



INTERNATIONAL  
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COMPENSATION  
FUND

ASSEMBLY  
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Agenda item 9

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## SHARING OF JOINT ADMINISTRATIVE COSTS WITH THE 1992 FUND

Note by the Director

1 Since the 1971 Fund and the 1992 Fund will be two separate legal entities, they will need to have their own accounts and their own budget. On the assumption that there will be a joint Secretariat administering both the 1971 Fund and the 1992 Fund, the costs of running that Secretariat should be apportioned between the two Organisations. It is proposed that a simple formula should be found for this. This formula should be reviewed yearly to reflect the workload on the Secretariat resulting from the respective activities of the two Organisations.

2 A number of approaches have been considered, in consultation with the External Auditor of the 1971 Fund:

- (a) A fixed apportionment between the two Organisations. This would have the distinct advantage of its simplicity.
- (b) Part of the costs (eg rental of office space) to be divided on a fixed percentage basis, the remainder apportioned in accordance with a formula.
- (c) Apportionment entirely on the basis of a formula.

A formula of the type envisaged in (b) and (c) could use one or more factors, such as the relative number of Member States of each Fund, the relative quantities of contributing oil represented by the contributors to each Organisation and the relative levels of compensation payments made by the respective Organisations.

3 The Director takes the view that approach (a) would be preferable. It is proposed that for the period 30 May to 31 December 1996, the costs of running the joint Secretariat should be distributed with

¾ to be paid by the 1971 Fund and ¼ by the 1992 Fund, and that the distribution for subsequent periods should be decided yearly by the Assemblies of the two Funds.

4 During its consideration in October 1995 of the preparations for the entry into force of the 1992 Fund Protocol, the Assembly took the view that the joint administrative costs of the 1971 Fund and the 1992 Fund should be apportioned according to a simple formula.

**Action to be taken by the Assembly**

5 The Assembly is invited to consider the apportionment of joint administrative costs between the 1971 Fund and the 1992 Fund.

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