



**CALL FOR PROPOSAL FOR A STUDY TO DETERMINE AN APPROPRIATE SOCIAL DISCOUNT RATE FOR THE
INTERNATIONAL SEABED AUTHORITY**

28 July 2020

1. The International Seabed Authority (the Authority) is an autonomous international organization established under the United Nations Convention on the Law of the Sea of 10 December 1982 (the Convention) and the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea (the 1994 Agreement). The Authority is the organization through which States Parties to the Convention shall, in accordance with the Convention, organize and control activities in the Area, particularly with a view to administering the resources of the Area.
2. The Authority is seeking a consultant with requisite experience in economics and related fields to undertake a study to identify an appropriate social discount rate for the Authority in line with the scope of work in the Annex to the present call and invites proposals to be submitted via email to ola@isa.org.jm on or before **7 August 2020**.
3. Proposals should not exceed 1,500 words and should thoroughly and sufficiently demonstrate the competence and expertise of the applicant to meet the requirements contained in the Annex. Proposals should equally reflect a clear methodology on the deliverables for the study as well as proposed costs. All proposals will be reviewed by a committee and the outcome will be communicated to applicants using the contact details provided.

Annex

Terms of reference

for a consultancy to undertake a study to determine an appropriate social discount rate for the Authority

BACKGROUND

1. The United Nations Convention on the Law of the Sea (the Convention) and the Agreement relating to the implementation of Part XI of the Convention (1994 Agreement) define the objectives and principles that should underpin the financial terms of contracts between the Authority and entities recognized under article 153, paragraph 2(b), of the Convention. In particular, Annex III, Article 13(1) states that the Authority shall, in adopting rules, regulations and procedures concerning the development and negotiation of financial terms of a contract be guided by a number of objectives, including ensuring optimum revenues for the Authority from the proceeds of commercial production as well as attracting investments and technology to the exploration and exploitation of the Area. Under the Convention, the Area and its resources have been designated, in article 136, as the common heritage of mankind.
2. Section 8 of the 1994 Agreement sets out principles that shall form the basis for establishing rules, regulations, and procedures for the financial terms of contracts. Paragraph 1(c), stresses that the system should take into consideration administrative costs in deciding whether to adopt a royalty system or a combination of a royalty and profit-sharing system. For this purpose, the Council of the International Seabed Authority established an Open-Ended Working Group (OEWG) to further consider the development and negotiation of the financial terms of a contract.
3. The Draft Regulations on Exploitation of Mineral Resources in the Area currently under development by the Authority (ISBA/25/C/WP.1), in Parts VI and VIII, equally address the financial terms of an exploitation contract in developing an appropriate payment mechanism that would fulfil the requirements of the Convention and the 1994 Agreement.
4. Following discussions emanating from the first meeting of the Open-Ended Working Group of the Council of the International Seabed Authority in 2019,¹ the Chair of the Working Group in his briefing note for the second meeting, suggested that an expert study could be commissioned to establish a justifiable and appropriate social discount rate (SDR) for considering the value of return to the Authority.

¹<https://ran-s3.s3.amazonaws.com/isa.org.im/s3fs-public/files/documents/brief-payment-mechanism.pdf>, para.

5. Following further discussions at the third meeting of the OEWG in 2020, the Chair informed the secretariat that a study on SDR should be undertaken to assist in progressing the work of the OEWG and requested the Secretariat to carry out such a study. The study is aimed at determining what would be an appropriate social discount rate for the Authority to apply in calculating the present value of the stream of contractual payments from mining operations before the next meeting of the OEWG in October 2020.

SCOPE OF WORK

6. The study should focus on identifying an appropriate and justifiable social discount rate (SDR) that would demonstrate the present value of future income for the Authority. It should clearly provide an in-depth analysis of the various economic components, calculations and theories that have led to the suggested rate by providing a summary based on empirical economics and best available practices.

7. The study should also provide a review of the available and internationally recognised discounting frameworks as the basis for the identified SDR. The amount so identified and approached used must be adequate and thorough, taking into consideration the overall mandate and objectives of the Authority under the Convention and the 1994 Agreement.

8. The study is expected to reflect the interrelationship between the identified SDR and other economically sound assumptions applicable to the rates and amounts of payments to be made by Contractors to the Authority; whilst providing a clear analysis of how these amounts and figures interact in determining an appropriate SDR. In doing so, the study should also identify whether a risk premium should be applied to the SDR by the Authority taking into consideration current metals prices.

9. The study should undertake a thorough review of available data from national context, as well as best international practices from other inter-governmental organizations widely adopted by economists to determine the economic values of investing in long-term public projects as well as its pros and cons.

DELIVERABLES

10. The consultant will be required to produce a report and an executive summary with a focus on the matrixes and calculations used in determining an appropriate SDR for the Authority which clearly addresses the issues and parameters contained in paragraphs 6-9 above. The report shall be no more than 8,000 words.

TIMELINES

11. The work will be undertaken based on the following anticipated timelines:

- a) Start date: upon signature of the contract
- b) First draft: 20 August 2020
- c) Review of first drafts by Secretariat: 25 August 2020
- d) Final study provided by the consultant: 31 August 2020

MODALITIES OF WORK

12. The work shall be performed at the consultant's home base; the consultant will be required to meet remotely with ISA Secretariat staff on issues related to the deliverables. Where travel is deemed necessary, a round trip airline ticket (economy) as per prevailing ISA policies on official travel and DSA at the prevailing ICSC rates established on the travel days would be provided to the consultant.

13. The Secretariat will make reasonable and practical efforts to facilitate the production of timely, accurate and useful outcomes by promptly responding to the consultant's queries and providing the necessary reference material as identified by the consultant where feasible.
