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Adoption of a 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.¹ In that decision, the Council requested the Secretary-General to submit to the Council a supplementary budget proposal for the financial period 2023–2024 to cover the costs associated with the establishment of the position of Interim Director General. In the same decision, the Council also requested the Secretary-General to explore all options for delivering 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.

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

* [ISBA/28/A/L.1](#).

¹ [ISBA/28/C/10](#).



Assistant), non-post costs covering official travel and information technology support and indirect support costs in the form of administrative overheads.

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 should be mentioned 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 Centre 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 GS-6, which is the normal budget policy for all General Service positions within the Secretariat, regardless of individual post classification.

4. The total financial provision of \$641,301, as contained in annex I, represents the full cost for one Interim Director General (P-5), one Administrative Assistant (General Service) 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 for delivery from within the 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 encumbered and the incumbents are 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 Interim Director General. Nor is it feasible to allocate additional responsibilities to any of these posts, not least because for any of the incumbents 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 the incumbents 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 category, the secretariat currently has 20 General Service positions, of which 11 are in the Office for Administrative Services and of which five of the incumbents perform the functions of Administrative Assistant (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 by comparison with 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 other organizations, not all posts within the secretariat are encumbered 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 owing to under-budgeting or excessive expenditure on recruitment and separation costs. The current vacancy rate for the secretariat is approximately 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.² 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 is always the possibility of transferring 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 during 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 the light of the fact that the proposed

² The Authority applies the United Nations common system of salaries and allowances, and all entitlements are determined by the International Civil Service Commission.

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 prepared a supplementary budget proposal as requested by the Council. 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 a financial provision of \$477,312, representing the full cost for one Interim Director General (P-5), one Administrative Assistant (General Service) 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 United Nations 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 10 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 to why the proposed costs for the Enterprise cannot be covered by the existing budget of the Authority. The Committee is invited to recommend to the Council and the Assembly that they:

(a) Approve a supplementary budget for the financial period 2023–2024 in an amount not exceeding \$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 contained in document [ISBA/27/A/10](#), to adjust the scale of assessed contributions for 2024 accordingly.

Annex I

<i>Indicative budget 2023–2024</i>		<i>Proposed 2023</i>	<i>Proposed 2024</i>	<i>Total 2023–2024</i>
The Enterprise	Staff costs			
	Interim Director General (P-5)	226 000	227 000	453 000
	Administrative Assistant (GS-6)	26 000	26 500	52 500
	Subtotal, post costs	252 000	253 500	505 500
	Non-post costs			
	Information and communications technology	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
	Subtotal, non-post costs	67 595	68 206	135 801
Total, section 5		319 595	321 706	641 301

Annex II

<i>Supplementary budget proposal 2023–2024</i>		<i>Proposed 2023</i>	<i>Proposed 2024</i>	<i>Total 2023–2024</i>
The Enterprise	Staff costs			
	Interim Director General (P-5)	120 000	228 000	348 000
	Administrative Assistant (GS-6)	7 000	29 400	36 400
	Subtotal, post costs	127 000	257 400	384 400
	Non-post costs			
	Information and communications technology	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
	Subtotal, non-post costs	30 070	62 842	92 912
Total, section 5		157 070	320 242	477 312