



# INTERNATIONAL SEABED AUTHORITY

**THE SECRETARY-GENERAL**

21 December 2020

Excellencies,

I regret very much that the Council has not been able so far to adopt a recommendation with respect to the budget of the Authority for the financial period 2021-2022. It is also unfortunate that the recommendation of the Finance Committee in relation to the budget has not been accepted. In my view, this sets a very undesirable precedent.

I wish to remind members of the Council that in line with the provisions of the United Nations Convention on the Law of the Sea and the Rules of Procedure of the Finance Committee, the recommendation of the Finance Committee, which includes representatives of the five largest contributors to the budget, as well as an equitable geographic representation of all groups, shall be taken by consensus. This consensus, materialized by the report and recommendation of the Committee, was reached after several rounds of meetings and exhaustive line-by-line scrutiny of the budget proposals, and reflects not only consensus amongst members of the Committee but a consensus between the Committee and the Secretary-General.

I acknowledge that some members of the Council are experiencing economic hardship and that the impact of the adjustments to the scale of assessed contributions of the Authority, which is based on the scale of contributions to the regular budget of the United Nations, affects a small number of members more than others. These factors were taken into account by the Finance Committee.

Nevertheless, I am also disappointed that the Council has rejected the alternative proposal put forward by the President of the Council on 15 December 2021. This further revised proposal, which included significant cuts to the proposal made by the Finance Committee, reflected a very sincere effort by me, in consultation with the President, to listen to the concerns of members of the Council and reduce the budget proposal to the maximum extent compatible with meeting the financial obligations of the Authority.

All members of the Council of the International Seabed Authority

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It must in particular be emphasized that the administrative budget accurately reflects the fixed costs of operations. This is indeed the basis on which the Finance Committee adopted its recommendation, which involves zero growth in the administrative budget based on accurate estimates of expenditure to avoid under-budgeting. Any further budget reductions would inevitably seriously impact the delivery of the programmes that have been endorsed by member States.

Nevertheless, as a final effort to break the deadlock in the Council, I have consulted further with the President and, as an exceptional measure, taking into account the current circumstances, I propose to further reduce the administrative budget for 2021 (in addition to the cuts already proposed). These cuts are distributed across the administrative budget and conference services budget so as not to impact on the programme budget. These reductions also anticipate that conditions will not allow any physical meeting of the Council at least during the first semester of 2021. Combined with the cuts previously proposed, this represents an overall reduction of \$1,528,082 in the budget provision compared to the recommendation of the Finance Committee and brings the 2021 budget back to 2020 levels.

Given the very small margins at which the Authority operates, I must emphasize that this reduction is likely to seriously impact the Authority's ability to carry out its operations and may result in over-expenditures being recorded or the Authority not being able to discharge its financial obligations. Stringent financial control measures will need to be applied to prevent this from happening. Nonetheless, this solution is put forward in the spirit of seeking a reasonable consensus whilst at the same time respecting the integrity of the decision-making processes in the Authority.

In terms of liquidity, I wish to remind you that the Working Capital Fund, which currently stands at \$660,000, will allow us to discharge the fixed costs of the Authority's operations (payroll, pension contributions, operating costs of the headquarters etc.) for approximately one month. This means that, unless a budget can be adopted before the end of the year and contribution notices issued during the first week of January 2021, the Authority will not have the funds to continue its operations and to pay its staff beyond the end of January 2021. In view of the uncertainty over the payment of contributions, all non-essential operations and all programme expenditures will in any case be temporarily suspended from 1 January 2021 until further notice.

There is no doubt that the Authority now faces a crisis. I have made every effort to protect staff members from the impact of this crisis and I will continue to do so. Nevertheless, the uncertainty that has been created has caused intense pressure for many, including our national and international staff, and has already begun to seriously undermine our work. This is neither desirable nor sustainable.



The ultimate responsibility for the financial health of the organization lies with the members of the Authority. I am particularly encouraged during these difficult times by the very sincere efforts being made by certain groups of developing States members of the Authority to collect long-outstanding arrears and in so doing, remind all of us of the core meaning and virtue of multilateralism and cooperation. This is indeed a powerful symbol of commitment to the future of the Authority.

I must now implore all members to come together and in responsibility move forward for the common good of the Authority and enable us to continue our work.

Please accept, Excellencies, the assurances of my highest consideration.



Michael W. Lodge