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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

This is an informal advance unedited version of the Report of the Finance Committee, which is undergoing formal editing and translation into all official languages. The secretariat shall not be held responsible for any errors or omissions in the informal unedited text. The report should be read together with the revised budget proposal (ISBA/29/A/3/Add.1-ISBA/29/C/11/Add.1) and Draft decision of the Council relating to the budget of the Authority for the financial period 2025-2026 (ISBA/29/C/L.2), which shall be made available, together with the official version of the Report of the Finance Committee, on 22 July 2024.

Report of the Finance Committee

I. Introduction

1. During the twenty-ninth session of the International Seabed Authority, the Finance Committee held six formal meetings on 10, 11 and 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 in July: Anastasia Francilia AKUBOR, Chaohong XING, Christopher HILTON, Didier ORTOLLAND, Jens BENNINGHOFEN, Kajal BHAT, Khurshed ALAM, Medard AINOMUHISHA, Sergey LITVINOV, Solomon KORBIEH, 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 the financial period 2023

4. The Committee was provided with a report on the implementation of the budget for the period January to December 2023. The report showed total expenditure during this period amounted to \$11,349,495, including assets capitalisation of \$62,672, against an approved budget provision of \$11,230,200. The report indicated over expenditure 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 take measures to ensure the approved budget for the financial period 2023-2024 should not be overrun.

III. Status of the Working Capital Fund

5. The Committee was provided with a report on the status of the Working Capital Fund (WCF).¹ As of 30 June 2024, the balance of the WCF 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 WCF, the Committee decided to recommend an increase of \$75,000, which brings the fund cap to \$825,000. The increase will be collected over two financial periods 2025-2028.

IV. Status of contributions and related matters

7. The Committee noted that, as of 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 party to the United Nations Convention on the Law of the Sea. Furthermore, the Committee noted that member States that are 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 encourages the Secretary-General to continue his efforts, including further raising awareness of the work of the Authority among those member States that are in arrears,

¹ ISBA/29/FC/4.

in particular those that have 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 to authorize the Secretary-General to establish the scale of assessments for 2025 and 2026 based on the scale of assessments to 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 percent and a minimum rate of 0.01 percent.

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

VI. Audit report on the accounts of the International Seabed 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 has requested that, from 2025, the auditors expressly confirm that the financial transactions reflected in the statements of the Authority have 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 shall 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 International Seabed Authority. This included the voluntary trust fund for the purpose of defraying the cost of participation of members of the Legal and Technical Commission from developing States and members of the Finance Committee from developing States 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 International Seabed Authority from developing States in the meetings of the Council, the Trust fund for extrabudgetary support for the International Seabed 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 Council and reiterated its appeal for more voluntary contributions, to these funds including from observers, as vital means to secure participation of members from developing States at 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.² During the twenty-eighth session, the Committee discussed further a proposal for the establishment of a Common Heritage Fund as an alternative or adjunct to the direct distribution of monetary benefits³ and reported to the Council and the Assembly.⁴

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, decides to continue the discussions at a future session, bearing in mind the ongoing discussions on the means of the sharing of the benefits to be derived from the Area.

IX. Proposed budget for the financial period 2025–2026

17. On 10, 11 and 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 account for 65 per cent of the total budget), the proposed budget is based on the principle of zero real growth. Cost increases are in line with external factors, including inflationary pressures on the United States dollar and 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 (ICSC) and adopted by the General Assembly. The same principle has been applied to all other sections of the proposed budget. Considering the ongoing evolution of the work of the Authority, the Secretary-General proposes 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 is proposed for 2026.

² ISBA/27/A/8-ISBA/27/C/36

³ ISBA/28/FC/4

⁴ ISBA/28/A/4-ISBA/28/C/13

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 this request without delay.

20. Furthermore, the Committee recommended that the Secretariat issues as an annex to 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 shall include a breakdown of the cost of all air travel of all members of the secretariat during the previous budgetary period and shall 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 this matter on the basis of an analysis prepared by the Secretariat (ISBA/29/FC/4), 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 is highly dependent on the depth, extent and scope of the review requested by the Assembly and the degree travel expenses can be saved through 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 VI (Periodic Review) with financial provision in the range of \$300,000 to \$466,690.

XI. Others

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 is currently set at \$80,000, for review by the Committee in 2025.

25. Recalling its previous consideration on the costs of participation in the meetings of the Authority by observers during the twenty-sixth session, the Committee noted that over recent years, the participation of observers in the meetings of the Council and the Assembly has incurred substantial financial resources. Considering the increased pressure on the budget of the Authority, the Committee recommends that the Council and the Assembly consider the issue of the payment of financial contributions by the 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 to 2024, adjusted for differences in membership between the Authority and the United Nations, taking into account that the maximum assessment rate will be 22 per cent and the minimum rate 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 by 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 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.

(h) *Urge* member States that are 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.

(i) *Urge* member States and other possible donors such as other States, contractors, relevant international organizations, academia, 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 in raising 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; and

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