA. In July 2019 the International Energy Agency (IEA) moved back into their main office space following completion of renovations.
- The increase in marketing, receptions and external publications in 2019 is due to the demands of implementing Programme of Work related projects, an increasing number of which are funded by voluntary contributions.
- The increase in provisions for liabilities and charges is detailed in Note 16.

Note 22: Financial revenue and expenses

Table 42. Financial revenue and expenses

	2019 €'000	2018 €'000
Interest income on restricted cash	693	964
Interest income on general treasury cash	799	807
Net foreign currency conversion gain	3 966	4 848
Total financial revenue	**5 458**	**6 619**
Post-Employment Reserve Fund (PERF) realised investment gain	39 713	25 139
PERF unrealised investment gain / (loss)	111 725	(64 115)
PERF investment gain / (loss)	**151 438**	**(38 976)**
Interest expense	58	41
Bank charges	232	220
Other financial expense (net)	97	94
Total financial expenses	**387**	**355**
Financial revenue, net	**156 509**	**(32 712)**

Total financial revenue (net) increased by M€189.2 in 2019 compared with 2018, as shown above.

Interest income on restricted cash and on general treasury decreased by K€279 for the period ending 31 December 2019 as compared to the period ending 31 December 2018. Most of the restricted funds are invested with the AXA capitalisation contract, which yielded an interest rate of 1.95% in 2019 (2018: 2.28%). Restricted cash balances held for the PERF and other purposes, including the CIBRF, decreased from 2018 to 2019 as a M€9.2 surplus from the office space strategy was re-classified from restricted funds to general treasury. This re-classification combined with the lower interest rate on the AXA capitalisation contract resulted in lower interest income on restricted funds.

Short-term interest rates have decreased from 2018 to 2019 resulting in lower interest revenue on general treasury funds notwithstanding a higher average general treasury balance in 2019 compared to 2018. The general treasury funds are derived mostly from voluntary contributions received in advance of the related expenditure. The average EONIA overnight interest rate fell

from -0.363% in 2018 to -0.392% in 2019. The weighted average interest rate earned by the Organisation on these funds for 2019 was 0.42% versus 0.53% in 2018. The Organisation's weighted average interest rate achieved for 2019 exceeded the EONIA 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€141 for the period ending 31 December 2019 (2018: K€168). A reduction in the interest rate earned on the AXA capitalisation contract was the main driver of this decrease in interest income from 2018 to 2019.

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 gain of M€151.4 in 2019. In the period ending 31 December 2019, long-term investments of the PERF had a positive time-weighted return of 20.61% (2018: negative return of -4.34%). The return in 2019 exceeds the benchmark (18.61%).

Net foreign-exchange gains for the period ending 31 December 2019 totalled K€3 966 (versus net gains of K€4 848 in 2018). A significant component of the net gain in 2019 is the restatement of a USD denominated infrastructure investment held as part of the PERF (K€2 126).

Interest expense, relating to borrowings to fund the staff loan programme, is higher than in the prior year due to an increase in the interest rate paid by the Organisation from 0.32% in December 2018 to 0.37% effective from February 2019 plus an increase in the loan balance (*cf. "Note 14: Borrowings"*).

Other financial expense of K€97 in 2019 (K€94 in 2018) relates to the restatement of non-current voluntary contributions to amortised cost at 31 December 2019. 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 Programme of Work of the Organisation for the years 2018 and 2019. 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(2009)158; and
4. Internal transfers of expenditure between segments.

Table 43. Segment reporting

	Part I (1)		Part II (2)		Annex budgets (Incl. Pre-accession) (3)		Voluntary contributions (4)	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018* €'000	2019 €'000	2018 €'000
Assessed contributions	192 642	205 497	98 743	97 329	1 879	2 543	-	-
Voluntary contributions	-	-	-	-	-	-	219 347	199 132
Pension contributions	-	-	-	-	7 369	7 400	-	-
Sales of publications	-	-	7 907	7 581	9 526	9 614	-	-
Other	3 629	3 320	6 268	5 268	4 190	4 943	6 225	5 218
Total revenues	**196 271**	**208 817**	**112 918**	**110 178**	**22 964**	**24 500**	**225 572**	**204 350**
Personnel	170 953	168 193	62 284	59 172	12 918	12 867	138 864	125 032
Pension & post-employment benefits	4 258	4 096	-	-	7 369	7 400	-	-
Consulting	13 359	14 592	9 788	13 093	902	1 173	27 253	25 073
Travel	4 929	5 801	3 539	4 056	288	391	19 976	18 915
Operating	41 412	40 502	13 536	8 530	2 228	7 791	8 733	8 322
Other	3 354	1 814	258	484	(64)	(63)	(39)	287
Total expenses	**238 265**	**234 998**	**89 405**	**85 335**	**23 641**	**29 559**	**194 787**	**177 629**
Surplus/ (deficit) from operating activities	**(41 994)**	**(26 181)**	**23 513**	**24 843**	**(677)**	**(5 059)**	**30 785**	**26 721**
Other financial revenue and expenses, net	609	840	(17)	(17)	(23)	(24)	(101)	(98)
PERF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**609**	**840**	**(17)**	**(17)**	**(23)**	**(24)**	**(101)**	**(98)**
Surplus / (deficit) from ordinary activities	**(41 385)**	**(25 341)**	**23 496**	**24 826**	**(700)**	**(5 083)**	**30 684**	**26 623**
Internal invoicing	12 591	12 510	(8 997)	(8 351)	847	762	(4 404)	(4 895)
Overhead	10 481	9 373	(10 463)	(9 281)	-	-	(18)	(92)
Voluntary Contribution cost recoveries	22 024	19 369	4 617	2 641	-	-	(25 810)	(21 239)
Internal transfers	555	479	412	423	(2)	(7)	(452)	(397)
Total internal operations	**45 651**	**41 731**	**(14 431)**	**(14 568)**	**845**	**755**	**(30 684)**	**(26 623)**
Net surplus / (deficit) for the period	**4 266**	**16 390**	**9 065**	**10 258**	**145**	**(4 328)**	**-**	**-**

	Non-budgetary operations (5)		Post-Employment Healthcare Liability Reserve (6)		Pension Budget and Reserve Fund (7)		IPSAS (Unallocated) (8)		TOTAL (1 to 8)	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018* €'000	2019 €'000	2018 (Restated) €'000
Assessed contributions	7 103	7 643	-	-	-	-	-	-	300 367	313 012
Voluntary contributions	-	-	-	-	-	-	-	-	219 347	199 132
Pension contributions	-	-	-	-	95 212	91 907	-	-	102 581	99 307
Sales of publications	-	-	-	-	-	-	-	-	17 433	17 195
Other	1 567	1 114	4 117	3 920	-	-	-	-	25 996	23 783
Total revenues	**8 670**	**8 757**	**4 117**	**3 920**	**95 212**	**91 907**	**-**	**-**	**665 724**	**652 429**
Personnel	(1 634)	(3 362)	(4 803)	(4 240)	-	-	(2 632)	(3 077)	375 950	354 585
Pension & post-employment benefits	-	-	-	-	73 166	68 372	122 797	197 046	207 590	276 914
Consulting	648	608	15	20	-	-	(540)	(334)	51 425	54 225
Travel	33	5	-	-	-	-	-	-	28 765	29 168
Operating	7 734	6 255	1 469	1 429	-	-	4 798	5 335	79 910	78 164
Other	12	33	-	-	3	3	73	(13)	3 597	2 545
Total expenses	**6 793**	**3 539**	**(3 319)**	**(2 791)**	**73 169**	**68 375**	**124 496**	**198 957**	**747 237**	**795 601**
Surplus/ (deficit) from operating activities	**1 877**	**5 218**	**7 436**	**6 711**	**22 043**	**23 532**	**(124 496)**	**(198 957)**	**(81 513)**	**(143 172)**
Other financial revenue and expenses, net	2 335	409	362	458	1 906	4 696	-	-	5 071	6 264
PERF investment income	-	-	14 220	(3 618)	137 218	(35 358)	-	-	151 438	(38 976)
Total financial revenue and expense, net	**2 335**	**409**	**14 582**	**(3 160)**	**139 124**	**(30 662)**	**-**	**-**	**156 509**	**(32 712)**
Surplus / (deficit) from ordinary activities	**4 212**	**5 627**	**22 018**	**3 551**	**161 167**	**(7 130)**	**(124 496)**	**(198 957)**	**74 996**	**(175 884)**
Internal invoicing	(36)	(25)	(1)	(1)	-	-	-	-	-	-
Overhead	-	-	-	-	-	-	-	-	-	-
Voluntary Contribution cost recoveries	(831)	(771)	-	-	-	-	-	-	-	-
Internal transfers	-	-	(20)	(17)	(493)	(481)	-	-	-	-
Total internal operations	**(867)**	**(796)**	**(21)**	**(18)**	**(493)**	**(481)**	**-**	**-**	**-**	**-**
Net surplus / (deficit) for the period	**3 345**	**4 831**	**21 997**	**3 533**	**160 674**	**(7 611)**	**(124 496)**	**(198 957)**	**74 996**	**(175 884)**

*Restated

Note 24: Budget statements

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 44 shows the amount of the original Budget of income and expenditure for 2019 that was approved by Council in 2018, and the final Budget, which includes commitments carried forward from 2018, 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 2019. This budget does not include voluntary contributions.

Table 44. Budgeted income and expenditure

	Budget Amount			Difference
	Original Budget	Final Budget	Actual	Final Budget and Actual
	€'000	€'000	€'000	€'000
Income				
Part I	202 546	214 588	214 893	305
Part II	104 816	117 291	118 700	1 409
Annex budgets	77 916	78 610	78 283	(327)
Pre Accession budgets	3 350	5 151	5 151	-
Fixed fees from post-2017 Members	1 000	1 000	1 000	-
Total income	**389 628**	**416 640**	**418 027**	**1 387**
Expenditure				
Part I	202 546	214 588	213 814	774
Part II	104 816	117 291	109 073	8 218
Annex budgets	77 916	78 610	78 180	430
Pre Accession budgets	3 350	5 151	4 201	950
Fixed fees from post-2017 Members	1 000	1 000	1 000	-
Total expenditure	**389 628**	**416 640**	**406 268**	**10 372**
Net result				
Part I	-	-	1 079	1 079
Part II	-	-	9 627	9 627
Annex budgets	-	-	103	103
Pre Accession budgets	-	-	950	950
Fixed fees from post-2017 Members	-	-	-	-
Total net result	**-**	**-**	**11 759**	**11 759**

Part I shows a net result of M€1.08, of which M€0.77 is from unspent appropriations and M€0.31 is from surplus income.

Part I income is M€0.31 over-budget primarily due to increasing participation of Partner countries and improved collection of non-Member contributions for participation in OECD Bodies.

Part I expenditure is under budget by M€0.77, due to cost savings.

Part II shows a net result of M€9.63. 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 Colombia and Costa Rica (*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 by Part II Programme.

Table 45. Budgeted expenditure by Output and Programme

	Budget Amount		Voluntary Contributions	Total	Expenditure[3]			
	Original Budget	Final Budget	Planned Expenditure	**Final Budget and Planned Expenditure**	Budget Actual[2]	Voluntary Contributions	**Total**	Difference: Budget & Planned and Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Part I : Output Group								
Economic Surveillance	21 365	21 365	5 721	**27 086**	21 205	3 171	**24 376**	**2 710**
Industrial and Sectoral Policies	3 442	3 642	5 642	**9 284**	3 276	3 818	**7 094**	**2 190**
Science and Technology Policies	7 362	7 362	6 405	**13 767**	7 404	5 279	**12 683**	**1 084**
Human and Social Capital	4 342	4 402	18 715	**23 117**	4 446	14 714	**19 160**	**3 957**
Employment Policies and Social Cohesion	6 842	6 912	10 320	**17 232**	6 942	7 186	**14 128**	**3 104**
Environmental Sustainability	8 532	8 532	13 150	**21 682**	8 562	11 073	**19 635**	**2 047**
Health System Performance	2 417	2 417	4 598	**7 015**	2 396	5 158	**7 554**	**(539)**
International Trade	5 869	5 869	1 605	**7 474**	5 849	701	**6 550**	**924**
Agriculture	7 356	7 356	1 365	**8 721**	7 322	658	**7 980**	**741**
Taxation	6 839	6 839	16 046	**22 885**	6 875	15 674	**22 549**	**336**
Business Climate	6 711	6 711	14 189	**20 900**	6 712	11 481	**18 193**	**2 707**
Competition and Market Efficiency	5 820	5 820	7 904	**13 724**	5 820	8 181	**14 001**	**(277)**
Public Sector Economics and Governance	7 684	7 684	43 368	**51 052**	7 785	39 609	**47 394**	**3 658**
Development	6 625	6 625	21 405	**28 030**	6 625	21 371	**27 996**	**34**
Global Relations	2 884	3 224	16 581	**19 805**	3 224	11 876	**15 100**	**4 705**
Corporate Management	11 999	11 556	1 867	**13 423**	11 663	2 127	**13 790**	**(367)**
Statistics	10 541	10 541	1 160	**11 701**	10 541	1 027	**11 568**	**133**
Corporate Services	67 394	67 167	-	**67 167**	67 435	511	**67 946**	**(779)**
Corporate Visibility	8 522	8 522	1 776	**10 298**	8 421	1 461	**9 882**	**416**
2018 Commitments carried forward	-	12 042	-	**12 042**	11 311	-	**11 311**	**731**
Total Part I	**202 546**	**214 588**	**191 817**	**406 405**	**213 814**	**165 076**	**378 890**	**27 515**
Part I : Difference Final Budget and Actual		***214 588***			***213 814***			***774***

	Budget Amount		Voluntary Contributions	Total	Expenditure[3]			
	Original Budget	Final Budget	Planned Expenditure	**Final Budget and Planned Expenditure**	Budget Actual[2]	Voluntary Contributions	**Total**	Difference: Budget & Planned and Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Part II : Programme								
International Energy Agency	28 569	33 284	33 900	**67 184**	32 181	21 470	**53 651**	**13 533**
Development Centre	7 510	7 644	10 498	**18 142**	7 375	7 282	**14 657**	**3 485**
The Sahel and West Africa Club	2 052	2 566	3 128	**5 694**	1 787	2 149	**3 936**	**1 758**
OECD Nuclear Energy Agency	11 500	11 742	4 306	**16 048**	11 742	4 608	**16 350**	**(302)**
Nuclear Energy Agency Data Bank	3 272	3 379	543	**3 922**	3 379	202	**3 581**	**341**
Centre for Educational Research and Innovation	3 431	3 712	7 561	**11 273**	3 061	2 282	**5 343**	**5 930**
International Transport Forum	6 470	6 849	4 777	**11 626**	6 761	4 807	**11 568**	**58**
Special Programme on the Control of Chemicals	1 830	1 949	923	**2 872**	1 919	1 445	**3 364**	**(492)**
Steel	676	686	60	**746**	686	168	**854**	**(108)**
Biological Resource Management for Sustainable Agricultural Systems [1]	695	856	-	**856**	838	-	**838**	**18**
Co-operative Action Programme on Local Economic and Employment Development	1 279	1 283	7 143	**8 426**	1 282	3 403	**4 685**	**3 741**
Programme for the International Assessment of Adult Competencies	5 593	7 192	1 456	**8 648**	5 681	427	**6 108**	**2 540**
Financial Action Task Force	5 760	5 862	3 492	**9 354**	5 459	2 025	**7 484**	**1 870**
OECD Global Science Forum	584	595	135	**730**	579	194	**773**	**(43)**
Agricultural Codes and Schemes for International Trade [1]	1 230	1 519	-	**1 519**	1 479	1	**1 480**	**39**
Network on Fiscal Relations across Levels of Government	320	348	312	**660**	340	153	**493**	**167**
Shipbuilding	348	348	178	**526**	348	256	**604**	**(78)**
Global Forum on Transparency and Exchange of Information for Tax Purposes	4 619	5 227	3 840	**9 067**	4 545	3 548	**8 093**	**974**
Programme For Teaching and Learning International Survey	1 594	1 809	497	**2 306**	1 514	377	**1 891**	**415**
German Linguistic Section [1]	1 894	1 895	-	**1 895**	1 825	-	**1 825**	**70**
Italian Linguistic Section [1]	320	322	-	**322**	276	-	**276**	**46**
International Service for Remunerations and Pensions (ISRP) [1]	6 843	7 475	-	**7 475**	7 026	46	**7 072**	**403**
Reimbursable Posts [1]	2 295	2 295	-	**2 295**	2 135	-	**2 135**	**160**
Programme for International Student Assessment	6 132	8 454	7 610	**16 064**	6 855	8 494	**15 349**	**715**
Total Part II	**104 816**	**117 291**	**90 359**	**207 650**	**109 073**	**63 337**	**172 410**	**35 240**
Part II : Difference Final Budget and Actual		***117 291***			***109 073***			***8 218***
Adjustments [4]						**(2 841)**	**(2 841)**	**2 841**
Total Part I and Part II	**307 362**	**331 879**	**282 176**	**614 055**	**322 887**	**225 572**	**548 459**	**65 596**

1. These Part II Programmes did not include 'Planned Expenditure' financed by Voluntary Contributions in their 2019 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. Note 23
4. 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 46. 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*: Budget statements) 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.

d) *Publications income*: Since 1 January 2017, the Publications annex budget is prepared on accruals basis for publication sales. Sales are recognised as revenue when delivered, and expenses are adjusted by provisions for losses on receivables or returns of goods sold.

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

Table 47. Reconciliation of budgetary and accounting results

	Budgetary results to be allocated (1) €'000	Transfer to reserves and carry forward to 2020 (2) €'000	Results for the period (3) = (1) + (2) €'000	IPSAS adjustments (4) €'000	Nature of reconciling adjustments	Net results for the period (3) + (4) €'000
Part I	1 079	-	1 079	3 187	a, d	4 266
Part II	9 627	-	9 627	(562)	a, d	9 065
Annex budgets	103	-	103	42	a, d	145
Pre Accession budgets	950	(950)	-	-		-
Fixed fees from post-2017 Members	-	-	-	-	a, d	-
Subtotal - Budget operations	**11 759**	**(950)**	**10 809**	**2 667**		**13 476**
Non-budgetary operations	-	1 842	1 842	1 503		3 345
Pension Budget and Reserve Fund (PBRF)	-	160 674	160 674	-		160 674
Post-Employment Healthcare Liability Reserve (PEHL)	-	21 997	21 997	-		21 997
Subtotal - Other operations	**-**	**184 513**	**184 513**	**1 503**		**186 016**
Change in employee defined benefit liabilities - Pensions	-	-	-	(76 935)	c	(76 935)
Change in employee defined benefit liabilities - Healthcare	-	-	-	(43 229)	c	(43 229)
Adjustments for fixed assets	-	-	-	(4 332)	b	(4 332)
Subtotal - Accounting adjustments	**-**	**-**	**-**	**(124 496)**		**(124 496)**
Net result for the period	**11 759**	**183 563**	**195 322**	**(120 326)**		**74 996**

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, interest cost and past service cost less the benefits paid. These are detailed in Note 17.

Note 26: Proposed allocation of the results for the period

The results for 2019 will be allocated as follows, subject to approval by Council:

Table 48. Proposed allocation of net results

	2019 Net results for the period	Proposed treatment of the results: Transfer to reserves, long-term commitments and accumulated surplus / (deficit)	Proposed treatment of the results: Budgetary results to be allocated or carried forward to 2020[1]
	€'000	€'000	€'000
Part I	1 079	-	1 079
Part II	9 627	-	9 627
Annex budget	103	-	103
Pre Accession budgets	-	-	-
Fixed fees from post-2017 Members	-	-	-
Subtotal 1 - Budgetary results	**10 809**	**-**	**10 809**
Pension Budget and Reserve Fund (PBRF)	160 674	160 674	-
Post-Employment Healthcare Liability Reserve (PEHL)	21 997	21 997	-
CIBRF - Class 1	(891)	(891)	-
CIBRF - Class 2	4	4	-
CIBRF - Class 3	554	554	-
Indemnity and Benefits Fund (IBF)	2 311	2 311	-
Exchange differences – realised	35	35	-
Asbestos early retirement scheme	(41)	(41)	-
Part II - IEA - Net Result on Publications	(111)	(111)	-
Part II - IEA - Loss of Employment	(19)	(19)	-
Subtotal 2 - Results associated with Reserves	**184 513**	**184 513**	**-**
Pension benefits liability	(76 935)	(76 935)	-
Post-employment healthcare liability	(43 229)	(43 229)	-
Subtotal 3 - Long-term commitments - IPSAS adjustments	**(120 164)**	**(120 164)**	**-**
Other IPSAS adjustments			
Included in Part I	3 187	3 187	-
Included in Part II	(562)	(562)	-
Included in Annex budgets	42	42	-
Included in Non-budgetary operations	1 503	1 503	-
Adjustments for fixed assets	(4 332)	(4 332)	-
Subtotal 4 - Other IPSAS adjustments	**(162)**	**(162)**	**-**
Net result for the period	**74 996**	**64 187**	**10 809**

[1] In accordance with the Financial Regulations and other Council decisions, K€674 and K€3,749 of the 2019 Part I and Part II budget results respectively, corresponding to unspent appropriations, are carried forward to 2020. This is in addition to appropriations already included in the Organisation's 2020 Budget as "funding from prior years carry-forwards".

Note 27: Contingencies and capital commitments

A. Contingencies

At 31 December 2019, an amount of M€10.3 of voluntary contribution transfers were subject to governmental approval (2018: M€8.6) (*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.

The Organisation is in discussions with the Member country for a financing solution related to the provisions noted in Note 16.

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 2019, one employee was receiving early retirement payments under the scheme. In the unlikely event that all remaining eligible employees applied for benefits under the scheme, the maximum amount payable by the Organisation would be approximately M€0.7 over the period to June 2031.

The Organisation has an insurance contract for medical and other benefits for a period of five years from 1 January 2016 to 31 December 2020, 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 set at M€5 at the start of the current contract.

B. Capital commitments

a) Operating lease commitments

Future minimum lease payments for the following periods are:

Table 49. Operating lease commitments

	31 December 2019 € million	31 December 2018 € million
Within one year	21	21
In the second to fifth years inclusive	83	81
After five years	65	84
Total operating lease commitments	**169**	**186**

Operating lease payments represent rental payments for certain properties. The decrease in the total value of lease payments as at 31 December 2019 can primarily be attributed to the end dates of the leases for OECD Boulogne and the IEA's premises moving one year closer.

b) Finance lease commitments

On 5 November 2019 the Organisation received a small number of laptop computers, computer screens and related components under finance lease (*cf. "Note 11: Furniture, fixtures and equipment"* and *"Note 14: Borrowings"*). The lease term is for three years and the minimum lease payments and present value of the commitment are shown in Table 50.

Table 50. Finance lease commitments

Minimum Lease Payments

	31 December 2019 €'000	31 December 2018 €'000
Within one year	19	-
In the second to fifth years inclusive	34	-
After five years	-	-
Total finance lease commitments	**53**	**-**
Less interest and insurance allocated to future years	(2)	-
Reconciliation to net present value	**51**	**-**

Net Present Value

	31 December 2019 €'000	31 December 2018 €'000
Within one year	18	-
In the second to fifth years inclusive	33	-
After five years	-	-
Total finance lease commitments	**51**	**-**

c) Bank guarantees

The Organisation's obligations to lessors of certain office premises are guaranteed by banks for a maximum of M€4.5. The guarantees are for obligations under leases for offices and parking for periods up to 30 November 2027.

C. Pensions

The Organisation's defined-benefit Pension Scheme was adopted by a Council Resolution of 16 November 1976 [C/M(76)20/FINAL]. This Resolution constitutes a decision that is 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 the defined-benefit Pension Scheme 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 2019 of M€4 597 (2018: M€3 840), as shown in *Note 17*: Employee benefits. The Member countries participate in the constitution of a fund (Pension Budget and Reserve Fund) towards this liability. The net asset of the Fund at 31 December 2019 was M€844.9 (2018: M€684.2).

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 2019, there were 124 staff on loan at the OECD (2018: 117).

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 Public Education).
- The OECD-Korea Policy Centre focuses on the following: Competition, Health and Social Policy, Public Governance and Taxation. Premises 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. The facilities of the Trento Centre's satellite office in Venice are provided by the Foundation of Venice.
- 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 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 Waku, Japan, in facilities provided by the National tax Agency of Japan.
- The OECD has an official stationed in Beijing to support the Organisation's co-operation with China. Office facilities are provided by the Embassy of the Netherlands.
- The OECD has two officials stationed in Jakarta to support the Organisation's co-operation with Indonesia and support contacts across the Southeast Asian region. Office facilities are provided by the Embassy of New Zealand.
- 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 agency 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 Public Administration provides office space and training facilities at its headquarters 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 Government of Korea and 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 full time equivalent - FTE) and their aggregate remuneration were as follows:

Table 51. Key management personnel remuneration

	2019	2018
Numbers in FTE		
• The Secretary-General, Deputies and other senior managers	6	4
• Senior officers	26	24
Total	**32**	**28**
Remuneration	**€'000**	**€'000**
Emoluments:		
• The Secretary-General, Deputies and other senior managers	1 794	1 352
• Senior officers	6 930	6 243
Subtotal	**8 724**	**7 595**
Leaving allowances:		
• The Secretary-General, Deputies and other senior managers	-	177
• Senior officers	-	-
Subtotal	**-**	**177**
Aggregate remuneration:		
• The Secretary-General, Deputies and other senior managers	1 724	1 529
• Senior officers	6 930	6 243
Total	**8 724**	**7 772**

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 2019 and 2018.

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

Note 31: Events after the Reporting Date

COVID-19 Pandemic

In response to the COVID-19 pandemic, France imposed a period of confinement and restrictions on movement for all residents, which came into effect on 17th March 2020. The Organisation's employees moved immediately to teleworking, with additional precautionary measures to protect staff being implemented, including the cancellation of all travel, increased cleaning, and increased health and wellbeing support. All directorates and programmes ensured that implementation of the Organisation's Programme of Work continued, while addressing the challenges created by this unprecedented pandemic, bringing together OECD knowledge, analysis, facts and data, to produce advice and recommendations for our Member countries and other stakeholders. OECD meetings were moved "online" to digital platforms and widely attended by delegates from Member countries, non-member countries and other stakeholders.

The Organisation's treasury situation was closely monitored during this period to ensure that assessed contribution and voluntary contribution payments were received on time, with a view to enabling the Organisation to pay salaries, suppliers and other liabilities. The Organisation has limited credit risk since its Members, partners and donors generally have excellent credit ratings.

Post-Employment Reserve Fund (PERF)

The Post-Employment Reserve Fund (PERF) comprises the Pension Budget and Reserve Fund (PBRF) and Post-Employment Healthcare Liability Reserve (PEHLR) (*cf. "Note 8: Investments and security deposits*"). Investments in equities, fixed-income securities, shares in listed real estate funds and infrastructure funds are held by the PERF. Consequently, the PERF is 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"*). Following the outbreak of the COVID-19 pandemic in the first quarter of 2020, equity markets have suffered a significant downturn. At 31 March 2020, the PERF investment portfolio was valued at M€776.5 (excluding cash and cash equivalents held as part of the portfolio) representing a fall in value of M€141.1 since the reporting date.
The market risk associated with the PERF is qualified by the anticipated liquidity needs. The

Organisation's employee benefit obligations are partially funded, and the Council has agreed long-term financing arrangements for its defined-benefit schemes. Supplementary pension budget contributions are made by Members to meet unfunded past service costs and increase the percentage of liabilities that are funded over a long-term period. The positive cash flow available after payment of pension benefits from current employee, employer and supplementary contributions allows the continued constitution of the PERF. The investments of the PERF reflect the expected future cash flow profile, with no short-term requirements for meeting pension benefit payments from the Fund assets or investment returns.