

INTERNATIONAL SEABED AUTHORITY

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PROPOSED BUDGET OF THE INTERNATIONAL SEABED AUTHORITY FOR 1999 AND RELATED MATTERS

Report of the Finance Committee

1. From 17 to 21 August 1998, the Finance Committee considered the proposed budget of the International Seabed Authority for the period from 1 January to 31 December 1999 submitted by the Secretary-General (ISBA/4/A/10-ISBA/4/C/6) and related matters. In the light of the questions, comments and suggestions by members of the Committee as well as the need to take into account the prevailing exceptional situation resulting from the termination of provisional membership, the Secretary-General submitted to the Finance Committee revised budgetary requirements for the administrative expenses of the Authority for 1999 (ISBA/4/A/10/Add.1-ISBA/4/C/6/Add.1). Two alternatives were submitted. If conference servicing were provided for one three-week session, the total budgetary requirements for 1999 would be \$5,011,700. If conference servicing were provided for two two-week sessions, the total budgetary requirements for 1999 would be \$5,252,200.
2. The Committee noted that the suggestion for a three-week session was a matter that had to be determined by the Assembly. Subject to this, the Committee recommends the adoption of the revised budgetary requirements for 1999 in the sum of \$5,011,700, as set out in document ISBA/4/A/10/Add.1-ISBA/4/C/6/Add.1. If the Assembly decides on two two-week sessions, the revised budgetary requirements would total \$5,252,200.
3. In view of the prevailing exceptional situation, the Committee recommends that for 1999 the Secretary-General be authorized to transfer between appropriation sections up to 30 per cent of the amount in each section.

Working Capital Fund

4. The Committee recalls that \$196,000 is to be paid to the Working Capital Fund in 1999. Should the funds in the Working Capital Fund prove inadequate to meet the shortfalls in cash flow, the Committee recommends that the Secretary-General be authorized to utilize, in 1999, available funds under his custody up to a limit of 20 per cent of the approved budget for 1999; provided that such borrowed sums shall be reimbursed as soon as contributions or advances are available.

Scale of assessment

5. In view of the prevailing exceptional situation, the Committee recommends that the Secretary-General be authorized to establish the definitive scale of assessment for 1999 after 16 November 1998 on the basis of the scale used for the regular budget of the United Nations.

6. The Finance Committee recommends that a floor rate of 0.01 per cent and a ceiling rate of 25.00 per cent be maintained in establishing the scale of assessment for States members of the Authority for 1999. In recommending the floor rate, members of the Committee took into account, *inter alia*, the prevailing exceptional situation. This recommendation is made without prejudice to any future decision on the issue.

7. The Finance Committee discussed whether the European Community's contribution should be incorporated into the scale of assessment or should first be deducted from the approved budget, after which the scale would be applied to States members. The results of its deliberations were as follows:

- (a) The European Community's agreed contribution as determined by the Assembly is obligatory;
- (b) There was no agreement on how to treat this contribution for the purposes of establishing the scale of assessment;
- (c) It was agreed that a decision on this matter had to be taken at a later date.

In order to enable the Authority to make use of this contribution in 1999, and as an ad hoc exceptional measure, the Chairman of the Finance Committee indicated his intention to make, on a personal basis, a proposal to the Council.

8. The Committee recommends that Benin, Equatorial Guinea, Portugal and Suriname, which became members of the Authority in 1997 and 1998 respectively, shall contribute the amounts shown below towards the general administrative costs and the Working Capital Fund of the Authority. The contributions of these member States shall be credited as miscellaneous income in accordance with regulation 5.2 of the Financial Regulations of the United Nations.

United Nations	Adjusted	Contribution to General	Contribution to Working
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States members	Date of membership	percentage rate	Authority Scale	Administrative Fund for 1998 (\$)	Capital Fund for 1998 (\$)
Benin	16 October 1997	0.01	0.01	470	20
Equatorial Guinea	21 July 1997	0.01	0.01	470	20
Portugal	3 November 1997	0.28	0.2862	13,463	557
Suriname	7 August 1998	0.01	0.01	157	20

Financial Regulations

9. The Committee completed its work on the draft Financial Regulations. In relation to the issue raised in paragraph 7 above, the Committee agreed that the draft Financial Regulations recommended by the Committee are without prejudice to the solution that must be found. If necessary, amendments may then be proposed by the Finance Committee to the Financial Regulations.

10. Article 172 of the Convention provides for an annual budget of the Authority. However, the Finance Committee proposed, in the draft Financial Regulations, the adoption of a biennial budgetary system, as indicated on 27 March 1997 by the Chairman of the Finance Committee to the Council and the Assembly, which met with approval. This recommendation is made for reasons of efficiency, cost-effectiveness and the practical needs of the Authority. In the light of this, it is for the Council and the Assembly to decide on the matter when adopting the Financial Regulations.

Auditors

11. The Committee recommends the appointment of a United Nations external auditor to audit the Authority for 1998.

12. The Committee requested the Secretary-General to make a proposal for its next meeting, including the appointment of Government Auditors, or a private audit firm, in each case on the most cost-effective basis.

Other observations

13. The Committee makes the following further observations:

- (a) The Committee recalls its earlier observations concerning the presentation of the

budget (ISBA/3/A/6-ISBA/3/C/8, para. 12 (a)). In addition, the Committee requested the Secretary-General to provide the members of the Committee with explanations of the methodology, including inflation rates and exchange rates, used in the draft budget, together with a description of the specific activities to be undertaken in the financial period in question by the various offices of the Secretariat;

(b) The Committee recalls once again its recommendation that the Secretary-General should seek to obtain the best possible terms for office accommodation and noted that once again it has not received an options paper on the subject. It expresses the hope that a solution will be found to this problem by 1999;

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

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