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INTERNATIONAL SEABED AUTHORITY

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PROPOSED BUDGET OF THE INTERNATIONAL SEABED AUTHORITY FOR 1998
AND RELATED MATTERS

Report of the Finance Committee

1. From 19-22 August 1997 the Finance Committee considered the proposed budget of the International Seabed Authority for the period 1 January to 31 December 1998 and related matters submitted by the Secretary-General (ISBA/3/A/5-ISBA/3/C/5). In the light of the questions, comments and suggestions by members of the Committee, the Secretary-General submitted to the Finance Committee revised budgetary requirements for the administrative expenses of the Authority for 1998 (ISBA/3/A/5/Add.1-ISBA/3/C/5/Add.1).
2. The Committee then discussed the Secretary-General's proposals. It was noted that this was the first time that the budget of the Authority would be funded by the assessed contributions of its members.
3. The Committee recommends the adoption of the revised budgetary requirements for 1998 and the provision for a Working Capital Fund in (ISBA/3/A/5/Add.1-ISBA/3/C/5/Add.1), subject to the points set out below.

Revised budgetary requirements

4. The Finance Committee makes the following recommendations:
 - (a) Given that 1998 is the first time that financial contributions have to be collected from the Members of the Authority, the position of Budget/Treasury Assistant proposed in ISBA/3/A/5-ISBA/3/C/5 should be reinstated in the 1998 budget;

(b) Partially to offset the cost of this action, the contingency provision should be reduced from \$30,000 to \$20,000.

5. As a consequence, the Committee recommends that the budgetary requirements of the Authority for 1998 amount to \$4,703,900.

Working Capital Fund

6. The Committee recommends the establishment of a Working Capital Fund of \$392,000, being approximately one-twelfth of the present budget, with \$196,000 to be paid in 1998 and \$196,000 in 1999. (In order to make it clear that the Working Capital Fund is a fixed sum, the sum payable in 1998 has been rounded off to \$196,000.) The Committee further recommends that the Assembly adopt a resolution authorizing the Secretary-General to utilize, on a reimbursable basis, available funds under his custody in case of shortfalls in the Authority's cash flow.

Scale of assessment

7. The Committee considered the scale of assessment, which under article 160, paragraph 2(e) of the Convention is to be based upon the scale used for the regular budget of the United Nations. The Committee noted that the current UN scale would be the basis, including the ceiling and floor. Differing views were held on the question of the European Community (EC) contribution, and no recommendations could be made.

8. On the EC contribution, the Committee noted that document ISBA/3/A/5 -ISBA/3/C/5 contained a percentage and a figure for indicative purposes only. Some members of the Committee considered that there should be no double-counting and therefore the solutions adopted in other international organizations (e.g. World Trade Organization, Food and Agriculture Organization) should be followed. Some other members of the Committee considered that the Convention obliges the entities concerned including EC to make contributions to the Authority, and the solution agreed for the Trust Funds for the Basel Convention and the Biodiversity Convention should be adopted, whereby the EC would pay up to 2.5 percent.

Payment of contributions

9. The Committee recommends that contributions be considered as due and payable in full within 30 days of the receipt of the communication of the Secretary-General requesting contributions or as of 1 January 1998, whichever is the later.

Financial Regulations

10. The Committee considered the draft Financial Regulations of the Authority (ISBA/3/FC/WP.1) during the March and August sessions, and intends to continue its work on this at its next session.

Financial period

11. Taking into account the relevant provisions of the Convention and the practical needs of the Authority at this stage, the Committee recommends the adoption of a two-year financial period. However, to allow for flexibility during the Authority's initial or start-up period, the Committee recommends that an annual budget be submitted by the Secretary-General and adopted by the Assembly for each of the years 1998 and 1999. The first two-year financial period would therefore be for the two-year period 2000-2001, unless it is decided otherwise.

Other observations

12. The Committee makes the following further observations:

(a) The budgetary system of the Authority is still being developed, and further improvements in format should be made in accordance with the Financial Regulations to be adopted. In particular, the budget proposal should be presented in such a way as to enable a comparison with the preceding year's approved budget. There should also be a performance report indicating actual and projected expenditures against that budget at the time of proposing the new budget. The introduction to the budget should include a brief description of the activities planned for the financial period concerned.

(b) The Committee notes that the cost of conference services for two two-week sessions would be \$1, 375, 800, one three-week session \$1,096,100 and one two-week session \$852,000.

(c) The Committee decided to consider at its next session the conditions of service of the Secretary-General as the chief administrative officer of the Authority, on the basis of relevant information, with a view to making appropriate recommendations to the Council and the Assembly.

(d) The Committee recalls its recommendation that the Secretary-General should seek to obtain the best possible terms for office accommodation and noted that it had not received an options paper on the subject. It expresses the hope that a solution will be found to this problem by 1998.

(e) The Committee stresses the necessity of paying assessments in full and on time.