



Comments by the Finance Committee on the Interim Report on the periodic review of the International Seabed Authority pursuant to Article 154 of the United Nations Convention of the Law of the Sea and the comments by the Review Committee.

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To: Ambassador Helmut Tuerk,
Chair of the Review Committee

Thank you for your letter of 25 May 2016 forwarding the Interim Report prepared by Seascope Consultants Ltd. pursuant to the decision of the Assembly of the International Seabed Authority (the “Article 154 report”) and the comments of the Review Committee on that Report (the “Review Committee comments”). The Finance Committee discussed both documents at its latest session from 6 to 11 July 2016.

As a preliminary point the Committee noted that the response rate to the Questionnaire prepared by the authors of the Article 154 report was relatively low with 56.5 per cent of responses originating from one geographical group only. It also noted the conclusion on page 69 of the Report that “very few comments were contributed regarding the Finance Committee”, and that not all members of the Finance Committee had received the Questionnaire.

In that context, the Committee had the following comments for transmission to the Assembly for consideration at its forthcoming twenty-second session:

Timing/scheduling of Finance Committee meetings

Recommendation 29 of the Article 154 report states that the Authority should “review the timing of the Finance Committee meetings within the annual session cycle”. The Review Committee comments also suggest that the “Financial Committee should be in a position to consider issues with financial implications arising during the meetings of the respective organs”.

The Finance Committee considers that it would be both impractical and expensive to meet both before, and throughout, the entire duration of the session of the Authority, and that it has been able to effectively deal with the financial implications of the decisions of the Legal and Technical Commission (LTC) through pragmatic interaction so that the Council is presented with the opinion of both the LTC and the Finance Committee on the same issue during the same session. For

example, it has asked the Chair of the LTC to brief the Finance Committee on issues with financial implications, such as data management. Furthermore, it would be difficult to respond within a short period during the session to requests for recommendations of the Finance Committee; such recommendations must be based on relevant data and information provided by the Secretariat and thorough consideration of the issue at hand. This does not seem achievable within the duration of one session. In addition, while the Committee acknowledges that it will have more work in future, this is not yet the case.

Accordingly, the Committee considers the current timing and duration of meetings fit for purpose. Any changes now would only lead to the incurring of unnecessary cost, and be contrary to the requirement in section 1(2) of the 1994 Agreement on Implementation of the Seabed Provisions of the Convention on the Law of the Sea that “the frequency, duration, and scheduling of meetings of all organs of the Authority be cost effective”.

Transparency

Recommendation 29 of the report also states that the Authority “should publish the proposed budget as well as a final proposal to the Assembly to ensure transparency”.

The Committee underlines that regulation 3.4 of the Financial Regulations of the International Seabed Authority already requires the Secretary-General to transmit his proposed budget to the Finance Committee “at least 45 days prior to the meeting of the Finance Committee at which it is to be considered”, and that the proposed budget also be transmitted to all members of the Authority “at least 45 days prior to the opening of the session of the Council and the Assembly”. Although we note the proposed budget has been published by the Secretariat, the Committee considers that the Secretary-General should comply with the regulations regarding the time frame for transmitting the proposed budget to both the Finance Committee and the wider membership.

The Finance Committee budget proposal is published as soon as it is translated into the official languages along with the Committee’s final report.

Voluntary Trust Fund

Recommendation 30 of the report states that “consideration should be given to any implications for the sustainability of the Voluntary Trust Fund if and when the increased workload of the Authority results in more meetings and an increased requirement for voluntary contributions”.

The Committee considers that the funds available in the Voluntary Trust Fund to date have been sufficient for current needs. It is also not yet certain that the Authority will have to hold more meetings. The Committee always recommends that the Assembly request Member States to make further voluntary contributions, and will keep the sufficiency of the Voluntary Trust Fund under review in the case where applications to the Fund increase.

Impartiality of Finance Committee members

The Review Committee states that “it would be desirable that members of the Finance Committee do not act as delegates from their respective country in other organs of the Authority in respect of matters that are within the competence of that Committee”.

The Committee members disagree with this point, and consider that Finance Committee membership does not raise conflicts of interest with participation in other organs of the Authority. As the Article 154 report reflects, Member States provide the bulk of the Authority’s financing. Accordingly, it is appropriate, and to be expected, that they should be in a position to scrutinize the way in which that money is managed, and make recommendations on how spending should be prioritized. In addition, requiring that members not act as delegates in other meetings of the Authority would present difficulties for smaller delegations. The Committee considers that the issue of impartiality of members of the Finance Committee is already appropriately addressed in rule 10 of the Rules of the Finance Committee, which states that “members of the Committee shall have no financial interest in any activity relating to matters upon which the Committee has the responsibility to make recommendations”.

Strategic planning

The Article 154 report records perceptions that the Finance Committee is concerned more about the bottom line or total budget level, than about directing its attention to programme delivery or efficiency. These perceptions do not reflect the Committee's approach. The Committee points to its recent reform of the format of the budget to include introduction of a new section for programmes of the Authority. In recommending the new format, the Finance Committee has already noted that this would enhance accountability, transparency and strategic decision-making and enable detailed reporting on the results achieved in each programme area.

Financial implications of Article 154 report recommendations

The Committee notes that many of the recommendations in the Article 154 report would lead to the incurring of financial implications if implemented, which would have to be reviewed by the Committee in light of the current priorities of the Authority.

I would be grateful if you would forward these comments of the Finance Committee on the interim Article 154 report, as well as on the Review Committee comments, to the Assembly for consideration at its twenty-second session.

(Signed) Olav Myklebust
Chair, Finance Committee ISA