



Finance Committee

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Status of overhead charges for the administration and supervision of contracts for exploration and their reflection of costs actually and reasonably incurred

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Report of the Secretary-General

I. Background

1. The annual overhead charges were initially introduced in 2013, after the Finance Committee decided to recommend that the Council require each contractor with the International Seabed Authority to pay a fixed annual fee to cover overhead costs for the administration of contracts for exploration in the Area. The fee was assessed by the secretariat at \$52,182 on the basis of the system developed by the United Nations Development Programme of applying standard costs to contract administration and supervision. Having considered the information provided by the secretariat, the Committee decided to recommend a standard cost of \$47,000 as from 1 January 2013.
2. At its twenty-fourth session, the Finance Committee decided to recommend an increase in the annual overhead charges for the administration and supervision of contracts for exploration from \$47,000 to \$60,000, compared with \$63,908 as originally recommended by the secretariat ([ISBA/24/A/6-ISBA/24/C/19](#), paras. 23 and 24).
3. At its twenty-sixth session, the Finance Committee decided to recommend a further increase in the annual overhead charges for the administration and supervision of contracts for exploration from \$60,000 to \$80,000, compared with \$80,308 as originally recommended by the secretariat ([ISBA/26/A/10-ISBA/26/C/21](#), paras. 33 and 34).

* [ISBA/30/FC/L.1](#).



II. Status of revenue from overhead charges

4. When the overhead charges were introduced in 2013, there were 11 contracts for exploration. This increased to 27 contracts in 2017, 29 contracts in 2019 and 29 contracts in 2021. The increased number of contracts entails increased dedicated staff and other resources for the supervision and management of the contracts. It also allows for more detailed and accurate cost estimation. Table 1 shows a comparison of the costs assessed by the secretariat in 2013, 2017, 2019 and 2021 for the management of the contracts against the overhead charges recommended by the Finance Committee, as well as the impact of the revenue from the overhead charges on the income of the Authority.

Table 1

Comparison of contract management costs assessed by the secretariat against the overhead charges recommended by the Finance Committee

	2013	2017	2019	2021
Number of contracts	11	27	29	29
Cost per contract assessed by secretariat ^a	52 182	63 908	80 308	80 308
Total actual cost assessed by secretariat^a	574 002	1 725 516	2 328 932	2 328 932
Overhead charges (recommended by Finance Committee) ^a	47 000	60 000	60 000	80 000
Total revenue^a	517 000	1 620 000	1 740 000	2 320 000
Revenue from overhead charges (percentage share of budget)	7	18	18	25

^a United States dollars.

III. Methodology

5. Since 2021, the secretariat has carried out research and analysis to confirm and include all the cost drivers, such as staff costs, operational costs and other costs, that were deemed relevant to the overhead charges. This has been followed by extensive data collection, which is scrutinized in terms of financial data and expense records while applying International Public Sector Accounting Standards and cost accounting practices, using reporting templates submitted by departments and units to indicate costs and time spent on the activities of contractors. The following categories represent the major cost drivers under this methodology.

A. Staff costs

6. An analysis of staff costs is carried out by recording on standardized time sheets the time spent on various tasks relating to contract management and supervision, which, excluding those of the Compliance Assurance and Regulatory Management Unit, are as follows:

(a) Between 1 April and 30 June of each year, staff of the Office of Legal Affairs and the Office of Environmental Management and Mineral Resources are engaged in reviewing the annual reports submitted by contractors. The purpose of this work is to review the reports for technical completeness, analyse the data submitted and produce summaries for consideration by the Legal and Technical Commission.

With 30 contractors, this means that a considerable number of person-hours are dedicated to this essential task. The process continues after the reports have been considered by the Commission, as feedback from the Commission is compiled and communicated to the respective contractors;

(b) Technical officers in the secretariat also review the five-year reports submitted by contractors, which contain descriptions of activities and achievements over the past five years and a proposal for the activities planned for the subsequent five years. These reports are reviewed in detail and require the secretariat's expertise in data management, geology, exploration, engineering, marine environment and biology, law and training. The secretariat also coordinates with the Commission, which provides its input remotely. The number of periodic reports varies from year to year;

(c) The secretariat also attends to many emerging matters with contractors. In the past year, these have included holding internal meetings on outstanding refund of fees to contractors and dealing with issues of data submission to the DeepData database. Although these matters may be ad hoc, they can consume considerable person-hours;

(d) The time spent on finance, budget and other related services within the Office for Administrative Services is required to record the financial and budget aspects of the contractor contributions and generate financial transactions, reports and notes, including on engagement with auditors.

7. The Compliance Assurance and Regulatory Management Unit comprises four full-time staff (one Chief, one Quality Assurance and Compliance Officer, one Contract Management Officer and one Administrative Assistant). From 2026, a fifth full-time staff member (an Environmental Audit Officer) will complement the current staffing establishment. Substantively, all the work performed by the Unit is related to managing the activities of contractors.

8. The Compliance Assurance and Regulatory Management Unit is also responsible for managing the internal workflow for the analysis of annual reports, as well as the organization and preparation of documentation for the annual consultative meeting between the Secretary-General and the contractors.

9. It is calculated that 90 per cent of the work of the Compliance Assurance and Regulatory Management Unit can be attributed to costs incurred in servicing contracts and, as such, is included in the overhead calculations.

B. Costs related to the annual contractors' meeting

10. The secretariat of the International Seabed Authority has been convening the annual contractors' meeting in collaboration with contractors since 2017. The meeting has been held in Jamaica (2017), Poland (2018), China (2019), the Netherlands (2022), the United Republic of Tanzania (2023) and the Republic of Korea (2024). Costs relating to the meeting include staff travel and subsistence, travel and subsistence for representatives of the Legal and Technical Commission, preparation of meeting documents, printing of documents and hosting of the meeting.

C. Council and Legal and Technical Commission

11. Costs relating to the Council and Legal and Technical Commission include those of meeting services, documentation, translations and rentals. A significant amount of time is allocated on the agenda of each session of the Commission to the current and

future activities of exploration contractors, while the Council also allocates time to review of the Commission's report on the same matter. This entails taking into consideration a cost portion of the interpretations, translations, meeting services, venue rentals, travel and miscellaneous costs and activities that all relate to contractors during the annual sessions.

D. Indirect costs

12. In line with standard policy, a 13 per cent overhead is applied representing the recovery of indirect costs incurred in supporting activities and deliverables, including information technology support, consumables and utility costs.

IV. Conclusion and recommendation

13. Based on the revised methodology, it is estimated that the total cost for the administration and supervision of contracts amounts to \$3,089,833, which, on the basis of 30 contracts, equates to an overhead charge of \$102,994 per contract (see table 2).

Table 2

Costs for the administration and supervision of contracts based on a 2025 survey and data collection

(United States dollars)

Salaries, post adjustment and common staff costs	
Office of Environmental Management and Mineral Resources, Office of Legal Affairs and Executive Office of the Secretary-General	975 586
Office for Administrative Services	157 399
Compliance Assurance and Regulatory Management Unit	904 756
Contractors' meeting	36 624
Council and Legal and Technical Commission, direct costs related to contractors	660 000
Subtotal	2 734 365
Indirect costs (13 per cent)	355 467
Total	3 089 833
Cost per contract	102 994

14. On the basis of the above, the Finance Committee is requested to consider recommending an adjustment of the contractor overhead charges to \$100,000, effective 1 January 2026.