



## Assembly Council

Distr.: General  
12 July 2019

Original: English

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### Twenty-fifth session

Kingston, 1–26 July 2019

Item 12 of the provisional agenda of the Assembly\*

### Report and recommendations of the Finance Committee

Agenda item 13 of the Council

### Report of the Finance Committee

## Report of the Finance Committee

### I. Introduction

1. During the twenty-fifth session of the International Seabed Authority, the Finance Committee held six meetings between 8 and 10 July 2019. On 9 July, the Finance Committee and the Legal and Technical Commission held a joint meeting in an informal setting.
2. The following members of the Committee participated in the meetings during the session: Frida María Armas-Pfirter, Duncan M. Laki, Konstantin G. Muraviov, Hiroshi Onuma, Didier Ortolland, Andrzej Przybycin, Mehdi Remaoun, Kerry-Ann Spaulding, Ahila Somarajah, Umasankar Yedla, David Wilkens and Kenneth Wong. Reinado Storani had informed the Secretary-General that he would be unable to attend the meetings. Following past practice, Nyan Lin Aung participated in the meetings of the Finance Committee prior to his formal election by the Assembly, planned for 22 July, to fill the position left vacant by the resignation of Ye Minn Thein.
3. On 8 July 2019, the Committee adopted its agenda ([ISBA/25/FC/1](#)), re-elected Andrzej Przybycin as Chair and elected Mehdi Remaoun as Vice-Chair.

### II. Implementation of the budget for the financial period 2017–2018

4. The Committee was provided with a report on the implementation of the budget for the financial period 2017–2018 ([ISBA/25/FC/5](#)). The report showed an overspending of \$91,327 (0.54 per cent), covered by – surpluses from previous years. The Committee requested and received clarifications on various issues, such as certain variances between actual and planned expenditures, the use of temporary staff, the acquisition of furniture and the refurbishment of additional office space. The Committee took note of the report on the budget performance for the financial period 2017–2018.

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\* [ISBA/25/A/L.1/Rev.1](#).



### **III. Status of the Working Capital Fund**

5. The Committee was provided with a report on the status of the Working Capital Fund ([ISBA/25/FC/2](#)), with updates provided by the secretariat.

6. Following the increase of the budget of the Authority, the level of the Working Capital Fund has increased to \$660,000, the most recent increase of \$100,000 having been approved by the Assembly in 2016. As at 30 June 2019, the balance of the Working Capital Fund was \$633,673, with a further \$26,327 to be collected in the financial period 2019–2020.

7. The Committee took note of the report on the status of the Working Capital Fund. Following the principle that the level of the Fund should be set as an approximate amount representing one twelfth of the annual budget of the Authority, the Committee recommended an increase of \$90,000, to be collected in the financial period 2021–2022. The corresponding indicative scale of assessment will be handed out upon request or distributed at a later stage.

### **IV. Status of contributions and related matters**

8. The Committee expressed its concern about the status of contributions and took note with appreciation of a report on the status of contributions and related matters ([ISBA/25/FC/3](#)).

9. The Committee noted that as of 30 June 2019, 73.3 per cent of the contributions to the 2019 budget of the Authority had been received.

10. The Committee also noted with concern that the current amount of unpaid contributions represented more than one twelfth of the Authority's annual budget, which jeopardized the smooth functioning of the secretariat and investments in the substantive programmes. The Committee stressed the need to pay contributions in a timely manner.

11. The Committee renewed its concern about the recurrent issue of unpaid contributions and encouraged the secretariat to continue its efforts to bring the matter to the attention of the Member States concerned, including at the level of regional groups.

### **V. Review of costs of conference services and implementation of other cost-saving measures**

12. The Committee was provided with a report entitled "Review of conference services costs and implementation of other cost-savings measures" ([ISBA/25/FC/4](#)). The remote simultaneous interpretation services provided to the Legal and Technical Commission and to the Finance Committee tended to be a major source of cost-saving. The Committee expressed its satisfaction with the exemplary work of the secretariat.

13. The review of cost-saving measures was supported by an analysis of five possible meeting scenarios for 2020 and their budgetary implications (see table below). The scenarios had been drawn up in the light of the need for the Council to make a decision on the pattern of meetings for 2020.

14. The five scenarios were based on different numbers of meetings with different interpretation services for each organ of the Authority and included the possibility that the Council increase the number of its meetings to be held in 2020.

15. The Committee examined the scenarios proposed by the secretariat. It noted that only three scenarios (scenarios 1, 2 and 5 in the table below) could be accommodated within the existing budgetary resources of the Authority. Of those, only two involved the use of remote simultaneous interpretation in all meetings (scenarios 2 and 5).

**Budgetary impact of various meeting scenarios for 2020**

<i>Scenario</i>	<i>Organ</i>	<i>Total weeks (meeting days) in 2020</i>	<i>Interpretation service</i>	<i>Budgetary impact</i>
1	Legal and Technical Commission	2 (10)	Remote	Within existing budgetary resources
	Finance Committee	1 (5)	Remote	
	Council	4 (20)	United Nations	
	Assembly	1 (5)	United Nations	
2	Legal and Technical Commission	2 (10)	Remote	Within existing budgetary resources
	Finance Committee	1 (5)	Remote	
	Council	4 (20)	Remote	
	Assembly	1 (5)	Remote	
3	Legal and Technical Commission	4 (20)	Remote	Exceeds existing budgetary resources
	Finance Committee	1 (5)	Remote	
	Council	4 (20)	United Nations	
	Assembly	1 (5)	United Nations	
4	Legal and Technical Commission	4 (20)	Remote	Exceeds existing budgetary resources
	Finance Committee	1 (5)	Remote	
	Council	4 (20)	Remote	
	Assembly	1 (5)	Remote	
5	Legal and Technical Commission	2.5 (14)	Remote	Within existing budgetary resources
	Finance Committee	1 (5)	Remote	
	Council	4 (18)	Remote	
	Assembly	1 (5)	Remote	

16. In the light of the above, the Committee proposed that the Council, in a decision on the number of meetings, take into account the budgetary constraints and the quality of interpretation services.

17. Other scenarios, if considered, would exceed existing budgetary resources. In the light of the above, the Committee requested that consideration be given to the use of remote simultaneous interpretation services for meetings of the Council and the Assembly, taking into account the approved budgetary ceiling.

## **VI. Audit report on the accounts of the International Seabed Authority for 2018**

18. The Committee took note of the audit report and the management letter. The Committee noted that the financial statements gave a true and fair view of the financial position of the Authority as at 31 December 2018. The Committee was satisfied with the additional information provided by the secretariat on four qualified opinions given by the auditor regarding post-employment benefit obligations, furniture, provisions for workshops, and cash movements between the General Administrative Fund and trust funds maintained by the Authority. The qualified opinions of the auditor mainly resulted from the budget being established on a cash basis while being reported following international public sector accounting standards, i.e., on a period basis.

19. The Committee regretted that the audit report and the management letter were dated 4 July 2019, which had prevented their timely circulation prior to the meetings of the Committee.

## **VII. Status of the trust funds of the Authority and related matters**

20. The Committee was provided with a report on the status of the trust funds of the International Seabed Authority and related matters of 29 May (ISBA/25/FC/6) and with updates on the balance of funds as of 30 June 2019. The Committee took note of the report and of the updates, which were provided by the secretariat.

### **A. Endowment Fund for Marine Scientific Research in the Area**

21. The Committee noted that, as of 30 June 2019, the balance of the endowment fund stood at \$3,644,406. The Committee also noted that the interest rate was slightly higher at 2.0 per cent, compared with 0.7 per in 2018.

### **B. Voluntary trust fund for the purpose of defraying the cost of participation of members of the Legal and Technical Commission from developing countries and members of the Finance Committee from developing countries in the meetings of the Commission and of the Committee**

22. The Committee noted that voluntary contributions from Member States and from contractors had enabled the participation of members of the Finance Committee and of members of the Legal and Technical Commission from developing countries in 2019. The Committee recognized that five contractors had opted for the payment of \$6,000 on a voluntary basis and encouraged other contractors to follow their example. Noting that, as of 30 June 2019, the balance of the fund was negative (-\$3,682), the Committee reiterated its appeal for more voluntary contributions, including from observers, as a vital means to secure participation from members from developing countries at the meetings of the two subsidiary organs of the Authority.

**C. Voluntary trust fund to support the participation of members of the Council of the International Seabed Authority from developing States in the meetings of the Council**

23. The Committee noted that the balance of the voluntary trust fund to support the participation of members of the Council of the International Seabed Authority from developing States in the meetings of the Council stood at \$25,265. The Committee also noted that if the Council should hold more meetings in 2020, additional resources would be required for the fund.

**D. Trust fund for extrabudgetary support for the International Seabed Authority**

24. The Committee noted the creation of the trust fund for extrabudgetary support for the International Seabed Authority, also referred to as the support trust fund, which showed an estimated balance of \$630,731 as at 30 June 2019. The terms of reference of the fund are contained in annex I to the present report.

**E. Voluntary trust fund for the purpose of providing the requisite funds related to the work of the Special Representative of the Secretary-General of the International Seabed Authority for the Enterprise**

25. The Committee recalled that the fund had been established pursuant to the terms of the decision of the Council contained in [ISBA/25/C/16](#). The terms of reference of the fund are contained in annex II to the present report. The Committee noted that the fund was almost depleted with a balance of \$309.

**VIII. Development of rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area pursuant to section 9, paragraph 7 (f), of the annex to the 1994 Agreement**

26. In response to a request made by the Committee in 2018, a report on criteria for the equitable sharing of financial and other economic benefits derived from deep-seabed mining was prepared for consideration during three meetings held on 9 and 10 July 2019. The Committee noted with appreciation that the report had been made available in sufficient time for its consideration.

27. On 9 July 2019, in an informal meeting with the Legal and Technical Commission, a presentation on the report was made by the Secretary-General and by Dale Squires of the University of California, followed by a question and answer session.

28. In the two closed meetings that followed, the Committee held a preliminary discussion on equitable sharing of benefits under article 140 of the United Nations Convention on the Law of the Sea. The meetings enabled the identification of issues that needed to be addressed, including possible criteria to be taken into account and mechanisms for distribution, and the outlining of a way forward in the discussion. The Committee agreed that it was premature to make any recommendation to the Council and to the Assembly at this stage.

29. The Committee agreed that, in accordance with article 173, paragraph 2, of the Convention, the first priority was to cover the administrative expenses of the Authority, and that any funds to be equitably shared were those left over after administrative expenses had been covered. Article 151, paragraph 10, of the Convention regarding the economic assistance fund also needed to be taken into account.

30. In relation to the equitable distribution payment model, the Committee acknowledged that the report was a very helpful starting point, and agreed that, to ensure further work progress:

(a) The Committee would set out a list of factors that were options to be taken into account in calculating payments;

(b) The Committee would commission a report on best practices for discussion, either at the following session of the Committee or intersessionally, to consider which factors had been taken into account in other models and how funds had been apportioned;

(c) Where there was no practice available in relation to a factor, the secretariat would provide an analysis of whether it could be objectively measurable for consideration at the following session of the Committee.

31. The Committee identified the need to have a discussion on the matter of repayment of States parties' assessed contributions.

32. The Committee agreed to have a discussion on available options, including a sustainability fund, and requested the secretariat to prepare a report on the possible operationalization of such a fund.

33. The Committee committed to exploring the possibility of working intersessionally and reporting to the Council at its next session on the progress made. The Committee also committed to working on the issue of equitable sharing of benefits under article 82, paragraph 4, of the Convention.

## **IX. Other matters**

### **A Possible contributions from observers of the Authority to the budget of the Authority**

34. The Committee considered the question of possible financial contributions to cover the costs of participation in meetings of the Authority by observers, in particular States that were not yet members of the Authority. The Committee recognized that services provided to observers had costs, but expressed concern about the implications a fee could have, including for attendance by observers. The Committee recognized that some observers had already made contributions to several funds and encouraged observers to make voluntary contributions to the voluntary trust funds and the endowment fund of the Authority. It was noted that guidelines for requests for observer status were also included in the agenda of the Assembly at the current session and included references to contributions made by an applicant (see [ISBA/25/A/7](#), annex II, para. 5 (a), and enclosure 2, para. 5). The Committee requested the secretariat to prepare information on the practices followed by other organizations on that matter for its following session.

## **B Cost estimates for the office of the interim director general of the Enterprise**

35. Noting the financial implications of one of the recommendations contained in the report of the Special Representative of the Secretary-General of the Authority for the Enterprise on issues relating to the operation of the Enterprise, in particular the legal, technical and financial implications for the Authority and for States parties to the Convention (ISBA/25/C/26), the Committee requested and was provided with cost estimates for the office of the interim director general of the Enterprise (see annex III to the present report).

## **X. Recommendations of the Finance Committee**

36. In view of the foregoing, the Committee recommends that the Council and the Assembly of the Authority:

(a) Welcome the considerable reduction in the costs of conference services and the transfer of the resources made available by those savings to the programmes of the Authority;

(b) Note with concern the trend of late payments of assessed contributions to the budget;

(c) Urge the members of the Authority to pay their assessed contributions to the budget on time and in full;

(d) Note with concern the increasing amounts of outstanding contributions, appeal once more to the members of the Authority to pay outstanding contributions to the budget of the Authority from previous years as soon as possible and request the Secretary-General, at his discretion, to continue his efforts to recover those amounts;

(e) Approve an increase in the Working Capital Fund by \$90,000 to a total of \$750,000 and for the increase to be spread evenly over the two years of the next financial period, to be determined using the Authority's scale of assessments for the next financial period applied to the total of the Working Capital Fund;

(f) Express its deep concern over the negative balance of the voluntary trust fund for the purpose of defraying the cost of participation of members of the Legal and Technical Commission from developing countries and members of the Finance Committee from developing countries in the meetings of the Commission and of the Committee and appeal to members and other possible donors to make contributions to that fund, and call on contractors to consider making a payment of \$6,000 on a voluntary basis;

(g) Urge members and other possible donors to make voluntary contributions to the other funds maintained by the Authority;

(h) Recommend that the use of remote simultaneous interpretation services be extended to the meetings of the Assembly and the Council in 2020;

(i) Adopt the terms of reference for the trust fund for extrabudgetary support for the International Seabed Authority as contained in annex I to the present report;

(j) Adopt the terms of reference for the voluntary trust fund for the purpose of providing the requisite funds related to the work of the Special Representative of the Secretary-General for the Enterprise as contained in annex II to the present report.

## Annex I

### **Terms of reference for the trust fund for extrabudgetary support for the International Seabed Authority**

1. The trust fund for extrabudgetary support for the International Seabed Authority was established pursuant to financial regulation 5.5 and shall be administered in accordance with the financial regulations of the Authority as provided for in financial regulation 5.6.
2. The purpose of the fund is to receive extrabudgetary contributions from member States and other donors intended to support non-regular and specific activities resulting from agreements which are not funded from the approved budget of the Authority.
3. Member States, observers, contractors with the Authority, non-governmental organizations, relevant international organizations, academic, scientific and technical institutions, philanthropic organizations, corporations and private individuals may contribute to the fund.
4. The Office for Administrative Services of the secretariat is the implementing office for the fund and provides the services for its operation in liaison with the substantive offices in charge of the activities supported by the fund and in cooperation with the Executive Office of the Secretary-General.
5. The Secretary-General shall report annually to the Finance Committee on the status of the fund and, as often as may be required, individually to each donor in accordance with the reporting requirements specified in the agreement with each donor. The Secretary-General shall also report annually to the Assembly on the status of the fund.
6. The use of the fund is subject to the conditions that the Secretary-General will issue in compliance with the financial regulations of the Authority and amend from time to time in the light of specific terms in the agreements with the donors.

## Annex II

### **Terms of reference for the voluntary trust fund for the purpose of providing the requisite funds related to the work of the Special Representative of the Secretary-General of the International Seabed Authority for the Enterprise**

1. The voluntary trust fund for the purpose of providing the requisite funds related to the work of the Special Representative of the Secretary-General of the International Seabed Authority for the Enterprise was established pursuant to financial regulation 5.5 and shall be administered in accordance with the financial regulations of the Authority, as provided for in financial regulation 5.6.
2. The purpose of the fund is to receive voluntary contributions from member States and other donors that are intended to fund the work of the Special Representative of the Secretary-General for the Enterprise.
3. Member States, observers, contractors with the Authority, non-governmental organizations, relevant international organizations, academic, scientific and technical institutions, philanthropic organizations, corporations and private individuals may contribute to the fund.
4. The Office for Administrative Services of the secretariat is the implementing office for the fund and provides the services for its operation.
5. The Secretary-General shall report annually to the Finance Committee on the use and status of the fund. The Secretary-General shall also report annually to the Assembly on the status of the fund.
6. The use of the fund is subject to the decision of the Council of the International Seabed Authority contained in [ISBA/25/C/16](#) and to the conditions that the Secretary-General will issue in compliance with the financial regulations of the Authority and amend from time to time in the light of specific terms in the agreements with the donors.

### Annex III

#### **Cost estimates for the office of the interim director general of the Enterprise**

(United States dollars)

<i>Description</i>	<i>Amounts</i>
D-1: salary for one year	200 000
Installation grant and shipment	50 000
G-5: assistant salary for one year	25 000
Travel for official business	30 000
Overhead: 13 %	39 650
<b>Total</b>	<b>344 650</b>

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