

**MC/2085**

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**EIGHTY-FOURTH SESSION**

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**SYSTEMIC SOLUTION FOR THE USE OF SURPLUS IN THE  
ADMINISTRATIVE PART OF THE BUDGET**

## **SYSTEMIC SOLUTION FOR THE USE OF SURPLUS IN THE ADMINISTRATIVE PART OF THE BUDGET**

1. At its Eighty-sixth Session held in October 2001, the Subcommittee on Budget and Finance invited the Administration “to review the matter of a systemic solution for the use of surplus in the Administrative Part of the Budget and to submit a report to the next session of the SCBF.” (MC/2055, paragraph 35). The Council endorsed this recommendation at its Eighty-second Session held in November 2001 (MC/C/SR/439, paragraph 71).
2. The search for a systemic solution to surpluses in the Administrative Part of the Budget was thoroughly examined by IOM Member States in 1999. The Administration had submitted to the governing bodies two documents on the “Use of Surplus in the Administrative Part of the Budget”. These documents (MC/EX/615 of 9 April 1999 and MC/1980 of 5 October 1999) gave a summary of legal aspects, IOM practice and regulations and practices in other international organizations, followed by conclusions and recommendations.
3. One recommendation was that any surplus remaining in the Administrative Part of the Budget, after having been applied towards the provision for doubtful receivables and having covered any underfunding in the Administrative Part of the Budget brought forward from previous years, would be transferred to a surplus account. In that regard, it was stressed that for a surplus to become available for utilization elsewhere, it should be first applied towards the provision for doubtful receivables for the current financial year and to offset any underfunding carried forward from previous years.
4. While there was full agreement with regard to the above definition of an available surplus which merely reflected standard practice, no consensus could be reached on the utilization of such a surplus.
5. Further consultations were held among Member States in the course of 2002 and, as a result of such consultations, a proposal was circulated among the membership. This proposal is reflected in the draft resolution attached to this document. Its salient features may be summarized as follows:
  - (a) any surplus equal to or less than one per cent of the approved Administrative Part of the Budget shall be made available to the Administration in the second year following that in which the surplus occurred, to be used for non-recurrent administrative expenditures;
  - (b) if the surplus is higher than one per cent of the Administrative Part of the Budget, the amount greater than one per cent shall be returned to Member States through a proportional reduction of their assessed contributions for the second year following that in which the surplus occurred;
  - (c) Member States benefiting from a reduction in their assessed contributions as a result of the distribution of any surplus are strongly invited to make a voluntary contribution to the 1035 Facility in an amount equivalent to this reduction, without prejudice to the amount already approved for that Facility; and

- (d) a review of the functioning of this proposed solution is foreseen after three years of its concrete application.

6. The above proposal maintains the in-principle distinction between the Administrative and Operational Parts of the Budget, and encourages efficient and economical management of the resources of the Organization. It provides an effective return to Member States in case of any large surplus resulting, for instance, from cost savings, or payment of arrears. It also creates an opportunity and encouragement for Member States to voluntarily contribute to the 1035 Facility.

7. For the above reasons, the Administration recommends approval of the solution proposed in the attached draft resolution.

Annex

**DRAFT RESOLUTION ON THE  
SYSTEMIC SOLUTION FOR THE USE OF SURPLUS  
IN THE ADMINISTRATIVE PART OF THE BUDGET**

(Submitted to the Council for consideration  
under item 12 of the provisional agenda)

*The Council,*

*Having received and examined* document MC/2085 submitted by the Director General on Use of Surplus in the Administrative Part of the Budget,

*Having taken into account* the comments and recommendations of the Subcommittee on Budget and Finance (MC/...),

*Bearing in mind* the provisions of Articles 24 and 25 of the Constitution as well as Article 4 of the Financial Regulations,

*Recalling* the need to ensure an efficient and economical management of the resources of the Organization,

*Mindful of* the advisability to adopt a systemic solution to the use of surplus in the Administrative Part of the Budget,

*Recalling further* that, once the provisions of Article 4.3 and 4.4 of the Financial Regulations have been complied with, a surplus exists after having been applied towards the provision for doubtful receivables and having covered any underfunding in the Administrative Part of the Budget brought forward from previous years,

*Recalling further* the benefits derived by Member States, individually and collectively, as a result of the activities carried out under the Facility established by Resolution No. 1035 (LXXX) adopted by the Council on 29 November 2000,

I. *Resolves* that any surplus in the Administrative Part of the Budget shall be disposed of as follows:

1. Where the surplus for any budget year is equal to or less than one per cent of the approved Administrative Part of the Budget for that year, it shall remain with the Administration as a supplement to the Administrative Part of the Budget for the second year following that in which the surplus occurred, such surplus being used to cover only non-recurrent expenditure items which would normally be charged to the Administrative Part of the Budget;

2. Where the surplus for any budget year is greater than one per cent of the approved Administrative Part of the Budget for that year, the amount equal to one per cent shall be disposed of as per 1 above and the remainder shall be returned to Member States through a proportional reduction of the assessed contributions of Member States for the second year following that in which the surplus occurred;

II. *Resolves further* that the Subcommittee on Budget and Finance shall review the functioning of actions laid out in point I.1 and 2 above after either or both have been applied to three surpluses and recommend to the Council whatever improvements may be needed;

III. *Recommends* that Member States strongly consider making a voluntary contribution to the Facility established by Resolution No. 1035 (LXXX) of 29 November 2000, in an amount equivalent to the reduction in their assessed contribution resulting from the application of point I.2 above, it being understood that any such voluntary contribution shall constitute an increase in funds already approved for the Facility in the year in which this applies.