



## Assembly Council

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### Twenty-eighth session

Kingston, 10-28 July 2023

Item 12 of the provisional agenda of the Assembly\*

### **Adoption of the supplementary budget of the International Seabed Authority for the operationalization of the Enterprise**

Agenda item 12 of the Council

### **Consideration of matters relating to the Enterprise**

## **Supplementary budget proposal for the financial period 2023–2024**

### **Report of the Secretary-General**

1. The present report has been prepared pursuant to the decision of the Council during the first part of the twenty-eighth session to establish the position of interim director-general of the Enterprise within the secretariat of the Authority.<sup>1</sup> In that decision, the Council requested the Secretary-General to provide a supplementary budget proposal for the financial period 2023-2024 to cover the costs associated with the establishment of the position of the interim director-general. In the same decision, the Council also requested the Secretary-General to explore all options to deliver the establishment of the proposed positions within the existing budget of the Authority and to provide information thereon to the Finance Committee. If it is not possible to deliver the establishment of the proposed positions within the existing budget, the Secretary-General is requested to provide detailed justifications to the Finance Committee, explaining as such.

### **I. Indicative budget for the financial period 2023-2024**

2. An indicative budget for the Enterprise for the financial period 2023-2024 is presented in annex I. The indicative budget is identical to the budget for the Enterprise contained in the Secretary-General's proposed budget for the financial period 2023-2024 submitted in 2022 under symbol ISBA/27/A/3-ISBA/27/C/22. It makes provision for two staff positions (interim director-general and an administrative assistant), non-post costs covering official travel and information technology support, and indirect support costs in the form of administrative overheads.

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\* ISBA/28/A/L.1 (*forthcoming*)

<sup>1</sup> ISBA/28/C/10

3. In line with the request by the Council, the position of interim director-general was classified at P-5 in April 2023 in accordance with the standards of the International Civil Service Commission (ICSC). It is worth to mention in this respect that, in common with other organizations applying the United Nations common system of salaries and allowances, the secretariat has a service-level agreement with the United Nations Global Center for Human Resources Services in Bonn, Germany, (OneHR) under which OneHR provides technical review and evaluation of all job descriptions against ICSC standards and issues classification recommendations. The position of administrative assistant is budgeted at GS6, which is the normal budget policy for all GS positions within the Secretariat, regardless of individual post classification.

4. The total financial provision of \$641,301 contained in annex I represents the full cost for 1 x interim director-general (P-5), 1 x administrative assistant (GS) and non-post costs of \$135,801 for travel (\$50,000), information technology support (\$12,000) and indirect support costs assessed at 13 per cent (\$73,801). It should be noted that the staff costs presented in annex I are full staff costs, based on standard ICSC methodology, including common staff costs (pension, repatriation, education grant and other benefits and allowances).

## **II. Options to deliver from within existing budgetary provision**

5. As requested by the Council, the Secretary-General has reviewed available options to deliver the establishment of the proposed positions within the existing budgetary provision for the financial period 2023-2024. To achieve this, three options could be considered:

- (a) to reallocate established posts within the current staffing table.
- (b) to fund the posts through savings in established posts (i.e., to manage the vacancy rate to create savings equivalent to the cost of two additional posts).
- (c) to transfer funds from other sections of the approved budget, including programmes and conference services costs.

6. The approved establishment of the secretariat for 2023-2024 makes provision for 52 established posts. This includes four posts at the P-5 level, namely Chief of Staff and Head of Strategic Planning, Senior Legal Officer, Senior Scientific Affairs Officer and Head of Compliance Assurance and Regulatory Management. These posts are fully occupied and performing functions that are critical to the mission of the Authority. It is not feasible to transfer any of these posts to the position of the interim Director-General. Nor is it feasible to allocate additional responsibilities to any of these posts, not least because for any of these posts to perform functions relating to the Enterprise would create an immediate conflict of interest. Likewise, it is not feasible to allocate additional responsibilities to any other posts within the secretariat. All posts within the secretariat are full-time established posts, classified on the basis that they carry out functions that occupy 100 per cent of the time of the post.

7. With respect to the proposed post in the General Service, the secretariat currently has 20 General Service positions, of which 11 are in the Office for Administrative Services and five perform the functions of administrative assistants (one for each Office and two for the Executive Office of the Secretary-General). A ratio of five administrative assistants to 22 Professional staff positions is very low in comparison to other organizations and it is not considered feasible to transfer any of these existing posts to the office of the interim director-general.

8. Accordingly, the first option of reallocating established posts within the current staffing table is not a viable option.

9. In common with all other organizations, not all posts within the secretariat are occupied throughout the entirety of a financial period. In any financial period, some posts will be temporarily vacant by reason of resignations, retirements or delays in recruitment. Managing the vacancy rate effectively is an important function of the administration. If the vacancy rate is not maintained within a desirable range, there can be a risk of over-expenditure in the budget, either due to under-budgeting or excessive expenditure on recruitment and separation costs. The current vacancy rate for the secretariat is around 2 per cent, which is well within the desirable range. It is also critical to note that over-expenditures against budget can have significant negative effects on cash flow. When expenditures exceed the allocated budget, it can lead to a cash deficit.

10. Another factor that should be considered is that there is invariably a time lag between the preparation of the budget for the financial period and the execution of the budget. It is particularly difficult to foresee increases in the costs of established posts and common staff costs, which are affected by a variety of factors including increases in salary scales, cost of living adjustments, increases in pensionable remuneration, increases in the costs of travel (affecting recruitment, home leave and repatriation costs) and increases in staff entitlements.<sup>2</sup> Maintaining a desirable vacancy rate is an important tool to provide a buffer against such unforeseen increases. However, it is for this reason that, over the past three budget cycles, the secretariat has not produced any savings in common staff costs and the costs of established posts.

11. Accordingly, the second option of funding the posts through savings in established posts is not a viable option.

12. There always exists the possibility to transfer funds between parts of the budget, so the third option is to transfer funds from Section 2 of the budget (Conference services expenditure) or Section 3 (Programmes). Section 2 of the budget makes provision for expenditures of \$3,360,000 over the financial period, with the main line items being translation and interpretation. Considering the increased schedule of meetings of the organs of the Authority, as well as the increasing costs associated with translation and interpretation, it is not considered feasible to transfer funds from Section 2.

13. Section 3 of the budget makes provision for expenditures of \$3,123,000 on programmes, including the delivery of all the substantive work areas of the Authority. These costs were subjected to detailed scrutiny by the Finance Committee in its consideration of the proposed budget for the financial period and thus accurately reflect the actual costs of delivering the approved programmes, including programmes relating to the establishment of environmental management plans, delivery of the action plan for marine scientific research, and delivery of the capacity building strategy of the Authority over the financial period. If funds were to be transferred from programmes, there would inevitably be serious negative repercussions for the effective delivery of budgeted programmes. In light of the fact that the proposed budget for the Enterprise represents almost 20 per cent of the entire programme budget, it is not considered feasible to use this option.

### **III. Supplementary budget proposal**

14. Considering that it is not feasible to deliver the establishment of the proposed positions from within existing budgetary resources, the Secretary-General has proceeded to prepare a supplementary budget proposal as requested by the Council.

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<sup>2</sup> The Authority applies the UN common system of salaries and allowances and all entitlements are determined by ICSC.

To maintain costs to States Parties at the minimum amount necessary, the supplementary budget covers the period from October 2023 to December 2024 and not the full financial period. This period is chosen on the basis that a supplementary budget proposal could be approved by the Assembly only at the twenty-eighth session in July 2023. It is therefore projected that an interim director-general could be in post by October 2023 at the earliest, considering the time needed for a competitive international recruitment process. Accordingly, the figures shown in the indicative budget in annex I can be reduced by \$163,989.

15. The supplementary budget proposal contained in annex II contains financial provision of \$477,312 representing the full cost for 1 x interim director-general (P-5), 1 x administrative assistant (GS) and non-post costs of \$92,912 for travel (\$26,000), information technology support (\$12,000) and indirect support costs (administrative overhead) assessed at 13 per cent (\$54,912) in line with standard UN practice.

#### **IV. Costs to States Parties**

16. In terms of costs to States Parties, the supplementary budget proposal, if adopted, would imply an overall increase in assessed contributions of 2.90 per cent over the approved level of contributions for the entire financial period 2023-2024. For members contributing at the floor level, this translates into a net increase of \$48 for the financial period. The ten largest contributing members would collectively pay an additional \$321,486 in assessed contributions. Supplementary budget contributions would be recovered by an adjustment to the scale of assessed contributions for 2024.

#### **V. Recommendation**

17. The Finance Committee is invited to provide in its report its assessment of the justifications provided by the Secretary-General in the present report as why the proposed costs for the Enterprise cannot be covered by the existing budget of the Authority. The Committee is further invited to recommend to the Council and Assembly to:

(a) approve a supplementary budget for the financial period 2023-2024 in an amount not to exceed \$477,312, as proposed by the Secretary-General in annex II to the present document.

(b) authorize the Secretary-General, in line with the decision in ISBA/27/A/10, to adjust the scale of assessed contributions for 2024 accordingly.

## Annex I

		<i>Proposed 2023</i>	<i>Proposed 2024</i>	<i>Total 2023-</i>
<b>Indicative budget 2023-2024</b>				
<b>The</b>	<b>Staff costs</b>			
	Interim Director-General (P-5)	226.000	227.000	453.000
	Administrative Assistant (GS)	26.000	26.500	52.500
	<b>Sub-total, post costs</b>	<b>252.000</b>	<b>253.500</b>	<b>505.500</b>
	<b>Non-post costs</b>			
	Information and communications	6.000	6.000	12.000
	Travel	25.000	25.000	50.000
	Indirect support costs (13 per cent)	36.595	37.206	73.801
	<b>Sub-total, non-post costs</b>	<b>67.595</b>	<b>68.206</b>	<b>135.801</b>
<b>Total</b>		<b>319.595</b>	<b>321.706</b>	<b>641.301</b>

## Annex II

		<i>Proposed 2023</i>	<i>Proposed</i>	<i>Total 2023-</i>
<b>Supplementary budget proposal 2023-2024</b>				
<b>The</b>	<b>Staff costs</b>			
	Interim Director-General (P-5)	120.000	228.000	348.000
	Administrative Assistant (GS)	7.000	29.400	36.400
	<b>Sub-total, post costs</b>	<b>127.000</b>	<b>257.400</b>	<b>384.400</b>
	<b>Non-post costs</b>			
	Information and communications	6.000	6.000	12.000
	Travel	6.000	20.000	26.000
	Indirect support costs (13 per cent)	18.070	36.842	54.912
	<b>Sub-total, non-post costs</b>	<b>30.070</b>	<b>62.842</b>	<b>92.912</b>
<b>Total</b>		<b>157.070</b>	<b>320.242</b>	<b>477.312</b>