



Finance Committee

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Status of overhead charges for the administration and supervision of contracts for exploration, and its reflection of costs actually and reasonably incurred

Report of the Secretary-General

1. At its meeting during the twenty-second session, and in line with paragraph 10.6 of the annex to the Assembly's decision concerning overhead charges for the administration and supervision of exploration contracts (ISBA/19/A/12), the Finance Committee requested the Secretary-General to prepare a first periodic report to the Committee in 2017 on the amount of the annual overhead charge and its reflection of costs actually and reasonably incurred. The present report responds to that request.

Evolution of the standard cost

2. In 2013, the Assembly decided to require each contractor with the Authority to pay a fixed annual fee to cover overhead costs for the administration of exploration contracts in the Area (see ISBA/19/A/12). The fee was set at \$47,000 per year per contract on the recommendation of the Finance Committee. In fixing the fee at this amount, the Committee applied the system of applying standard costs to contract administration and supervision, as developed by the United Nations Development Programme. It is noted that the actual amount of the costs calculated by the secretariat on this basis was \$52,182.

3. Standard costs were applied as of 1 January 2013, with payments to be made by contractors by 31 March annually. These costs are recorded as a credit to the administrative budget, thus reducing costs to Member States.

4. It was agreed that this standard cost would be reviewed periodically to ensure it was commensurate with actual costs. Such an exercise was implemented at the end of 2016 by extrapolating 2012 figures to 2016 figures. The methodology used is outlined below:

(a) Costs as defined in 2013 with 2012 figures are matched to the 2012 balance sheet;

(b) Costs are adjusted to the 2016 figures (same ranges of accounts as in 2012);



(c) As the standard administration and supervision of contracts has not changed, it is assumed that the adjusted figures represent the 2016 true cost of the administration of 11 contracts. The adjusted figures are then extrapolated to 26 contracts under International Seabed Authority administration and supervision as of the end of 2016.

5. Table 1 details a comparative analysis of 2012 expenditure and 2016 extrapolated figures. The structure of the costs has been maintained as for 2012, except for the figures for translation services, which represent actual costs. Expenditure on meetings and conferences in 2016 show a higher percentage of the standard cost being allocated to these types of expenditure.

6. The number of contracts being managed in 2016 increased by more than 100 per cent from those in 2012, having increased from 11 to 26. This entailed increased human effort in the supervision and management of contracts, requiring increased capacity within the Authority. This increase also entailed total costs increasing from \$574,000 in 2012 to \$1,705,946 in 2016.

7. Table 2 shows the estimated actual cost for the administration of contracts in 2016 as \$65,613, representing a 25 per cent increase from the amount calculated for 2012 and a 39.6 per cent increase from the current fixed fee of \$47,000.

8. The Finance Committee is invited to consider the present report and make such recommendations as may be appropriate.

Table 1
Evolution of the standard overhead costs for administering and supervising contracts, 2012-2016

<i>Budgetary line</i>	<i>2013 survey (11 contracts)</i>	<i>2012 value from trial balance</i>	<i>Monthly 2012 value</i>	<i>2016 value from trial balance</i>	<i>2012-2016 variation (percentage)</i>	<i>Monthly 2016 value</i>	<i>Extrapolated 2016 value (26 contracts)</i>
Salaries and post adjustment	204 000	2 477 484	206 457	2 681 755	8.25	220 820	521 938
Common staff costs	101 000	1 210 009	100 834	1 401 727	15.84	117 003	276 552
Workshops	102 000		8 500		69.59	177 218	418 880
Equipment rental	16 700		1 392		120.51	36 918	87 260
Documentation	78 480		6 540		(25.02)	62 922	148 724
Meeting services	33 400		2 783		102.60	73 429	173 560
Translation ^a	28 400		0			24 366	57 593
Miscellaneous	10 020		835		(14.13)	9 070	21 439
Total costs	574 000					721 746	1 705 946
Number of contracts	11						26
Contract costs	52 182						65 613

^a For this line, the costs incurred in 2016 are known and are not extrapolated, but rather are adjusted to the number of contracts.

Table 2
Cost of administering and supervising exploration contracts in 2016

<i>Budget line</i>	<i>Total estimated costs</i>
Salaries and post adjustment	20 075
Common staff costs	10 637
Workshops	16 111
Equipment rental	3 356
Documentation	5 720
Meeting services	6 675
Translation	2 215
Miscellaneous	825
Total	65 613