



## Finance Committee

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### Future financing of the International Seabed Authority

## Financing of the International Seabed Authority and forecast budgetary requirements 2025–2030

### Report of the Secretary-General

1. At its meetings in July 2022, the Finance Committee recalled that, in 2021, the Secretary-General had prepared a report on the future financing of the International Seabed Authority (ISBA/26/FC/7) with a forecast of future budgetary requirements, consistent with the evolutionary approach, as reflected in the Agreement relating to section 1, paragraph 3, of the annex to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, indicating that the Authority must evolve in order to effectively discharge its responsibilities at the various stages of development of activities in the Area. Those activities include the establishment of the Enterprise and the Economic Planning Commission, the operationalization of the Compliance Assurance and Regulatory Management Unit, additional meetings of the Legal and Technical Commission and the Council to process and consider plans of work for exploitation (if submitted), and the establishment of the inspection mechanism as provided for under article 162, paragraph 2 (z), and article 165, paragraph 2 (m), of the Convention. Noting the continued evolution of the work of the Authority and its major impact on the future budgets of the Authority, the Committee requested that the Secretary-General prepare an update of that report for its consideration in 2023. The present report has been prepared in response to that request.

2. The present report provides an outline of the anticipated evolution of the work of the Authority over the period from 2025–2030, highlighting some of the considerations that will need to be addressed by States parties and their implications for future budgets of the Authority. Indicative budget projections to the end of 2030 are presented on the basis of reasonably foreseeable scenarios.

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\* ISBA/28/FC/L.1.



## I. Current financing of the Authority

3. In accordance with the Convention and the 1994 Agreement, the administrative expenses of the Authority are to be met by the assessed contributions of its members until the Authority has sufficient funds from other sources to meet those expenses.<sup>1</sup> The scale of assessments is based on the scale used for the regular budget of the United Nations, adjusted for differences in membership. It implies that the burden of financing the Authority will progressively be shifted from member States onto future revenue from activities in the Area.

4. Apart from the administrative fees paid by applicants for plans of work for exploration, assessed contributions were the only source of financing for the Authority until 2013, when the Council, on the recommendation of the Finance Committee, decided to require each contractor with the Authority to pay an annual fee to cover overhead costs for the administration of contracts for exploration. This fee was reviewed in 2017, 2020 and 2022 and currently stands at \$80,000. With a total of 31 contractors, it is estimated that overhead charges will produce \$5.1 million in revenue to the Authority in the financial period 2023–2024, which represents approximately 22 per cent of the approved budget.<sup>2</sup> This has a significant impact on the assessed contributions to be paid by member States and is also fully consistent with the overriding principle that, eventually, the activities of the Authority will be funded from revenue derived from activities in the Area.

5. The Authority also receives extrabudgetary funding for certain programmes and activities. During the period 2017–2022, extrabudgetary funding of \$2,203,688 was mobilized (from a base of zero in 2016). In real terms and as a percentage of the total budget of the Authority (less than 5 per cent) this is rather low in comparison with other organizations,<sup>3</sup> but a significant upward trend has been demonstrated since 2017.

6. In addition to the administrative budget, the secretariat also manages several voluntary trust funds and special funds. Of particular importance are the voluntary trust funds for the participation in meetings of members of the Legal and Technical Commission and the Finance Committee from developing countries, the voluntary trust fund for the participation of developing States in the Council and the voluntary trust fund for the Enterprise. The trust funds generally run in a state of deficit.

## II. Evolution of the budget of the Authority

7. Pursuant to the 1994 Agreement, in order to minimize costs to States parties, all organs and subsidiary bodies to be established under the Convention and the Agreement should be cost-effective. This principle should also apply to the frequency, duration and scheduling of meetings.<sup>4</sup> Furthermore, the setting up and functioning of the organs and subsidiary bodies should be based on an evolutionary approach, taking into account two critical elements: (a) the governance architecture envisioned in the Convention and the 1994 Agreement; and (b) the functional needs of the organs and

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<sup>1</sup> United Nations Convention on the Law of the Sea of 10 December 1982, art. 160, para. 2 (e).

<sup>2</sup> This estimate is based on a fee of \$60,000 per contractor in 2021 and \$80,000 per contractor in 2022.

<sup>3</sup> For example, the United Nations Environment Programme receives 95 per cent of revenue in the form of extrabudgetary support, and the secretariat of the Convention on Biological Diversity receives 37 per cent of its budget in the form of extrabudgetary support.

<sup>4</sup> Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, annex, sect. 1, para. 2.

bodies concerned so that they may discharge their respective responsibilities at various stages of the development of activities in the Area.<sup>5</sup>

8. The above-mentioned provisions have been strictly observed in the context of the budget of the Authority, with the priority being to minimize the costs to States parties. For example, although the Convention provides that the Council should meet not less than three times a year,<sup>6</sup> in practice, until 2022, the Council met three times only once (in 1998). In 19 out of the 27 years since 1997, the Council met only once a year. Two meetings were held in 1997 and 2000, and the Council moved to a regular twice-a-year schedule in 2018 and 2019. The schedule of meetings was further intensified in 2022 owing to the need to accelerate work on the draft exploitation regulations, allowing the Council to meet three times. An increased provision for meetings was made in the budget for the financial period 2023–2024 to enable the Council to complete its work on the regulations.<sup>7</sup>

9. For the financial period 2017–2018, a separate programme budget was allocated for the first time. The amount of \$1,390,500 was allocated to the programme budget, representing 8 per cent of the total approved budget. For the financial period 2019–2020, in the light of the priorities identified in the strategic plan and high-level action plan for the period 2019–2023, the financial provision was increased to \$2,998,540, representing 16 per cent of the approved budget for the financial period. This ratio was maintained for the financial period 2021–2022 (16 per cent of the total budget, or \$3,085,370), but decreased slightly for the financial period 2023–2024 (14 per cent of the total budget, or \$3,123,000).

### III. Format of the budget

10. The format of the budget remained unchanged from 1998 until 2016. In 2015, the Finance Committee recommended a new budget format to include a programme section covering six priority programme areas. In recommending the new format, the Committee noted that the advantages of the new format were that it would enhance accountability, transparency and strategic decision-making and enable detailed reporting on the results achieved in each programme area. It also noted that the new format would be kept under review and would be expected to evolve over time.<sup>8</sup>

11. For the financial period 2021–2022, certain existing programmes were consolidated, and two new programme activities were added that were focused on capacity development and technical cooperation, as well as on marine minerals and mining technology.

12. Further changes were made to the budget format for the financial period 2023–2024. In recommending the revised format, the Committee sought to introduce greater transparency by clearly separating and identifying expenditure on different aspects of the Authority's work, as well as by identifying more clearly where revenue was allocated, especially in terms of cost recovery. The revised format, and the Finance Committee's preferred policy approach to each component of the budget, is shown in the table below.

<sup>5</sup> Ibid., para. 3.

<sup>6</sup> Convention, art. 161, para. 5.

<sup>7</sup> See [ISBA/27/A/8-ISBA/27/C/36](#), para. 22.

<sup>8</sup> [ISBA/21/A/6-ISBA/21/C/15](#), para. 28.

**Budget format, 2023–2024**

<i>Section</i>	<i>Description</i>	<i>Primary source of funding</i>	<i>Budget policy, 2023–2028</i>
1	General Administrative Fund	Assessed contributions	Zero real growth
2	Conference services	Assessed contributions, offset in part by cost recovery	Necessary growth based on actual requirements
3	Programme expenditure	Assessed contributions and extrabudgetary contributions	Zero real growth, subject to growth based on priorities in strategic plan and development of regional environmental management plans
4	Regulatory expenditure (initially to fund the Compliance Assurance and Regulatory Management Unit and subsidize DeepData, later expanded to include inspection mechanism)	Assessed contributions subsidized in part by cost recovery; transition to full cost recovery from deep sea mining revenue foreseen in the long term	Necessary growth based on evolution of activities in the Area

**IV. Planning for future scenarios**

13. Ultimately, the administrative budget of the Authority will be supported in full by revenue derived from deep sea mining. In any analysis, this revenue will far outweigh the administrative costs, leaving the majority available for allocation to the economic assistance fund to be established pursuant to article 151, paragraph 10, of the Convention and for distribution according to equitable sharing criteria, as required in the Convention.<sup>9</sup> It remains uncertain at this point how long this transition will take. Once the first plan of work for exploitation is approved and commercial production begins, the financial burden will begin to shift from member States to contractors. However, there is likely to be a period of several years during which member States will need to continue to support the Authority's transition to a fit-for-purpose regulator.

14. This transition was recognized by the Finance Committee when it recommends the budget for the financial period 2023–2024. In its report,<sup>10</sup> the Committee noted the importance of the evolutionary approach as reflected in the 1994 Agreement, which stipulated that the setting up and the functioning of the organs and subsidiary bodies of the Authority should be based on an evolutionary approach, taking into account the functional needs of the organs and subsidiary bodies concerned in order that they may discharge effectively their respective responsibilities at various stages of the development of activities in the Area. The Committee also noted that the current and future needs of the Authority required additional funding if the Authority was to become a proper regulatory body, including the need for the full operationalization of the Compliance and Regulatory Management Unit, additional meetings of the Council and Legal and Technical Commission to complete the regulations and design regional environmental management plans, and subsequently process and consider

<sup>9</sup> The Finance Committee is currently considering the issue of equitable sharing of financial and other economic benefits.

<sup>10</sup> [ISBA/27/A/8-ISBA/27/C/36](#), para. 24.

applications for plans of work. A progressive increase in budgetary requirements was therefore unavoidable.

15. In projecting future financial scenarios, several developments can be foreseen with a high degree of confidence:

(a) Incremental increases in administrative and programme budget expenditure. Even under a zero real growth<sup>11</sup> scenario, incremental increases can be foreseen in the general administrative budget and the programme budget. They relate to increases in fixed costs, such as salaries and allowances, that are beyond the control of the Authority. The incremental increases are forecast to be approximately 7 per cent<sup>12</sup> over each financial period, subject to the rate of inflation, exchange rate fluctuations and adjustments to the compensation system for the United Nations common system;

(b) The increased financial implications of ongoing work on current and future regional environmental management plans in accordance with standardized procedures.<sup>13</sup> The Authority has been focusing on regional environmental management plan development and implementation in two regions thus far, the Clarion-Clipperton Zone and the northern Mid-Atlantic Ridge. It is expected that coverage will be expanded to two new regions, namely the North-West Pacific and the Indian Ocean, in the next five years, as identified by the Council. The development of the regional environmental management plans will need to follow the standardized procedure, which will increase efforts needed to support expert groups and processes, as well as facilitating stakeholder consultation, periodic reporting and the updating of the plans. Over time, the focus of regional environmental management plan-related work will shift from developing the plans to implementing, monitoring and further developing them, including facilitating the priority research actions that have been identified. It will require dedicated support for and coordination with various research activities, as well as the continuous collation and analysis of data and knowledge. To tackle the increased workload, the most pressing need will be to increase staff capacity. For purposes of the present report, it is assumed that programme budget expenditure should maintain a constant ratio of at least 16 per cent of the total budget;

(c) The need for additional meetings of the Legal and Technical Commission and the Council. Once the first application for approval of a plan of work for exploitation is submitted, it is anticipated that additional meetings of the Commission and the Council will be needed to process the application. The draft regulations place significant responsibilities on both the Commission and the Council, as well as on the Secretary-General, and sufficient meeting time will be needed to accommodate those responsibilities. The financial impacts would be offset in part by the \$1 million application fee prescribed in the draft regulations;<sup>14</sup>

(d) The full implementation of the Compliance Assurance and Regulatory Management Unit. The functions of the Unit include processing applications,

<sup>11</sup> Zero real growth implies no increase in programmes or activities but permits recosting to adjust the budget figure to account for such changes as inflation, exchange rate fluctuations and externally determined costs (e.g. salary scale).

<sup>12</sup> Increased from the 2021 forecast of 4.5 per cent.

<sup>13</sup> On 13 July 2022, the Finance Committee held a joint meeting with members of the Legal and Technical Commission's working group on regional environmental management plans, in which the working group informed the Committee of the ongoing work related to the development and implementation of existing and future regional environmental management plans and their potential financial implications.

<sup>14</sup> Under the draft regulations on exploitation ([ISBA/25/C/WP.1](#)), contractors would be required to pay, in addition to the application fee of \$1 million, an annual reporting fee (amount not yet determined) and an annual fixed fee payable from the date of commercial production (reference amount of \$1 million).

overseeing the activities of contractors, processing the reports, data and information submitted by contractors, reporting to the Legal and Technical Commission and the Council, and supporting the systematic publication and review of standards and guidelines. The approved budget for the financial period 2023–2024 includes a provision for the progressive upscaling of the Unit from a zero base in 2021; however, additional budgetary resources will be required from 2025 onward, including the progressive transfer of the costs of maintaining DeepData from the programme budget so as to more accurately reflect the cost recovery element of such expenditure. Indicative post and budgetary requirements for the Unit for the period 2023–2030 are provided in tables 1 and 2 of the annex;

(e) The establishment of the Economic Planning Commission. This scenario assumes that the Commission is established from 2024 and that provision is made from 2025 for a one-week meeting of the Commission each year;

(f) The appointment of an Interim Director-General of the Enterprise. The notional costs associated with the establishment of an Interim Director-General of the Enterprise within the secretariat are shown in table 3 of the annex. It is assumed that the costs will remain constant, with adjustment for inflation to the end of 2030;

(g) The establishment of the inspection mechanism. A fully operational inspection mechanism is a fundamental requirement of the draft regulations and is also envisaged in the Convention.<sup>15</sup> The structure of the mechanism is presently under discussion in the Council. While it is unlikely that the mechanism will need to function at full capacity until commercial production begins, consideration should be given to the fact that some initial funding, including for the development and implementation of remote monitoring technology, will be required to establish the mechanism from the point at which the first application for a plan of work for exploitation is submitted.

16. Table 4 of the annex shows the financial implications of the above-mentioned scenarios in terms of the incremental financial burden that would be imposed over and above the level of the budget for the financial period 2023–2024 (\$22.2 million). An increase in the budget of approximately \$4.9 million could be foreseen for the financial period 2025–2026. A further increase of approximately \$3.0 million would be required for the financial period 2027–2028, with an increase of around \$4.5 million for the financial period 2029–2030 as the regulatory capacity of the Authority is increased.

17. Table 5 of the annex shows the projected impact of the above-mentioned scenarios on member State contributions to the budget, assuming modest increases in annual overhead charges for contractors between 2025 and 2030 and a maximum of two applications for approval for plans of work for exploitation during the period 2025–2030. The analysis shows that the most significant increase in member State contributions would be required during the period 2023–2025. From 2025, increases in member State contributions are likely to be offset by fees paid by contractors and can be expected to decline thereafter. Once commercial production begins (and with the assumption that contractors pay an annual fixed fee of approximately \$1 million, as proposed in the draft regulations), it can be expected that member States would not be required to increase their contribution to the budget. Furthermore, over time, the contributions should progressively decrease as revenue from exploitation increases.

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<sup>15</sup> Convention, art. 165 (2) (m) and art. 162 (2) (z).

## V. Conclusion and recommendations

18. The projections contained in the present report are necessarily subject to many different variables, but are as accurate as possible on the basis of the information currently available. They are designed to demonstrate the overall trend and provide a suitable baseline for the Finance Committee to work from when considering the future budgetary requirements of the Authority.

19. As the pace of activities in the Area progresses, it will be important to continue to apply the evolutionary approach so that the internal functioning of the Authority maintains an appropriate equilibrium with the development of those activities. The objective of the present report is to provide a broad overview of the evolution of the responsibilities of the Authority that can be anticipated between 2024 and 2030, as the transition from exploration to exploitation takes place, and the financial implications of that evolution. The Finance Committee is invited:

- (a) To take note of the future projections outlined in the present report;
- (b) To report to the Council and the Assembly as appropriate.

## Annex

Table 1  
**Indicative summary of post requirements of the Compliance Assurance and Regulatory Management Unit, 2023–2030**

		2023–2024	2025–2026	2027–2028	2029–2030
Professional and higher	P-5	1	1	1	1
	P-4	1	2	2	2
	P-3	1	1	1	2
General Service and related		1	1	1	2
<b>Total</b>		<b>4</b>	<b>5</b>	<b>5</b>	<b>7</b>

Table 2  
**Indicative budgetary requirements of the Compliance Assurance and Regulatory Management Unit, 2023–2030**

(United States dollars)

	2023–2024	2025–2026	2027–2028	2029–2030
Salaries	766 000	1 148 875	1 212 063	1 575 500
Common staff costs	363 000	490 688	517 675	708 559
<b>Total staff costs</b>	<b>1 129 000</b>	<b>1 639 563</b>	<b>1 729 738</b>	<b>2 284 059</b>
Travel	36 000	100 000	100 000	100 000
Workshops	30 000	100 000	100 000	100 000
Consultants	115 000	50 000	50 000	50 000
Equipment	50 000	50 000	50 000	50 000
DeepData operating costs	–	200 000	200 000	200 000
Cost recovery overhead (13 per cent)	–	276 549	282 048	286 559
<b>Total non-post</b>	<b>231 000</b>	<b>776 549</b>	<b>782 048</b>	<b>786 559</b>
<b>Total</b>	<b>1 360 000</b>	<b>2 416 112</b>	<b>2 511 786</b>	<b>3 070 618</b>
Incremental growth	–	1 056 112	95 675	558 832

Table 3  
**Indicative budgetary requirements of the Enterprise, 2025–2030**

(United States dollars)

	2025–2026	2027–2028	2029–2030
Interim Director-General (P-5)	469 500	483 500	516 250
Administrative Assistant (General Service)	70 000	63 250	66 400
Travel	25 000	25 000	25 000
Information and communications technology infrastructure, office space and other related costs	6 000	6 500	7 000
Cost recovery overhead (13 per cent)	74 165	75 173	79 905
<b>Total</b>	<b>644 665</b>	<b>653 423</b>	<b>694 555</b>



Table 4  
**Indicative budgetary requirements of the International Seabed Authority, 2023–2030**

(United States dollars)

	<i>2023–2024</i>	<i>2025–2026</i>	<i>2027–2028</i>	<i>2029–2030</i>
General Administrative Fund	14 413 000	15 540 000	16 765 000	18 580 286
Conference services	3 360 000	4 000 000	4 660 000	5 545 000
Programme budget	3 123 000	4 350 000	4 850 000	5 550 000
Compliance Assurance and Regulatory Management Unit	1 360 000	2 416 112	2 511 786	3 070 618
Economic Planning Commission	–	250 000	267 000	280 000
Inspection mechanism	–	–	500 000	1 000 000
Enterprise	–	644 665	653 423	694 555
<b>Total</b>	<b>22 256 000</b>	<b>27 200 777</b>	<b>30 207 209</b>	<b>34 720 458</b>
Incremental growth	–	4 944 777	3 006 432	4 513 249

Table 5  
**Indicative revenue of the International Seabed Authority, 2021–2030**

(United States dollars)

	<i>2023–2024</i>	<i>2025–2026</i>	<i>2027–2028</i>	<i>2029–2030</i>
Projected income from contractors	5 100 000	7 600 000	9 100 000	10 100 000
Assessed contributions	16 585 966	19 600 777	21 107 209	24 620 458
Net increase in contributions	–	3 014 811	1 506 432	3 513 249
Budget requirement	22 256 000	27 200 777	30 207 209	34 720 458

### Comparison of rate of budget increases, 2023–2030

(United States dollars)

