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Item 13 of the provisional agenda of the Assembly*

Report and recommendations of the Finance Committee

Agenda item 15 of the Council

Report of the Finance Committee

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I. Introduction

1. During the twenty-ninth session of the International Seabed Authority, the Finance Committee held six formal meetings from 10 to 12 July 2024. In addition, in keeping with its established practice, the Committee held informal webinars on 4 December 2023, 7 March 2024 and 30 May 2024, during which members of the Committee were briefed on the issues to be discussed in the formal session.

2. The following members of the Committee participated in the formal meetings: Anastasia Francilia Akubor, Chaohong Xing, Christopher Hilton, Didier Ortolland, Jens Benninghofen, Kajal Bhat, Khurshed Alam, Medard Ainomuhisha, Sergey Litvinov, Solomon Korbich, Thiago Poggio Padua and Viola Walton.

3. On 10 July 2024, the Committee adopted its agenda ([ISBA/29/FC/1](#)) and re-elected Khurshed Alam as Chair of the Committee and elected Viola Walton as Vice-Chair.

II. Implementation of the budget for 2023

4. The Committee was provided with a report on the implementation of the budget for the period January to December 2023. According to the report, total expenditure during that period amounted to \$11,349,495, including assets capitalization of \$62,672, against an approved budget provision of \$11,230,200. The report indicated overexpenditure of \$119,295, owing mainly to unforeseen increases in staff salaries and related costs. The Committee took note of the report and requested that in future the secretariat provide a more detailed analysis of expenditure against budget lines and that it take measures to ensure that the approved budget for the financial period 2023–2024 was not overrun.

* [ISBA/29/A/L.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/29/FC/4). As at 30 June 2024, the balance of the Fund was \$741,758, with a further \$8,242 to be collected in 2024.

6. With respect to a proposed increase in the level of the Working Capital Fund, the Committee decided to recommend an increase of \$75,000, which would bring the Fund cap to \$825,000. The increase would be collected over two financial periods, 2025–2026 and 2027–2028.

IV. Status of contributions and related matters

7. The Committee noted that, as at 30 June 2024, 70 per cent (\$6,183,986) of the contributions to the budget of the Authority for 2024 had been received. As at the same date, contributions outstanding from member States for two full years amounted to \$373,978. The Committee also noted with concern that eight member States had never paid their contributions since becoming parties to the United Nations Convention on the Law of the Sea. Furthermore, the Committee noted that member States that had been in arrears in the payment of their financial contributions to the Authority for two full years, and thus falling under article 184 of the Convention, wishing to exercise their voting rights should indicate their intention to do so as soon as possible.

8. The Committee appreciated the efforts of the Secretary-General to collect the outstanding contributions, including sending out notices regularly, holding bilateral meetings with the relevant member States and circulating relevant information on various occasions. The Committee encouraged the Secretary-General to continue his efforts, including further raising awareness of the work of the Authority among those member States that were in arrears, in particular those that had never paid their contributions to the budget of the Authority.

V. Indicative scale of assessed contributions to the administrative budget for the financial period 2025–2026

9. The Committee decided to recommend to the Council and the Assembly that the Secretary-General be authorized to establish the scale of assessments for 2025 and 2026 on the basis of the scale of assessments used for the regular budget of the United Nations for 2022–2024, adjusted for differences in membership between the Authority and the United Nations, with a maximum assessment rate of 22 per cent and a minimum rate of 0.01 per cent.

10. The Committee recalled that the agreed contribution of the European Union to the administrative budget had not been reviewed since 2008. The Committee was informed that, following consultations between the Secretary-General and the European Union, the European Union had announced its intention to increase its contribution from \$100,000 to \$150,000, starting in 2026, subject to internal approval. The Committee took note with appreciation of the information and decided to recommend to the Council and the Assembly that the agreed contribution of the European Union to the administrative budget of the Authority would be increased to \$150,000, effective 1 January 2026.

VI. Audit report on the accounts of the Authority for 2023

11. The Committee took note of the audited financial statements of the Authority for 2023.

12. One of the members of the Committee requested that, from 2025, the auditors expressly confirm that the financial transactions reflected in the statements of the Authority had been in accordance with the financial rules and regulations. Any irregularities noted in the audit report should be reported to the Finance Committee, and the Council should be informed immediately about any such referral of irregularity and of the final report of the auditor on the matter, duly applying principles of personal data protection and confidentiality.

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

13. The Committee took note of reports provided by the secretariat on the status of the trust funds of the Authority. They included 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, the voluntary trust fund to support the participation of members of the Council of the Authority from developing States in the meetings of the Council, the trust fund for extrabudgetary support for the Authority, and the International Seabed Authority Partnership Fund.

14. The Committee noted with concern the critical status of the voluntary trust funds for the support of members of the Legal and Technical Commission, the Finance Committee and the Council and reiterated its appeal for more voluntary contributions to those funds, including from observers, as a vital means of securing the participation of members from developing States in the meetings of the Council and the two subsidiary organs of the Authority.

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

15. The Committee recalled that, at its twenty-seventh session, it had requested the Secretary-General to prepare a draft framework on the treatment of funds received from activities in the Area ([ISBA/27/A/8-ISBA/27/C/36](#)). During the twenty-eighth session, the Committee had discussed further a proposal for the establishment of a Common Heritage Fund as an alternative or adjunct to the direct distribution of monetary benefits ([ISBA/28/FC/4](#)) and had reported thereon to the Council and the Assembly ([ISBA/28/A/4-ISBA/28/C/13](#)).

16. The Committee, having considered the report of the Secretary-General 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, decided to continue the discussions at a future session, bearing in mind the ongoing discussions on the means of sharing the benefits derived from the Area.

IX. Proposed budget for the financial period 2025–2026

17. From 10 to 12 July 2024, the Committee considered the proposed budgetary requirements of the Authority for the financial period 2025–2026 ([ISBA/29/A/3-ISBA/29/C/11](#)).

18. The Committee noted that, notwithstanding an increase in the administrative expenditures of the secretariat (which accounted for 65 per cent of the total budget), the proposed budget was based on the principle of zero real growth. Cost increases were in line with external factors, including inflationary pressures on the United States dollar and the Jamaican dollar, leading to increases in the cost of goods and services, and increases in salaries and allowances mandated by the International Civil Service Commission and adopted by the General Assembly. The same principle had been applied to all other sections of the proposed budget. Considering the ongoing evolution of the work of the Authority, the Secretary-General proposed the addition of one new staff position and the redeployment of one existing position over the financial period. For the Compliance Assurance and Regulatory Management Unit (section 4 of the budget), one additional staff position was proposed for 2026.

19. The Committee requested clarification on the Authority's policy concerning reclassification of posts and the impact on previous budget periods. The Committee requested the Secretary-General to clarify the existing policy by explicitly providing in administrative instruction [ISBA/ST/AI/2023/3](#) and all other relevant instruments that no reclassification decision would be implemented without prior approval of the Assembly on the recommendation of the Finance Committee. The Committee further requested that current staffing tables be attached to every budget proposal, including the current draft budget. The Secretary-General indicated that he would implement that request without delay.

20. Furthermore, the Committee recommended that the secretariat issue as an annex to the current and all future budget proposals a report on the standards of accommodation on air travel, in line with the corresponding report published by the Secretary-General of the United Nations. In particular, such report should include a breakdown of the cost of all air travel of all members of the secretariat during the previous budgetary period and should also state the class of travel used.

21. After thorough consideration and evaluation of the budget, the Committee requested the Secretary-General to prepare a revised and reduced budget proposal ([ISBA/29/A/3/Add.1-ISBA/29/C/11/Add.1](#)). The Committee decided to recommend the approval of the proposed budget for the financial period 2025–2026 in the amount of \$26,427,000, as reflected in [ISBA/29/A/3/Add.1-ISBA/29/C/11/Add.1](#).

X. Budgetary implications of a second periodic review of the international regime of the Area pursuant to article 154 of the United Nations Convention on the Law of the Sea

22. As requested by the Assembly in its decision [ISBA/28/A/16](#) of 28 July 2023, the Committee considered the budgetary implications of a periodic review of the international regime of the Area, as mandated by article 154 of the Convention. The Committee considered the matter on the basis of an analysis prepared by the secretariat ([ISBA/29/FC/3](#)), in which the costs of such a review were estimated at \$466,690.

23. The Committee noted that for the first periodic review consultancy costs amounted to only \$200,000 and that the actual cost of the review in 2025–2026 would be highly dependent on the depth, extent and scope of the review requested by the

Assembly and the degree to which travel expenses could be saved through the use of online seminars and workshops. The Committee noted that, if the Assembly decided to initiate the periodic review during the financial period 2025–2026, the proposed budget would need to be increased accordingly by the addition of a new section 6 (periodic review), with a financial provision in the range of \$300,000 to \$466,690.

XI. Other matters

24. Noting that the status of overhead charges for the administration and supervision of contracts for exploration had not been reviewed since 2020, the Committee requested the secretariat to prepare an assessment of the actual cost, which was currently set at \$80,000, for review by the Committee in 2025.

25. Recalling its previous consideration during the twenty-sixth session of the costs of participation in the meetings of the Authority by observers, the Committee noted that, over recent years, the participation of observers in the meetings of the Council and the Assembly had absorbed substantial financial resources. In the light of the increased pressure on the budget of the Authority, the Committee recommended that the Council and the Assembly consider the issue of the payment of financial contributions by observers.

XII. Recommendations of the Finance Committee

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

(a) Approve the budget for the financial period 2025–2026 in the amount of \$26,427,000, as proposed by the Secretary-General and revised by the Finance Committee (see [ISBA/29/A/3/Add.1-ISBA/29/C/11/Add.1](#));

(b) Decide to increase the level of the Working Capital Fund by \$75,000 to \$825,000, to be collected over the financial periods 2025–2026 and 2027–2028;

(c) Authorize the Secretary-General to establish the scale of assessments for 2025 and 2026 on the basis of the scale used for the regular budget of the United Nations for the period 2022–2024, adjusted for differences in membership between the Authority and the United Nations, taking into account a maximum assessment rate of 22 per cent and a minimum rate of 0.01 per cent;

(d) Also authorize the Secretary-General, for 2025 and 2026, to transfer between sections, subsections and programmes up to 15 per cent of the amount of each section, subsection or programme;

(e) Note that the agreed contribution of the European Union to the administrative budget of the Authority shall be \$150,000 per year, effective 1 January 2026;

(f) Urge the members of the Authority to pay their assessed contributions to the budget as soon as possible and in full;

(g) Note with concern the amount 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;

(h) Urge member States that have been in arrears in the payment of their financial contributions to the Authority for two full years, and thus falling under

article 184 of the Convention, wishing to exercise their voting rights to indicate their intention to do so as soon as possible;

(i) Urge member States and other possible donors, such as other States, contractors, relevant international organizations, academic, scientific and technical institutions, philanthropic organizations, corporations and private persons, to make voluntary contributions to the voluntary trust funds of the Authority, and encourage the Secretary-General to redouble his efforts to raise awareness among stakeholders regarding this issue;

(j) Request the Secretary-General to implement the recommendations in paragraphs 19 and 20 without delay;

(k) Remind all organs of the Authority that, according to Regulation 13 of the Financial Regulations, decisions by the Assembly having financial or budgetary implications shall be based on the recommendations of the Finance Committee;

(l) Recommend that the Council and the Assembly consider the issue of the payment of financial contributions by the observers.
