Organisation for Economic Co-operation and Development

BC(2017)13

For Official Use **English - Or. English**

19 June 2017

COUNCIL

Budget Committee

Financial Statements of the Organisation for Economic Co-operation and Development as at 31 December 2016

Summary:

This document presents the Financial Statements for 2016.

Budget Committee:

The Financial Statements are presented to the Budget Committee for information

JT03416437

Table of Contents

OPINION OF THE EXTERNAL AUDITOR **3**

REPORT OF MANAGEMENT **5**

OECD Statement of Financial Position 6
OECD Statement of Financial Performance 7
OECD Statement of Changes in Cash Flows 8
OECD Statement of Changes in Net Assets 9

NOTES TO THE FINANCIAL STATEMENTS **10**

Note 1: General information 10
Note 2: Adoption of new and revised standards – Supplementary information 11
Note 3: Significant accounting policies 12
Note 4: Accounting judgements and estimates 19
Note 5: Cash and cash equivalents 19
Note 6: Inventories 21
Note 7: Accounts receivable and prepayments 21
Note 8: Staff loan programme 22
Note 9: Investments and security deposits 23
Note 10: Furniture, fixtures and equipment 25
Note 11: Land and buildings 26
Note 12: Intangible assets 28
Note 13: Borrowings 28
Note 14: Payables 28
Note 15: Provisions for liabilities and charges 29
Note 16: Employee benefits 30
Note 17: Deferred revenue 35
Note 18: Member countries' contributed interest and reserves 36
Note 19: Operating revenues 38
Note 20: Operating expenses 39
Note 21: Financial revenue and expenses 40
Note 22: Segment information - Statement of Financial Performance 42
Note 23: Budget statements 44
Note 24: Reconciliation of budgetary results and results after IPSAS adjustments 47
Note 25: Proposed allocation of the results for the period 49
Note 26: Contingencies and capital commitments 50
Note 27: Contributions-in-Kind 51
Note 28: Key management personnel 53
Note 29: Related-party transactions 53

Cour des comptes
FRANCE

Le Premier président

Paris, le 30 MAI 2017

À l'attention du Conseil
de l'Organisation de coopération et
de développement économiques (OCDE)

(Free translation from French of the opinion of the External Auditor)

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

OPINION OF THE EXTERNAL AUDITOR

Audit opinion

We have audited the Organisation for Economic Co-operation and Development's (OECD) financial statements for the year ended on 31 December 2016. These financial statements comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Cash Flows and the Statement of Changes in Net Assets, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the situation of the OECD on 31 December 2016, and of its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (International Standards on Auditing - ISA) and in conformity with the additional mandate established under Article 32 of the OECD Financial Regulations. These standards require that we comply with ethical rules and that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. In compliance with the Charter of Ethics of *la Cour des comptes* (the French Supreme Audit Institution), we guarantee the independence, impartiality, neutrality, integrity and discretion of the audit personnel. We have discharged the other responsibilities incumbent upon us under the INTOSAI Code of Ethics (INTOSAI – International Organisation of Supreme Audit Institutions). The full range of responsibilities incumbent upon us is further described under the section "External Auditor's responsibilities for the audit of the financial statements".

We believe that the evidence we have obtained is sufficient and appropriate to reasonably provide the basis for our audit opinion.

Responsibilities of Management for the financial statements

The financial statements of the Organisation are prepared under the responsibility of the OECD Management. The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Secretary-General is responsible, pursuant to Article 1 of the Financial Regulations, for designing, implementing and monitoring internal control relevant to the preparation and fair presentation of the financial statements with no material misstatement, whether due to fraud or errors, as well as establishing reasonable accounting estimates based on the circumstances.

External Auditor's responsibilities for the Audit of the financial statements

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

An audit involves therefore performing procedures to obtain relevant evidence in connection with the amounts and disclosures in the financial statements. The External Auditor considers the internal control in place in the entity in relation to the compilation and preparation of the financial statements in order to define audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control. The procedures selected depend on the judgement of the External Auditor, as well as the assessment of the risks on the financial statements, the evaluation of the appropriateness of accounting policies used, the reasonableness of accounting estimates made, and the assessment of the overall presentation of the financial statements.

Didier MIGAUD

13, rue Cambon ▪ 75100 PARIS CEDEX 01 ▪ T +33 1 42 98 95 00 ▪ www.ccomptes.fr

REPORT OF MANAGEMENT

BETTER POLICIES FOR BETTER LIVES

28 April 2017

REPORT OF MANAGEMENT

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

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

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

In the opinion of OECD Management, these financial statements present fairly the Organisation's financial position at 31 December 2016 and of the results of operations and cash flows for the year ended at that date.

Angel Gurría
Secretary-General

Anthony Rottier
Executive Director

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

2, rue André-Pascal
75775 Paris Cedex 16 - France

www.oecd.org

Tel.: +33 (0) 1 45 24 82 00

OECD
Statement of Financial Position

	Notes	31 December 2016 €'000	31 December 2015 €'000	
ASSETS				
Current assets				
Cash and cash equivalents, unrestricted	5	189 928	134 677	
Cash and cash equivalents, restricted	5	41 514	41 133	
Inventories	6	231	546	
Accounts receivable and prepayments	7	161 409	191 833	*
Staff loan programme	8	6 229	5 877	
Total current assets		**399 311**	**374 066**	
Non-current assets				
Accounts receivable and prepayments	7	68 048	55 731	
Staff loan programme	8	9 640	9 379	
Investments and security deposits	9	655 000	578 377	
Furniture, fixtures and equipment	10	27 579	20 175	
Land and buildings	11	483 148	495 038	
Intangible assets	12	3 923	2 297	
Total non-current assets		**1 247 338**	**1 160 997**	
TOTAL ASSETS		**1 646 649**	**1 535 063**	
LIABILITIES				
Current liabilities				
Borrowings	13	14 000	14 000	
Payables	14	150 027	111 271	*
Provisions for liabilities and charges	15	164	23 750	
Employee benefits	16	93 770	89 592	
Deferred revenue	17	157 474	142 863	
Total current liabilities		**415 435**	**381 476**	
Non-current liabilities				
Employee benefits	16	2 419 203	2 216 250	
Deferred revenue	17	228 144	215 693	
Total non-current liabilities		**2 647 347**	**2 431 943**	
TOTAL LIABILITIES		**3 062 782**	**2 813 419**	
NET ASSETS		**(1 416 133)**	**(1 278 356)**	
Long-term commitments and associated reserves	18	(1 691 686)	(1 521 489)	
Technical reserves	18	474 062	470 386	
Budgetary reserves	18	10 945	9 185	
Net deficit for the period	18 & 25	(124 293)	(185 078)	
Accumulated surplus / (deficit)	18	(85 161)	(51 360)	
TOTAL NET ASSETS		**(1 416 133)**	**(1 278 356)**	

* See Notes for explanations.

OECD
Statement of Financial Performance

	Notes	31 December 2016 €'000	31 December 2015 €'000
OPERATING REVENUES			
Assessed contributions	19	294 145	294 325
Voluntary contributions	19	164 234	146 186
Pension contributions	16 & 19	94 376	91 818
Sales of publications	19	17 112	17 157
Other	19	47 159	21 524
Total operating revenues		**617 026**	**571 010**
OPERATING EXPENSES			
Personnel	20	334 004	313 401
Pension and post-employment benefits	16 & 20	288 189	296 698
Consulting	20	50 005	43 588
Travel	20	28 733	27 314
Operating	20	83 443	78 609
Other	20	(6 802)	25 646
Total operating expenses		**777 572**	**785 256**
Deficit from operating activities		**(160 546)**	**(214 246)**
Financial revenue and expense, net	21	36 253	29 168
Deficit from ordinary activities		**(124 293)**	**(185 078)**
DEFICIT FOR THE PERIOD	18 & 25	**(124 293)**	**(185 078)**

OECD
Statement of Changes in Cash Flows

	Notes	31 December 2016 €'000	31 December 2015 €'000
Cash flow from operating activities			
Deficit from ordinary activities		(124 293)	(185 078)
Depreciation, net	10,11 & 12	19 956	20 656
Loss / (gain) on disposal of fixed assets	10,11 & 12	160	133
Increase / (decrease) in provisions for liabilities and charges	15	(23 586)	23 529
Increase in employee benefits - defined benefit programmes	16	208 774	221 315
Decrease / (increase) in receivables	7	18 107	(109 646) *
Decrease / (increase) in inventories	6	315	(108)
(Increase) in investments due to revaluation - PBRF	9	(30 550)	(4 745)
Increase in payables	14	38 756	25 924 *
Increase in deferred revenue	17	27 062	47 425
Net cash flow from operating activities		**134 701**	**39 405**
Cash flow from investing activities			
Purchase of fixed assets	10,11 & 12	(17 517)	(12 135)
Proceeds from sale of fixed assets	10,11 & 12	5	12
Increase in staff loan programme	8	(613)	(1 193)
Decrease in financial assets - Staff Provident Fund	9	1 643	577
Decrease / (increase) in financial assets - other	9	(151)	785
Net (purchase) / disposal of investments - PBRF	9	(47 565)	(48 144)
Net cash flow from investing activities		**(64 198)**	**(60 098)**
Cash flow from financing activities			
(Decrease) in liabilities - Staff Provident Fund	16	(1 643)	(577)
Proceeds from borrowings	13	28 000	28 000
Repayment of borrowings	13	(28 000)	(28 000)
Finance lease interest	21	-	-
Finance lease payments	26	-	(20)
Credits to member countries and others	18	(13 228)	(8 629)
Net cash flow from financing activities		**(14 871)**	**(9 226)**
Net (decrease) / increase in cash and cash equivalents		**55 632**	**(29 919)**
Cash and cash equivalents at beginning of period	5	175 810	205 729
Cash and cash equivalents at end of period	**5**	**231 442**	**175 810**

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.

* See Notes for explanations.

OECD
Statement of Changes in Net Assets

	Long-term commitments and associated reserves €'000	Technical reserves €'000	Budgetary reserves €'000	**Total reserves €'000**	Net surplus / (deficit) €'000	Accumulated surplus / (deficit) €'000	**Total €'000**
Balance at 31 December 2014	**(1 478 907)**	**465 872**	**8 733**	**(1 004 302)**	**(32 581)**	**(47 234)**	**(1 084 117)**
Allocation of prior year result	(42 407)	5 047	821	**(36 539)**	32 581	3 958	**-**
Utilisation of reserves and budget surpluses added to future budgets	(175)	-	(369)	**(544)**	-	(7 644)	**(8 188)**
Budget surpluses to be returned to member countries and other donors	-	-	-	**-**	-	(440)	**(440)**
Transfers / revaluations	-	(533)	-	**(533)**	-	-	**(533)**
Current year deficit	-	-	-	**-**	(185 078)	-	**(185 078)**
Subtotal	(42 582)	4 514	452	**(37 616)**	(152 497)	(4 126)	**(194 239)**
Balance at 31 December 2015	**(1 521 489)**	**470 386**	**9 185**	**(1 041 918)**	**(185 078)**	**(51 360)**	**(1 278 356)**
Allocation of prior year result	(169 396)	3 932	1 238	**(164 226)**	185 078	(20 852)	**-**
Utilisation of reserves and budget surpluses added to future budgets	-	-	(279)	**(279)**	-	(12 644)	**(12 923)**
Budget surpluses to be returned to member countries and other donors	-	-	-	**-**	-	(305)	**(305)**
Transfers / revaluations	(801)	(256)	801	**(256)**	-	-	**(256)**
Current year deficit	-	-	-	**-**	(124 293)	-	**(124 293)**
Subtotal	(170 197)	3 676	1 760	**(164 761)**	60 785	(33 801)	**(137 777)**
Balance at 31 December 2016	**(1 691 686)**	**474 062**	**10 945**	**(1 206 679)**	**(124 293)**	**(85 161)**	**(1 416 133)**

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 class previously recognised as an expense in the Statement of Financial Performance (*cf. Note 11*).

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 35 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 35 members of the Organisation are Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

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

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

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

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

Part I of the Budget: All of the Organisation's member countries fund the Budget for the Part I Programme of Work, accounting for approximately 50% in 2016 of the 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 of the Budget: This funds programmes relating to sectors of activity not covered by Part I. Participating countries may include some or all OECD members as well as other members that are not members of the OECD. Part II programmes are funded according to a scale of contributions or other financing arrangements agreed among the participating countries.

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

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

In May 2013, the OECD Council decided to launch accession discussions with Colombia and Latvia. Latvia became a member of the Organisation on 1 July 2016. In April 2015, the Council invited Costa Rica and Lithuania to open accession discussions. Following a meeting of the Council on 12 March 2014, activities related to the accession process for the Russian Federation to the OECD are postponed for the time being.

Note 23 gives further details of the income and expenditure budget and actual results for 2016.

The approval of the Budget by Council empowers the Secretary-General, subject to any special conditions established by Council, to:

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

The Organisation is based in Paris, France. The office space rationalisation programme was completed in November 2016, following the conclusion in 2015 of an operating lease for new office space, OECD Boulogne. All OECD Directorates and Programmes, with the exception of the International Energy Agency, are located at OECD Headquarters (La Muette) or OECD Boulogne. In addition, the Organisation has representative Centres in Washington (DC), Mexico City, Berlin and Tokyo. The Centres serve as regional contacts for a wide range of public affairs and communication activities, contributing to the visibility and impact of the work of the Organisation (*c.f. Note 27: "Contributions-in-Kind"*).

Close to 100 partners and international organisations participate in the Organisation's Programme of Work. Partners may participate in OECD Part I Bodies/Part II Programmes to varying degrees based on mutual interest. The 2012 Council Resolution on Partnerships in the OECD bodies provides simplified rules on engagement with partners. The Organisation has progressively sought to expand cooperation and engage more formally with five Key Partners: Brazil, China, India, Indonesia and South Africa since 2007.

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

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

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

The International Public Sector Accounting Standards Board issued IPSAS 39 "Employee Benefits" in July 2016 and it will apply to all financial statements covering periods beginning on or after 1 January 2018. The Organisation has not adopted IPSAS 39 in these Financial Statements.

Note 3: Significant accounting policies

Basis of accounting

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

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

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

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

The principal accounting policies adopted are set out below.

Foreign currencies

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

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

Intangible assets

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 beyond their original specifications may be 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 to three years – so that carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

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

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 to separate components: structure of buildings, roofing and windows, fixtures and fittings, which are also broken down into sub-components that are depreciated over different periods as shown below. The useful lives of all components of buildings are reviewed periodically, and if they change significantly, depreciation charges to current and future periods are adjusted accordingly.

Freehold land is not depreciated.

Furniture, fixtures and equipment are 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 buildings under construction/renovation, over their estimated useful lives, using the straight-line method on the following basis:

- Structure of buildings: 50 years
- Roofing and windows: 15 - 33 years
- Fixtures and fittings: 5 - 25 years
- Other fixed assets: 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.

Works of art

Under the provisions of *IPSAS 17 Property, Plant and Equipment*, works of art purchased, donated or loaned to the Organisation are not capitalised. However, their estimated aggregate value is disclosed in the financial statements (*cf. Note 10, "Furniture, fixtures and equipment"*).

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.

Leases

Finance leases

The Organisation does not have any finance leases.

Operating leases

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution. Due to the short- to medium-term focus of publications, a provision for depreciation is made for all printed publications issued prior to 2014, as well as for more-recent issues with inventory on hand in excess of one year’s sales volume. Free publications are valued at cost.

Financial instruments

Financial assets - initial recognition and measurement

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

Financial assets - subsequent measurement

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

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

Loans and receivables are measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Financial assets

Receivables

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

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

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

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

Investments – Pension Budget and Reserve Fund (PBRF) and Staff Provident Fund

Financial assets reported in the Statement of Financial Position consist mainly of investments held on behalf of participants in the Staff Provident Fund, and the investments relating to the Pension Budget and Reserve Fund (PBRF). Following a Council Decision, the PBRF also includes invested assets relating to the counterpart of the Post-Employment Healthcare Liability Reserve (PEHLR). These assets are included in non-current assets, reflecting the long-term investment strategy.

These financial assets consist mainly of units in investment funds. The investment funds may be invested in bonds, equity, real estate, infrastructure funds and derivative financial instruments, based on risk and performance objectives. These assets are managed and performance is evaluated on a fair value basis in accordance with a documented investment strategy. Since 2013, financial assets relating to the PBRF are classified as fair value through surplus or deficit (*cf. Note 3 - “Significant accounting policies”, Financial assets-initial recognition and measurement*).

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

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

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

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

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

Cash and cash equivalents

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

Financial risks

The Organisation has developed risk-management strategies in accordance with its Financial Regulations. The Organisation is exposed to a variety of financial risks, as outlined below:

a) Market risk

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

- Foreign-currency 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-currency 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.

  The Organisation also contracts with suppliers in foreign currencies.

- Interest rate risk

  The Organisation is exposed primarily to variations in its interest rates on its bank deposits. The Organisation actively manages its interest rate risk through its investment management strategy of prioritising the safety and liquidity of its deposits while obtaining competitive interest rates as judged against benchmarks including the EONIA and the three month EURIBOR. Both of these represent bank deposit interest rate indices.

- Other price risk

  The Organisation is exposed to movements in equity, bonds and real estate values resulting primarily from investments in its pension funds. This market risk is managed through diversification in line with the investments strategy as set out by the PBRF Management Board.

b) Liquidity risk

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

c) Credit risk

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

Provisions

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

Employee benefits

Defined-contribution scheme

The Staff Provident Fund is a defined-contribution retirement savings plan which has been closed to new entrants since 1974. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and retirees. The Fund 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. At the end of 2016 there were no serving staff and no further contributions to the Fund.

The Fund is consolidated in the accounts of the Organisation, and the Fund's assets and liabilities are included in the Statement of Financial Position. Revenues and expenses are not reported in the Statement of Financial Performance since they accrue to the participants. Consequently, even though it is a defined-contribution plan, a provision and an equivalent asset are recognised in the Organisation's Statement of Financial Position.

Defined-benefit schemes

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

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

Most OECD employees and pensioners belong to these two schemes.

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

In 2001, the Organisation decided to close the COPS to new entrants recruited as from 1 January 2002 and adopted the NPS for those new entrants. As compared to the COPS, the cost of NPS benefits diminished by 9%, employee contributions were increased (officials affiliated to the NPS pay a 40% share of total contributions, as opposed to 33%), and the minimum age for retirement on a penalty-free pension was raised to 63, versus 60 for the COPS.

The rate of contribution of the COPS is reviewed by means of an actuarial study carried out every five years. Following such a study, the Council adopted a recommendation to increase the rate of staff contribution to the COPS from 9% to 9.5%, effective as of 1 January 2015. The employer's contribution rate also increased by 1%.

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

The latest actuarial valuations for the purposes of financial reporting, as at 31 December 2016, were carried out using the Projected Unit Credit Method, which attributes an additional unit of benefit entitlement for each period of service. Each unit is measured separately until the final obligation is constituted.

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

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 present value of gross defined-benefit obligations under the scheme at the beginning of the period. These actuarial gains and losses are amortised over the expected average remaining working lives of the employees participating in the plan.

Revenue recognition

Revenue from assessed contributions for Part I, Part II, with the exception of one Part II programme (*cf. Note 19: Operating Revenues*), and Annex Budgets is recorded and recognised 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 intended to fund expenditure to be incurred in future periods is deferred accordingly.

Revenue from sales of printed publications is recognised upon shipment. Revenue from sales of access to online publications, OECD statistics and electronic data (excluding free data) is recognised upon granting of access to the content.

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

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

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

Contributions-in-kind

The OECD receives contributions-in-kind primarily in the form of office space and staff-on-loan. The main components are disclosed in Note 27.

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 2016 €'000	31 December 2015 €'000
Cash on hand	3	6
Deposits with banks unrestricted - euros	186 807	132 403
Deposits with banks unrestricted - other currencies	3 118	2 268
Total unrestricted cash	**189 928**	**134 677**
Deposits with banks restricted	21 208	20 321
Deposits with banks and cash equivalents - PBRF	20 306	20 812
Total restricted cash	**41 514**	**41 133**
Total cash and cash equivalents	**231 442**	**175 810**

Unrestricted cash

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

As at 31 December 2016, the general treasury balance totalled 189.9 M€, versus 134.7 M€ at year-end 2015. Net cash positions were positive throughout the year, and the cash balance at 31 December 2016 was higher than the cash balance at 31 December 2015. This can mainly be attributed to the decrease in assessed contributions due to the Organisation. Outstanding assessed contributions balances stood at 24.4 M€, at 31 December 2016 compared to 67.1 M€ at 31 December 2015 - (*cf. Note 7: "Accounts receivable and prepayments"*).

Throughout 2016, the Organisation retained 50 M€ in bank term deposits with a one year maturity to take advantage of higher interest rates offered.

Restricted cash

Restricted cash and cash equivalents (41.5 M€ at 31 December 2016) are deposits earmarked for specific purposes and appropriated to reserves. The breakdown and movements in the reserves are described in Note 18 to the Financial Statements.

- Funds allocated to the Capital Investment Budget Reserve Fund (CIBRF), initially sourced from proceeds received from the sale in 2004 of offices at Chardon Lagache, amounted to 20.4 M€ at 31 December 2016 (19.5 M€ at 31 December 2015).
- Funds allocated to the Post Employment Healthcare Liability Reserve (PEHLR), which were initially sourced from the Medical Plan reserve and the reimbursement of part of the equalisation provision of the insurance contract in 2011, amounted to 53.4 M€ at 31 December 2016. During 2016, 21.2 M€ was reimbursed to the Organisation from the equalisation provision of the insurance contract held with Malakoff Médéric, which, in conjunction with expatriate allowance savings, explains most of the increase in the funds allocated to the PEHLR from the balance of 26.2 M€ at 31 December 2015. Out of the total balance of 53.4 M€ at 31 December 2016, only 51 K€ was held as cash at 31 December 2016 due to the investment of most of the PEHL funds in the PBRF investment portfolio (*cf. Note 9: Investments and security deposits*).
- Funds from the Pension Budget and Reserve Fund (PBRF).

PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund's Statutes. As at 31 December 2016, these cash holdings and bank deposits accounted for 3.1% of the PBRF's total assets (3.6% at 31 December 2015). At 31 December, these corresponded to the estimated amount of cash and cash equivalents that, along with contributions receipts, are needed for benefit disbursements.

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 2016 or in 2015.

Note 6: Inventories

	31 December 2016 €'000	31 December 2015 €'000
Finished publications	570	976
Diplomatic reserve	37	53
Gross inventories	**607**	**1 029**
Provision for depreciation of inventories	(376)	(483)
Net inventories	**231**	**546**

Finished publications include publications held for sale and publications issued free of charge.

The provision for depreciation of inventories represents the write-down of inventories of finished publications to net realisable value. In order to minimise storage costs, publication stocks are reviewed to identify surplus stocks. In December 2016, approximately 39,000 surplus copies with an estimated cost of 195 K€ were destroyed. This operation is reflected in the table above in both 'Finished publications' and the 'Provision for depreciation of inventories' (*cf. Note 20 "Operating expenses"*).

Note 7: Accounts receivable and prepayments

	31 December 2016 €'000	31 December 2015 €'000
Current - accounts receivable and prepayments		
Assessed contributions - member countries	21 411	64 221
Assessed contributions - member countries fiscal adjustment	429	432
Assessed contributions - non-member countries participating in Part II programmes	2 600	2 468
Provision for uncollected assessed contributions - non-member countries participating in Part II programmes	(82)	(56)
Voluntary contributions	105 839	83 657
Provision for uncollected voluntary contributions	(335)	(298)
Prepayments	3 770	2 563
Other receivables	27 718	38 975
Provision for uncollected other receivables	(469)	(469)
Publications	558	411 *
Provision for uncollected publications	(30)	(71)
Total current - accounts receivable and prepayments	**161 409**	**191 833**
Non-current accounts receivable		
Voluntary contributions	68 048	55 731
Total accounts receivable and prepayments	**229 457**	**247 564**

*2015 amounts are re-stated for advance payments received on sales of publications (*cf. Note 14: "Payables"*).

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.

Assessed contributions receivable from member countries at year-end 2016 have decreased by 42.8 M€ compared to end December 2015.

Outstanding assessed contributions of non-members, including international organisations, are 132 K€ higher at year-end 2016 as compared with their arrears at the end of December 2015.

Total voluntary contributions receivable (current and non-current) have increased from year-end 2015 to year-end 2016 (increase of 34.5 M€). This reflects the timing of voluntary contributions accepted in 2016 and the payment terms of multi-year voluntary contributions. Non-current voluntary contributions are due more than 12 months after the period end date in accordance with the terms of the offers, and are stated at amortised cost.

Since 2013 (*cf. Note 3 -"Significant accounting policies", Receivables*), non-current receivables have been carried at amortised cost. This has resulted in a reduction in reported non-current receivables of 406 K€ at 31 December 2016 (*cf. Note 21, "Financial revenue and expenses"*), compared to a reduction of 416 K€ in 2015.

Other receivables consist mainly of 13.2 M€ in reimbursable taxes (2015: 18.8 M€), receivables of 9.3 M€ from accession countries (2015: 10.2 M€) and receivables from member countries for various services rendered, including office rental and staff costs.

Note 8: Staff loan programme

	31 December 2016 €'000	31 December 2015 €'000
Current	6 229	5 877
Non-current	9 640	9 379
Total staff loan programme	**15 869**	**15 256**

The Organisation operates a staff loan programme through which staff can obtain loans subject to defined limits. Loans to staff are financed by short-term bank borrowing of 14.0 M€ (2015: 14.0 M€), (*cf. Note 13 "Borrowings"*). The interest rate charged on staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus a margin for loan administration costs. Collections are assured through payroll withholding and staff severance payments.

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

Note 9: Investments and security deposits

	Notes	31 December 2016 €'000	31 December 2015 €'000
Deposits on office leases	a	461	310
Staff Provident Fund	b & d	18 819	20 462
Pension Budget and Reserve Fund	c & d	635 720	557 605
Total non-current investments and security deposits		**655 000**	**578 377**

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 net increase in deposits at 31 December 2016 is primarily due to temporary office space leased by the IEA until mid-2019 whilst its offices undergo renovation.

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 ISRP (formerly JPAS).

At 31 December 2016 there are no serving staff who participate in the Staff Provident Fund (2015: 2) and 160 retired staff (2015: 168).

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

	31 December 2015 €'000	Additions €'000	Disposals €'000	Unrealised gains (losses) at reporting date €'000	31 December 2016 €'000
Capitalisation contract	20 401	450	(2 050)	-	18 801
Cash in portfolio	61	-	(43)	-	18
Total Staff Provident Fund	**20 462**	**450**	**(2 093)**	**-**	**18 819**

Disposals were effected to fund participants' withdrawal requests.

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 2015 €'000	Additions €'000	Disposals €'000	31 December 2016 before Revaluation €'000	Unrealised gains (losses) at reporting date €'000	31 December 2016 €'000
Investments at fair value						
Bond funds	164 005	-	(12 577)	151 428	3 136	154 564
Equity funds	335 831	43 099	-	378 930	26 509	405 439
Real Estate funds	43 604	-	-	43 604	905	44 509
Total investments at fair value	**543 440**	**43 099**	**(12 577)**	**573 962**	**30 550**	**604 512**
Capitalisation contract	14 165	338	-	14 503	-	14 503
Cash in portfolio	-	16 705	-	16 705	-	16 705
Total investments	**557 605**	**60 142**	**(12 577)**	**605 170**	**30 550**	**635 720**

In addition to the investments disclosed in the table above, at 31 December 2016 management fee rebates totalling 234 K€ are receivable from external asset managers (279 K€ at 31 December 2015). These are recognised as part of other receivables (*cf. Note 7: "Accounts receivable and prepayments"*).

d) The Pension Budget and Reserve Fund is restricted to paying staff pension benefits and is managed according to its statutes. The Fund's assigned investment objectives recognise the long-term nature and the type of liabilities under the OECD pension schemes. The Fund invests in equities, fixed-income securities, shares in listed real estate funds and infrastructure funds as well as an insurance capitalisation contract.

e) The Pension Budget and Reserve Fund's long-term strategic objective is to maximise total return, subject to controls over credit and liquidity risk and limited volatility. At 31 December 2016, the PBRF investment portfolio totalled 635.7 M€ (excluding management fee rebates receivable) and was invested at 24.3% in fixed income funds, i.e. in euro area government bond index funds, at 63.8% in equity funds, i.e. in mutual funds of euro area (33.6%), global (22.4%) and emerging market equities (7.8%), at 7.0% in a mutual fund of euro area listed real estate, at 2.3% in the insurance capitalisation contract and at 2.6% in cash held for investment. On 28 November 2016, a new Investment Strategy was approved by the Budget Committee, following the Second Five-Year Review of the PBRF. Part of this strategy is to decrease the percentage of the portfolio invested in bonds and increase the percentage invested in infrastructure. Further to this strategy, units in a euro-area government bond fund with a weighted average cost of 12.6 M€ were divested in December 2016 realising a gain of 1.6 M€. At the same time, the Fund increased its commitment to invest in an infrastructure fund from 30.0 MUSD (27.4 M€ at 31 December 2015, or 4.9% of the total portfolio) to 97.5 MUSD (92.7 M€ at 31 December 2016, or 14.6% of the total portfolio). It is expected that these funds will be called up by 30 June 2018.

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

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

As from 1 January 2014, the counterpart assets of this Post-Employment Healthcare Liability Reserve (PEHLR) were transferred into the PBRF long-term investment portfolio and the existing pension investment governance for PEHLR long-term assets has also been applied. The Management Board is responsible for the investment of the PEHLR long-term assets in parallel with those of the PBRF [C(2013)104].

As at 31 December 2016, of the total investment portfolio of 635.7 M€ (excluding management fee rebates receivable), the interest of the PEHLR is 53.3 M€ (8.4%).

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

Note 10: Furniture, fixtures and equipment

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

	31 December 2015 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2016 €'000
Cost of furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	7 178	281	(5 899)	10 092	-	11 652
Other furniture, fixtures and equipment	54 077	5 618	(2 080)	7	-	57 622
Fixed assets in progress	4 174	8 521	-	(10 099)	-	2 596
Total cost of furniture, fixtures and equipment	**65 429**	**14 420**	**(7 979)**	**-**	**-**	**71 870**
Depreciation						
Leasehold premises - fixtures and fittings	(4 541)	(1 878)	5 899	-	-	(520)
Other furniture, fixtures and equipment	(40 713)	(4 999)	1 941	-	-	(43 771)
Total depreciation	**(45 254)**	**(6 877)**	**7 840**	**-**	**-**	**(44 291)**
Net furniture, fixtures and equipment						
Leasehold premises - fixtures and fittings	2 637	(1 597)	-	10 092	-	11 132
Other furniture, fixtures and equipment	13 364	619	(139)	7	-	13 851
Fixed assets in progress	4 174	8 521	-	(10 099)	-	2 596
Total net furniture, fixtures and equipment	**20 175**	**7 543**	**(139)**	**-**	**-**	**27 579**

The Organisation completed its office space rationalisation project in November 2016 with the relocation of a number of Directorates and Programmes to OECD Boulogne (*cf. Note 1: "General information"*). Related leasehold fixtures and fittings totalling 10.1 M€ were placed in service in 2016. Building works in progress at OECD Boulogne totalled 2.2 M€, mostly relating to the auditorium and other facilities at end 2016. Aside from the leasehold improvements at OECD Boulogne, the International Energy Agency incurred 0.3 M€ of fit out costs for temporary office space at the Carré Suffren offices. As the OECD Delta Annex was vacated in 2016 all related leasehold improvements costing 5.9 M€, which were fully depreciated, have been written off. Acquisitions and disposals of furniture, fixtures and equipment per asset category, including transfers but excluding fixed assets in progress, in 2016 were as follows:

Asset Category	Acquisitions & Transfers €'000	Disposals €'000	Net Movement €'000
Security and video conferencing equipment	1 534	(73)	1 461
Furniture	1 364	(471)	893
Desktop and portable computer equipment	900	(397)	503
IT network equipment	1 074	(1 068)	6
Telecommunications equipment	38	(10)	28
Vehicles	-	-	-
Other equipment	715	(61)	654
Total	**5 625**	**(2 080)**	**3 545**

The most significant acquisitions relate to desktop and portable computer equipment and IT network equipment, which are replaced as they become obsolete. In addition, a significant amount of security and conferencing equipment was purchased for OECD Boulogne.

The Organisation has no finance leases at 31 December 2016.

Based on the insurance value, works of art purchased, loaned or donated to the Organisation amounted to 0.9 M€ as at 31 December 2016 (*cf. Note 3 – "Significant accounting policies"*).

Note 11: Land and buildings

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

	31 December 2015 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2016 €'000
At cost/revaluation						
Land	109 325	-	-	-	-	109 325
Buildings	397 724	246	(395)	540	-	398 115
Buildings in progress	463	318	-	(540)	-	241
Total land and buildings	**507 512**	**564**	**(395)**	**-**	**-**	**507 681**
Depreciation						
Buildings	(12 474)	(12 079)	276	-	(256)	(24 533)
Total depreciation	**(12 474)**	**(12 079)**	**276**	**-**	**(256)**	**(24 533)**
Net land and buildings						
Land	109 325	-	-	-	-	109 325
Buildings	385 250	(11 833)	(119)	540	(256)	373 582
Buildings in progress	463	318	-	(540)	-	241
Total net land and buildings	**495 038**	**(11 515)**	**(119)**	**-**	**(256)**	**483 148**

During 2016, the capitalised building works per building, including transfers but excluding works in progress, and disposals were as follows:

Building	Acquisitions & Transfers €'000	Disposals €'000	Net Movement €'000
Chateau	147	(75)	72
Franqueville	492	(146)	346
Marshall	23	(23)	-
Monaco	44	(44)	-
Conference Centre	80	(107)	(27)
Total	**786**	**(395)**	**391**

Revaluation

Land and buildings that are carried at fair value were last revalued on the basis of their fair market value at 31 December 2014, in accordance with the valuation made by France Domaine Paris. This fair market value is primarily derived from a range of recent market transactions of comparable properties on arm's length terms.

The cumulative effect of revaluations has been recognised as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2015		
Revaluation increase on land	-	35 314
Revaluation increase on buildings	-	283 542
At 31 December 2016		
Revaluation increase on land	-	-
Revaluation increase on buildings	-	(256)
Net accumulated revaluation variances at 31 December 2016	**-**	**318 600**

A revaluation increase is normally recognised in reserves in the Statement of Financial Position. However, to the extent that it reverses a revaluation decrease previously recognised as an expense, a revaluation increase is recognised as income in the Statement of Financial Performance. In 2016, the revaluation reserve decreased due to the disposal of building components that have been replaced.

Note 12: Intangible assets

Intangible assets consist of purchased software licences and developed software.

	31 December 2015 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	31 December 2016 €'000
Cost	7 257	1 530	(305)	801	9 283
Intangible assets in progress	1 104	1 003	-	(801)	1 306
Depreciation	(6 064)	(881)	279	-	(6 666)
Total net intangible assets	**2 297**	**1 652**	**(26)**	**-**	**3 923**

Intangible assets in progress at 31 December 2016 comprise the cost of software development projects for the replacement of various corporate systems. 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 2016 €'000	31 December 2015 €'000
Relating to staff loan programme (*see Note 8*)	14 000	14 000
Balance, 31 December	**14 000**	**14 000**

Borrowings to fund the staff loan programme are reviewed every six months. The related receivables are disclosed in Note 8.

Note 14: Payables

	31 December 2016 €'000	31 December 2015 €'000
Suppliers and accrued charges	78 738	44 940
Payables to staff and welfare institutions	37 587	32 343
Advances on assessed and voluntary contributions	12 998	11 828
Other payables	20 704	22 160 *
Total payables	**150 027**	**111 271**

*2015 amounts are re-stated for advance payments received on sales of publications (*cf. Note 7: "Accounts receivable and prepayments"*).

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 59.4 M€ at 31 December 2016 (2015: 29.2 M€). This increase is largely explained by lease incentives provided to the OECD as part of its lease of the OECD Boulogne Annex that are amortised over the period of the lease and the decrease in the cost of in progress leasehold improvements at OECD Boulogne as most works were completed in 2016 (*cf. Note 10: Furniture, fixtures and equipment*).

Payables to staff primarily represent accrued annual leave, other entitlements to leave and other payments due to staff. The estimate for accrued annual leave has been updated to include certain staff on-costs. Payables to welfare institutions consist of current contributions, the most significant of which is in respect of the health insurance contract.

Members are invited in the last quarter of each year to make an advance payment in respect of their assessed contributions due for the following financial year, and donors of voluntary contributions may make payment immediately prior to acceptance. The increase in advances on assessed and voluntary contributions is primarily due to an increase in advance payments received from donors at 31 December 2016.

Other payables include budget surpluses and interest, amounting to 1.4 M€ (2015: 1.7 M€), and advance payments of 12.6 M€ (2015: 14.8 M€) for special projects and from accession countries.

Budget surpluses are credited to an account attributable to each member country after they are approved by Council and are then available for any use that the individual member country may decide. All surpluses up to the end of 2015 have been approved by Council.

Note 15: Provisions for liabilities and charges

	Office space €'000	Publications sales returns €'000	Other provsions €'000	**Total €'000**
Balance at the beginning of the year	23 564	150	36	**23 750**
Additional provisions raised	-	152	12	**164**
Increase (decrease) due to unwinding of time value for money and/or discount rate	49	-	-	**49**
Amounts used	(14 000)	(107)	(36)	**(14 143)**
Unused amounts reversed during the year	(9 613)	(43)	-	**(9 656)**
Balance at the end of the year	**-**	**152**	**12**	**164**

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

Notice to terminate rental leases was given for several properties in 2015 and provision was made for estimated rents payable and related costs over the remaining period of the lease for any lease terminated or expected to be vacated before its end date. In 2016 the Organisation concluded its negotiations with the lessors, resulting in a partial reversal of the provision.

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 (*cf. Note 9: "Investments and security deposits"*), a liability is recognised to offset the Fund's assets.

As at 31 December 2016, there were 160 members in the Staff Provident Fund (2015: 170). Of the 160, none are serving staff members (2015: 2) and all are retired (2015: 168). Accordingly, the OECD no longer pays contributions to the Staff Provident Fund (the OECD paid 8 K€ in contributions to the Staff Provident Fund in 2015).

Defined-benefit schemes

The Organisation has been operating employee defined-benefit plans that include a Pension Scheme co-ordinated 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.

As at end 2016, there were 1 562 pensioners (2015: 1 534) in the Co-ordinated Pension Scheme. As at end 2016, there were 56 pensioners (2015: 44) in the New Pension Scheme.

In 2016 and 2015, there were respectively 93 members and 85 members with deferred pension rights. In 2016, 73 of them belong to the Co-ordinated Pension Scheme (2015: 74) and 20 to the New Pension Scheme (2015: 11).

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:

Table 1: *Actuarial assumptions*

	2016		2015	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	1.62%	1.76%	2.04%	2.19%
Future salary increase	2.13%		2.07%	
Future Pension Scheme increase	2.13%		2.07%	
Future New Pension Scheme increase	1.86%		1.80%	
Future health cost increase		3.86%		3.80%

All demographic assumptions are reviewed every five years. The last review took place in 2013 resulting in the updating of these demographic assumptions, namely turnover, career progression, invalidity, early retirement and new entrants. The mortality table applied was also updated.

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

The future medical inflation rate has been revised to 3.86% at year-end 2016.

Provisions as at 31 December 2016

Table 2: *Provisions for Pension Scheme obligations and other social obligations*

	31 December 2016 €'000	31 December 2015 €'000
Staff Provident Fund	18 819	20 462
Defined contribution programmes	**18 819**	**20 462**
Pension Scheme	2 042 653	1 879 323
Post-employment health coverage	451 501	406 057
Defined benefit programmes	**2 494 154**	**2 285 380**
Total employee benefits	**2 512 973**	**2 305 842**
Employee benefits current	93 770	89 592
Employee benefits non-current	2 419 203	2 216 250

Table 3*: Breakdown of provision for defined-benefit schemes and post-employment health care*

	31 December 2016			31 December 2015		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Present value of employee future benefits obligation	(3 094 674)	(640 556)	**(3 735 230)**	(2 731 410)	(548 872)	**(3 280 282)**
Unrecognised actuarial (gains) losses	1 052 021	189 055	**1 241 076**	852 087	142 815	**994 902**
Liability recognised in Statement of Financial Position	(2 042 653)	(451 501)	**(2 494 154)**	(1 879 323)	(406 057)	**(2 285 380)**

The changes in actuarial gains and losses are explained in more detail in *"Table 6 - Changes in actuarial differences of defined-benefit plans and application of 10% corridor approach."*

Cost of defined-benefit schemes

Table 4: *Amounts recognised in the Statement of Financial Performance:*

	31 December 2016			31 December 2015		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Member country PBRF contributions	53 447	-	53 447	52 890	-	52 890
Employer contributions	34 095	-	34 095	32 523	-	32 523
Other contributions (tax reimbursements)	6 834	-	6 834	6 405	-	6 405
Pension and other contributions for the year	**94 376**	**-**	**94 376**	**91 818**	**-**	**91 818**
Current service cost	137 880	30 115	167 995	134 837	29 871	164 708
Interest cost	56 223	12 287	68 510	50 118	10 849	60 967
Actuarial losses recognised in the year	57 895	8 793	66 688	71 586	13 898	85 484
Employee contributions from salary	(20 442)	-	(20 442)	(19 344)	-	(19 344)
Employee contributions	(1 658)	-	(1 658)	(1 787)	-	(1 787)
Other expenses (tax reimbursements, post employment health costs)	6 834	262	7 096	6 405	265	6 670
Pensions and other expenses for the year	**236 732**	**51 457**	**288 189**	**241 815**	**54 883**	**296 698**

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.

The decrease in 2016 compared to 2015 in respect of the amounts recognised in the statement of financial performance for the pension can primarily be attributed to the recognition of lower actuarial losses combined with higher current service and interest costs. In 2016 recognised actuarial losses were 13.7 M€ lower compared to 2015 (*cf. Table 6*) due to the actuarial gains of 61.5 M€ generated in 2015 and the effect of the 10% corridor approach applied.

In connection with the post-employment health coverage, actuarial losses of 8.8 M€ were recognised in 2016 (2015: 13.9 M€).

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. These are in line with yield curves established by the Institute of French Actuaries.

Table 5: *Changes in the present value of the future employee benefits obligation:*

	31 December 2016			31 December 2015		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Opening employee future benefits obligation	(2 731 410)	(548 872)	**(3 280 282)**	(2 692 789)	(550 441)	**(3 243 230)**
Expense for the period:						
Current service cost	(137 880)	(30 115)	**(167 995)**	(134 837)	(29 871)	**(164 708)**
Interest cost	(56 223)	(12 287)	**(68 510)**	(50 118)	(10 849)	**(60 967)**
Net benefits paid	88 667	5 751	**94 418**	84 862	4 983	**89 845**
Net actuarial gains / (losses) for the period	(257 828)	(55 033)	**(312 861)**	61 472	37 306	**98 778**
Employee future benefits obligation at end of December	**(3 094 674)**	**(640 556)**	**(3 735 230)**	**(2 731 410)**	**(548 872)**	**(3 280 282)**

Table 6: *Changes in actuarial differences of defined-benefit plans and application of 10% corridor approach*:

	31 December 2016			31 December 2015		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	852 087	142 815	**994 902**	985 145	194 019	**1 179 164**
Actuarial (gains) / losses for the year	257 829	55 033	**312 862**	(61 472)	(37 306)	**(98 778)**
Losses recognised in the year	(57 895)	(8 793)	**(66 688)**	(71 586)	(13 898)	**(85 484)**
Unrecognised actuarial (gains) losses at end of December	1 052 021	189 055	**1 241 076**	852 087	142 815	**994 902**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	852 087	142 815	**994 902**	985 145	194 019	**1 179 164**
Limit of the corridor: 10% of the defined benefits obligation at the beginning of the year	(273 141)	(54 887)	**(328 028)**	(269 279)	(55 044)	**(324 323)**
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	578 946	87 928	**666 874**	715 866	138 975	**854 841**
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised in the year	(57 895)	(8 793)	**(66 688)**	(71 586)	(13 898)	**(85 484)**

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

As at year-end 2016, an actuarial loss of 257.8 M€ arose in respect of the pension liability (2015: actuarial gain of 61.5 M€). An actuarial loss of 55.0 M€ arose in respect of the post-employment health care (2015: actuarial gain of 37.3 M€). Hence, in 2016, actuarial losses of 312.9 M€ were generated in total (2015: actuarial gains 98.8 M€).

In the case of the pension liability, the generation of these actuarial losses in 2016 can mainly be attributed to a decrease in the discount rate applied and an increase in the inflation rate. The decrease in the discount rate applied was 42 basis points (*cf. "Table 1-Actuarial assumptions"*).

In the case of the post-employment health care liability, the generation of these actuarial losses can be attributed to the net effect of a decrease in the discount rate used (decrease of 43 basis points) and an increase in the inflation rate from 3.8% to 3.86% (*cf. "Table 1-Actuarial assumptions"*).

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 €'000	One percentage point decrease €'000
Effect on the aggregate of the service cost and interest cost	20 549	(13 330)
Effect on defined benefit obligation	220 320	(157 810)

Sensitivity to the discount rate

The choice of discount rate has a significant impact on the amount of the defined benefit obligation. Consistent with prior years, the yield curve of French Government zero-coupon bonds as published by the Institute of French Actuaries has been used to discount future pension and post-employment health benefits to present value (*cf. "Table 5 - Changes in the present value of the future employee benefits obligation"*). This yield curve is significantly lower at 31 December 2016 than 31 December 2015, in part due to the effect of the quantitative easing programme of the European Central Bank and other economic factors. A one and two percentage point increase in the discount rate at 31 December 2016 would have the following effect on the defined benefit obligation as reported in Table 5:

	One percentage point increase €'000	Two percentage point increase €'000
Effect on defined benefit obligation - pension benefits	(550 455)	(999 023)
Effect on defined benefit obligation - post-employment health coverage	(161 435)	(284 542)

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

For the defined-benefit pension plans, the five-year history and experience adjustments are as follows:

	31 December 2016 €'000	31 December 2015 €'000	31 December 2014 €'000	31 December 2013 €'000	31 December 2012 €'000
Present value of defined benefit obligations	3 094 674	2 731 410	2 692 789	1 978 974	2 116 516
Net value of assets in PBRF fund	601 665	548 803	502 377	439 267	370 837
Experience adjustments on scheme liabilities - % of scheme liabilities					
Defined benefit pension liability - %	(0.7)	0.6	(0.9)	(4.3)	(0.1)
Post employment health liability - %	(3.6)	(3.8)	0.9	(1.3)	0.7

Contributions of the Organisation expected in 2017

The Organisation expects to contribute approximately 89.8M€ to its pension schemes in 2017.

Note 17: Deferred revenue

	Current		Non-current	
	31 December 2016 €'000	31 December 2015 €'000	31 December 2016 €'000	31 December 2015 €'000
Site Project	6 692	7 355	66 535	71 426
Voluntary contributions	127 151	116 575	161 539	144 190
Publications	7 179	7 046	70	77
Other operations, Part I, Part II and Annex budgets	16 452	11 887	-	-
Total deferred revenue	**157 474**	**142 863**	**228 144**	**215 693**

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 or renovated and financed as part of the Site Project.

The split between current and non-current deferred revenue in connection with voluntary contributions is estimated based on historical expenditure trends. Voluntary contributions are frequently accepted to fund outputs which are planned for implementation and delivery during the biennial programme of work.

Note 18: Member countries' contributed interest and reserves

Member countries' contributed interest and reserves are shown by category in the table below.

	Net closing position before allocation of 2015 results	Allocation of 2015 results				Change in net assets in 2016			Net closing position before allocation of 2016 results
	31 December 2015	IPSAS adjustments carried forward	Budgetary surpluses to be allocated	Previous year results added to reserves	**Total**	Utilisation of reserves and budget surpluses added to future budgets	Budget surpluses to be returned to member countries and other donors	Transfers / revaluations and current year deficit	31 December 2016
	€'000	€'000	€'000	€'000	**€'000**	€'000	€'000	€'000	€'000
Pension benefits	(1 707 644)	-	-	(171 679)	**(171 679)**	-	-	-	(1 879 323)
Pension Budget and Reserve Fund (PBRF)	502 377	-	-	46 426	**46 426**	-	-	-	548 803
Post employment health coverage	(356 421)	-	-	(49 636)	**(49 636)**	-	-	-	(406 057)
Post Employment Health Liability (PEHL) reserve	22 479	-	-	3 681	**3 681**	-	-	-	26 160
Capital Investment Budget and Reserve Fund (CIBRF) Class 2	17 221	-	-	1 630	**1 630**	-	-	(801)	18 050
CIBRF Class 3	499	-	-	182	**182**	-	-	-	681
Long-term commitments and associated reserves	**(1 521 489)**	**-**	**-**	**(169 396)**	**(169 396)**	**-**	**-**	**(801)**	**(1 691 686)**
Indemnities and Benefits Fund (IBF)	4 533	-	-	2 294	**2 294**	-	-	-	6 827
Fixed assets - Land and Buildings	463 064	-	-	-	**-**	-	-	(256)	462 808
Exchange differences	2 789	-	-	1 638	**1 638**	-	-	-	4 427
Technical reserves	**470 386**	**-**	**-**	**3 932**	**3 932**	**-**	**-**	**(256)**	**474 062**
CIBRF Class 1	257	-	-	611	**611**	-	-	801	1 669
Asbestos early retirement scheme	365	-	-	-	**-**	-	-	-	365
BFMP project	704	-	-	(338)	**(338)**	-	-	-	366
Observer fees from non-members	301	-	-	-	**-**	-	-	-	301
Travel services	63	-	-	-	**-**	-	-	-	63
Publications (Part I)	832	-	-	-	**-**	-	-	-	832
Part II - IEA - Net publications results	4 202	-	-	763	**763**	(279)	-	-	4 686
Part II - IEA - Office space	552	-	-	-	**-**	-	-	-	552
Part II - IEA - Loss of Employment	738	-	-	162	**162**	-	-	-	900
Part II - SLI - Loss of Employment	31	-	-	-	**-**	-	-	-	31
Part II - Sahel	692	-	-	-	**-**	-	-	-	692
Part II - Agriculture	118	-	-	-	**-**	-	-	-	118
Part II - RPS - Software upgrade	330	-	-	40	**40**	-	-	-	370
Budgetary reserves	**9 185**	**-**	**-**	**1 238**	**1 238**	**(279)**	**-**	**801**	**10 945**
Total reserves	**(1 041 918)**	**-**	**-**	**(164 226)**	**(164 226)**	**(279)**	**-**	**(256)**	**(1 206 679)**
Allocation of the net deficit for the prior period	(185 078)	33 802	13 848	137 428	**185 078**	-	-	-	**-**
Net surplus (deficit) for the current period	-	-	-	-	**-**	-	-	(124 293)	**(124 293)**
Net surplus / (deficit)	**(185 078)**	**33 802**	**13 848**	**137 428**	**185 078**	**-**	**-**	**(124 293)**	**(124 293)**
Accumulated surplus / (deficit)	**(51 360)**	**(33 802)**	**(13 848)**	**26 798**	**(20 852)**	**(12 644)**	**(305)**	**-**	**(85 161)**
Total member countries' contributed interest and reserves	**(1 278 356)**	**-**	**-**	**-**	**-**	**(12 923)**	**(305)**	**(124 549)**	**(1 416 133)**

Member countries' contributed interest, excluding the accumulated deficit, primarily 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 2016 is the value at the prior year-end as the movements in the reserves for the current year are included in the net deficit for the current period. The net deficit for the current period will be allocated to reserves and accumulated deficit, as shown in Note 25.

Financing reforms were put in place in 2000 to build up a reserve to fund the pension liability over the long term. In December 2011, the Council approved the creation of a Post-Employment Healthcare Liability Reserve (PEHLR) dedicated to meet post-employment healthcare costs [C(2011)174/FINAL]. Since 1 January 2012, savings generated by the new system of expatriation allowance are allocated to this reserve. The movement is predominantly due to savings generated by the new system of expatriation and interest earned on the counterpart assets.

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

Technical reserves

The Indemnities and Benefits Fund (IBF) was created as of 1 January 2009 to support both budget and human resources reforms and contribute to more efficient administration. Statutory benefits and allowances payable to officials, together with a levy to cover loss of employment indemnities, are consolidated in this fund by applying a rate, based on historical experience, to basic salaries. This rate is subsequently reviewed and is generally adjusted annually based on actual experience. Surpluses are carried forward and, ceteris paribus, any reduction of the rate applied should also reduce the amount of future carry-forwards. The IBF rate was 50.7% in 2016.

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

The reserve for exchange differences is maintained to cover the risk of exchange-rate losses. Net foreign exchange gains are accumulated in this reserve to offset net foreign exchange losses. At 31 December 2016; the net closing position balance of 4 427 K€ comprises realised exchange gains (3 141 K€) and unrealised exchange gains (1 286 K€).

Budgetary reserves

The reserve for the Asbestos early retirement scheme was created by Council to finance an early retirement scheme for a closed group of officials who have had significant exposure to asbestos (*cf. Note 26 A*).

The reserve for the Budget and Financial Management Programme (BFMP) was created by Council to partly finance the BFMP. It was used in 2015 to partly fund the implementation of the SAP Grants Management module.

The reserve for Observer fees for non-members covers risks of unrecoverable contributions from Partner countries participating in OECD programmes.

The Travel service reserve was created by the Secretary General and has received rebates from travel agency commissions.

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

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

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

Note 19: Operating revenues

	12 months ended 31 December 2016 €'000	12 months ended 31 December 2015 €'000
Assessed contributions	294 145	294 325
Voluntary contributions	164 234	146 186
Pension contributions	94 376	91 818
Sales of publications	17 112	17 157
Other	47 159	21 524
Total operating revenues	**617 026**	**571 010**

Assessed contributions called up for Part I, Part II and Annex Budgets changed in line with the annual Budget (2016: 280.3 M€; 2015: 274.8 M€). Revenue is recognised when these resources are approved, except for the Programme on Institutional Management in Higher Education for which revenue is recognised upon receipt [2016: 483 K€; 2015: 626 K€]. The amounts reported for assessed contributions also include accounting adjustments for deferred income, approved carry forwards of budgetary surpluses and funding from reserves.

Revenue from voluntary contributions is recognised up to the amount expensed in the period. The increase in income from voluntary contributions in 2016 reflects the volume of voluntary contributions accepted in 2016 as well as continuing multi-year financing from voluntary contributions accepted in prior years.

Pension contributions include amounts paid by member countries to the Pension Budget and Reserve Fund, employer contributions and other contributions in respect of tax reimbursements.

Publications income was stable in 2016 compared with 2015. Other revenue is broken down as follows:

	12 months ended 31 December 2016 €'000	12 months ended 31 December 2015 €'000
Accession countries	10 605	8 324
Non-member countries' participation in OECD bodies	2 264	1 784
Equalisation provision transfer	21 205	-
Other	13 085	11 416
Total other revenues	**47 159**	**21 524**

In 2016 following the renewal of the Organisation's insurance contract for medical and social benefits, a transfer of 21.2 M€ from the equalisation provision was received (*cf. Note 26: "Contingencies and capital commitments"*).

Note 20: Operating expenses

	12 months ended 31 December 2016 €'000	12 months ended 31 December 2015 €'000
Personnel costs:		
Salaries and benefits	315 287	295 963
Temporary staff salaries and benefits	17 396	16 439
Other personnel costs (incl. training)	1 321	999
Total personnel costs	**334 004**	**313 401**
Total pension and post-employment benefits costs (See Note 16)	**288 189**	**296 698**
Total consulting costs	**50 005**	**43 588**
Travel costs:		
Travel costs missions - personnel	20 594	19 327
Travel costs - external invitees	8 139	7 987
Total travel costs	**28 733**	**27 314**
Operating costs:		
External services	10 560	9 337
Building rentals	24 047	19 333
Maintenance and repairs	9 488	10 007
Utilities	1 648	1 589
Consumables and supplies	3 952	3 577
Printing and reproduction	229	361
Conference, interpretation and translations	7 185	7 298
Communication	2 569	2 702
Marketing and receptions	1 958	2 154
External publications	1 429	1 648
Depreciation	19 956	20 656
Inventory variation	422	(53)
Total operating costs	**83 443**	**78 609**
Other costs:		
Non refundable taxes and insurance	2 568	1 663
Other administration expenses and net operating gains and losses	292	273
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	(9 662)	23 710
Total other costs	**(6 802)**	**25 646**
Total operating expenses	**777 572**	**785 256**

The main variances between 2016 and 2015 are as follows:

- The increase in personnel costs is due primarily to the increase (approximately 4%) in staffing levels between 2015 and 2016 in line with the 2015-2016 Programme of Work and the effect of the approved salary adjustment in 2016.
- The decrease in pension and post-employment benefit costs can primarily be attributed to the recognition of lower actuarial losses in accordance with the corridor method combined with higher current service and interest cost (*cf. Note 16: "Employee benefits"*).
- Consulting and travel costs increased by 7.8 M€ (+11%), due to the demands of implementing the Programme of Work. The increase in personnel travel costs reflects an increase of approximately 6% in the number of missions, reflecting the overall growth in the Programme of Work.
- The increase in external services in 2016 is primarily due to enhanced building security costs and relocation costs to OECD Boulogne.
- Building rental expenses are higher compared to 2015 due to the use of OECD Boulogne and the continued use of the Delta building in 2016.
- Changes in "Provisions for liabilities and charges, risks on uncollected receivables and publications inventories" are primarily due to changes in the "Provision for liabilities and charges" (*cf. Note 15: "Provisions for liabilities and charges"*). The Organisation concluded its negotiations with lessors in 2016 resulting in a partial reversal of the provision.

Note 21: Financial revenue and expenses

	12 months ended 31 December 2016 €'000	12 months ended 31 December 2015 €'000
Interest income on restricted cash	660	672
Interest income on general treasury cash	1 470	1 702
Pension Budget and Reserve Fund investment gain / (loss)	33 581	25 534
Net foreign currency conversion gain / (loss)	791	1 639
Other financial revenue (net)	9	-
Total financial revenue	**36 511**	**29 547**
Interest expense	36	50
Bank charges	222	222
Other financial expense (net)	-	107
Total financial expenses	**258**	**379**
Financial revenue, net	**36 253**	**29 168**

Total financial revenue (net) increased by 7.1 M€ in 2016 compared with 2015.

Interest income on restricted cash and on general treasury decreased by 244 K€ for the period ending 31 December 2016 as compared to the period ending 31 December 2015. Most of the restricted funds are invested with the AXA capitalisation contract, which yielded an interest rate of 2.39% in 2016, slightly lower than the 2.61% earned in 2015 and consequently the interest earned on restricted funds in 2016 has decreased.

Short-term interest rates have decreased from 2015 to 2016. The average EONIA overnight interest rate fell from -0.11% in 2015 to -0.32% in 2016, which has had an indirect impact on the Organisation's interest revenue from its general treasury. The general treasury funds are derived mostly from voluntary contributions received in advance of the related expenditure. The weighted average interest rate earned for these funds for 2016 was 0.88%, versus 1.11% in 2015. The Organisation's weighted average interest rate achieved for 2016 exceeded the EONIA benchmark as a result of higher interest rates negotiated by the OECD with its banks.

Interest income earned by the restricted cash portion of the Pension Budget and Reserve Fund was 128 K€ for the period ending 31 December 2016, slightly higher than 126 K€ for the period ending 31 December 2015, as the PBRF held less cash on deposit in its EONIA remunerated bank account in 2016 than 2015 and a corresponding increase in cash invested with the AXA capitalisation contract and bank savings accounts.

Investment income (net realised and unrealised gains or losses), including management fee rebates and transaction costs booked through surplus or deficit in 2016, amounted to a net gain of 33.6 M€ for 2016. In the period ending 31 December 2016, long-term investments of the Pension Budget and Reserve Fund had a positive time-weighted return of 5.69% (2015: positive return of 5.18%). In addition, the positive return in 2016 exceeds the benchmark.

Net foreign-exchange gains for the period ending 31 December 2016 of 791 K€ (versus net gains of 1 639 K€ in 2015) are due mainly to the difference in the valuation of voluntary contribution accounts receivable at 31 December 2016 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 lower than in the prior year, due to a decrease in the average interest rate paid by the Organisation from 0.35% in 2015 to 0.25% in 2016.

Other financial revenue of 9 K€ relates to the restatement of non-current voluntary contributions to amortised cost at 31 December 2016. The discount rate is based on the Organisation's average borrowing rate over the last three years (*cf. Note 7: "Accounts receivable and prepayments"*).

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 2015 and 2016. Part I is for programmes financed by the members, whereas Part II is for special programmes financed by some or all members and non-members. Annex Budgets also include the Site Project. Non-budgetary operations include the staff loan programme, foreign-exchange variances and other sundry operations (*cf. Note 3: “Significant accounting policies”, Note 1: “General Information”*).

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

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

Statement of Financial Performance by Segment

	Part I (1)		Part II (2)		Annex budgets (Incl. Pre-accession) (3)		Voluntary contributions (4)	
	2016	2015	2016	2015	2016	2015	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	192 670	194 153	88 903	85 601	6 704	8 554	-	-
Voluntary contributions	-	-	-	-	-	-	164 234	146 186
Pension contributions	-	-	-	-	6 835	6 405	-	-
Sales of publications	-	-	7 176	6 251	9 936	10 906	-	-
Other	3 010	2 557	5 490	4 922	10 606	8 325	3 653	3 593
Total operating revenues	**195 680**	**196 710**	**101 569**	**96 774**	**34 081**	**34 190**	**167 887**	**149 779**
Personnel	166 410	161 948	58 249	55 734	16 947	15 403	98 199	86 185
Pension & post-empl. benefits	3 916	3 880	-	-	6 835	6 405	-	-
Consulting	14 807	12 936	8 022	7 710	1 103	1 203	27 238	21 963
Travel	6 450	5 542	4 569	3 924	636	371	17 075	17 470
Operating	53 932	40 365	9 368	11 329	9 451	10 420	6 345	6 152
Other	(6 976)	25 079	66	208	(120)	24	75	201
Total operating expenses	**238 539**	**249 750**	**80 274**	**78 905**	**34 852**	**33 826**	**148 932**	**131 971**
Surplus/ (deficit) from operating activities	**(42 859)**	**(53 040)**	**21 295**	**17 869**	**(771)**	**364**	**18 955**	**17 808**
Other financial revenue and expenses, net	1 298	1 525	(12)	(15)	(25)	(24)	5	(112)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**1 298**	**1 525**	**(12)**	**(15)**	**(25)**	**(24)**	**5**	**(112)**
Surplus / (deficit) from ordinary activities	**(41 561)**	**(51 515)**	**21 283**	**17 854**	**(796)**	**340**	**18 960**	**17 696**
Internal invoicing	11 602	8 044	(8 324)	(4 756)	164	88	(3 436)	(3 361)
Overhead	8 568	8 279	(8 513)	(8 229)	-	-	(55)	(50)
Voluntary Contributions Chargeback	14 152	13 243	1 900	1 570	-	(8)	(15 449)	(14 279)
Internal transfers	42	20	321	319	(2)	(3)	(20)	(6)
Total internal operations	**34 364**	**29 586**	**(14 616)**	**(11 096)**	**162**	**77**	**(18 960)**	**(17 696)**
Net surplus / (deficit) for the period	**(7 197)**	**(21 929)**	**6 667**	**6 758**	**(634)**	**417**	**-**	**-**

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (Unallocated) (7)		**TOTAL (1 to 7)**	
	2016	2015	2016	2015	2016	2015	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	5 868	6 017	-	-	-	-	294 145	294 325
Voluntary contributions	-	-	-	-	-	-	164 234	146 186
Pension contributions	-	-	87 541	85 413	-	-	94 376	91 818
Sales of publications	-	-	-	-	-	-	17 112	17 157
Other	24 375	2 127	-	-	25	-	47 159	21 524
Total operating revenues	**30 243**	**8 144**	**87 541**	**85 413**	**25**	**-**	**617 026**	**571 010**
Personnel	(3 185)	(3 946)	-	-	(2 616)	(1 923)	334 004	313 401
Pension & post-empl. benefits	-	-	66 048	63 176	211 390	223 237	288 189	296 698
Consulting	322	181	-	-	(1 487)	(405)	50 005	43 588
Travel	3	7	-	-	-	-	28 733	27 314
Operating	6 421	5 423	-	-	(2 074)	4 920	83 443	78 609
Other	7	12	7	7	139	115	(6 802)	25 646
Total operating expenses	**3 568**	**1 677**	**66 055**	**63 183**	**205 352**	**225 944**	**777 572**	**785 256**
Surplus/ (deficit) from operating activities	**26 675**	**6 467**	**21 486**	**22 230**	**(205 327)**	**(225 944)**	**(160 546)**	**(214 246)**
Other financial revenue and expenses, net	3 287	3 283	(1 881)	(1 023)	-	-	2 672	3 634
PBRF investment income	-	-	33 581	25 534	-	-	33 581	25 534
Total financial revenue and expense, net	**3 287**	**3 283**	**31 700**	**24 511**	**-**	**-**	**36 253**	**29 168**
Surplus / (deficit) from ordinary activities	**29 962**	**9 750**	**53 186**	**46 741**	**(205 327)**	**(225 944)**	**(124 293)**	**(185 078)**
Internal invoicing	(6)	(15)	-	-	-	-	-	-
Overhead	-	-	-	-	-	-	-	-
Voluntary Contributions Chargeback	(603)	(526)	-	-	-	-	-	-
Internal transfers	(17)	(16)	(324)	(314)	-	-	-	-
Total internal operations	**(626)**	**(557)**	**(324)**	**(314)**	**-**	**-**	**-**	**-**
Net surplus / (deficit) for the period	**29 336**	**9 193**	**52 862**	**46 427**	**(205 327)**	**(225 944)**	**(124 293)**	**(185 078)**

Internal operations have been split into four categories:

1. Recurrent internal invoicing between services, which includes an internal levy on travel costs as part of the Organisation's 'Greening Initiative';

2. Overhead Charges re-billed between Part I and Part II of the Budget;

3. Recoveries of administration costs for voluntary contributions, as per Council Decision C(2009)158; and

4. Internal transfers of expenditure between segments.

Note 23: Budget statements

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

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

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

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

1. Promote sustainable economic growth, financial stability and structural adjustment.

2. Provide employment opportunities for all, improve human capital and social cohesion and promote a sustainable environment.

3. Contribute to shaping globalisation for the benefit of all through the expansion of trade and investment.

4. Enhance public- and private-sector governance.

5. Contribute to the development of non-member economies.

6. Provide effective and efficient corporate management.

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

The following table shows the amount of the original Budget of income and expenditure for 2016 that was approved by Council in 2015, and the final Budget, which includes commitments carried forward from 2015, appropriations carried forward for certain Part II programmes and, in accordance with the provisions of the Financial

Regulations, new, revised and supplementary budgets approved in 2016. This budget does not include financing for the Site Project or voluntary contributions.

	Budget Amount			
	Original Budget €'000	Final Budget €'000	Actual €'000	Difference: Final Budget and Actual €'000
Income				
Part I	196 470	213 349	213 631	282
Part II	98 723	108 045	107 450	(595)
Annex budgets	74 417	74 778	75 029	251
Pre-accession	11 485	13 236	13 236	-
Total income	**381 095**	**409 408**	**409 346**	**(62)**
Expenditure				
Part I	196 470	213 349	213 135	214
Part II	98 723	108 045	99 534	8 511
Annex budgets	74 417	74 778	75 021	(243)
Pre-accession	11 485	13 236	10 769	2 467
Total expenditure	**381 095**	**409 408**	**398 459**	**10 949**
Net result				
Part I	-	-	496	496
Part II	-	-	7 916	7 916
Annex budgets	-	-	8	8
Pre-accession	-	-	2 467	2 467
Total net result	**-**	**-**	**10 887**	**10 887**

Part I shows a net result of 0.5M€, of which 0.2 M€ is from unspent appropriations and 0.3 M€ from surplus income. Part I income is 0.3 M€ over-budget primarily due to improved collection of non-member contributions for participation in OECD Bodies.

Part I expenditure is under-budget due to the approved deferral to 2017 of a country review of agricultural and food policies.

Part II shows a net result of 7.9 M€. This is attributable principally to those Part II Programmes who are authorised by Council to carry over part of their budgets as a smoothing mechanism for their future financing needs.

The pre-accession budget relates to Colombia, Costa Rica, Latvia, and Lithuania (*cf. Note 1: "General Information"*).

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

	Budget Amount		Voluntary Contributions	Total	Expenditure [3]			
	Original Budget	Final Budget	Planned Expenditure	**Final Budget and Planned Expenditure**	Budget Actual	Voluntary Contributions	**Total**	**Difference: Budget & Planned and Expenditure**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Part I : Output Group								
Economic Surveillance	20 356	20 536	2 471	**23 007**	20 538	720	**21 258**	**1 749**
Industrial and Sectoral Policies	3 620	3 814	2 770	**6 584**	3 800	1 632	**5 432**	**1 152**
Science and Technology Policies	6 965	7 283	4 804	**12 087**	7 325	3 612	**10 937**	**1 150**
Human and Social Capital	3 771	3 797	17 521	**21 318**	3 803	11 107	**14 910**	**6 408**
Employment Policies and Social Cohesion	6 393	6 611	5 483	**12 094**	6 603	3 975	**10 578**	**1 516**
Environmental Sustainability	8 183	8 597	11 251	**19 848**	8 597	9 154	**17 751**	**2 097**
Health System Performance	2 349	2 356	3 281	**5 637**	2 363	3 125	**5 488**	**149**
International Trade	5 751	5 852	659	**6 511**	5 876	862	**6 738**	**(227)**
Agriculture	7 317	7 637	972	**8 609**	7 437	1 195	**8 632**	**(23)**
Taxation	6 333	6 758	8 855	**15 613**	6 769	5 986	**12 755**	**2 858**
Business Climate	6 837	6 941	24 735	**31 676**	6 954	19 893	**26 847**	**4 829**
Competition and Market Efficiency	5 367	5 602	5 912	**11 514**	5 588	5 841	**11 429**	**85**
Public Sector Economics and Governance	7 480	7 558	31 986	**39 544**	7 619	30 250	**37 869**	**1 675**
Development	6 674	6 674	22 213	**28 887**	6 674	18 764	**25 438**	**3 449**
Global Relations	2 622	2 693	3 119	**5 812**	2 693	2 004	**4 697**	**1 115**
Corporate Management	10 710	10 324	1 530	**11 854**	10 389	846	**11 235**	**619**
Statistics	8 175	8 463	1 121	**9 584**	8 461	1 184	**9 645**	**(61)**
Corporate Services	69 450	73 905	380	**74 285**	74 334	435	**74 769**	**(484)**
Corporate Visibility	8 117	8 155	750	**8 905**	8 155	1 117	**9 272**	**(367)**
2015 Commitments carried forward	-	9 793	-	**9 793**	9 157	-	**9 157**	**636**
Total Part I	**196 470**	**213 349**	**149 813**	**363 162**	**213 135**	**121 702**	**334 837**	**28 325**
Part I : Difference Final Budget and Actual		***213 349***			***213 135***			***214***
Part II : Programme								
International Energy Agency	27 462	28 576	21 531	**50 107**	27 627	12 862	**40 489**	**9 618**
Development Centre	6 267	6 950	11 518	**18 468**	6 937	10 061	**16 998**	**1 470**
The Sahel and West Africa Club	1 800	2 316	1 898	**4 214**	1 876	1 296	**3 172**	**1 042**
OECD Nuclear Energy Agency	11 160	11 267	1 969	**13 236**	11 267	4 373	**15 640**	**(2 404)**
Nuclear Energy Agency Data Bank	3 149	3 367	90	**3 457**	3 367	164	**3 531**	**(74)**
Centre for Educational Research and Innovation	3 534	3 773	3 340	**7 113**	3 293	686	**3 979**	**3 134**
OECD/ITF Joint Transport Research Centre [1]	1 138	1 174	-	**1 174**	1 174	-	**1 174**	**-**
International Transport Forum	5 205	5 688	4 162	**9 850**	5 544	4 064	**9 608**	**242**
Special Programme on the Control of Chemicals	1 828	1 841	838	**2 679**	1 811	989	**2 800**	**(121)**
Steel [1]	676	687	-	**687**	687	61	**748**	**(61)**
Biological Resource Management for Sustainable Agricultural Systems [1]	695	784	-	**784**	784	-	**784**	**-**
Co-operative Action Programme on Local Economic and Employment Development	1 302	1 304	4 411	**5 715**	1 270	3 286	**4 556**	**1 159**
Programme for the International Assessment of Adult Competencies	4 221	5 585	500	**6 085**	3 671	539	**4 210**	**1 875**
Financial Action Task Force [1]	4 094	4 115	-	**4 115**	4 115	501	**4 616**	**(501)**
OECD Global Science Forum	561	636	239	**875**	636	214	**850**	**25**
Agricultural Codes and Schemes for International Trade [1]	1 169	1 282	-	**1 282**	1 280	3	**1 283**	**(1)**
Network on Fiscal Relations across levels of Government	346	351	101	**452**	325	39	**364**	**88**
Shipbuilding	356	356	166	**522**	356	177	**533**	**(11)**
Global Forum on Transparency and Exchange of Information for Tax Purposes	4 022	4 643	869	**5 512**	3 931	1 072	**5 003**	**509**
Programme for Teaching and Learning International Survey	1 675	1 719	877	**2 596**	951	1 013	**1 964**	**632**
German Linguistic Section [1]	1 822	1 823	-	**1 823**	1 750	-	**1 750**	**73**
Italian Linguistic Section [1]	320	417	-	**417**	260	-	**260**	**157**
International Service for Remunerations and Pensions (ISRP) [1]	5 773	6 013	-	**6 013**	5 562	29	**5 591**	**422**
Reimbursable Posts [1]	2 306	2 306	-	**2 306**	1 990	-	**1 990**	**316**
Programme on International Student Assessment	5 846	8 847	5 672	**14 519**	7 276	7 071	**14 347**	**172**
Programme on Institutional Management in Higher Education	756	985	230	**1 215**	601	42	**643**	**572**
Management of the OECD Medical Care System (OMESYS) [1]	1 240	1 240	-	**1 240**	1 193	-	**1 193**	**47**
Total Part II	**98 723**	**108 045**	**58 411**	**166 456**	**99 534**	**48 542**	**148 076**	**18 380**
Part II : Difference Final Budget and Actual		***108 045***			***99 534***			***8 511***
Adjustments [2]						(2 357)	**(2 357)**	**2 357**
Total Part I and Part II	**295 193**	**321 394**	**208 224**	**529 618**	**312 669**	**167 887**	**480 556**	**49 062**

Notes:

1. These Part II Programmes did not include 'Planned Expenditure' financed by Voluntary Contributions in their 2016 Programme of Work and Budget.
2. Accounting adjustments.
3. Note 22.

The budget and the accounting bases differ. The financial statements of the Organisation are prepared on an accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. The Budget is prepared on a cash/commitment basis by Output Group, Part II programme and Annex Budgets. Note 24 provides a reconciliation between the budgetary results and the financial statements.

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

As a general principle, the budget is prepared on a cash basis whereas the financial statements recognise all income and expenditure on an accrual basis in accordance with IPSAS. IPSAS give rise to accounting adjustments which in many cases may be of a non-cash nature. In order to reconcile the Budget outturn with the results after IPSAS adjustments, this fundamental difference needs to be taken into account. The most significant differences are as follows:

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

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

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

   In accrual accounting, the expense for both pensions and post-employment health cover is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 25. The pension and post-employment health cover benefits obligations are reported in the Statement of Financial Position as detailed in Note 16.

d) *Publications income*: For the budget, publications receipts, including subscriptions, are recorded during the year on a cash basis. In accrual accounting, these sales are recorded as revenue when delivered. They are also subsequently adjusted by provisions for losses on receivables or returns of goods sold.

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

	Budgetary results to be allocated (1) €'000	Transfer to reserves and carry forward to 2017 (2) €'000	**Results for the period** (3) = (1) + (2) €'000	IPSAS adjustments (4) €'000	*Nature of reconciling adjustments*	**Net results for the period** (3) + (4) €'000
Part I	496	-	**496**	(7 693)	*a, d*	**(7 197)**
Part II	7 916	-	**7 916**	(1 249)	*a, d*	**6 667**
Annex budgets	8	-	**8**	(642)	*a, d*	**(634)**
Pre Accession	2 467	(2 467)	**-**	-		**-**
Subtotal - Budget operations	**10 887**	**(2 467)**	**8 420**	**(9 584)**		**(1 164)**
Non-budgetary operations	-	27 364	**27 364**	1 972		**29 336**
Pension Budget and Reserve Fund	-	52 862	**52 862**	-		**52 862**
Subtotal - Other operations	**-**	**80 226**	**80 226**	**1 972**		**82 198**
Change in employee defined benefit	-	-	**-**	(208 774)	*c*	**(208 774)**
Adjustments for fixed assets	-	-	**-**	3 447	*b*	**3 447**
Subtotal - Accounting adjustments	**-**	**-**	**-**	**(205 327)**		**(205 327)**
Net result for the period	**10 887**	**77 759**	**88 646**	**(212 939)**		**(124 293)**

The most significant of the IPSAS adjustments relates to changes in employee defined benefit liabilities. These changes are the sum of the annual current service cost, interest cost and actuarial losses recognised within the year less the benefits paid. These are detailed in Note 16.

Note 25: Proposed allocation of the results for the period

The results for 2016 will be allocated as follows, subject to approval by Council:

	Net results for the period	Proposed treatment of the results	
		Transfer to reserves, long-term commitments and accumulated surplus / (deficit)	Budgetary results to be allocated or carried forward to 2017
	€'000	€'000	€'000
Part I	496	-	496
Part II	7 916	-	7 916
Annex budgets	8	-	8
Pre Accession	-	-	-
Subtotal 1 - Budgetary results	**8 420**	**-**	**8 420**
Pension Budget and Reserve Fund (PBRF)	52 862	52 862	-
Post-Employment Healthcare Liability Reserve (PEHL)	27 202	27 202	-
Capital Investment Budget and Reserve Fund (CIBRF) - Class 1	(551)	(551)	-
Capital Investment Budget and Reserve Fund (CIBRF) - Class 2	1 645	1 645	-
Capital Investment Budget and Reserve Fund (CIBRF) - Class 3	5	5	-
Indemnity and Benefits Fund (IBF)	1 009	1 009	-
Exchange differences - realised	(576)	(576)	-
Exchange differences - unrealised	(1 286)	(1 286)	-
Part II - IEA - Net Result on Publications	(120)	(120)	-
Part II - IEA - Loss of Employment	36	36	-
Subtotal 2 - Results associated with Reserves	**80 226**	**80 226**	**-**
Pension benefits liability	(163 329)	(163 329)	-
Post-employment healthcare liability	(45 445)	(45 445)	-
Subtotal 3 - Long-term commitments - IPSAS adjustments	**(208 774)**	**(208 774)**	**-**
Other IPSAS adjustments			
Included in Part I	(7 693)	(7 693)	-
Included in Part II	(1 249)	(1 249)	-
Included in Annex budgets	(642)	(642)	-
Included in Non-budgetary operations	1 972	1 972	-
Adjustments for fixed assets	3 447	3 447	-
Subtotal 4 - Other IPSAS adjustments	**(4 165)**	**(4 165)**	**-**
Net result for the period	**(124 293)**	**(132 713)**	**8 420**

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 less than 60 years of age, provided they meet certain conditions as to their job duties and medical condition. At 31 December 2016, no employees were 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 1 M€ over the period to June 2031.

The Organisation has an insurance contract for medical and social benefits for a period of five years from 1 January 2016 to 31 December 2020, with Malakoff Médéric ("the Insurer"), to cover payments of medical expenses, salary for 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.

This contract includes a provision under which the difference between the premiums due to the Insurer and the amounts paid out in claims each year is transferred by the Insurer to an equalisation provision, which is available to manage risk in respect of the events described above, thereby allowing premiums to be lower than would be the case had the provision not existed.

Following the renewal of the insurance contract, the equalisation provision was reduced to 5 M€, and 21.2 M€ was transferred to the OECD in September 2016. This is included in "Other revenues" in the Statement of Financial Performance for 2016. These funds will be allocated to the Post-Employment Health Liability reserve to help fund the long term liability.

B. Capital commitments

a) Site Project

The Site Project consisted 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, comprised large redevelopment, demolition and construction works. The Organisation has, at the same time, reconfigured its conference facilities.

At 31 December 2016, the available budget of the Site Project was 1.5 M€ (2015: 1.6 M€).

b) Operating lease commitments

Future minimum lease payments for the following periods are:

	31 December 2016 € million	31 December 2015 € million
Within one year	7	16
In the second to fifth years inclusive	78	65
After five years	104	125
Total operating lease commitments	**189**	**206**

Operating lease payments represent rental payments for certain properties. The decrease in the total value of lease payments as at 31 December 2016 can primarily be attributed to the termination of leases for the Delta building during 2016 and to the end date of the current lease for OECD Boulogne moving one year closer.

c) Bank guarantees

The Organisation's obligations to lessors of certain office premises are guaranteed by banks for a maximum of 6.7 M€. The guarantees are for obligations under leases for offices and parking for periods up to 30 November 2027.

C. Pensions

The Organisation's defined-benefit Pension Scheme was adopted by a Council Resolution of 16 November 1976 [C/M(76)20/FINAL]. This Resolution constitutes a decision that is binding upon the Organisation and its member countries by virtue of Articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation for the Organisation towards pensioners and staff and an offsetting legal obligation for the member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay pensions. Article 40 of the defined-benefit Pension Scheme confirms that pensions are a charge on the Organisation's Budget, and provides a joint guarantee of that liability by each of its member countries. That guarantee is equivalent in amount to the accrued pension obligation at 31 December 2016 of 3 094 M€ (2015: 2 731 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 2016 was 601.7 M€ (2015: 548.8 M€).

Note 27: Contributions-in-Kind

Staff-on-loan

Experts are sometimes made available to the OECD without charge mainly from Member governments as a way of increasing mutual co-operation and technical competence. As at 31 December 2016, there were 95 staff on loan at the OECD (2015: 98).

Premises

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

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

- The Mexico Centre serves as a regional contact for a wide range of public affairs and communication activities. The premises are provided by the Mexican government (Ministry of Public Education).
- The OECD-Korea Policy Centre focuses on the following: Competition, Health and Social Policy, Public Governance and Taxation. Premises are provided by the Korean government.
- The OECD LEED Trento Centre for local development in Italy builds capacities for local development by facilitating co-operation, the transfer of expertise and the exchange of experience between OECD Members and partner countries. Facilities are provided by the Autonomous Province of Trento. The facilities of the Trento Centre’s satellite office in Venice are provided by the Foundation of Venice.
- Multilateral Tax Centres (MTCs) are established in Budapest, Vienna, Ankara, Mexico and Yangzhou as a forum for dialogue between OECD countries and Partners on tax matters. In all cases, the physical facilities are provided free of charge by the respective governments. In addition, a centre for the OECD International Academy for Tax Crime Investigation has been established in Ostia, Italy, in facilities provided by the Italian Guardia de Finanza.
- The OECD has an official stationed in Beijing to support the Organisation’s co-operation with China. Office facilities are provided by the Embassy of the Netherlands.
- The OECD has an official stationed in Jakarta to support the Organisation’s co-operation with Indonesia and support contacts across the Southeast Asian region. Office facilities are provided by the Embassy of New Zealand.
- Some competition-related activities have been organised in Regional Centres for Competition (RCCs). There is currently an RCC in Budapest. Office space is provided by the Hungarian Competition Authority.
- The MENA-OECD Governance Programme Training Centre of Caserta, Italy was established to pursue the broadest dissemination of knowledge-sharing through innovative and cost efficient means. The Italian National School of Public Administration provides office space at its headquarters in Caserta and at its offices in Rome to accommodate the personnel dedicated to the functioning and administration of the Centre.
- The OECD/CVM Centre on Financial Education and Literacy in Latin America and the Caribbean in Rio de Janeiro has been established to promote efficient financial education, through a range of activities including meetings, surveys, mutual learning through peer reviews, and research. The premises are provided by the Securities and Exchange Commission of Brazil.
- The Financial Action Task Force (FATF) Training and Research Institute in Busan, Korea has been established to provide capacity-building and knowledge-

sharing programmes to combat money laundering and terrorist financing. The premises are provided by the Government of Korea and the Metropolitan City of Busan.

Note 28: Key management personnel

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

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

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

	31 December 2016		31 December 2015	
	Numbers in FTE	Aggregate remuneration €'000	Numbers in FTE	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	5	1 675	6	2 095
Senior officers	24	6 253	24	6 569
Total key management personnel		**7 928**		**8 664**

Aggregate remuneration for the Deputy Secretaries-General and other senior officers includes leaving allowances. *Leaving allowances* represent a lump-sum settlement of pension benefits to staff who have left 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 29: Related-party transactions

There were no material transactions with related parties during the years 2016 and 2015.

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

Due to its status as an international organisation and its Convention, the Organisation does not consider its member countries to be related parties.