

COUNCIL

Budget Committee

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS AT 31 DECEMBER 2011

Summary:

This document presents the Financial Statements for 2011, with the opinion of the External Auditor.

Budget Committee Action:

The Financial Statements are presented to the Budget Committee for information.

JT03323976

Complete document available on OLIS in its original format

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30 March 2012

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.

Matters of internal control and financial reporting are overseen by the Audit Committee. 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 2011 and of the results of operations and cash flows for year ended at that date. The statements have been audited by the External Auditor, whose report follows.

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Angel Gurría
Secretary-General

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Patrick van Haute
Executive Director

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Anthony Röttier
Head
Programme, Budget and Financial
Management Service

- République Française -

Cour des comptes

Le Premier président

Free translation from the French opinion of the External Auditors

Paris, 31 May 2012

To the Council of the Organisation for Economic
Co-operation and Development (OECD)

OPINION OF THE EXTERNAL AUDITOR

We have examined the OECD's financial statements for the year ending on 31 December 2011, which comprise the Statement of Financial Position, Statements of Financial Performance, Statement of Cash Flow and Statement of Changes in Net Assets, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the OECD's management. Our responsibility is to express an opinion on these financial statements on the basis of our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that our work be organised and performed so as to obtain reasonable assurance about whether these financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the OECD's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

It is our opinion that the financial statements give a true and fair view of the financial position of the OECD as at 31 December 2011 and of the result of its operations and cash flows for the year then ended, and that they have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) or, where no such standards have yet been formulated, International Financial Reporting Standards (IFRSs / IASs).

Didier MIGAUD

OECD
Statement of Financial Position as at

		31 December 2011	31 December 2010
		€'000	€'000
<u>ASSETS</u>			
	Notes		
Current assets			
Cash and cash equivalents, unrestricted	5	133 728	101 915
Cash and cash equivalents, restricted	5	41 285	35 974
Inventories	6	416	496
Accounts receivable and prepayments	7	109 824	128 742
Staff loan program	8	3 563	3 586
Total current assets		288 816	270 713
Non current assets			
Financial assets	9	322 631	307 287
Receivables	7	30 843	19 380
Staff loan program	8	5 366	4 868
Furniture, fixtures and equipment	10	17 825	18 710
Land and buildings	11	446 026	455 963
Intangible assets	12	2 074	1 108
Total non current assets		824 765	807 316
<u>TOTAL ASSETS</u>		1 113 581	1 078 029
<u>LIABILITIES</u>			
Current liabilities			
Borrowings	13	8 700	8 200
Payables	14	89 487	94 513
Provisions for liabilities and charges	15	144	169
Employee benefits	16	81 219	75 860
Deferred revenue	17	100 377	89 714
Total current liabilities		279 927	268 456
Non current liabilities			
Employee benefits	16	1 661 289	1 558 868
Deferred revenue	17	195 139	179 502
Total non current liabilities		1 856 428	1 738 370
<u>TOTAL LIABILITIES</u>		2 136 355	2 006 826
<u>NET ASSETS</u>		(1 022 774)	(928 797)
Member countries' contributed interest	18	(1 269 293)	(1 166 788)
Pension Budget and Reserve Fund reserve (PBRF)	18	293 886	251 240
Other reserves	18	33 663	30 976
Net deficit for the period	18 & 25	(81 030)	(44 225)
<u>TOTAL NET ASSETS</u>		(1 022 774)	(928 797)

OECD
Statement of Financial Performance for the year ended

		31 December 2011 €'000	31 December 2010 €'000
<u>OPERATING REVENUES</u>	Notes		
Assessed contributions	19	281 452	277 365
Voluntary contributions	19	102 300	94 132
Pension contributions	16 & 19	82 022	81 713
Sales of publications	19	16 732	16 634
Other	19	21 523	23 997
Total operating revenues		504 029	493 841
<u>OPERATING EXPENSES</u>			
Personnel	20	268 114	259 348
Pensions and post-employment benefits	16 & 20	175 761	159 622
Consulting	20	34 478	35 051
Travel	20	22 475	23 061
Operating	20	76 127	79 301
Other	20	585	1 103
Total operating expenses		577 540	557 486
Deficit from operating activities		(73 511)	(63 645)
Financial revenue and expense, net	21	(7 519)	19 420
Deficit from ordinary activities		(81 030)	(44 225)
<u>DEFICIT FOR THE PERIOD</u>	18 & 25	(81 030)	(44 225)

OECD
Statement of Cash Flows for the year ended

		31 December 2011	31 December 2010
		€000	€000
Cash flow from operating activities	Notes		
Deficit from ordinary activities		(81 030)	(44 225)
Depreciation, net	10,11 & 12	18 758	19 362
Loss / (gain) on disposal of fixed assets	10,11 & 12	23	14
Increase / (decrease) in provisions for liabilities and charges	15	(25)	58
Increase in employee benefits - defined benefit programmes	16	107 673	97 731
(Increase) / decrease in receivables	7	7 455	(40 478)
Decrease in inventories	6	80	36
Increase / (decrease) in payables	14	(5 026)	38
Increase / (decrease) in deferred revenue	17	26 301	(18 090)
Net cash flow from operating activities		74 209	14 446
Cash flow from investing activities			
Purchase of fixed assets	10,11 & 12	(8 925)	(9 635)
Proceeds from sale of fixed assets	10,11 & 12	-	6
Increase in staff loan program	8	(475)	(1 172)
(Increase) / decrease in financial assets - Staff Provident Fund	9	(106)	506
(Increase) / decrease in financial assets - other	9	(123)	647
Increase in financial assets - PBRF	9	(15 115)	(38 640)
Net cash flow from investing activities		(24 744)	(48 288)
Cash flow from financing activities			
Increase / (decrease) in liabilities - Staff Provident Fund	16	106	(506)
Proceeds from borrowings	13	16 900	15 700
Repayment of borrowings	13	(16 400)	(14 300)
Credits to member countries and others	18	(12 947)	(14 819)
Net cash flow from financing activities		(12 341)	(13 925)
Net increase / (decrease) in cash and cash equivalents		37 124	(47 767)
Cash and cash equivalents at beginning of period	5	137 889	185 656
Cash and cash equivalents at end of period	5	175 013	137 889

Income relating to Site Project contributions is included in Cash flow from operating activities. Additions to fixed assets relating to the Site Project are included in Cash flow from investing activities.

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

OECD
Statement of Changes in Net Assets

	Member countries' contributed interest	Accumulated surplus / (deficit)	Reserves	Pension Budget and Reserve Fund	Net surplus / (deficit) for the period	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 December 2009	(1 090 569)	(19 424)	29 397	186 176	(29 605)	(924 025)
Allocation of prior year result	(106 256)	9 063	2 524	65 064	29 605	-
Credited to Member countries and other participants	-	(567)	-	-	-	(567)
IPSAS & other adjustments	-	-	-	-	-	-
Reserves/surpluses transferred to Budget	-	(13 306)	(945)	-	-	(14 251)
Surplus on revaluation of property	54 271	-	-	-	-	54 271
Net deficit for the period	-	-	-	-	(44 225)	(44 225)
<i>Subtotal</i>	<i>(51 985)</i>	<i>(4 810)</i>	<i>1 579</i>	<i>65 064</i>	<i>(14 620)</i>	<i>(4 772)</i>
Balance at 31 December 2010	(1 142 554)	(24 234)	30 976	251 240	(44 225)	(928 797)
Allocation of prior year result	(97 730)	7 724	3 135	42 646	44 225	-
Credited to Member countries and other participants	-	(7 051)	-	-	-	(7 051)
IPSAS & other adjustments	-	-	-	-	-	-
Reserves/surpluses transferred to Budget	-	(5 447)	(449)	-	-	(5 896)
Surplus on revaluation of property	-	-	-	-	-	-
Net deficit for the period	-	-	-	-	(81 030)	(81 030)
<i>Subtotal</i>	<i>(97 730)</i>	<i>(4 774)</i>	<i>2 686</i>	<i>42 646</i>	<i>(36 805)</i>	<i>(93 977)</i>
Balance at 31 December 2011	(1 240 284)	(29 008)	33 662	293 886	(81 030)	(1 022 774)

Member countries' contributed interest includes the pension benefits and post-employment health cover liability, and the counterpart of land and buildings, as detailed in Note 18.

The Pension Budget and Reserve Fund is the value of the fund's net assets at the prior year-end. The result of the fund for the current period is included in the net deficit for the period and is shown in the Statement of Financial Performance by Segment in Note 22.

Any surplus on the revaluation of property is credited directly to net assets, except if it reverses a revaluation decrease of the same asset previously recognised as an expense in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

The Organisation for Economic Co-operation and Development (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 34 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations, in line with the mission and role set forth in the Organisation’s Convention:

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

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

The Organisation is based in Paris, France, with representative offices in Washington (DC), Mexico City, Berlin and Tokyo.

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

The Organisation is funded primarily by assessed and voluntary contributions from its member countries, within the framework of a biennial Programme of Work and 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. All of the Organisation’s member countries fund the Budget for Part I programmes, accounting for about 50% of the consolidated Budget. 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 Budgets include programmes of interest to a limited number of members and/or relating to sectors of activity not covered by Part I. 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 the Pension Schemes, Site Project Investment and Publications. Note 23 gives further details of the income and expenditure budget and actual results for 2011.

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.

Over 70 non-member countries and international organisations participate to various degrees in the Organisation's Programme of Work. Non-member countries' involvement in the Organisation includes participation in Part I committees, full participation in Part II programmes and as observers in various subsidiary bodies of the Organisation. Enhanced Engagement programmes have been in place for 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 – Supplemental information

In 2009, the Organisation elected to adopt IPSAS 24 ("Presentation of Budget Information in Financial Statements"). The statements comparing the budget and actual amounts for income and expenditure are included in Note 23. This note was expanded in 2010 to show expenditure recognised during the year deriving from voluntary contributions, as compared with the amounts recorded/expected in the Programme of Work. In 2011, there was no new IPSAS standard having an impact on these financial statements. The Statement of Financial Performance by Segment in Note 22 was further developed to show the various categories of internal operations.

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.

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 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.

Hedge accounting

The Organisation may enter into a cash flow hedge in respect of its forecast future revenues in currencies other than the euro. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction, and that will affect reported net income.

Intangible assets

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

Generally, costs associated with developing or maintaining computer software programs are recognised as expenses when incurred. However, expenditures that enhance or extend the performance of computer software programs beyond their original specifications are recognised as capital improvements and added to the original cost of the software.

Tangible assets

Property, furniture, fixtures and equipment

Land and buildings are carried 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 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 such land and buildings is credited to the fixed assets revaluation reserve, except if it reverses a revaluation decrease for the same asset 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 such 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.

Depreciation on revalued 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 into 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 stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties 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: 4 - 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.

Impairment of tangible and intangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises 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 of those issued prior to 2009, as well as for more-recent issues with inventory on hand in excess of one year's sales volume.

Receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

No allowance for loss is recorded 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 and other financial assets

Investments and financial assets reported in the Statement of Financial Position consist mainly of investments held on behalf of participants in the Staff Provident Fund, and of contributions by member

countries to the Pension Budget and Reserve Fund. These financial assets consist of shares in investment funds and bank deposits. The investment funds may be invested in bonds, equity, real estate and derivative financial instruments, based on risk and performance objectives.

The restatement of the financial assets of the Pension Budget and Reserve Fund (PBRF) to fair value is recorded in the Statement of Financial Performance, whereas the income and expenditure of the Staff Provident Fund are not reported in the Statement of Financial Performance since the investment results accrue to the participants.

Both the assets of the Staff Provident Fund and PBRF are included in non-current assets, reflecting the long-term investment strategy. At the end of each reporting period a valuation is made 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 cost is recorded as an unrealised portfolio gain or loss.

For purchases of investments, the book cost of each investment is calculated on the basis of the purchase price, excluding any interest accrued to the date of purchase or expenses incurred in connection with the purchase. 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, the proceeds on the capital account are calculated on the basis of the sale price or the amount repaid and excludes any interest accrued to the date of sale, as well as all expenses incurred in connection with the sale.

For the purposes of determining the capital gains or losses on sale or redemption of investments, the sale proceeds on capital account, as determined above, are compared with the capital cost of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, 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 Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market risk (foreign exchange and price), liquidity and credit risks. The Organisation makes only limited use of financial derivatives to hedge risk exposures.

a) Foreign-exchange risk

The Organisation receives voluntary contributions and income from the sale of publications in currencies other than the euro and is thus exposed to foreign-exchange risk arising from fluctuations in currency rates.

Outside the euro zone, the Organisation has representative offices in the USA, Japan and Mexico which hold limited assets. Operating expenses paid in local currencies are generally offset by publication sale receipts in the same currency.

b) Price risk

The Organisation is exposed to equity securities price risk because of investments by its pension funds.

c) Liquidity risk

The Organisation may negotiate and use uncommitted bank credit facilities in the event of liquidity requirements.

d) Credit risk

The Organisation has limited credit risk since its contributors generally have excellent credit ratings.

Provisions

Provisions are constituted when the Organisation recognises a liability 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 collects 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.

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).

The Joint Pensions Administrative Section (JPAS), which on 1 January 2012 was incorporated into 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, as at 31 December 2011, 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. Measures aimed at reducing costs and liabilities for post-employment health care were adopted in December 2011. Assumptions with regard to the number of new pensioners affiliated to their respective primary national health care schemes were amended accordingly, and the amounts recognised at year-end 2011 as future obligations under employee benefits reflect the estimated impact of these decisions.

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.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are recognised in the Statement of Financial Performance to the extent that they exceed 10% of the greater of the fair value of scheme assets or the present value of gross defined-benefit obligations under the scheme at the beginning of the period.

Revenue recognition

Assessed and voluntary contributions are recorded when these resources are approved.

Revenue from voluntary contributions is recognised up to the amount expensed in the period. The balance of unspent voluntary contributions and other revenue relating to future periods is deferred accordingly.

Revenue from sales of publications is recognised upon shipment, and revenue from sales of access to OECD statistics and electronic data is recognised upon delivery of access to the data.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Other revenue, including costs reimbursed by third parties, is recognised when it is acquired, either contractually or, in the absence of a contract, upon receipt.

Leasing

The Organisation does not have any financial 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.

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.

Note 5: Cash and cash equivalents

	31 December 2011	31 December 2010
	€'000	€'000
Cash on hand	5	4
Deposits with banks unrestricted - euros	132 566	100 268
Deposits with banks unrestricted - other currencies	1 157	1 643
Total unrestricted cash	133 728	101 915
Deposits with banks restricted	29 133	22 000
Deposits with banks and cash equivalents - PBRF	12 152	13 974
Total restricted cash	41 285	35 974
Total cash and cash equivalents	175 013	137 889

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

As at 31 December 2011, the general treasury balance totalled 133.7 M€, versus 101.9 M€ at year-end 2010. This variation primarily results from the timing of assessed contribution collections. Net cash positions were positive throughout the year, and an improvement was noted in the amount of assessed contributions still owed to the Organisation at the end of the year (28.4 M€ at 31 December 2011, versus 64.6 M€ at 31 December 2010).

Restricted cash and cash equivalents (41.3 M€ at 31 December 2011) are deposits earmarked for specific purposes. Appropriations are to reserves; the breakdown and movements in the reserves are described in Note 18 to the Financial Statements.

- Funds received from the sale in 2004 of offices at Chardon Lagache were allocated to special reserves (currently that of the CIBRF) and amounted to 12.5 M€ at year-end 2011.
- Funds from the Medical Plan reserve and the equalisation provision of the insurance contract, which have been allocated to a new PEHL reserve, amounted to 16.6 M€ at 31 December 2011.
- Funds from the Pensions Budget and Reserve Fund.

PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund Statutes. As at 31 December 2011, these cash holdings and bank deposits accounted for 3.9% of the PBRF's total assets, versus 4.7% in 2010. At 31 December, they corresponded to the estimated amount of cash and cash equivalents needed for benefit disbursements over the following six months.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its banks. These arrangements may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2011 or in 2010.

Note 6: Inventories

	31 December 2011 €'000	31 December 2010 €'000
Finished publications	891	1 756
Supplies	-	-
Diplomatic reserve	31	33
Gross inventories	922	1 789
Provision for depreciation of inventories	(506)	(1 293)
Net inventories	416	496

Finished publications include publications held for sale and publications issued free of charge. The printing of OECD publications has been almost entirely outsourced since 2009.

The provision for depreciation of inventories represents the write-down of inventories of finished publications to net realisable value. In order to reduce storage costs, it was decided to destroy 151 635 copies at the beginning of 2011. The gross value of this material amounted to 581 K€. This operation is reflected in the above table in the items Finished publications and Provision for depreciation of inventories.

Note 7: Accounts receivable and prepayments

	31 December 2011 €'000	31 December 2010 €'000
Current - accounts receivable and prepayments		
Assessed contributions - member countries	27 070	63 718 *
Assessed contributions - member countries fiscal adjustment & other	200	639 *
Assessed contributions - non-member countries participating in Part II programmes	1 334	875
Provision for uncollected assessed contributions - non-member countries participating in Part II programmes	(38)	(35)
Voluntary contributions	55 836	38 706
Provision for uncollected voluntary contributions	(207)	(95)
Prepayments	1 434	1 170
Other receivables	24 147	23 733
Provision for uncollected other receivables	(469)	(469)
Publications	591	618
Provision for uncollected publications	(74)	(118)
Total current - accounts receivable and prepayments	109 824	128 742
Non-current accounts receivable		
Voluntary contributions	30 843	19 380
Total accounts receivable and prepayments	140 667	148 122

(*) Aggregate corresponds to the line "Assessed contributions – member countries" in the 2010 Financial Statements

Assessed and voluntary contributions receivable represent uncollected revenues pledged to the Organisation by member countries, non-member economies and donors for completion of the Programme of Work.

The decrease in "Assessed contributions" of the member countries (36.7 M€) results from a lower volume of late payments compared to 2010, as mentioned in Note 5. Outstanding assessed contributions of non-members are up by 459 K€ at year-end 2011 as compared with their arrears at the end of December 2010.

The increase in the current portion of voluntary contributions receivable (due in less than one year from 31 December 2011) as compared with the amount expected at 31 December 2010 arises from a significant increase in voluntary contributions accepted in 2011.

Other receivables consist mainly of 18.5 M€ in reimbursable taxes (2010: 19.9 M€) and receivables from member countries for various services rendered, including office rental and staff costs.

Non-current voluntary contributions are due more than 12 months after the period end date in accordance with the terms of the offers. The increase in non-current receivables is due mainly to the increase in multi-year voluntary contributions accepted for the 2011 Programme of Work as compared with 2010.

Note 8: Staff loan programme

	31 December 2011	31 December 2010
	€'000	€'000
Current	3 563	3 586
Non-current	5 366	4 868
Total staff loan program	8 929	8 454

The Organisation operates a staff loan programme through which staff can obtain loans subject to defined limits. Loans to staff are financed by a short-term bank borrowing of 8.7 M€ (2010: 8.2 M€). 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, *i.e.* repayments due within one year, or as non-current assets, for amounts due in more than one year.

Note 9: Financial assets – non-current

	Notes	31 December 2011	31 December 2010
		€'000	€'000
Deposits on office leases	a	1 100	977
Staff Provident Fund	b & d	26 643	26 537
Pension Budget and Reserve Fund	c & d	294 888	279 773
Total financial assets - non-current		322 631	307 287

- a) 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. The increase in deposits at 31 December 2011 stems primarily from the new security deposit for the IEA, following a new lease for additional office space (+137 K€) as well as an upward adjustment on a deposit for existing NEA office space (+7 K€), offset in part by the refund of the security deposit on a former lease contract at Porte Maillot (-37 K€).
- b) 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. In 2006, administration of the Provident Fund was transferred to the JPAS.

The Staff Provident Fund participants at 31 December 2011 include 8 serving staff (2010: 11) and 215 retired staff (2010: 221).

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

	31 December 2010	Additions	Disposals / adjustments	31 December 2011
	€'000	€'000	€'000	€'000
Gross investment				
Capitalisation contract	32 299	1 807	(7 555)	26 551
Elimination of PBRF Investment	(6 005)	-	6 005	-
Money Market Fund	214	-	(214)	-
Cash in portfolio	28	64	-	92
Total gross investment	26 536	1 871	(1 764)	26 643
Other Assets	1	-	(1)	-
Total Staff Provident Fund	26 537	1 871	(1 765)	26 643

- c) In 2000, the Organisation created the Pension Budget and Reserve Fund 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.” In 2005, Council carried out a thorough review of the Fund and agreed to continue a long-term financing structure in order to increase progressively the percentage of pension liabilities which are funded.

Changes in the Pension Budget and Reserve Fund investments during the period were as follows:

	31 December 2010	Additions	Disposals / adjustments	Unrealised gains/losses at reporting date	31 December 2011
	€'000	€'000	€'000	€'000	€'000
Gross investment					
Bond funds	74 889	5 992	-	-	80 881
Equity funds	164 339	8 431	-	-	172 770
Balanced funds	-	9 078	-	-	9 078
Real Estate funds	10 579	8 690	-	-	19 269
Investment in Staff Provident Fund	6 005	-	(6 005)	-	-
Total gross investment	255 812	32 192	(6 005)	-	281 999
Adjustment to fair value					
Bond funds	1 764	-	-	16 050	17 814
Equity funds	21 313	-	-	(22 916)	(1 603)
Balanced funds	-	-	-	(584)	(584)
Real Estate funds	884	-	-	(3 622)	(2 738)
Investment in Staff Provident Fund	-	-	-	-	-
Total adjustment to fair value	23 961	-	-	(11 072)	12 889
Net value	279 773	32 192	(6 005)	(11 072)	294 888

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 and shares in listed real estate funds. Its long-term strategic position is designed to maximise total return, subject to controls over credit and liquidity risk and limited volatility. At 31 December, the PBRF investment portfolio totalled 294.9 M€ and was invested at 33.5% in fixed income funds, i.e. in mutual funds of euro area government inflation-linked bonds (9.3%) and euro area interest rate and inflation-linked swaps (24.1%), at 58.0% in equity funds, i.e. in mutual funds of euro area (28.6%), global (21.5%) and emerging market equities (7.9%), at 5.6% in a mutual fund of euro area listed real estate and at 2.9% in a balanced mutual fund.

Unrealised gains and losses on investments are recognised in the Statement of Financial Performance.

The PBRF account in the Staff Provident Fund was closed on 1 July 2011.

The net amount of PBRF investments at fair value at year-end 2011 increased by 5.4% compared to year-end 2010.

The Staff Provident Fund and the Pension Budget and Reserve Fund are exposed to the financial risks of changes in foreign currency exchange rates, interest rates and securities market prices. Securities held by both funds are denominated mainly in euros or covered against exchange risk to minimise this risk. To cover the specific short-term liability for current-year pension benefit payments, a portion of the funds' assets are held in bank deposits (see Note 5).

Note 10: Furniture, fixtures and equipment

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

	31 December 2010	Acquisitions / Depreciation	Disposals	Transfers	Revaluation	31 December 2011
	€'000	€'000	€'000	€'000	€'000	€'000
Cost of furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	4 858	272	-	-	-	5 130
Other furniture, fixtures and equipment	45 343	4 492	(1 577)	265	-	48 523
Fixed assets in progress	169	102	-	(265)	-	6
Total cost of furniture, fixtures and equipment	50 370	4 866	(1 577)			53 659
Depreciation						
Leasehold premises - fixtures and fittings	(722)	(604)	-	-	-	(1326)
Other furniture, fixtures and equipment	(30 938)	(5 128)	1 558	-	-	(34 508)
Total depreciation	(31 660)	(5 732)	1 558			(35 834)
Net furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	4 136	(332)	-	-	-	3 804
Other furniture, fixtures and equipment	14 405	(636)	(19)	265	-	14 015
Fixed assets in progress	169	102	-	(265)	-	6
Total net furniture, fixtures and equipment	18 710	(867)	(19)			17 825

Acquisitions under Leasehold premises - fixtures and fittings are related to the fitting out of offices that have been leased.

Acquisitions of Other furniture, fixtures and equipment are related mainly to IT and office equipment, as well as security and conference equipment.

Note 11: Land and buildings

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

	31 December 2010	Acquisitions / Depreciation	Disposals	Transfers	Revaluation	31 December 2011
	€'000	€'000	€'000	€'000	€'000	€'000
At cost/revaluation						
Land	86 600	-	-	-	-	86 600
Buildings	368 900	751	(321)	1 198	-	370 528
Buildings in progress	463	1 480	-	(1 198)	-	745
Total land and buildings	455 963	2 231	(321)	-	-	457 873
Depreciation						
Buildings	-	(11 855)	8	-	-	(11 847)
Total depreciation	-	(11 855)	8	-	-	(11 847)
Net land and buildings						
Land	86 600	-	-	-	-	86 600
Buildings	368 900	(11 104)	(313)	1 198	-	358 681
Buildings in progress	463	1 480	-	(1 198)	-	745
Total net land and buildings	455 963	(9 624)	(313)	-	-	446 026

In January 2000 Council decided to renovate the La Murette headquarters buildings: these works constitute the ongoing Site Project. This includes:

- Renovation and upgrading of the Chateau to modern norms;
- Asbestos removal and renovation of the New Building and Pascal wing (now renamed Marshall Building), without modification of the structure;
- Construction of a new Conference Centre.

The Site Project was financed by contributions from the member countries.

The total cost of the Site Project is reported in Note 26B ("Capital commitments"). Construction / renovation costs are accumulated under "Buildings in progress" until the construction/renovation is completed and duly accepted by the Organisation, at which time the costs are transferred to "Buildings".

All major construction and renovation work has been completed on time and within budget for the Site Project. The Chateau was operational again in the 1st Quarter 2006, the construction of the Conference Centre, including staff restaurant facilities, was completed during the 4th Quarter 2007, and the renovation of the Marshall Building was completed during the 4th Quarter 2008. Landscaping the gardens at the Chateau and final fitting out of the offices was undertaken in 2010 and continued in 2011. At year-end 2011, work remained to be done at the Conference Centre and the Marshall Building.

Revaluation

Land and buildings that are carried at fair value were revalued on the basis of their fair market value at 31 December 2010, in accordance with the valuation made by France Domaine Paris. In accordance with the accounting approach specified in Note 3, the next valuation of this property will take place in 2012.

The cumulative effect of revaluations has been recognised as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2010		
Revaluation increase on land	-	12 589
Revaluation increase on buildings	-	211 110
Balance 31 December 2011		
Revaluation increase on land	-	-
Revaluation increase on buildings	-	-
Net accumulated revaluation variances at 31 December 2011	-	223 699

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.

Note 12: Intangible assets

Intangible assets consist of purchased software.

	31 December 2010 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	31 December 2011 €'000
Cost	5 493	1 810	(5)	-	7 298
Intangible assets in progress	1	18	-	-	19
Depreciation	(4 386)	(858)	1	-	(5 243)
Total net intangible assets	1 108	970	(4)	-	2 074

Disposals are mainly in respect of software that has been replaced by either newer versions of the software or by alternative software better suited to the Organisation's operations.

Note 13: Borrowings

	31 December 2011	31 December 2010
	€'000	€'000
Relating to staff loan programme (see Note 8)	8 700	8 200

Note 14: Payables

	31 December 2011	31 December 2010
	€'000	€'000
Suppliers and accrued charges	35 771	34 312
Payables to staff and welfare institutions	27 991	27 201
Advances on assessed and voluntary contributions	15 085	21 446
Other payables	10 640	11 554
Total payables	89 487	94 513

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 23.4 M€ at 31 December 2011 (2010: 21.7 M€). At 31 December 2011, there was no longer any retention money outstanding in respect of site project work. 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.

Advances on voluntary contributions decreased by 5.5 M€ from year-end 2010.

Other payables comprise budget surpluses and interest, amounting to 1.9 M€ (2010: 1.5 M€), and advance payments of 6.0 M€ (2010: 5.6 M€) for special projects and from accession countries. The 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 the individual member country may decide. An advance of 1.4 M€ on the result for 2011 was made available to the member countries when 2011 assessed contributions were called up. All surpluses up to the end of 2010 have been approved by Council.

Note 15: Provisions for liabilities and charges

	31 December 2011	31 December 2010
	€'000	€'000
Total provisions for liabilities and charges	144	169

Provisions for liabilities and charges represent the evaluation at the closing date of payments to be made in respect of various litigations to which the Organisation is party, and the cost of publication sale returns from distributors. In 2011, additional provisions were made for 95 K€, amounts used during the period were 114 K€ and unused amounts reversed during the period came to 5 K€.

Note 16: Employee benefits**Defined-contribution schemes**

The Staff Provident Fund, which has been closed to new entrants since 1974, operates a defined-contribution scheme. The obligation of the Organisation is restricted to contributions paid in, which are recognised as expenses.

As the assets invested are held by the Organisation, a liability is recognised to offset the Fund's assets as described above in Note 9.

The OECD paid 21 K€ in contributions to the Staff Provident Fund in 2011 (2010: 39 K€).

Defined-benefit schemes

The Organisation has been operating employee defined-benefit plans that include a Pension Scheme coordinated with five other international organisations, a New Pension Scheme for employees hired after 1 January 2002, 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.

Employee benefits represent the estimated actuarial liability of the defined-benefit pension schemes, post-employment health cover and long-service benefits.

Actuarial assumptions

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

	2011		2010	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	3.70%	3.75%	3.88%	3.96%
Future salary increase	2.15%		2.15%	
Future Pension Scheme increase	2.15%		2.15%	
Future New Pension Scheme increase	1.80%		1.80%	
Future health cost increase		3.80%		3.80%

All demographic assumptions are reviewed every five years, the last review having taken place in 2008. Measures aimed at cutting costs and liabilities for post-employment health care were adopted in December 2011. Assumptions with regard to the number of new pensioners affiliated to their respective primary national health care schemes were amended accordingly. The future medical inflation rate was not changed at year-end 2011.

Provisions as at 31 December 2011

Provisions for Pension Scheme obligations and other social obligations are as follows:

	31 December 2011 €'000	31 December 2010 €'000
Staff Provident Fund	26 643	26 537
Defined contribution programmes	26 643	26 537
Pension Scheme	1 416 197	1 329 784
Post-employment health coverage	299 668	278 408
Defined benefit programmes	1 715 865	1 608 192
Total employee benefits	1 742 508	1 634 728
Employee benefits current	81 219	75 860
Employee benefits non-current	1 661 289	1 558 868

The breakdown of the provision for defined-benefit schemes is set out as follows:

	31 December 2011			31 December 2010		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
Present value of employee future benefits obligation	(1 832 540)	(287 224)	(2 119 764)	(1 750 299)	(325 725)	(2 076 024)
Unrecognised actuarial (gains) / losses	416 343	(12 444)	403 899	420 515	47 317	467 832
Liability recognised in Statement of Financial Position	(1 416 197)	(299 668)	(1 715 865)	(1 329 784)	(278 408)	(1 608 192)

An unrecognised loss of 47.3 M€ was noted at year-end 2010 in the liability for post-employment health cover, while an unrecognised gain of 12.4 M€ was noted at 31 December 2011.

Cost of defined-benefit schemes

The amounts recognised in the Statement of Financial Performance are:

	31 December 2011			31 December 2010		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
Member country PBRF contributions	49 147	-	49 147	49 176	-	49 176
Employer contributions	27 681	-	27 681	27 487	-	27 487
Other contributions (tax reimbursements)	5 194	-	5 194	5 050	-	5 050
Pension and other contributions for the year	82 022	-	82 022	81 713	-	81 713
Current service cost	69 842	12 422	82 264	62 386	11 377	73 763
Interest cost	66 543	12 784	79 327	66 649	12 526	79 175
Actuarial losses recognised in the year	24 549	1 474	26 023	18 466	140	18 606
Employee contributions from salary	(15 919)	-	(15 919)	(15 637)	-	(15 637)
Employee contributions including transfers from the Staff Provident Fund	(1 366)	-	(1 366)	(1 557)	-	(1 557)
Other expenses (tax reimbursements, post-employment health costs)	5 194	238	5 432	5 050	222	5 272
Pensions and other expenses for the year	148 843	26 918	175 761	135 357	24 265	159 622

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

Interest cost 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.

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 reported as expenses as well.

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 employment benefit 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.

Changes in the present value of the future employee benefits obligation are as follows:

	31 December 2011			31 December 2010		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
Opening employee future benefits obligation	(1 750 299)	(325 725)	(2 076 024)	(1 595 259)	(289 770)	(1 885 029)
Expense for the period:						
Current service cost	(69 842)	(12 422)	(82 264)	(62 386)	(11 377)	(73 763)
Interest cost	(66 543)	(12 784)	(79 327)	(66 649)	(12 526)	(79 175)
Benefits paid	74 520	5 421	79 941	68 787	5 026	73 813
Net actuarial gains / (losses) for the period	(20 376)	58 286	37 910	(94 792)	(17 078)	(111 870)
Employee future benefits obligation at end of December	(1 832 540)	(287 224)	(2 119 764)	(1 750 299)	(325 725)	(2 076 024)

The decrease in future liabilities for post-employment health cover at 31 December 2011 compared to the amount at year-end 2010 is due to the change in assumptions mentioned above.

Changes in actuarial differences of defined-benefit plans:

	31 December 2011			31 December 2010		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	420 515	47 317	467 832	344 189	30 379	374 568
Actuarial (gains) / losses for the year	20 376	(58 286)	(37 910)	94 792	17 078	111 870
Losses recognised in the year	(24 548)	(1 475)	(26 023)	(18 466)	(140)	(18 606)
Unrecognised actuarial losses at end of December	416 343	(12 444)	403 899	420 515	47 317	467 832
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	420 515	47 317	467 832	344 189	30 379	374 568
Limit of the corridor: 10% of the defined benefits obligation at the beginning of the year	(175 030)	(32 572)	(207 602)	(159 526)	(28 977)	(188 503)
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	245 485	14 745	260 230	184 663	1 402	186 065
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised in the year	(24 548)	(1 475)	(26 023)	(18 466)	(140)	(18 606)

Actuarial gains or losses arise when the actuarial assessment differs from the long-term expectation on the obligations: they result from experience adjustment (difference between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

The decrease in the discount rate from 31 December 2010 to 31 December 2011 for pension benefits, from 3.88% to 3.7%, is the main reason for actuarial losses of approximately 20 M€ in 2011.

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:

	One percentage point increase	One percentage point decrease
	€'000	€'000
Effect on the aggregate of the service cost and interest cost	7 271	(5 215)
Effect on defined benefit obligation	74 301	(56 748)

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 is as follows:

	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
	€'000	€'000	€'000	€'000	€'000
Present value of defined benefit obligation	1 832 540	1 750 298	1 595 259	1 602 748	1 388 617
Net value of assets in PBRF	303 611	293 886	251 240	186 175	213 795
Experience adjustments on scheme liabilities - % of scheme liabilities					
Defined benefit pension liability - %	(1.7)	5.8	2.4	(4.4)	(2.9)
Post employment health liability - %	(20.4)	(3.5)	2.5	3.5	(0.6)

Contributions of the Organisation expected in 2012

The Organisation expects to contribute approximately 78 M€ to its pension schemes in 2012.

Note 17: Deferred revenue

	Current		Non-current	
	31 December 2011 €'000	31 December 2010 €'000	31 December 2011 €'000	31 December 2010 €'000
Site Project	7 687	8 748	96 463	102 829
Voluntary contributions	74 879	58 598	98 621	76 563
Publications	6 520	6 248	55	110
Other operations, Part I, Part II and Annex budgets	11 291	16 120	-	-
Total deferred revenue	100 377	89 714	195 139	179 502

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.

In future periods, the movement in deferred revenue for the Site Project will mainly reflect the period depreciation charge for the buildings that were constructed/renovated and financed as part of the Site Project.

The sharp increase in deferred revenue from voluntary contributions is attributable to a significant increase in contributions accepted in 2011.

Note 18: Member countries' contributed interest and reserves

	31 December 2010	IPSAS adjustments carried forward	Budgetary surpluses to be allocated	Previous year results added to reserves	Utilisation of reserves and budget surpluses added to future budgets	Budget surpluses to be returned to member countries and others	Transfers / revaluations and current year deficit	31 December 2011
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Pension benefits	(1 251 070)	-	-	(78 713)	-	-	-	(1 329 783)
Post employment health coverage	(259 391)	-	-	(19 017)	-	-	-	(278 408)
Land and Buildings	367 907	-	-	-	-	-	-	367 907
Accumulated surplus / (deficit)	(24 234)	(4 775)	13 986	(1488)	(5 447)	(7 051)	-	(29 009)
Total member countries' contributed interest	(1 166 788)	(4 775)	13 986	(99 218)	(5 447)	(7 051)	-	(1 269 293)
Pension Budget and Reserve Fund reserve	251 240	-	-	42 646	-	-	-	293 886
PEHL (ex Medical plan reserve)	9 623	-	-	(463)	-	-	-	9 160
Medical plan - Preventive programmes	59	-	-	(21)	-	-	-	38
Asbestos early retirement scheme	531	-	-	(40)	-	-	-	491
Capital Investment Budget and Reserve Fund (CIBRF) (ex. Chardon Lagache & Parking rentals to staff)	12 068	-	-	401	-	-	-	12 469
BFMP project	993	-	-	(159)	-	-	-	834
Publications (Part I)	1 201	-	-	-	-	-	-	1 201
Loss of employment on posts funded by voluntary contributions	874	-	-	-	-	-	-	874
Observer fees from non-members	200	-	-	-	-	-	-	200
Exchange differences	664	-	-	1 707	-	-	-	2 371
Part II - Sahel	701	-	-	310	-	-	-	1 011
Part II - Agriculture	118	-	-	-	-	-	-	118
Part II - IEA - Office space	1 274	-	-	-	-	-	-	1 274
Part II - IEA - Loss of Employment	727	-	-	494	-	-	-	1 221
Part II - IEA - Net publications revenue result and electronic data sales	1 097	-	-	-	-	-	-	1 097
Part II - IEA - 2009 Net publications results	846	-	-	907	(449)	-	-	1 304
Total reserves	30 976	-	-	3 136	(449)	-	-	33 663
Allocation of the net deficit for the prior period	(44 225)	4 775	(13 986)	53 436	-	-	-	-
Net deficit for the current period	-	-	-	-	-	-	(81 030)	(81 030)
Total member countries' contributed interest and reserves	(928 797)	-	-	-	(5 896)	(7 051)	(81 030)	(1 022 774)

Member countries' contributed interest represents the liability related to Pension benefits and Post-employment health cover, detailed in Note 16, and the counterpart of Land and Buildings owned by the Organisation.

The balance shown at 31 December 2011 for pension benefits, post-employment health cover and the Pension Budget and Reserve Fund are the value at the prior year-end as the movements for the current year are included in the net deficit for the current period.

Reserves represent net surpluses retained for future use. Their breakdown by purpose is as follows:

PEHL: Following a Decision of the Council in December 2011, the Medical Plan reserve was transferred to a reserve set aside to secure the financing of future post-employment health care costs. This reserve will also be endowed with an amount of 7 M€ from the equalisation provision established in connection with the medical insurance contract, which was received by the OECD in January 2011 and accounted for as income during the year (see Note 19).

Asbestos: This reserve is intended to fund early retirement benefits for a closed group of officials who are victims of asbestos.

CIBRF: In December 2011, the Council approved the creation of a Capital Investment Budget and Reserve Fund (CIBRF). To that end, the Council decided to transfer the remainder of the Chardon-Lagache reserve to the CIBRF in order to make provision for financing the replacement of critical long-term assets related to OECD building infrastructure. The Parking reserve, which was replenished in 2011, was transferred to this new reserve, thus merging two existing reserves into a single new one.

BFMP: Funding for the Budget and Financial Management Programme (BFMP).

Publications (Part I): This reserve has been maintained in order to manage any deficits of the Annex Budget – Publications.

Loss of employment: Funding for loss-of-employment indemnities for staff financed by voluntary contributions.

Fees paid by non-member observers: Funding for risks incurred in respect of unrecoverable observer contributions from these countries.

Exchange-rate differences: Funding of exchange-rate losses.

Part II reserves are likewise intended to fund similar specific financing requirements for the purposes cited in their respective titles.

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

Note 19: Operating revenues

	12 months ended 31 December 2011 €'000	12 months ended 31 December 2010 €'000
Assessed contributions	281 452	277 365
Voluntary contributions	102 300	94 132
Pension contributions	82 022	81 713
Sales of publications	16 732	16 634
Other	21 523	23 997
Total operating revenues	504 029	493 841

The main variances between 2011 and 2010 are as follows:

- Assessed contributions for Part I, Part II and Annex Budgets changed in line with the annual Budget.
- Voluntary contributions recognised during the period were higher, due to a sharp rise in contributions accepted in 2011 to finance specific activities.
- 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.

- Publications income increased slightly in 2011, with high volumes of subscriptions to OECD iLibrary. Individual book sales and individual subscriptions to periodicals were lower compared with 2010.
- Other revenues include costs reimbursed by third parties for OECD staff (1.6 M€), revenue from non-member economies, including the accession countries (3.9 M€ in 2011, down 72% from the previous year because of the reduction of the number of accession countries) and external receipts from Conference Centre rentals (0.4 M€, up slightly from 2010). These other revenues in 2011 include a 7 M€ transfer by the insurer from the existing equalisation provision established under the insurance contract for medical and social protection (see Note 26).

Note 20: Operating expenses

	12 months ended 31 December 2011	12 months ended 31 December 2010
	€'000	€'000
Personnel costs:		
Salaries and benefits	252 461	244 077
Temporary staff salaries and benefits	14 616	13 893
Other personnel costs (incl. training)	1 037	1 378
Total personnel costs	268 114	259 348
Total pension and post-employment benefits costs (See Note 16)	175 761	159 622
Consulting costs:		
Fees to individual consultants	13 597	13 185
Fees to companies and organisations	20 881	21 866
Total consulting costs	34 478	35 051
Travel costs:		
Travel costs missions - personnel	15 153	15 331
Travel costs - external invitees	7 322	7 730
Total travel costs	22 475	23 061
Operating costs:		
External services	14 130	13 773
Building rentals	15 319	15 774
Maintenance and repairs	7 775	9 928
Utilities	1 461	1 435
Consumable and supplies	4 285	4 544
Printing and reproduction	622	784
Conference, interpretation and translations	5 681	5 874
Communication	2 778	3 133
Marketing	2 484	2 432
External publications	1 966	1 989
Depreciation	18 759	19 362
Inventory variation	867	273
Total operating costs	76 127	79 301
Other costs:		
Non refundable taxes and insurance	1 032	1 073
Other administration expenses and operating gains and losses	268	265
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	(715)	(235)
Total other costs	585	1 103
Total operating expenses	577 540	557 486

The main variances between 2011 and 2010 are as follows:

- The increase in personnel costs is due primarily to the rise in staffing levels between 2010 and 2011 (+3%) funded by the Budget and voluntary contributions accepted for the 2011-2012 Programme of Work.
- Total consulting costs, travel costs and operating costs decreased relative to the costs recognised in 2010.
- Building rental expenses are lower than in 2010 due to the cancellation during 2010 of the leases for the Ingres building and the printing workshop in Boulogne-Billancourt.
- The decrease in maintenance and repairs is primarily due to the reduced volume of building maintenance work.
- The decrease in depreciation charges in 2011 stems mainly from building components that were fully depreciated at 31 December 2010.
- In 2011 there was an increase in inventory variation and a decrease in provisions for publications inventories. These variations are principally due to the destruction of a portion of the publications inventory at the beginning of 2011, as described in Note 6.

Note 21: Financial revenue and expenses

	12 months ended 31 December 2011	12 months ended 31 December 2010
	€'000	€'000
Interest income on restricted funds	1 305	513
Interest income on general treasury funds	1 709	705
Pension Budget and Reserve Fund investment gain / (loss)	(10 595)	16 966
Net foreign currency conversion gain / (loss)	463	1 575
Total financial revenue	(7 118)	19 759
Interest expense	160	103
Bank charges	241	236
Total financial expenses	401	339
Financial revenue and expenses, net	(7 519)	19 420

Interest income on restricted funds and on general treasury funds increased by 1 796 K€ for the period ending 31 December 2011 as compared to the period ending 31 December 2010 because of a rise in short-term interest rates (the EONIA rose from 0.43% in 2010 to 0.87% in 2011), as well as more active treasury management.

Interest income on general treasury funds is earned mostly from voluntary contributions received in advance of the related expenditure. The weighted average interest rate earned for 2011 was 1.64%, versus 0.56% in 2010.

Interest income earned by the Pension Budget and Reserve Fund was 270 K€ for the period ending 31 December 2011, compared to 142 K€ for the period ending 31 December 2010, due mainly to a decrease in short-term deposits in 2010.

Investment income (net realised and unrealised capital gains or losses), net of management fee rebates, amounted to an unrealised capital loss of 10.6 M€ for 2011. In the period ending 31 December 2011, long-term investments of the Pension Budget and Reserve Fund had a negative return of 3.33% (2010: positive return of 6.54%). The negative return in 2011 primarily reflects developments in equity markets, 2011 having been a year disrupted by significant volatility. Market concerns over sovereign credit risks in the industrialised economies and the euro zone crisis, along with the outlook for an economic slowdown, weighed heavily on equity markets.

Net foreign-exchange gains for the period ending 31 December 2011 of 463 K€ (versus a gain of 1 575 K€ in 2010) are due mainly to the difference in the valuation of voluntary contribution accounts receivable at 31 December 2011 as compared to the amounts of the receivables recorded at the time of acceptance.

Interest expense, relating to borrowings to fund the staff loan programme, is higher than in the prior year, due both to an increase in aggregate borrowings and to the average interest rate, which rose from 1.52% in 2010 to 1.96% in 2011.

Note 22: 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 2010 and 2011. Part I is for programmes financed by the members, and Part II is for special programmes financed by some or all members and non-members. Annex Budgets include the Site Project. Non-budgetary operations include the staff loan programme, foreign-exchange variances and other sundry operations.

Owing to the nature of the Organisation's activities, its assets and liabilities are used jointly by all segments and may therefore not be disclosed separately.

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 the 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.

Statement of Financial Performance by Segment

	Part I (1)		Part II (2)		Annex budgets (3)		Voluntary contributions (4)	
	2011	2010	2011	2010	2011	2010	2011	2010
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	182 675	176 515	85 483	85 511	11 101	13 677	-	-
Voluntary contributions	-	-	-	-	-	-	102 300	94 132
Pension contributions	-	-	-	-	5 194	5 050	-	-
Sales of publications	-	-	6 311	6 113	10 415	10 521	6	-
Other	2 450	2 474	3 510	3 592	3 925	14 373	2 741	1 757
Total operating revenues	185 125	178 989	95 304	95 216	30 635	43 621	105 047	95 889
Personnel	150 846	145 062	51 055	50 837	11 111	13 568	57 064	51 880
Pension & post-empl. benefits	3 744	3 656	-	-	5 194	5 050	-	-
Consulting	6 796	7 744	9 921	10 601	696	661	17 175	16 251
Travel	5 107	5 346	4 024	4 026	360	723	12 984	12 915
Operating	40 824	41 770	11 115	12 184	14 256	17 572	5 650	5 182
Other	1 035	1 285	174	89	(887)	(375)	233	93
Total operating expenses	208 352	204 863	76 289	77 737	30 730	37 199	93 106	86 321
Surplus/ (deficit) from operating activities	(23 227)	(25 874)	19 015	17 479	(95)	6 422	11 941	9 568
Other financial revenue and expenses, net	1 509	514	-	-	(38)	(44)	(4)	(2)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	1 509	514	-	-	(38)	(44)	(4)	(2)
Surplus / (deficit) from ordinary activities	(21 718)	(25 360)	19 015	17 479	(133)	6 378	11 937	9 566
Internal invoicing	7 703	7 842	(5 272)	(4 947)	54	(60)	(2 467)	(2 828)
Overhead Charge	8 014	7 983	(7 871)	(7 862)	-	-	(143)	(121)
Voluntary contributions administration charge	9 805	7 011	-	(17)	-	-	(9 328)	(6 589)
Internal transfers	142	198	323	285	1	21	-	(28)
Total internal operations	25 664	23 034	(12 820)	(12 541)	55	(39)	(11 938)	(9 566)
Net surplus / (deficit) for the period	3 946	(2 326)	6 195	4 938	(78)	6 339	-	-

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		TOTAL (1 to 7)	
	2011	2010	2011	2010	2011	2010	2011	2010
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	2 194	1 662	-	-	-	-	281 453	277 365
Voluntary contributions	-	-	-	-	-	-	102 300	94 132
Pension contributions	-	-	76 828	76 663	-	-	82 022	81 713
Sales of publications	-	-	-	-	-	-	16 732	16 634
Other	8 896	1 801	-	-	-	-	21 522	23 997
Total operating revenues	11 090	3 463	76 828	76 663	-	-	504 029	493 841
Personnel	752	377	-	-	(2 714)	(2 376)	268 114	259 348
Pension & post-empl. benefits	-	-	56 440	50 810	110 383	100 106	175 761	159 622
Consulting	32	19	-	-	(142)	(225)	34 478	35 051
Travel	-	51	-	-	-	-	22 475	23 061
Operating	855	445	-	-	3 427	2 148	76 127	79 301
Other	7	1	1	-	23	10	585	1 103
Total operating expenses	1 646	893	56 441	50 810	110 977	99 663	577 540	557 486
Surplus/ (deficit) from operating activities	9 444	2 570	20 387	25 853	(110 977)	(99 663)	(73 511)	(63 645)
Other financial revenue and expenses, net	1 339	1 844	-	142	-	-	2 806	2 454
PBRF investment income	-	-	(10 325)	16 966	-	-	(10 325)	16 966
Total financial revenue and expense, net	1 339	1 844	(10 325)	17 108	-	-	(7 519)	19 420
Surplus / (deficit) from ordinary activities	10 783	4 414	10 062	42 961	(110 977)	(99 663)	(81 030)	(44 225)
Internal invoicing	(16)	(8)	-	-	(2)	-	-	-
Overhead Charge	-	-	-	-	-	-	-	-
Voluntary contributions administration charge	(474)	(405)	-	-	(3)	-	-	-
Internal transfers	(129)	(160)	(337)	(315)	-	-	-	-
Total internal operations	(619)	(573)	(337)	(315)	(5)	-	-	-
Net surplus / (deficit) for the period	10 164	3 841	9 725	42 646	(110 982)	(99 663)	(81 030)	(44 225)

Internal operations have been split into four categories:

1. Recurrent internal invoicing between services;
2. Overhead Charges re-billed between Part I and Part II of the Budget;
3. Recoveries of administration costs for voluntary contributions, in particular a 6.8% charge;
4. Internal transfers of expenditure between segments.

Note 23: Budget statements

The Organisation has moved in recent years to implement a results-based planning, budgeting and management framework, identifying the policy impacts member governments are seeking; deploying resources to achieve these outcomes through the Programme of Work; and evaluating performance 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; and to ensure 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.

The following schedule shows the amount of the original Budget of income and expenditure for 2011 that was approved by Council in 2010, and the final Budget, which includes commitments carried forward from 2010, appropriations carried forward for certain Part II programmes and, in accordance with new provisions of the Financial Regulations, new, revised and supplementary budgets approved in 2011. This budget does not include financing for the Site Project or voluntary contributions.

	Budget Amount		Actual	Difference: Final Budget and Actual
	Original Budget	Final Budget		
	€'000	€'000	€'000	€'000
Income				
Part I	182 025	197 445	198 094	649
Part II	90 702	99 715	99 966	251
Annex budgets	69 050	70 916	71 419	503
Pre-accession	4 954	4 954	4 954	-
Total income	346 731	373 030	374 433	1 403
Expenditure				
Part I	182 025	197 445	191 748	5 697
Part II	90 702	99 715	93 568	6 147
Annex budgets	69 050	70 916	71 023	(107)
Pre-accession	4 954	4 954	3 992	962
Total expenditure	346 731	373 030	360 331	12 699
Net result				
Part I	-	-	6 346	6 346
Part II	-	-	6 398	6 398
Annex budgets	-	-	396	396
Pre-accession	-	-	962	962
Total net result	-	-	14 102	14 102

Part I income is 649 K€ over-budget due to increased interest income resulting from the investment strategy implemented in 2011.

Income in the Annex Budgets is over-budget, due primarily to higher income in the Annex budget – Publications (359 K€).

Savings on Part I expenditure are attributable primarily to savings on programme staffing costs, as a result of recruiting delays, as well as to postponement until 2012 of strategic decisions regarding the Organisation's office space.

An amount of 1.4 M€ resulting from favourable negotiations of rents paid by the Organisation was distributed to the member countries in early 2011 as an advance against the 2011 result. With regard to Part II, some programmes are allowed to carry a portion of their budgets forward to subsequent periods to offset future cost overruns.

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.

	Budget Amount		Voluntary Contributions	Total	Expenditure ³			Difference: Budget & Planned Exp. and Expenditure €'000
	Original Budget	Final Budget	Planned Expenditure	Final Budget and Planned Expenditure	Budget Actual	Voluntary Contributions	Total	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Part I : Output Group								
Economic Surveillance	18 798	18 813	370	19 183	18 850	121	18 971	212
Industrial and Sectoral Policies	2 843	3 003	4 528	7 531	2 826	2 072	4 898	2 633
Science and Technology Policies	6 413	6 413	5 380	11 793	6 288	3 592	9 880	1 913
Human and Social Capital	4 035	4 086	9 114	13 200	4 041	4 761	8 802	4 398
Employment Policies and Social Cohesion	5 783	5 862	5 211	11 073	5 781	2 696	8 477	2 596
Environmental Sustainability	8 389	8 489	7 573	16 062	8 241	4 065	12 306	3 756
Health System Performance	2 508	2 508	2 138	4 646	2 468	1 656	4 124	522
International Trade	5 036	5 056	342	5 398	4 944	402	5 346	52
Agriculture	6 906	6 906	499	7 405	6 697	691	7 388	17
Taxation	5 180	5 280	3 726	9 006	5 280	3 182	8 462	544
Business Climate	6 126	6 206	23 226	29 432	6 184	11 330	17 514	11 918
Competition and Market Efficiency	4 757	4 757	4 611	9 368	4 827	3 467	8 294	1 074
Public Sector Economics and Governance	6 274	6 354	22 537	28 891	6 386	19 329	25 715	3 176
Development	6 011	6 051	22 654	28 705	6 131	17 026	23 157	5 548
Global relations	1 814	1 814	263	2 077	1 864	138	2 002	75
Corporate Management	9 403	8 678	536	9 214	8 167	614	8 781	433
Statistics	7 268	7 268	1 788	9 056	6 913	1 210	8 123	933
Corporate Services	65 777	65 942	-	65 942	62 912	23	62 935	3 007
Corporate Visibility	8 704	8 704	651	9 355	8 779	971	9 750	(395)
2010 Commitments carried forward	-	15 255	-	15 255	14 169	-	14 169	1 086
Total Part I	182 025	197 445	115 147	312 592	191 748	77 346	269 094	43 498
Part II : Programme								
International Energy Agency	26 612	27 781	22 687	50 468	27 357	11 673	39 030	11 438
Development Centre	5 906	6 066	4 414	10 480	5 635	4 378	10 013	467
Sahel & West Africa Club	543	2 272	300	2 572	2 005	318	2 323	249
OECD Nuclear Energy Agency	10 407	10 650	1 200	11 850	10 527	1 703	12 230	(380)
Nuclear Energy Agency Data Bank ¹	2 954	3 200	-	3 200	3 074	114	3 188	12
Centre for Educational Research and Innovation	3 530	3 654	897	4 551	3 356	306	3 662	889
Joint OECD/ITF Transport Research Centre ¹	1 114	1 198	-	1 198	1 194	-	1 194	4
International Transport Forum	4 997	5 315	143	5 458	5 316	1 557	6 873	(1 415)
Special Programme on the Control of Chemicals	1 840	1 847	756	2 603	1 846	928	2 774	(171)
Steel	678	794	120	914	756	29	785	129
Biological Resource Management for Sustainable Agricultural Systems ¹	771	897	-	897	868	1	869	28
Co-operative Action Programme on Local Economic & Employment Development	1 415	1 415	4 105	5 520	1 415	2 847	4 262	1 258
Programme for International Assessment of Adult Competencies	4 254	4 743	2 800	7 543	4 154	504	4 658	2 885
Financial Action Task Force	3 265	3 347	146	3 493	3 182	331	3 513	(20)
OECD Global Science Forum	561	561	167	728	556	208	764	(36)
Agricultural Codes and Schemes for International Trade ¹	1 069	1 140	-	1 140	1 019	17	1 036	104
Network on Fiscal Relations Across Levels of Government	340	340	137	477	337	149	486	(9)
Shipbuilding	383	419	85	504	398	129	527	(23)
Global Forum on Transparency & Exchange of Information for Tax Purposes ¹	3 111	3 772	-	3 772	3 471	203	3 674	98
Inter-Organisations Section ¹	2 404	2 703	-	2 703	2 086	93	2 179	524
Joint Pensions Administrative Section ¹	3 040	3 160	-	3 160	2 909	23	2 932	228
German Linguistic Section ¹	1 687	1 687	-	1 687	1 527	-	1 527	160
Italian Linguistic Section ¹	350	353	-	353	287	-	287	66
Reimbursable Posts ¹	1 520	1 520	-	1 520	1 560	-	1 560	(40)
Programme for International Student Assessment	5 440	8 341	1 907	10 248	6 398	3 482	9 880	368
Programme on Institutional Management in Higher Education	1 038	1 061	3 639	4 700	1 024	2 689	3 713	987
Centre for Effective Learning Environments	443	449	350	799	380	26	406	393
Omesys (medical claims administration)	1 030	1 030	-	1 030	931	-	931	99
Total Part II	90 702	99 715	43 853	143 568	93 568	31 708	125 276	18 292
Adjustments ²						(4 007)	(4 007)	4 007
Total Part I & Part II	272 727	297 160	159 000	456 160	285 316	105 047	390 363	65 797

Notes:

¹ These Part II Programmes did not include 'Planned Expenditure' financed by Voluntary Contributions in their 2011 Programme of Work and Budget.

² Accounting adjustments.

³ Note 22

The budget and the accounting bases differ. The financial statements for the Organisation are prepared on the accrual basis using a classification based on the nature of the expense in the Statement of Financial Performance. The Budget is prepared on a cash/commitment basis by Output Group, Part II programme and Annex Budgets. The following note provides a reconciliation between the budgetary results and the financial statements.

Note 24: Reconciliation of budgetary results and results after IPSAS adjustments

In order to reconcile the Budget outturn with the results after IPSAS adjustments, differences between budget and accrual accounting need to be taken into account. These differences can be attributable to timing, or they can constitute permanent differences. The most significant of these differences are the following:

- a) In budget accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses include only amounts accruing to the period. The difference is treated as deferred revenue or expenses in accrual accounting.
- b) In budget accounting, capital expenditures (except capital expenditures for the Site Project, which has a separate budget) are recorded as current-year expenses. In accrual accounting, this expense is capitalised and depreciated over the useful lives of the assets. These capital expenditures and associated depreciation are recorded at their net book value as assets in the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.
- c) In budget accounting, post-employment health cover expenditure for employee benefits 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, member countries provide supplemental 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 25. The pension and post-employment health cover benefits obligation is reported in the Statement of Financial Position as detailed in Note 16.
- d) In budget accounting, publications receipts, including subscriptions, are recorded during the year on a cash basis. In accrual accounting, these sales are recorded as revenue when delivered and 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 financial statements.

	Budgetary results to be allocated	Transfer to reserves and carry forward to 2012	Results for the year	IPSAS adjustments	Nature of reconciling adjustments	Net results for the year
	(1)	(2)	(3) = (1) + (2)	(4)		(3) + (4)
	€'000	€'000	€'000	€'000		€'000
Part I	6 346	-	6 346	(2 400)	a, d	3 946
Part II	6 398	-	6 398	(203)	a, d	6 195
Annex budgets	396	-	396	(474)	a, d	(78)
Pre Accession	962	(962)	-	-		-
Subtotal - Budget operations	14 102	(962)	13 140	(3 077)		10 063
Non-budgetary operations	-	10 164	10 164	-		10 164
Pension Budget and Reserve Fund	-	9 725	9 725	-		9 725
Subtotal - Other operations	-	19 889	19 889	-		19 889
Other IPSAS adjustments	-	-	-	-		-
Change in employee defined benefit liabilities	-	-	-	(107 674)	c	(107 674)
Adjustments for fixed assets	-	-	-	(3 308)	b	(3 308)
Subtotal - Accounting adjustments	-	-	-	(110 982)		(110 982)
Net result for the period	14 102	18 927	33 029	(114 059)		(81 030)

Note 25: Proposed allocation of the results for the period

The results for 2011 will be allocated as follows, subject to approval by Council:

	Net results for the year	Proposed treatment of the results		
		Transfer to accumulated deficit	Transfer to reserves and carry forward to 2012	Budgetary results to be allocated
	€'000	€'000	€'000	€'000
Part I	6 346	-	-	6 346
Part II	6 398	-	-	6 398
Annex budgets	396	-	-	396
Pre Accession	-	-	(962)	962
Non-budgetary operations	10 164	-	10 164	-
Pension Budget and Reserve Fund	9 725	-	9 725	-
Subtotal	33 029	-	18 927	14 102
IPSAS adjustments				
Included in Part I	(2 400)	(2 400)	-	-
Included in Part II	(203)	(203)	-	-
Included in Annex budgets	(474)	(474)	-	-
Change in employee defined benefit liabilities	(107 674)	(107 674)	-	-
Adjustments for fixed assets	(3 308)	(3 308)	-	-
Subtotal IPSAS adjustments	(114 059)	(114 059)	-	-
Net result for the period	(81 030)	(114 059)	18 927	14 102

Note 26: Contingencies and capital commitments**A. Contingencies**

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

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 under 60 years of age, provided they meet certain conditions as to their job duties and medical condition. At 31 December 2011, only 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 3.0 M€ over the period to June 2031.

The Organisation has renewed its insurance contract for medical and social benefits for a period of five years, from 1 January 2011 to 31 December 2015, with Médéric Prévoyance ("the Insurer"), to cover payments of medical expenses, salary for temporary work disability, salary for permanent work disability, lump sum payments for death or permanent disability for any cause and lump sum payments for death related to an accident at work or work-related illness.

The contract includes a provision under which the difference between the premiums due to the Insurer and the amounts paid out by it in claims each year is transferred by the Insurer to a provision for equalisation account, which is available to manage risk in respect of the events described above, thereby allowing premiums to be lower than would be the case were the provision not to exist. When the insurance contract was renewed at year-end 2010, the equalisation provision (21.8 M€) was reduced by 7 M€, which was transferred to the OECD in January 2011 and posted to Other revenues in the Statement of Financial Performance for 2011 (Note 19). This amount was allocated at the beginning of 2012 to a reserve established to fund costs relating to post-employment health care cover.

B. Capital commitments

a) Site Project

The Site Project consists of the renovation of the La Muette site in Paris, where the Organisation has been headquartered since its creation. The overall operation, in addition to large-scale asbestos removal, comprises large redevelopment, demolition and construction works. The Organisation has, at the same time, reconfigured its conference facilities.

The total Site Project cost is estimated at 298.5 M€ and includes all costs related to the temporary relocation of staff during the work.

At 31 December 2011, the budget situation of the Site Project is as follows:

	Authorised budget € million	Cumulated expenses (actual and contracted) at 31 December 2011			Available budget at 31 December 2011 € million
		Committed or contracted € million	Spent € million	Total € million	
Relocation costs	143.9	-	131.4	131.4	12.5
Construction and renovation costs	148.4	1.0	158.4	159.4	(11.0)
Other costs	6.2	-	6.3	6.3	(0.1)
Total capital commitments	298.5	1.0	296.1	297.1	1.4

b) Operating lease commitments

Future minimum lease payments for the following periods are:

	31 December 2011 € million	31 December 2010 € million
Within one year	16	12
In the second to fifth years inclusive	58	56
After five years	17	26
Total operating lease commitments	91	94

Operating lease payments represent rental payments for certain properties. The rents payable under these leases are subject to renegotiation at various intervals specified in the lease contracts.

One lease expired in 2011 and was renewed for a period of twelve months. A new lease for the rental of offices and parking space began during 2011. This new lease was signed for a period of nine years, running until 31 May 2020.

c) Bank guarantees

The Organisation's obligations to lessors of certain office premises are guaranteed by banks for a maximum of 1.9 M€. The guarantees are for obligations under leases for offices and parking for periods up to 31 December 2018.

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 2011 of 1 833 M€ (2010: 1 750 M€), as shown in Note 16. The member countries participate in the constitution of a fund (Pension Budget and Reserve Fund) towards this liability. The net value of the Fund at 31 December 2011 was 303.6 M€ (2010: 293.9 M€).

Note 27: Key management personnel

The Organisation is governed by a Council composed of representatives of all the member countries. 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 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.

Key management personnel and their aggregate remuneration were as follows:

	31 December 2011		31 December 2010	
	Number of individuals	Aggregate remuneration €'000	Number of individuals	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	7	3 208	7	2 174
Senior officers	28	6 341	31	6 935
Total key management personnel		9 549		9 109

Unlike 2010, aggregate 2011 remuneration for the deputy Secretaries-General and other senior officers includes pension contributions refunded to officials leaving the Organisation before having completed ten years' service.

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

Note 28: Related-party transactions

There were no material transactions with related parties during the years 2011 and 2010.

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