

A Framework for the Common Heritage Fund: Equitable Sharing of Financial and Other Economic Benefits from Deep-Sea Mining

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Background

In July 2025, the International Seabed Authority (ISA) Assembly decided that the Secretariat should develop the concept of a Common Heritage Fund (CHF) as “one of the possible ways” to distribute revenues from activities in the Area.¹ The Assembly stated the concept should be accompanied by a comprehensive report that discusses:

¹ International Seabed Authority, [ISBA/30/A/L.3](#)

- The legal rules applicable to the fund;
- An estimate of the resources necessary for the management of the fund, consistent with the evolutionary approach;
- The governance structure applicable to the operation of the fund; and
- Whether and how the payments or contributions pursuant to Article 82 of the Convention could be administered by the fund, taking into account the interests and needs of developing States, particularly the least developed and landlocked countries.

This report has been prepared in response to the Assembly’s decision. The report presents a conceptual framework for the CHF, one of the possible ways to equitably distribute proceeds from activities in the Area. The framework is intended to translate the CHM principle into an effective, transparent, and well-governed mechanism for equitable benefit sharing and resource stewardship on behalf of present and future generations.

The report presents a conceptual framework for the CHF without prejudice to the ISA’s discussions about direct distribution of proceeds to States Parties, formulas for equitable allocations, or establishing other approaches or mechanisms to distribute income.² The CHF could be established as a complement or as an alternative to direct distribution, and direct distribution could be operationalized through or outside of the CHF.

Executive Summary

The Common Heritage of Mankind (CHM) principle is one of the most ambitious ideas in the history of international law. When Ambassador Arvid Pardo addressed the UN General Assembly for over three hours on November 1, 1967, he called for the resources of the deep seabed to be exploited “primarily in the interests of mankind (hereinafter referred to as “humankind”), with particular regard to the needs of poor countries.”

The CHM principle, as codified in United Nations Convention on the Law of the Sea (UNCLOS) Part XI, rests on five pillars: 1) Non-appropriation of the Area and its resources; 2) Common management through the ISA on behalf of humankind; 3) Equitable benefit sharing with particular attention to developing states; 4) Peaceful use; and 5) Intergenerational equity. The 1994 Agreement relating to the implementation of Part XI expressly preserved these principles, and Article 311(6) of UNCLOS provides that “there shall be no amendments to the basic principle relating to the common heritage of mankind.”

Article 140 translates the CHM principle into a concrete operational mandate: the ISA “shall provide for the equitable sharing of financial and other economic benefits derived from activities in the Area through any appropriate mechanism.” That phrase – any

² See discussion below, “Exploring Alternative Distribution Mechanisms,” which suggests other options for the equitable distribution of proceeds from activities in the Area. (pp. 58-59).

appropriate mechanism – provides the legal authority for the CHF. Article 173 states that after administrative expenses and other required deductions, the remaining funds may be shared in accordance with Article 140.

The report recommends that the fund should be established as a multilateral trust account within the ISA, adopting the Authority’s legal personality and leveraging its existing financial, human resources, and IT systems, consistent with the evolutionary approach. The evolutionary approach should not, however, defer strong governance safeguards. A comprehensive governing instrument, conflict of interest policy, designated trustee, and independent technical review are baseline requirements that should be in place at the time the fund is established.

A mandatory five-year review of the fund’s governance structure, distribution formula, objectives and eligible activities, trustee arrangements, and operational performance, commencing from the date of adoption of the governing instrument and anchored in the five-year review process called for in Article 154, would ensure the fund remains fit for purpose as mining revenues, institutional capacity, collaboration opportunities, and the broader ocean governance landscape evolve.

The report calls for a robust consultation process; the need for inclusive, wide-ranging consultation is not a procedural formality. The CHF will be funded by revenues from resources that belong to humanity as a whole, and its legitimacy will depend on whether all stakeholders, and particularly those in developing states, have had a meaningful opportunity to participate in its design.

The report proposes two complementary windows for grant-making:

- Window One: Equitable Distribution. The first window would operate on a rights-based, redistributive model. Each eligible State Party would have a funding envelope calculated using a formula for redistribution based on the geometric mean of population share and inverse GNI per capita, and including a UN Multidimensional Vulnerability Index variable. The envelopes would be ceilings, not guaranteed transfers; access would be activated by submission of a qualifying proposal. A 20% ring-fenced sub-account would provide “Impact and Scaling Top-Up” funding for proposals that demonstrate exceptional impact and opportunity for scaling. Application preparation grants of up to USD 15,000 per applicant and a 120-day decisional target would ensure accessibility and timeliness.
- Window Two: Joint Training and Research Centres (JTRCs). The second window would provide dedicated funding to establish and operate national and regional JTRCs, pursuant to UNCLOS Articles 275 and 276, and the ISA’s Capacity Development Strategy and Marine Scientific Research (MSR) Action Plan. The allocation for JTRCs would be determined by the Management Board each funding cycle, based on demand and approved selection criteria.

Article 82 requires that revenues from exploitation of continental shelf resources beyond 200 nautical miles flow through the ISA and be distributed equitably, with particular weight given to developing, least-developed, and landlocked states. The legal basis for administering these proceeds through a dedicated fund, rather than as a pass-through, was discussed in ISA Technical Study No. 4, which concluded that the Article 82 text “simply identifies the administrative function of the Authority in receiving payments and contributions.” The authors of the Technical Study stated that the phrase “through the Authority” in Article 82(4) was deliberately chosen over the word “direct,” which appears in numerous other UNCLOS provisions, signaling that the ISA could manage and allocate these proceeds through a fund, rather than merely serving as a conduit for direct distribution.

Importantly, ISA Technical Study No. 31 found that the geometric mean formula applicable to Article 140 distributions can be adapted for Article 82 proceeds, with social distribution weights recalibrated to reflect Article 82(4)’s preferential criteria. Managing both revenue streams through the CHF – in separate sub-accounts for accountability and transparency purposes – would strengthen governance, enhance efficiency, and amplify impact. This approach would be consistent with Article 160(2)(f)(i), which vests in the ISA Assembly a single, unified approval authority over both “the equitable sharing of financial and other economic benefits derived from activities in the Area” and “the payments and contributions made pursuant to Article 82,” grouping both streams under the same equitable sharing, decision-making framework.

The report recommends a phased implementation process, consistent with the evolutionary approach, and describes a range of alternative distribution mechanisms that the ISA and States Parties may wish to consider in concert with, in parallel to, or instead of direct distribution and the CHF, or as options to be considered over time. The report concludes with a set of key recommendations on the design and implementation of the CHF concept.

When Ambassador Pardo addressed the General Assembly in 1967, he articulated a principle not yet written into law: that activities in the Area should be carried out for the benefit humankind as a whole, taking into particular consideration the interests and needs of developing states. UNCLOS gave that principle the force of law and established the ISA as the institution through which it would be realized. The CHF represents one of the possible ways for achieving this ambition, translating the CHM principle from a foundational legal concept into an operational mechanism for equitable benefit sharing.

Common Heritage of Mankind Principle

The CHM principle is an essential element of UNCLOS.³ The principle provides that the seabed and its resources belong to humanity as a whole, including future generations, and

³ United Nations Convention on the Law of the Sea, 10 December 1982, [1883 UNTS 397](#).

that benefits derived from their exploitation must be shared equitably with particular attention to the interests and needs of developing states.

The CHM principle, as codified in UNCLOS, comprises five core elements:

- 1) Non-appropriation: No state or private entity may claim sovereignty or property rights over “the seabed and ocean floor and the subsoil thereof, beyond the limits of national jurisdiction” (the Area);⁴
- 2) Common Management: The Area is to be administered by an international organization, the International Seabed Authority, on behalf of humankind;
- 3) Equitable Benefit Sharing: Financial and economic benefits from exploitation must be shared equitably, especially with developing states;
- 4) Peaceful Use: The Area is reserved exclusively for peaceful purposes; and
- 5) Intergenerational Equity: The resources are to be held in trust for both the current and future generations.⁵

The 1994 Agreement relating to the Implementation of Part XI of UNCLOS (the “1994 Agreement”)⁶ modified certain commercial and institutional aspects of the Part XI regime, which governs the Area, but the 1994 Agreement expressly preserved the CHM principle. This is consistent with Article 311(6) of UNCLOS, which provides, “States Parties agree that there shall be no amendments to the basic principle relating to the common heritage of mankind” and “they shall not be party to any agreement in derogation thereof.”

Equitable benefit sharing is at the heart of the CHM principle. That redistributive mandate – directed with particular attention to the needs and interests of developing states – was not incidental to the principle but constituted its central purpose: the commercial value unlocked by exploitation of a shared planetary resource should flow back to humanity rather than accrue exclusively to developed states and contractors that conduct activities in the Area.

UNCLOS Legal Architecture

The legal foundations for the CHF, which are embedded in UNCLOS, provide broad discretion to the ISA to develop and adopt “any appropriate mechanism” for the equitable distribution of proceeds. This section of the report provides an overview of the UNCLOS legal architecture, including the articles that establish the CHM principle, ISA’s mandate for benefit sharing and redistribution of proceeds to developing states, the institutional

⁴ UNCLOS Article 1 defines “the Area” as “the seabed and ocean floor and subsoil thereof, beyond the limits of national jurisdiction.”

⁵ Frakes, Jennifer (2003). “The Common Heritage of Mankind Principle and the Deep Seabed, Outer Space, and Antarctica: Will Developed and Developing Nations Reach a Compromise?” [Wisconsin International Law Journal. 21: 409.](#)

⁶ Agreement Relating to the Implementation of Part XI of United Nations Law of the Sea of 10 December 1982, 28 July 1994, [1836 UNTS 3.](#)

framework for financial governance, the legal basis for establishing the CHF, and the payment-sharing obligations associated with the extended continental shelf.

Article 136

This Article provides the foundational basis for the Part XI regime, establishing the CHM principle as the governing standard for the Area and all of its resources:

Article 136 — Common Heritage of Mankind

The Area and its resources are the common heritage of mankind.

Article 137

Article 137 gives effect to Article 136 by specifying the legal consequences that arise from CHM status – all resource rights are vested in humankind collectively and private or sovereign appropriation is prohibited:

Article 137 — Legal Status of the Area and its Resources

1. No State shall claim or exercise sovereignty or sovereign rights over any part of the Area or its resources, nor shall any State or natural or juridical person appropriate any part thereof. No such claim or exercise of sovereignty or sovereign rights nor such appropriation shall be recognized.

2. All rights in the resources of the Area are vested in mankind as a whole, on whose behalf the Authority shall act. These resources are not subject to alienation. The minerals recovered from the Area, however, may only be alienated in accordance with this Part and the rules, regulations and procedures of the Authority.

3. No State or natural or juridical person shall claim, acquire or exercise rights with respect to the minerals recovered from the Area except in accordance with this Part. Otherwise, no such claim, acquisition or exercise of such rights shall be recognized.

Article 137 makes clear that the ISA does not merely regulate mining activities, the Authority acts as the trustee of humankind’s collective ownership of the Area’s resources. This trusteeship is the legal basis for the ISA’s authority to collect, manage, and equitably distribute the financial benefits of deep-sea mining.

Article 140

This Article translates the CHM principle into a concrete operational mandate. Activities in the Area must benefit humankind as a whole, and the ISA is required to establish a mechanism to ensure equitable sharing of the financial and other economic benefits of those activities:

Article 140 — Benefit of Mankind

1. Activities in the Area shall, as specifically provided for in this Part, be carried out for the benefit of mankind as a whole, irrespective of the geographical location of States, whether coastal or land-locked, and taking into particular consideration the interests and needs of developing States⁷ and of peoples who have not attained full independence or other self-governing status recognized by the United Nations in accordance with General Assembly resolution 1514 (XV) and other relevant General Assembly resolutions.

2. The Authority shall provide for the equitable sharing of financial and other economic benefits derived from activities in the Area through any appropriate mechanism, on a non-discriminatory basis, in accordance with article 160, paragraph 2(f)(i).

Two features of Article 140 are particularly important for the development of the CHF concept: 1) Developing states and non-self-governing peoples must receive “particular consideration,” which is not a discretionary aspiration but a legal obligation; and 2) The ISA must establish “any appropriate mechanism” for equitable sharing of benefits, but that mechanism must operate on a non-discriminatory basis. The phrase “any appropriate mechanism” is nonrestrictive and flexible to accommodate alternative approaches including a dedicated fund.

Article 148

Article 148 reinforces the CHM principle by requiring not only financial distributions but the participation of developing states in activities in the Area and ensuring due regard for their special interests and needs:

Article 148 — Participation of Developing States in Activities in the Area

The effective participation of developing States in activities in the Area shall be promoted as specifically provided for in this Part, having due regard to their special interests and needs, and in particular to the special need of the land-locked and geographically disadvantaged among them to overcome obstacles arising from their disadvantaged location, including remoteness from the Area and difficulty of access to and from it.

Based on Article 148, the CHF concept should address both how revenues are shared and how developing states, including those that are landlocked and geographically

⁷ UNCLOS does not define “developing States,” using the term across multiple provisions, including Articles 82, 140, and 160. In considering equitable distribution, the ISA has drawn on established UN categories such as least developed countries, landlocked developing countries, and small island developing states, yet these categories do not encompass all developing states. For purposes of the Common Heritage Fund, the ISA should adopt criteria for determining countries’ eligibility as developing states.

disadvantaged, can be meaningfully involved in the governance of the fund through ISA governing bodies.

Article 160

This Article establishes the ISA Assembly as the Authority’s leading governing body and assigns to it the ultimate responsibility for approving the rules, regulations, and procedures governing equitable sharing:

Article 160(1) and 160(2)(f)(i) and (g) — Powers and Functions of the Assembly

1. The Assembly, as the sole organ of the Authority consisting of all the members, shall be considered the supreme organ of the Authority to which the other principal organs shall be accountable as specifically provided for in this Convention. The Assembly shall have the power to establish general policies in conformity with the relevant provisions of this Convention on any question or matter within the competence of the Authority.

2(f)(i). [The powers and functions of the Assembly shall be] to consider and approve, upon the recommendation of the Council, the rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area and the payments and contributions made pursuant to article 82, taking into particular consideration the interests and needs of developing States and peoples who have not attained full independence or other self-governing status. If the Assembly does not approve the recommendations of the Council, the Assembly shall return them to the Council for reconsideration in the light of the views expressed by the Assembly.

2(g). [The powers and functions of the Assembly shall be] to decide upon the equitable sharing of financial and other economic benefits derived from activities in the Area, consistent with this Convention and the rules, regulations and procedures of the Authority.

Article 162

Article 162 provides that while the Assembly holds “supreme” authority, the ISA Council serves as the executive body and plays a crucial intermediary role in developing rules for equitable benefit sharing. The Council’s authority under Article 162(2)(o) to recommend rules, regulations, and procedures is particularly important for the design of the CHF:

UNCLOS Article 162(1) and 162(2)(o)(i) — Powers and Functions of the Council (selected provisions)

1. The Council is the executive organ of the Authority. The Council shall have the power to establish, in conformity with this Convention and the general policies

established by the Assembly, the specific policies to be pursued by the Authority on any question or matter within the competence of the Authority.

2(o)(i). [The Council shall] recommend to the Assembly rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area and the payments and contributions made pursuant to article 82.

Articles 160 and 162 establish the institutional chain of authority for establishing “any appropriate” mechanism for equitable sharing, including the CHF. The ISA Council recommends – and the Assembly approves or disapproves – rules and procedures on “equitable sharing of financial and other economic benefits derived from activities in the Area and the payments and contributions made pursuant to article 82.” (Emphasis added)

Section 9(7)(f) of the Annex to the 1994 Agreement (see below) states that the Finance Committee shall make recommendations to the Assembly and the Council on the rules, regulations, and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area. This provision establishes the Finance Committee as the primary body for designing the CHF, subject to the Council's recommendations and the Assembly's approval.

The reference in Article 160(2) to “payments and contributions made pursuant to article 82” is significant because it brings Article 82 (and revenue from the extended continental shelf) within the same equitable sharing, decision-making framework as Article 140, bridging the two principal revenue streams that the CHF could be designed to collect and allocate.

Article 171

This Article provides the legal basis for how the ISA collects and manages funds:

Article 171 — Funds of the Authority

The funds of the Authority shall include:

(a) assessed contributions made by members of the Authority in accordance with article 160, paragraph 2(e);

(b) funds received by the Authority pursuant to Annex III, article 13, in connection with activities in the Area;

(c) funds transferred from the Enterprise⁸ in accordance with Annex IV, article 10;

(d) funds borrowed pursuant to article 174;

⁸ As established under Article 170 and elaborated in Annex IV, the Enterprise was intended to conduct activities in the Area on behalf of the international community, helping to operationalize the CHM principle and ensuring that the benefits of deep-sea mining flow to all states, particularly developing countries.

(e) *voluntary contributions made by members or other entities; and*

(f) payments to a compensation fund, in accordance with article 151, paragraph 10, whose sources are to be recommended by the Economic Planning Commission.

Article 171 establishes that revenues generated from activities in the Area flow to the Authority, which is the legal precondition for equitable benefit sharing and the distribution of funds. By referencing Annex III payments, the Article specifies that the financial obligations of mining contractors, from royalties and fees, are “funds of the Authority.” The Article authorizes voluntary contributions, providing a basis for Member State, philanthropic, and other contributions to the CHF.

Article 173

This Article establishes the budgetary architecture of the ISA, specifying how and in what order expenses of the Authority are to be paid:

Article 173 — Expenses of the Authority

1. The administrative expenses of the Authority shall be a first call upon the funds of the Authority. Except for the assessed contributions referred to in article 171, subparagraph (a), the funds which remain after payment of administrative expenses may, inter alia:

(a) be shared in accordance with article 140 and article 160, paragraph 2(g);

(b) be used to provide the Enterprise with funds in accordance with article 170, paragraph 4;

(c) be used to compensate developing States in accordance with article 151, paragraph 10, and article 160, paragraph 2(l).

2. The funds of the Authority shall be held in accounts with the Authority or, if necessary, with financial institutions designated by it, and shall be used exclusively for the purposes set out in article 17 of Annex III.

Article 173 provides that ISA’s administrative expenses are the priority (“first call”) for the Authority’s funds. For purposes of the CHF concept, it is important to note that the Article allows funds to be held in accounts within the Authority or with financial institutions designated by it, which provides flexibility for the CHF to be held in an internally managed trust account or in an account or fund managed by a financial institution, as designated by the Assembly.

Article 82

Article 82 relates to payments and contributions from the exploitation of the non-living resources of the continental shelf beyond 200 nautical miles. While falling outside Part XI

and the CHM principle, the Article requires that payments and contributions be made through the ISA and on the basis of equitable sharing:

Article 82 — Payments and Contributions with Respect to the Exploitation of the Continental Shelf Beyond 200 Nautical Miles

1. *The coastal State shall make payments or contributions in kind in respect of the exploitation of the non-living resources of the continental shelf beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured.*
2. *The payments and contributions shall be made annually with respect to all production at a site after the first five years of production at that site. For the sixth year, the rate of payment or contribution shall be 1 per cent of the value or volume of production at the site. The rate shall increase by 1 per cent for each subsequent year until the twelfth year and shall remain at 7 per cent thereafter. Production does not include resources used in connection with exploitation.*
3. *A developing State which is a net importer of a mineral resource produced from its continental shelf is exempt from making such payments or contributions in respect of that mineral resource.*
4. *The payments or contributions shall be made through the Authority, which shall distribute them to States Parties to this Convention, on the basis of equitable sharing criteria, taking into account the interests and needs of developing States, particularly the least developed and the land-locked among them.*

Article 160(2)(f)(i) includes Article 82 payments and Article 140 revenues within the Assembly’s benefit-sharing decision-making mandate. Article 82 and Article 140, however, provide different criteria for taking into account “the interests and needs of developing States.” Article 140 states that activities in the Area should be carried out for the benefit of humankind:

“...irrespective of the geographical location of States, whether coastal or land-locked, and taking into particular consideration the interests and needs of developing States and of peoples who have not attained full independence or other self-governing status recognized by the United Nations in accordance with General Assembly resolution 1514 (XV) and other relevant General Assembly resolutions.”
(Emphasis added)

While Article 82(4) provides:

“The payments or contributions shall be made through the Authority, which shall distribute them to States Parties to this Convention, on the basis of equitable sharing criteria, taking into account the interests and needs of developing States, particularly the least developed and the land-locked among them.” (Emphasis added)

Using similar but not identical language to Article 140, Article 160(2)(g) specifies that the Assembly has the authority and responsibility to approve:

“...the rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area and the payments and contributions made pursuant to article 82, taking into particular consideration the interests and needs of developing States and peoples who have not attained full independence or other self-governing status.” (Emphasis added)

ISA Technical Study No. 31 concluded: “The key finding of [this] report is that any of the distribution formulae developed in relation to Article 140 could also be applied to distributions under Article 82(4). If the basic methodology is accepted, the social distribution weights can be easily manipulated to give preference to any group of States. It would simply be necessary to determine which States should receive preferential treatment.”

The 1994 Agreement

The 1994 Agreement is an integral part of the governing framework for the Area. It modifies several aspects of Part XI, including the obligation of States Parties to finance any of the operations of the Enterprise and the ISA’s institutional structure, but it expressly preserves the CHM principle and the benefit-sharing mandate. Section 9 of the Annex to the 1994 Agreement, which establishes the Finance Committee to oversee the budget and financial management of ISA, requires that decisions by the Assembly and Council must take into account recommendations by the Finance Committee on, among other things, “rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area and the decisions to be made thereon.”

Origins of Equitable Sharing of Benefits from the Area

The equitable sharing of the financial and other economic benefits from activities in the Area is a foundational principle of the legal regime established by Part XI of UNCLOS. Arvid Pardo, Malta’s Permanent Representative to the United Nations, is widely regarded as the “architect of UNCLOS” and one of the earliest champions of the CHM principle. On August 17, 1967, Ambassador Pardo suggested that the General Assembly develop an international treaty to establish the deep seabed as the common heritage of humankind and create an agency to regulate activities in the area and enforce the treaty.

Addressing the UN General Assembly on November 1, 1967, Ambassador Pardo asserted:

- “The resources of the sea-bed and ocean floor, beyond the limits of national jurisdiction, shall be exploited primarily in the interests of mankind, with particular regard to the needs of poor countries;” and

- “The exploration and exploitation of the sea-bed and ocean floor beyond the limits of national jurisdiction shall be conducted in a manner consistent with the principles and purposes of the United Nations Charter and in a manner not causing unnecessary obstruction of the high seas or serious impairment of the marine environment.”

In 1970, the Declaration of Principles Governing the Seabed and Ocean Floor was adopted, seeking to “ensure the equitable sharing by States in the benefits derived [from the Area], taking into particular consideration the interests and needs of developing countries, whether land-locked or local.”⁹

In 1971, the Secretary-General of the United Nations issued a report on behalf of the Committee on the Peaceful Uses of the Seabed and the Ocean Floor beyond the Limits of National Jurisdiction that discussed approaches for sharing proceeds derived from exploitation of the Area.¹⁰ The report described both the financial benefits (the “balance remaining after deduction of the expenditures from the revenue”) and non-financial benefits (the development of world mineral resources, protection of the environment, establishing training programs, and increasing knowledge of the marine environment) that could be derived from activities in the area. The report also suggested two alternative distribution methods: 1) Direct distribution to governments; and 2) Allocation to specific international programs of particular interest to developing countries.

International Seabed Authority and Equitable Benefit Sharing

In 2018, the Finance Committee began its work to develop the rules, regulations, and procedures on the equitable benefit sharing of financial benefits from activities in the Area. To assist the Committee with its deliberations, the Secretary-General prepared a report that identified various issues that required interpretation and elaboration.¹¹

In 2022, the ISA Secretariat released Technical Study No. 31, which proposed: 1) Alternative equitable sharing rules and formulas, based on principles of equity and fairness, for direct distribution of royalties to States Parties from activities in the Area; and 2) An alternative or supplemental approach to establish a “global fund to support global public goods, investment in human and physical capital or deep-sea research and conservation.”¹² Technical Study No. 31 was the result of more than two years of work by

⁹ UN General Assembly, Declaration of Principles Governing the Sea-Bed and the Ocean Floor, and the Subsoil Thereof, beyond the Limits of National Jurisdiction, [A/RES/2749\(XXV\)](#) (December 17, 1970).

¹⁰ “Possible Methods and Criteria for the Sharing by the International Community of Proceeds and other Benefits Derived from the Exploitation of the Area Beyond the Limits of National Jurisdiction,” [Document A/AC.138/38](#) (June 15, 1971).

¹¹ International Seabed Authority, [ISBA/24/FC/4](#).

¹² International Seabed Authority, [Technical Study No. 31](#), “Equitable sharing of financial and other economic benefits from deep-seabed mining” (2022) at p. 18.

the Secretariat, performed under the supervision of and in consultation with the Finance Committee.

The Technical Study developed three alternative formulas for the direct distribution of net proceeds from deep-sea mining to States Parties, all three of which were based on a redistribution of income compared to what would have been required by a proportional distribution. The basic concept informing these approaches was the same: calculate each country's population as a percentage of the world's population and then adjust that calculation through a social distribution weight to redistribute income from higher income to developing States Parties, consistent with the CHM principle.¹³

The authors of the Technical Study concluded that one of three formulas, "allocated shares from the geometric mean functional form," had the greatest degree of global social welfare and produced the lowest relative inequality.¹⁴ One of the key findings of the study was that any of the distribution formulas developed in relation to deep-sea mining proceeds (Article 140) could also be applied to distributions under Article 82, which relates to proceeds from the "exploitation of the non-living resources of the continental shelf beyond 200 nautical miles."¹⁵ That is, if the basic methodology for the formulas is accepted, the social distribution weights could be adjusted to give preference to any group of States, whether described in Article 140 or Article 82.

Following the release of the Technical Study, in May 2023, the Secretary-General submitted a report to the Finance Committee presenting a draft proposal for the establishment of a "Seabed Sustainability Fund."¹⁶ The report highlighted the importance of implementing the UNCLOS legal regime, including Part XI and Article 82, in conjunction with other international agendas, noted the ISA's duty to ensure the protection of the marine environment, and called for improved coherence and coordination of efforts, "especially financial efforts," in an increasingly complex global ocean policy landscape. As for the scope, the report recommended the fund be "dedicated to the conservation and sustainable use of the ocean, in particular areas beyond national jurisdiction, for the benefit of humankind." The Secretary-General's report also suggested, at least in the initial phase of operations, the Seabed Sustainability Fund should be established as "a tool under the Authority's existing governance structure," pursuant to the evolutionary approach.¹⁷

¹³ Technical Study No. 31, pp. 37-49.

¹⁴ A subsequent study by Dale Squires, "[Fair, Equitable, Efficient, and Just Sharing Royalties from Deep-Sea Mining: Report to the Finance Committee of the International Seabed Authority](#)" (June 2025), who contributed to Technical Study No. 31, updated the original study's equitable sharing equations with more recent data and, among other things, included the UN Multidimensional Vulnerability Index as a variable in the sharing rules.

¹⁵ See below for a discussion of Article 140 and Article 82.

¹⁶ International Seabed Authority, [ISBA/28/FC/4](#).

¹⁷ Section 1, Paragraph 3 of the [1994 Agreement](#) states: "The setting up and the functioning of the organs and subsidiary bodies of the Authority shall 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

On July 6, 2023, the Finance Committee considered the Secretary-General’s May 2023 report on the establishment of the fund. During the session, the Committee stated the fund should be referred to as the “common heritage fund” and the focus of the fund should be the ocean, rather than other global commons.¹⁸ In analyzing the scope of the fund, the Committee believed it would be difficult to limit the scope to the Area and that “the high seas should be included in the scope of the fund.” The Committee suggested that applications for funding could be made by “Member States and competent international organizations or sponsored by at least one of them.”

At the July 2023 session, the Finance Committee also agreed the “geometric mean distribution formula” provided “a useful starting point for conversation.” Different views were expressed on whether Article 82 revenues should be directly distributed to Member States or contributed to a fund. Some members of the Committee stated Article 82 does not specifically call for the creation of a fund, while others believed a fund would be a “more effective and efficient way to consider equitable distribution.”

The Committee endorsed the evolutionary approach and, with a view to further discussing the topic, developed a “tentative draft” of objectives of the fund, which “would be used to invest in people and preserving and developing the Area sustainably.”¹⁹ The draft objectives stated, among other things: 1) “The fund is not intended to build wealth, like a sovereign wealth fund but rather be spent on worthwhile initiatives and projects”; and 2) The fund would invest in capacity development, knowledge, and competence “related to the ocean” with a view to advancing implementation of the 2030 Agenda and the Sustainable Development Goals (SDGs). The views expressed during the session, including in the Annex, were not included as Finance Committee recommendations in the ensuing report.²⁰

At the Finance Committee’s request, the Secretary-General then developed “Draft financial regulations of the common heritage fund.”²¹ The Draft Regulations, which have been considered but not approved by the Committee, proposed that the objective of the fund should be to invest in “capacity development, scientific knowledge of the area and [ocean] valorization, as well as in competence related to the ocean, with a view to enhancing the contributions of the Authority to effective implementation of the Convention and other relevant commitments [including the 2030 Agenda for Sustainable Development].”

their respective responsibilities at various stages of the development of activities in the Area.” (Emphasis added)

¹⁸ International Seabed Authority, [ISBA/28/A/4-ISBA/28/C/13](#).

¹⁹ See ISBA/28/A/4-ISBA/25/C/13, Annex A.

²⁰ See ISBA/28/A/4-ISBA/25/C/13 at p. 8.

²¹ International Seabed Authority, [ISBA/29/FC/2](#), Annex.

The draft regulations listed several activities that would be eligible for funding, including research, scaling up capacity on ocean data and science, training and technical assistance for scientists from developing states, capacity development, and establishing and operating regional training centres. The draft also adopted the evolutionary approach for fund governance, providing that the functions of the Management Board would be performed by the Finance Committee, and the functions of a Scientific Advisory Board would be performed by the Legal and Technical Commission, “until such time as the Assembly decides otherwise.” The Draft Regulations also called for the ISA Secretariat to serve as the Secretariat of the fund.

The Design of the Common Heritage Fund Concept

General Design Principles

The following design principles are intended to guide the development of the CHF concept, including its institutional architecture, financial structure, governance arrangements, and disbursement methods. They serve as a governance and decision-making framework and as an accountability mechanism.

Consultation and Inclusive Participation. The ISA Secretariat should conduct a structured, inclusive consultation process to ensure the participation of all stakeholders, including States Parties, multilateral organizations, civil society, Indigenous Peoples and local communities, academic institutions, and contractors, in the design of the CHF. Special measures should be taken to ensure the active engagement of Small Island Developing States (SIDS), Least Developed Countries (LDCs), and Landlocked Developing Countries (LLDCs) in the design process, including through regional in-person events and webinars.

Legally Separate and Ring-Fenced. The CHF governing instrument should establish the fund as a legally distinct trust account within the ISA. The fund’s assets should be held under a trust instrument that precludes commingling of funds and designates a trustee with fiduciary obligations. The CHF trust account and any sub-accounts and windows should be subject to independent external audit. The governing instrument, based on best practices, should be adopted by the Assembly and amended, as needed, over time.

Evolutionary Approach. The “evolutionary approach” refers to the idea that institutional, governance, and operational arrangements should evolve over time as circumstances change. The CHF’s governance should be sound from the start, while retaining the evolutionary approach as a design principle that allows for future decisions about whether new structures and approaches should replace existing arrangements. The evolutionary approach should include formal, periodic reviews by ISA governing bodies to ensure that structures continue to be fit for purpose.

Transparency. The CHF would be accountable to a diffuse constituency: not only States Parties but “humankind as a whole.” Transparency assures stakeholders that the fund is acting responsibly and in alignment with its mandate; deters corruption and fraudulent practices; surfaces potential risks; allows decision-makers to make more informed choices; promotes continuous learning; and reduces duplication of efforts. The CHF should make the following materials available on its website: annual performance reports; a description of all disbursements, with amounts; audited financial statements; and a risk management dashboard. The fund should also establish a public complaint and feedback mechanism allowing States Parties, grantees, civil society organizations, and affected communities to report concerns.

Science- and Evidence-Based Decision Making. The CHF’s decisions should be based on the best available science, traditional knowledge, and transparent impact measurement and reporting. The fund should monitor, manage, and mitigate potential risks and impacts associated with its activities, and share data, information, traditional knowledge, and lessons learned with stakeholders.

Streamlined Deployment with Adaptive Management. The CHF should prioritize the speed and ease of distributions to States Parties and other grantees, while maintaining quality controls and meeting social and environmental standards. The fund should deploy AI and implement adaptive management practices allowing for course corrections based on information from robust monitoring, evaluation, and learning systems.

Alignment with 2030 Agenda. The ISA should deploy the CHF as a means of operationalizing its contributions to the 2030 Agenda and Sustainable Development Goals, particularly SDG 10 (Reducing inequality within and among countries) and SDG 14 (Life Below Water), other relevant international policy frameworks, and their successor frameworks.

Complementarity and Policy Coherence. As an UNCLOS mechanism, the CHF should prioritize policy coherence, alignment, and coordination with other multilateral funding and finance mechanisms. The entry into force of the BBNJ Treaty creates a new international financial mechanism with an overlapping mandate. Coordination between the CHF and the BBNJ financial mechanism, in particular, will be important. This coordination could start with information sharing and coordination and evolve over time to include joint programming and co-funding, as appropriate.

Consultation and Inclusive Participation

The CHF will be funded by revenues derived from the exploitation of resources that belong to humanity as a whole, and its governance framework must reflect that universal mandate. This requires a consultation process that is genuinely inclusive. The legitimacy of its governance arrangements, the feasibility of its equitable distribution methodology, the relevance of its eligible activity categories, and the accessibility of its application

procedures all depend on whether those most affected by the fund have had a meaningful opportunity to shape its design.

The consultation process could be structured around four complementary tracks, designed to ensure both breadth and depth of engagement. The first track would consist of formal engagement with ISA Member State groups – including the G77 and China, the African Group, the Alliance of Small Island States, the Pacific Small Island Developing States, and the landlocked developing country caucus – through a series of structured consultations. The second track would involve targeted bilateral and small-group consultations with a set of expert practitioners, including representatives of comparable multilateral funds, leading scholars on UNCLOS and benefit-sharing design, civil society organizations with deep expertise in ocean governance and equity, and private sector actors whose technical knowledge can stress-test the fund’s design assumptions and identify gaps before finalization.

The third track would focus on the most capacity-constrained potential beneficiaries: through the ISA’s network of national focal points for capacity development, the CHF design team should conduct dedicated outreach to SIDS, LDCs and LLDCs to gather direct evidence of priority needs, institutional constraints, and preferred modalities of access. The fourth track would consist of a public consultation process, open to all ISA States Parties, observers, accredited NGOs, academic and scientific institutions, and other relevant stakeholders, through which written submissions on the draft CHF framework can be received, reviewed, and incorporated into the final design.

The outputs of all four tracks should be synthesized in a Consultation Summary Report, which would document the range of views received, explain how they have been taken into account, and identify areas of unresolved disagreement requiring political resolution by the Finance Committee, Council, and Assembly.

The Governance Structure of the Fund

Governance Principles and Best Practices

A comprehensive set of principles and best practices have emerged over the last several decades for the governance of multilateral environmental and climate funds, as well as “single sovereign” natural resource funds.²² The following core governance principles, which have been drawn from the governing instruments of the Green Climate Fund (GCF)²³

²² Natural resource funds (NRFs) are government-owned sovereign wealth funds that manage revenues from non-renewable resources like oil, gas, and minerals. NRFs differ from multilateral funds in that they have a single sovereign owner rather than, in the case of the ISA, 171 States Parties and the European Union as members. While NRFs’ economic, social, and environmental objectives may differ from multilateral funds, many NRFs have equitable sharing and intergenerational equity elements.

²³ The [Governing Instrument for the Green Climate Fund](#) was approved by the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) at its seventeenth session on December 11, 2011.

and the Global Environment Facility (GEF),²⁴ the Santiago Principles,²⁵ and Natural Resource Governance Institute best practices,²⁶ should guide the design of the CHF's governance structure.

- Governing Instrument. Funds should adopt and publish a legal governing framework that specifies the fund's purpose and objectives; scope of activities; governance structure; deposit, investment, withdrawal, and allocation rules; evaluation and audit functions; and policy on transparency.
- Separation of Functions. Fund should clarify a division of responsibilities between the ultimate authority over the fund, including policy and strategic direction (Council and Assembly); decision-making on fund management and resource allocation (Management Board); technical and merit assessment (independent expert panels); financial management and fiduciary oversight (Trustee); and day-to-day operations (Secretariat).
- Fiduciary Standards and Financial Controls. Funds should adopt rigorous standards for financial management, including investment policies and decision-making, and retain an independent firm to monitor financial management and audit financial statements.
- Conflict of Interest Policies. Explicit, enforced policies for the governing board, subsidiary bodies, and staff are standard for preventing conflicts and corrupt practices, maintaining legitimacy, and managing reputational risks.
- Administrative Cost Benchmarks. Funds regularly monitor administrative costs, with 2-5% being a standard range depending on the size, maturity, and complexity of the fund, to ensure management efficiency and cost effectiveness.
- Transparent and Rules-Based Resource Allocation. Whether through direct distribution, formula-based allocation (e.g., the GEF's System for Transparent Allocation of Resources or STAR), or competitive calls for proposals, best practice requires that allocation criteria be transparent, publicly documented, and applied consistently.
- Inclusive and Representative Governance. Ensuring diverse representation in governance and decision-making by developing countries, particularly for SIDS, LDCs, and LLDCs, is critical.

²⁴ The [Instrument for the Establishment of the Restructured Global Environment Facility](#), as amended by the Second, Third, Fourth and Fifth GEF Assemblies, became effective on September 15, 2014 after adoption by the United Nations Development Programme, United Nations Environment Programme, and World Bank.

²⁵ The International Working Group of Sovereign Wealth Funds, Generally Accepted Principles and Practices (GAPP)(the "[Santiago Principles](#)") (September 2008).

²⁶ Natural Resource Governance Institute, "[Natural Resource Fund Governance: The Essentials](#)" (August 2014).

- Results Frameworks and Adaptive Management. GCF’s Performance Measurement Framework and GEF’s Result-Based Management are tools for monitoring, evaluation, learning, adaptive management, and accountability.
- Independent Evaluation. Establishing independent units (e.g., GCF’s Independent Evaluation Unit and GEF’s Independent Evaluation Office) that report directly to the governing board is important for accountability and learning.
- Mandatory Review. Mandatory periodic review is a well-established feature of multilateral fund design, providing the institutional mechanism through which governing bodies assess fund performance, adequacy of capitalization, and fitness of governance arrangements over time. The GCF and the GEF embed this obligation directly in their governing instruments.²⁷

Similarly, the Santiago Principles call for a “regular review” of adherence to governance best practices. Since 2016, the International Forum of Sovereign Wealth Funds (IFSWF), a voluntary organization of global sovereign wealth funds, has asked members to undertake a self-assessment of performance against the Santiago Principles.

The CHF’s governing instrument should include a mandatory review of the fund's governance structure, objectives and eligible activities, capitalization, and performance on a five-year cycle commencing from the date of adoption, a process that would be consistent with the evolutionary approach and the review that Article 154 requires the Assembly to conduct every five years.

- Accountability to Beneficiaries. Governance best practices call for moving beyond donor reporting to include “downward accountability,” such as grievance mechanisms, beneficiary feedback loops, and transparent project documentation.

These principles are widely accepted because they address the inherent risks of managing large-scale, multilateral funds – and natural resource funds – and promote effective management, inclusive governance, fiduciary responsibility, accountability, and transparency.

Making the Evolutionary Approach Fit for Purpose

The Evolutionary Approach

The “evolutionary approach” provides that the institutional arrangements for the Area and its resources should evolve over time as circumstances change – particularly as the scale of mining activities and associated revenues grow. Article 154 provides for periodic review

²⁷ Governing Instrument for the Green Climate Fund, para. 59, adopted as Annex to Decision 3/CP.17, UNFCCC Conference of the Parties, Seventeenth Session, Durban, 11 December 2011 (UN Doc. FCCC/CP/2011/9/Add.1). Instrument for the Establishment of the Restructured Global Environment Facility, paras. 13–14 and Annex C, adopted Geneva, 14–16 March 1994, effective 7 July 1994; as amended by the Second through Seventh GEF Assemblies (current consolidated text published 2025).

of the international regime for the Area, and the 1994 Agreement explicitly introduced flexibility to adapt ISA structures and procedures as the regime matures:

“The setting up and the functioning of the organs and subsidiary bodies of the Authority shall 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.”²⁸ (Emphasis added)

In April 2024, the ISA Secretary-General submitted a report to the Finance Committee presenting Draft Regulations for the establishment of the CHF.²⁹ The draft adopted the evolutionary approach for fund governance, providing that the functions of the Management Board would be performed by the Finance Committee and the functions of a Scientific Advisory Board would be performed by the Legal and Technical Commission, “until such time as the Assembly decides otherwise.” The draft regulations also called for a Performance Audit Board and the ISA Secretariat to serve as the Secretariat of the fund.

The following section examines the Draft Regulations in light of the comprehensive set of principles and best practices that have emerged for the governance of multilateral and natural resource trust funds.

An Analysis of the Draft Regulations on Governance

The 1994 Agreement invoked the evolutionary approach to allow ISA’s institutional structure to develop in proportion to the actual scale of deep-sea mining activities and royalties. The evolutionary approach is a commitment to build governance capacity incrementally, based on changing circumstances and cost considerations, and should be accompanied by a timeline for review and as needed, adaptation. The CHF’s governance should be sound from the start, while retaining the evolutionary approach as a design principle that allows for future decisions about whether, when, and how new governance structures should replace existing arrangements.

The following draft regulations relate to governance:³⁰

Draft Regulation 5 (Investment of Funds)

Draft Regulation 5 states, “The Secretary-General may make short-term investments of a non-speculative nature...[and] after consultations with an investment counsellor appointed on the recommendation of the Management Board, make long-term investments of moneys standing to the credit of the common heritage fund, having regard to requirements as to the liquidity of the fund.”

²⁸ Section 1, Paragraph 3 of the [1994 Agreement](#).

²⁹ International Seabed Authority, [ISBA/29/FC/2](#).

³⁰ Draft Regulation 2 (funds to be credited to the Common Heritage Fund); Regulation 3 (objectives), and Regulation 4 (activities eligible for funding) will be discussed later in the report.

The Santiago Principles provide that a well-governed fund should have: 1) A framework for governing withdrawals and distributions (also known as a “spending rule”)(Santiago Principles, GAPP 6); 2) Legally binding fiduciary obligations (GAPP 12); and 3) Risk management protocols and independent external audits of investments (GAPP 17-19).

A threshold question for the CHF’s spending rule is whether, consistent with its intergenerational mandate, the rule should call for distributing only a percentage of real returns (3-4%) annually, while preserving its capital base. While following an endowment model would allow for the preservation of funds for future generations, the amounts of royalties and fees expected to be generated, at least in the short term, would mean that relatively small amounts would be available for equitable sharing, whether through a fund or direct distribution, particularly once required deductions are made for administrative expenses and for the Economic Assistance Fund.

If an endowment fund is not established initially, the fund’s governing instrument should, consistent with the evolutionary approach, require a review of the spending rule every five years to allow the CHF’s governing bodies to decide whether an endowment fund component makes sense at that point, given changing circumstances.

For purposes of Draft Regulation 5, the governing instrument should:

- Establish a spending rule with a date certain for when the fund will review and decide whether or not to modify the rule;
- Adopt an Investment Policy Statement (IPS) that delineates permissible and prohibited investments, liquidity requirements, risk tolerance, prohibited investments, and environmental, social, and governance criteria aligned with the fund’s mandate and objectives;
- Require Management Board approval, not merely consultation, of the IPS and the selection of an investment advisor; and
- Require an annual independent external audit of the fund’s investments and financial statements, separate from the Performance Audit Board’s work, with audit findings reported to the Management Board, Council, and Assembly.

Regulation 6 (Accounting and Financial Reporting)

Draft Regulation 6 requires the ISA Secretary-General to maintain separate records and ledger accounts for the funds deposited in and disbursed from the fund. Accounting, internal control, and audit functions are to be performed in accordance with the ISA’s financial regulations and rules.

For purposes of Draft Regulation 6, the governing instrument should:

- Provide that financial statements, investment reports, and grant disbursements should be published on the CHF website no later than six months after the close of the financial year (e.g., GCF and GEF publish financial statements and disbursement data); and
- Require that an annual report be published stating the amount that has been credited to the fund and summarizing fund performance, grant disbursements, investment returns, and administrative costs, all of which would be consistent with GCF and GEF annual reporting practices.

Draft Regulation 7: Administration of the Funds

Draft Regulation 7 provides that the Secretariat shall administer the CHF's funds and the Management Board shall determine, "from time to time," the administrative overhead charge to be recovered from the fund. Interviews with fund managers reveal an informal benchmark of 3.5% to 4.5% of total resources for administrative expenses, including Secretariat staff, trustee costs, rent, IT expenses, and other operational costs. The Management Board should decide when resources have reached a sufficient scale to start operations. Total administrative costs may be higher depending on the size, complexity, and maturity of the fund, and the extent to which the fund relies on partners to implement and monitor projects.

For purposes of Draft Regulation 7, the governing instrument should:

- Require the Management Board to establish an administrative cost benchmark and ceiling expressed as a percentage, to be reviewed periodically based on the size of the fund, the complexity of its transactions, the actual administrative costs incurred by the fund, all with reference to the administrative costs of comparable multilateral funds;
- Include the administrative cost overhead methodology in an Operations Manual, which should also include grant cycle and project procedures, subject to review by the Management Board every five years; and
- Publish the administrative overhead charge annually alongside the fund's financial statements.

Draft Regulation 8: Management Board

Draft Regulation 8 establishes the Management Board as the CHF's primary governing body. Regulation 10 (Evolutionary Approach) provides that the functions of the Management Board shall be performed by the Finance Committee. The most significant gap compared to GCF and GEF best practices,³¹ which treat addressing conflicts of interests as a threshold governance requirement, is the absence of a conflict of interest framework. The Benefit Sharing Fund (BSF) of the International Treaty on Plant Treaty on

³¹ See, for example, the GEF's [Minimum Fiduciary Standards](#) and GCF's [Integrity Policies](#).

Plant Genetic Resources (the “Plant Treaty”) adopted a Conflict of Interest Policy,³² approved by the Governing Body, which has been helpful in building trust among BSF stakeholders.

Assigning Management Board functions to the Finance Committee means that the body responsible for the ISA’s core budget and finance oversight would also govern the CHF’s investment and grant-making functions. The Finance Committee’s expertise and mandate are focused on financial management and budgetary matters, reviewing the annual budget, recommending assessed contributions from States Parties, and developing financial regulations and procedures, not multilateral fund governance, operations, and investment oversight.

As a result, for purposes of Draft Regulation 8, the ISA should consider the following:

- By the time the trust account is established, the Management Board and Assembly should approve a governance instrument, using the GEF Trust Fund and GCF instruments as models;³³
- Create a conflict of interest policy applicable to the Management Board, all subsidiary bodies, and the Secretariat, which requires that all members and staff recuse themselves when they have a real or perceived conflict of interest, as defined by the policy;
- Retain the evolutionary approach as a design principle but ensure that the fund’s governing instrument establishes when (e.g., every five years) the governing bodies, including the Management Board, Council, and Assembly, must review and decide whether to modify the governance structure;
- Provide that decisions on the approval of grants should be by consensus;
- Establish a Finance and Investment Subcommittee of the Management Board, which will include Management Board members who have demonstrated expertise in financial management, investment, and/or fund governance, to advise the Management Board;³⁴
- Clarify that the Management Board has the authority to reject, modify, or request revision of any proposal transmitted by the Secretariat, not merely to “endorse” submissions; and
- Increase the minimum meeting frequency from once to twice per year, with provision for intersessional decisions in writing.

³² Plant Treaty, [Policy on Conflicts of Interest and Related Standards of Conduct for the Benefit Sharing Fund](#).

³³ The CHF’s governing instrument should include a list of activities that may not receive funding and require that all grant recipients be screened against the UN Security Council [Consolidated List](#) (a list that includes all individuals and entities subject to measures imposed by the Security Council) prior to disbursement, with a prohibition on payments to any designated individual or entity. Grant agreements should include a claw back provision enabling the ISA to suspend or recover funds if a recipient is subsequently added to the list during the grant period.

³⁴ See [Santiago Principles](#) GAPP 13 and GCF Governing Instrument at paragraph 14.

Draft Regulation 9: Scientific Advisory Board

Draft Regulation 9 establishes a Scientific Advisory Board to provide scientific advice and recommendations, evaluate research proposals, collaborate on the design and implementation of scientific programs, and provide feedback on the outcomes of scientific activities supported by the fund. Regulation 10 (Evolutionary Approach) provides that the functions of the Management Board shall be performed by the ISA Legal and Technical Commission (LTC).

The LTC is responsible for reviewing applications for plans of work, supervising exploration and mining activities, developing environmental management plans, assessing the environmental implications of activities in the Area, formulating and reviewing rules and regulations that relate to activities in the Area, and making recommendations to the Council on matters relating to exploration and exploitation of non-living marine resources.

Assigning regulatory authority and an advisory function to the same body, when the LTC would be both regulating contractors and, as the Scientific Advisory Board, advising on various activities funded by royalties and fees paid by contractors creates a real or perceived conflict of interest.

Also, requiring the Scientific Advisory Board to collaborate with the Secretariat in the “design and implementation of scientific programmes supported” by the fund blurs the distinction between providing scientific advice and recommendations (the Scientific Advisory Board’s role) and program design and management (the Secretariat’s role). If the Scientific Advisory Board helps to design the programs it later evaluates, the Board’s independent technical guidance may be called into question.

The CHF should establish an Independent Technical Review Panel (ITRP), under the supervision of the LTC, with the sole function of reviewing, assessing, and rating submitted applications based on well-defined criteria. This would ensure a separation between technical evaluation (ITRP), scientific guidance (Scientific Advisory Board), and funding decisions (Management Board). ITRP rating reports would be shared with the Management Board, Council, and Assembly. The Management Board would retain final decision-making authority but would not override the ITRP ratings without documented reasons. The panel would be comprised of 12 non-state representatives, with expertise in relevant fields, and subject to strict conflict of interest requirements.

For purposes of Draft Regulation 9, the governing instrument should:

- Create the ITRP as a subsidiary body of the LTC comprised of non-States Parties members with demonstrated expertise in the range of activities that are eligible for CHF funding;
- Authorize the ITRP to assess and rate applications for funding, and provide those ratings to the Management Board for decision;

- Ensure there is a “firewall” between LTC members who are responsible for regulatory decisions affecting contractors and ITRP members responsible for rating applications for funding derived from contractor royalties; and
- Establish a reporting line from the ITRP to the Management Board (advisory bodies should report to the governing body whose decisions they inform, not to the plenary).

Draft Regulation 11: Performance Audit Board

The Performance Audit Board addresses a critical need: independent performance assessment of CHF-funded activities. Draft Regulation 11, however, states the Performance Audit Board “shall report annually to the Assembly,” bypassing the Management Board (See Draft Regulation 11.6). In both the GEF and GCF governance frameworks, independent evaluation functions report primarily to the governing body, which then transmits findings to the Assembly. Reporting directly to the Assembly – and not the Management Board – removes the primary operational governing body from the accountability loop and reduces the likelihood that performance findings will drive adaptive management.

Draft Regulation 11 combines two separate, distinct functions within the Performance Audit Board: 1) Performance audit (assessing the efficiency and effectiveness of programmatic activities); and 2) Financial audit (assessing the accuracy of financial statements). The GEF and GCF maintain separate independent evaluation and external financial audit functions.³⁵ Combining these functions may create a body that lacks specialized expertise in one or both of the functions, and the audit function is better performed by an independent, external organization.

For purposes of Draft Regulation 11, the governing instrument should:

- Change the primary reporting line so that the Performance Audit Board reports to the Management Board, and then transmits its findings to the Council and Assembly;
- Clearly separate the performance and financial audit functions, and assign the audit function to an independent external auditor;
- Emphasize the importance of independent evaluation and recommendations as part of the mandatory review process and delineate the role of the Performance Audit Board in conducting the review;
- Prohibit simultaneous service on the Performance Audit Board by members of any other governance body as well as the Secretariat staff, who are responsible for project design and management; and
- Add a provision requiring the Performance Audit Board to conduct, no later than four years after the governing instrument is adopted, a comprehensive evaluation of

³⁵ GEF, [Independent Evaluation Office](#) and GCF, [Independent Evaluation Unit](#).

the fund's governance structure and operational effectiveness to inform the governance bodies' consideration and decision-making, pursuant to the evolutionary approach, about whether to modify the fund's governance instrument, governance structure, or operations.

Draft Regulation 12: The Secretariat

Draft Regulation 12.2(d)(i) assigns the Secretariat responsibility for preparing "proposals for activities to be financed through the common heritage fund for consideration by the Management Board." Draft Regulation 12.2(a) requires the Secretariat to "administer the funds" of the common heritage fund and Draft Regulation 12.2(e) provides the Secretariat shall "monitor the implementation of activities." The Secretariat, therefore, must develop and submit project proposals, administer the funds that pay for those projects, and monitor the progress and effectiveness of the projects.

In the GEF model, the Secretariat's role is to manage relationships with Member States and implementing agencies, which submit proposals; track project progress; and facilitate the governing body's decision-making. In the GCF model, accredited agencies submit proposals. The BSF Secretariat's role is facilitation and administration, not proposal generation. Similarly, the CHF Secretariat should engage in program design, management, and oversight, but the Secretariat should not prepare project proposals.

Draft Regulation 12.1 states, the "Secretariat of the Authority shall be the secretariat of the common heritage fund." This is appropriate and consistent with the evolutionary approach as an interim arrangement until the governing bodies decide whether or not to modify the governance structure. The Draft Regulation should, however, provide for a CHF Director and CHF-dedicated staff within the ISA Secretariat staff, and establish a firewall between CHF staff and ISA Secretariat staff who perform regulatory functions.

For purposes of Draft Regulation 12, the governing instrument should:

- Ensure that the Secretariat does not prepare funding proposals;
- Specify that the role of the Secretariat with regard to proposals is to "Conduct initial administrative screening of grant proposals for eligibility and completeness, and transmit eligible proposals to the ITRP for technical assessment prior to Management Board consideration;"
- Designate a CHF Director and CHF-dedicated staff and establishing a firewall between grant administration and regulatory functions;
- Require the Secretariat to develop an Operations Manual for Management Board approval; and
- Direct the Secretariat to create and maintain a publicly accessible project registry, updated at least quarterly, listing all funded activities, their disbursement status, and linking to monitoring and evaluation reports.

New Proposed Regulation

The Draft Regulations do not include a trustee provision. Under Draft Regulation 5, the Secretary-General holds all investment authority. Under Draft Regulation 7, the Secretariat administers the funds. There is no independent fiduciary who holds CHF assets on behalf of the beneficiaries (humankind, States Parties, etc.) with legal obligations to those beneficiaries separate from the Secretariat’s institutional duties and interests.

The Santiago Principles (GAPP 17-19) require that investment management be subject to independent oversight and that there be a clear separation between asset ownership, investment management, and performance oversight. The World Bank serves as Trustee for the GEF Trust Fund and GCF. The FAO Finance Division functions as the internal trustee for the BSF, which is a trust account within the FAO and not a separate legal entity. On behalf of the BSF, the FAO Finance Division ensures compliance with FAO’s financial rules and provides reporting systems for donors and other stakeholders. During the initial period, the ISA Finance Division should establish the CHF as an ISA trust account and serve as the fund trustee.

Table 1. Common Heritage Fund Governance Structure

LEVEL 1: SUPREME AUTHORITY		
1	ISA Assembly	Reviews Council and Finance Committee recommendations; approves rules, regulations, and financial framework for equitable distribution; and provides oversight of CHF activities and performance.
LEVEL 2: EXECUTIVE OVERSIGHT		
2	ISA Council	Reviews Finance Committee recommendations; makes recommendations for rules, regulations, and financial framework for equitable distribution; and provides oversight of CHF activities and performance.
LEVEL 3: FINANCIAL AND BUDGET OVERSIGHT		
3	ISA Finance Committee	Performs Management Board functions; makes recommendations for rules, regulations, and financial framework for equitable distribution; provides oversight of CHF activities, including financial and budget issues; reviews CHF budget and financial performance; and advises Assembly and Council.
LEVEL 4: PRIMARY CHF GOVERNANCE BODY		
4	Management Board	Primary decision-making body for CHF operations and grant-making; approves funding proposals based on ITRP scoring – may disagree with ITRP but must document

		reasons; sets investment and grant-making policy, subject to Council and Assembly oversight; hosts Finance and Investment Subcommittee, comprised of Management Board members with expertise in financial management, investment, and/or multilateral fund governance.
LEVEL 5: ADVISORY & TECHNICAL BODIES (Reporting to Management Board)		
5a	Finance and Investment Subcommittee	Subcommittee of the Management Board; reports to Management Board; comprised of Management Board members with expertise in financial management, investment, and/or multilateral fund governance; provides guidance to Management Board; tracks asset management, investment policy, and financial and operational performance.
5b	Independent Technical Review Panel (ITRP)	Under supervision of LTC and reports to Management Board; comprised of non-state technical members; reviews, assesses, and scores applications; transmits ranked recommendations to Management Board, Council, and Assembly; firewall required between ITRP and LTC members with regulatory authority over contractors. Management Board may disagree with ITRP ranking but must document reasons.
5d	Performance Audit Board	Under supervision of and reports to Management Board; comprised of non-state technical members; separate from the independent, external financial audit function; conducts performance evaluations of CHF programs and grant outcomes, including in the context of the mandatory review.
5c	Scientific Advisory Board	Under supervision of the LTC and reports to Management Board; comprised of non-state technical members; provides scientific and technical guidance across portfolio on science, technology, and traditional knowledge issues and priorities; firewall required between Scientific Advisory Board and LTC members with regulatory authority over contractors.
LEVEL 6: OPERATIONAL		
6a	CHF Secretariat	ISA Secretariat-hosted; led by CHF Director; supports day-to-day operations and Management Board functions; handles administrative screening of proposals; does not prepare funding proposals; transmits eligible proposals to ITRP for review and ranking; manages grant cycle administration, monitoring, evaluation, learning, risk management, safeguards, stakeholder and partner engagement, and non-contractor resource mobilization.
6b	ISA Finance Division (Trustee)	Serves as Trustee with fiduciary responsibilities; custodial management of the trust account; clear separation between asset administration and Secretariat operational functions; mandatory review of Trustee, legal form, and governance

		structure within four years of adoption of governing instrument.
6c	Independent External Auditor	Conducts independent financial statement audits and financial oversight; function is separate from the Performance Audit Board, which focuses on operational and program performance; and contributes to the mandatory review process.

The Funds Available for Equitable Benefit Sharing

UNCLOS Part XI provides the legal framework for determining: 1) Which revenue flows are eligible for equitable distribution?; 2) What amounts must be deducted before equitable distribution?; and 3) How will the money available for equitable distribution be used to benefit humankind?

Revenue Flows Eligible for Equitable Distribution

Article 171 defines “the funds of the Authority” to include:

- Assessed Contributions from States Parties. These are the dues-based contributions used to fund ISA administrative expenses *before* contractor royalties materialize. Assessed contributions are *excluded* from the distributable pool because their designated purpose is for administrative expenses, not benefit sharing.
- Funds from Contractors under Annex III, Article 13. This is the contractor payment stream: royalties and fees paid by contractors from activities in the Area. Annex III, Article 13, as amended by Section 8 of the 1994 Amendment, provides for the following contractor payment types: 1) An application fee; 2) An annual fixed fee payable from commencement of commercial production, which may be credited against other payments due; and 3) A royalty or royalty-plus-profit-share system. The presumed payment regime, based on ISA negotiations, includes a two-stage royalty payment of 2.5%/7.5% (the 7.5% rate to commence five years into production); an annual reporting fee of \$1 million; and an annual fixed fee of \$500,000.³⁶
- Transfers from the Enterprise. Annex IV, Article 10 provides that the Enterprise shall transfer funds to the Authority from its net income. While possible in the future, this is a dormant source at present because the Enterprise has not commenced operations.

³⁶ IGF, “[System Of Payment For The Exploitation Of Mineral Resources In The Area: Updated Fiscal Model And Considerations For The ISA Council](#)” at Slide 11 (March 10, 2026).

- Voluntary Commitments. Article 171(e) provides that the funds of the Authority shall include “voluntary contributions made by members or other entities.” The Article authorizes voluntary contributions, providing a basis for Member State, philanthropic, and other contributions to the ISA or an ISA account or fund.

There have been various estimates of the revenues that contractors will generate from activities in the Area. Following on Technical Study No. 31, the Secretariat created a web-based model hosted on the ISA website that used *notional* amounts (\$250 million, \$500 million and \$1 billion per year) for estimating possible equitable distributions to States Parties under alternative equitable distribution formulas. Using notional amounts for estimating future distributions makes sense given the many uncertainties around the number and timing of mining sites, the productive capacity of sites, mineral prices, operating costs, and the amounts that will have to be deducted (ISA administrative expenses and Economic Assistance Fund payments) from contractor payments before equitable distribution begins.

The Secretariat retained consultants from MIT to develop a detailed financial model of a single deep-sea mining operation. This 2019 study found that a two-stage payment system, combining a lower royalty rate in early production years with a higher rate in later years, could generate cumulative ISA revenues of approximately \$3.85–4.0 billion per mine site over the life of a mine, or roughly \$90 to \$100 million per year on average over 35-45 years (the productive life of the hypothetical mine).³⁷

In 2023, MIT updated its model to reflect new metal prices and cost assumptions and introduced an analysis of how to ensure all contractors pay a comparable amount regardless of their sponsoring state’s tax regime. Using an updated fairness benchmark drawn from comparable land-based mining fiscal regimes, the analysis found that four different payment options then under negotiation at the ISA would generate similar revenues of approximately \$3.6 to \$3.7 billion per mine site over the life of the mine, or roughly \$90 to \$105 million per year on average.³⁸

The Metals Company (TMC), an ISA contractor, published a pre-feasibility study to evaluate the technical and economic viability of collecting, transporting, and processing nodules from “NORI Area D” (NORI-D) in the Clarion-Clipperton Zone.³⁹ While subject to several uncertainties, the NORI-D area is believed to be the deep-sea mining site closest to

³⁷ Kirchain, R., Roth, R., Field, F.R. III, Muñoz-Royo, C., and Peacock, T. (MIT Materials Systems Laboratory). [Report to the International Seabed Authority](#) on the Development of an Economic Model and System of Payments for the Exploitation of Polymetallic Nodules in the Area. Massachusetts Institute of Technology. Preliminary 31 March 2019; final received 3 June 2019.

³⁸ Roth, R., Kirchain, R., and Moore, E. (MIT Materials Systems Laboratory). [Financial Payment System for Deep Sea Mining of Polymetallic Nodules](#). Presentation to the International Seabed Authority Open Ended Working Group on Financial Modeling, Kingston, Jamaica, 10 July 2023.

³⁹ The Metals Company, [Technical Report Summary of Prefeasibility Study](#) of NORI Area D, Clarion Clipperton Zone (July 30, 2025)

production. At NORI-D’s projected steady-state production rate, ISA revenues from that single site could be roughly 2.5–2.7 times higher than the MIT model’s per-site baseline, potentially reaching \$240 to \$285 million per year, compared to the MIT estimate of \$90 to \$105 million per year on average, though this assumes full production is achieved and royalty rates (2.5%/7.0%) are finalized at MIT-modeled levels.⁴⁰

Amounts to be Deducted before Equitable Distribution

Article 173(2) provides for a prioritized allocation of funds received by the ISA; these funds must be deducted from the amounts collected from contractors under Annex III, Article 13 and other “funds of the Authority” prior to equitable distribution.

- Administrative Expenses. According to Article 173(2), the “administrative expenses of the Authority shall be a first call upon the funds of the Authority.” These expenses come off the top of *all* funds of the Authority, regardless of source. Once deep-sea mining starts, ISA administrative expenses, previously covered by assessed contributions from States Parties, will be financed by contractors’ payments, reducing the amount available for equitable distribution.

The ISA’s approved budget for 2025–2026 is \$27.1 million for the two-year period, or roughly \$13.5 million per year. This annual administrative cost will increase significantly as deep-sea mining activity increases and there is need to fund exploitation contract management, operationalization of the Economic Planning Commission, inspection and monitoring programs, and administration of equitable distribution allocations under Article 140 and Article 82, whether through direct distribution, the CHF, or an alternative approach.

- Economic Assistance Fund. Article 151(10) requires that the Assembly establish a system of compensation for developing land-based mining countries whose economies have been seriously affected by deep-sea mining. The 1994 Agreement provides that the ISA shall establish an Economic Assistance Fund from a portion of the funds of the Authority that “exceeds those necessary to cover the administrative expenses of the Authority.” Only funds from payments received from contractors, including through the Enterprise, and voluntary contributions can be used to establish the Economic Assistance Fund.

In 2020, a study commissioned for the ISA identified 13 developing land-based mining countries whose economies would be most likely affected by deep-sea mining, but the study did not quantify the amount that might be required to

⁴⁰ The MIT model assumes a mining site that will produce three million dry tonnes per year. NORI-Ds steady-state figure is approximately 8.2 million dry tonnes per year, a multiplier of roughly 2.7, resulting in the higher revenue estimate.

compensate these countries from the Economic Assistance Fund.⁴¹ Given the uncertainties associated with calculating the amount, some observers have suggested that the ISA might determine the amounts available for the Economic Assistance Fund by allocating a percentage from payments made by contractors.⁴²

- **Funding the Enterprise.** While Article 173(2)(b) states that the funds of the ISA may be used to finance the Enterprise, the 1994 Agreement provides that States Parties are under no obligation to finance any of the operations in any mine site of the Enterprise or under its joint venture initiatives. As a result, Technical Study No. 31 assumes that “no funds would be allocated to the Enterprise pursuant to Article 173.”⁴³ However, the study does discuss the possibility that the CHF could fund the Enterprise as an investment or a project.

Table 2. International Seabed Authority: Amount Available for Equitable Benefit Sharing

REVENUE INFLOWS	REQUIRED DEDUCTIONS	POOL AVAILABLE FOR EQUITABLE DISTRIBUTION
UNCLOS Article 171	UNCLOS Article 173	UNCLOS Articles 140 and 160(2)(g)
<p>Contractor Royalties and Fees: Production-based royalties and fixed administrative fees per licensed contractor site</p> <p>Voluntary Contributions: Authorized under Article 171(e); includes contributions from Member States, philanthropic organizations, and other donors</p> <p>Enterprise Transfers: Funds transferred from the ISA Enterprise once commercial operations commence (currently dormant)</p>	<p>ISA Administrative Expenses: First call upon all funds of the Authority; covers ISA operations, contract management, inspections, and administration; expected to rise materially as mining activity scales</p> <p>Economic Assistance Fund: Compensation for developing land-based mining states whose economies are adversely affected by deep-sea mining [Article 151(10)]</p> <p>Enterprise Financing: Discretionary allocation to support the Enterprise’s initial</p>	<p>The distributable pool — the balance after required deductions — may be shared through:</p> <ul style="list-style-type: none"> ➤ The Common Heritage Fund; ➤ Direct distribution to States Parties; or ➤ A combination of both approaches and/or alternative mechanisms

⁴¹ [ISA Technical Study No. 32](#), All-Russian Scientific-Research Institute of Mineral Resources, “Report to the International Seabed Authority: Study of the Potential Impact of Polymetallic Nodules Production from the Area on the Economies of Developing Land-based Producers of those Metals which are Likely to be Most Seriously Affected” (2022).

⁴² Wilde, Daniel, et al., Marine Policy, “[Equitable sharing of deep-sea mining benefits](#): More questions than answers” (March 12, 2023) at p. 4. The authors assume, for illustrative purposes and after acknowledging a high degree of uncertainty, that the Economic Assistance Fund could be allocated 25% of the ISA’s revenues from mining.

⁴³ Technical Study No. 31 at p. 24.

REVENUE INFLOWS	REQUIRED DEDUCTIONS	POOL AVAILABLE FOR EQUITABLE DISTRIBUTION
	deep-sea mining operations [Article 173(2)(b)]	
↓ Flows into ISA accounts	↓ Applied before distribution	★ Available for equitable sharing

The Pool of Funds Available for the Benefit of Humankind

The benefit-sharing pool of funds emerges after deductions are made for ISA administrative expenses and the Economic Assistance Fund. Article 173(2)(a) provides that the remainder “may be shared in accordance with Article 140 and Article 160, paragraph 2(g).”

The Finance Committee, Council, and Assembly have considered two principle mechanisms for equitable distribution: 1) Direct distribution to States Parties based on a formula that advances ownership (per capita) and redistributive (preferencing the interests and needs of developing States) objectives ; and 2) A Common Heritage Fund that would invest in capacity development, knowledge, competence and other activities related to the ocean with a view to enhancing the ISA’s contributions to the 2030 Agenda and the SDGs.

The next sections of the report examine these two options, direct equitable distribution and the Common Heritage Fund, in greater detail. A subsequent section suggests other possible options for equitable distribution, which could be considered in concert with, in parallel to, or instead of direct distribution and the CHF, or as future options that could be phased in over time, possibly triggered by mandatory review findings.

Direct Distribution of Funds to States Parties

In 1971, the Secretary-General of the United Nations issued a report on behalf of the Committee on the Peaceful Uses of the Seabed and the Ocean Floor beyond the Limits of National Jurisdiction that suggested two alternative distribution methods: 1) Direct distribution to governments; and 2) Allocation to specific international programs of particular interest to developing countries.⁴⁴ According to the report, before net proceeds reached a sufficiently large volume, direct distribution to governments might lead to a “fragmentation of financial resources,” which would result in benefits of modest significance to developing countries.

In 2022, Technical Study No. 31 proposed alternative equitable sharing rules and formulas, based on principles of equity and fairness, for direct distribution of royalties to States

⁴⁴ [Possible Methods and Criteria for the Sharing by the International Community of Proceeds and other Benefits Derived from the Exploitation of the Area](#) Beyond the Limits of National Jurisdiction (Document A/AC.138/38, 15 June 1971).

parties from activities in the Area. The authors of the technical study concluded that one of three formulas, “allocated shares from the geometric mean functional form,” had the greatest degree of global social welfare and produced the lowest relative inequality.⁴⁵ At a session in July 2023, the Finance Committee agreed the geometric mean formula provided “a useful starting point for conversation.”⁴⁶

As discussed above, Technical Study No. 31 and a subsequent web-based model hosted on the ISA website used *notional* amounts for purposes of estimating the amounts States Parties would receive the under the equitable distribution formulas. This chart (see below) shows the amounts that a select group of countries would receive based on the geometric mean formula using \$250 million as a notional amount available for equitable distribution.

Table 3. Annual Distribution to Sixteen Representative States Parties

Notional Amount Available for Equitable Distribution: \$250 million (0.01% floor and 16.31% ceiling)
 USD and GNI metrics are expressed using a 2015–2019 five-year average; population data is aligned to the same period
 Representative States Parties selected to show diverse geographies, populations, and GNI

State Party	Example Of	% of World Population	GNI Per Capita (US\$)	Benefits as % of GNI	Benefits as % of ISA Distributions	Benefits per Annum (US\$)
Bangladesh	LDC, Large population, Lower-middle income	2.45	1,613	0.00439	4.523	11,306,678
Barbados	SIDS, Very small population, High income	0.003	16,979	0.00059	0.012	28,788
Belize	Very small population, Upper-middle income	0.01	4,559	0.00168	0.012	28,788
Bolivia	LLDC, Small population, Lower-middle income	0.17	3,316	0.00104	0.154	385,640
Brazil	Large population, Upper-middle income	3.18	9,566	0.00012	0.993	2,481,928
Bulgaria	Small population, Upper-middle income	0.11	8,463	0.00016	0.038	95,543
China	Very Large population, Upper-middle income	21.23	9,320	0.00013	6.794	16,983,862
Egypt	Large population, Lower-middle income	1.48	3,197	0.00112	1.379	3,446,764

⁴⁵ As noted above, a subsequent study by Dale Squires, [Fair, Equitable, Efficient, and Just Sharing Royalties from Deep-Sea Mining](#): Report to the Finance Committee of the International Seabed Authority, who contributed to Technical Study No. 31, updated the original study’s equitable sharing equations with more recent data and, among other things, including the UN Multidimensional Vulnerability Index as a variable in the sharing rules (June 2025).

⁴⁶ International Seabed Authority, [ISBA/28/A/4-ISBA/25/C/13](#).

State Party	Example Of	% of World Population	GNI Per Capita (US\$)	Benefits as % of GNI	Benefits as % of ISA Distributions	Benefits per Annum (US\$)
Fiji	SIDS, Very small population, Upper-middle income	0.01	5,760	0.00057	0.012	28,788
Germany	Advanced economy, Large population, High income	1.26	47,639	0.00001	0.079	197,981
India	Largest population, Lower-middle income	20.51	1,916	0.00159	16.31	40,775,000
Maldives	SIDS, Very small population, Upper-middle income	0.01	8,930	0.00065	0.012	28,788
Nepal	LLDC and LDC, Medium population, Low income	0.42	925	0.01335	1.369	3,422,586
Nigeria	Large population, Lower-middle income	2.93	2,387	0.00201	3.657	9,142,182
Singapore	SIDS, Very small population, High income	0.09	57,679	0.00001	0.012	28,788

Using a \$250 million notional amount for annual equitable distributions (after deductions), we see relatively modest distributions of \$40.8 million (India), \$17 million (China), \$11.3 million (Bangladesh) and \$9.1 million (Nigeria) for the four largest beneficiary countries in this group, and very modest distributions of \$28,788 per year for Barbados, Belize, Fiji, Maldives, and Singapore. With an annual distribution pool of \$1 billion, these countries would receive allocations of approximately \$115,000 per year.

Direct distribution would be relatively simple and less expensive than a fund: the ISA would receive contractor payments, apply the distribution formula, and transfer funds to States Parties. Most of the governance risk would be on the recipient end, where they would be subject to domestic political accountability. Moreover, in recent years, some multilateral funds have been subject to criticism for high administrative costs, slow disbursement, complex access requirements that disadvantage the least developed states, and investment decisions that may reflect donor priorities more than recipient interests and needs.

However, as the 1971 report predicted, the chart above demonstrates, and Technical Study No. 31 and various analysts have argued, the amounts available from royalties on a per-country basis, after required deductions, could be small and have modest impacts.⁴⁷ Under any realistic near- or mid-term revenue scenario, distributing proceeds across 171

⁴⁷ See, for example, Wilde, Daniel, et al., [Equitable sharing of deep-sea mining benefits](#): More questions than answers, Marine Policy, (March 12, 2023) and Planet Tracker, “Race to the Bottom: Deep sea mining provides minimal financial benefits for countries” (November 14, 2024).

States Parties would produce amounts that are too small to have meaningful impact at the national level for most recipients.

Direct distribution of cash also raises questions about the CHM principle's intergenerational equity requirement. Natural resource economics provides that sustainable development across generations requires that rents (surplus above extraction costs) from non-renewable resource extraction be preserved or reinvested in natural, physical, or human capital. If rents are consumed rather than reinvested, natural capital is drawn down and human welfare will decline. If the rents earned from that extraction, however, are reinvested in capital, total wealth is maintained and future generations can sustain the same or a similar level of consumption as the current generation.⁴⁸

The ISA could follow a hybrid approach in which the CHF administers both direct distributions and grant-based funding.

Common Heritage Fund: A Multilateral Trust Account

This section of the report examines what form the CHF could take, given the CHM principle and the expected size of the fund during the next several years.

Sovereign Wealth Funds. Sovereign wealth funds (SWFs) are state-owned investment vehicles established to manage, dispense, and invest national income, usually from natural resource extraction. There are more than 100 active SWFs in at least 60 countries; assets under management surpassed \$15 trillion in December 2025.⁴⁹ Natural resource funds (NRFs) are a subset of SWFs whose capitalization derives specifically from extractive resource rents, principally oil, gas, and minerals. SWFs and NRFs offer valuable governance best practices, including the Santiago Principles (see discussion above), but the CHF would not be a sovereign wealth fund and should not be considered one for several reasons:

- The ISA is not a sovereign and does not hold sovereignty over the Area and its resources – it is a multilateral organization established under UNCLOS with a fiduciary mandate;
- The ISA does not have a single national interest to prioritize or fiscal position to protect;
- Dutch Disease, where a rapid influx of foreign currency from extractive enterprises causes a country's currency to appreciate, making other sectors like manufacturing and agriculture less competitive and subject to decline, does not apply; and

⁴⁸ Hartwick, J.M., [Intergenerational Equity and the Investing of Rents from Exhaustible Resources](#),” American Economic Review, 67(5), 972–974 (1977).

⁴⁹ Global SWF, [2025 Annual Report](#) and Data Platform (2025). globalswf.com

- While important, commodity price volatility is a less urgent concern (i.e., price volatility in polymetallic nodule markets would not create a fiscal crisis for the ISA in the way that an oil price collapse could create a fiscal crisis for an oil-dependent state).

Multilateral Trust Account. While the CHF would be funded from royalties and fees from exploitation of natural resources, like an NRF, the ISA’s multilateral status means that a multilateral trust fund or trust account would be the most appropriate legal form. Draft Regulation 7 provides that the Secretariat shall administer the CHF’s funds,⁵⁰ which would require the ISA to establish a trust account using the Authority’s financial management systems and controls.

The Benefit Sharing Fund (BSF), which shares several features with the CHF, provides useful design guidance:

- Hosted Within an Intergovernmental Institution. The BSF operates as a trust account within the Food and Agriculture Organization of the United Nations (FAO), with no separate legal personality, using the FAO’s administrative, financial, and governance infrastructure.
- Shared Stewardship of a Common Resource. Recognizing that plant genetic diversity is a global public good, countries voluntarily pool genetic resources held in their national gene banks and make those resources accessible to developing countries through a multilateral system. This framework is based on the premise that certain resources require collective governance and equitable benefit sharing as a matter of principle.
- Multilateral Benefit-Sharing Mechanism. The BSF is a mechanism designed to equitably share benefits, derived from private sector use of shared resources, with developing states.
- Combines Monetary and Non-Monetary Elements. The monetary element involves payments by companies that develop patented products derived from shared genetic materials. Non-monetary benefits include access to genetic materials, scientific knowledge, training and capacity building, and technology transfer.
- Openness to Incremental Changes to Governance Structure. While not adopting the “evolutionary principle” by name as a design principle, the Plant Treaty has followed an evolutionary path in practice, starting within the host institution, building governance incrementally, and leaving open the question of structural evolution if scale and complexity increases.

⁵⁰ International Seabed Authority, [ISBA/29/FC/2](#), Annex.

The FAO’s experience with the BFS, whose resources are still at a relatively modest scale, suggests that ISA serving as the trust account host and trustee is a viable pathway, provided strong governance best practices are implemented (see discussion above) and, consistent with the evolutionary approach, the fund’s governing instrument establishes when the governing bodies will review and decide whether to modify the legal form and governance structure.

Replenishment-Based Trust Account. The draft objectives in the Finance Committee’s July 2023 report stated, “The fund is not intended to build wealth, like a sovereign wealth fund but rather be spent on worthwhile initiatives and projects.”⁵¹ In the context of multilateral trust funds, a “replenishment-based trust account” (sometimes referred to as a “flow fund” or “non-endowment fund”) is a type of financial instrument where contributions are intended to be disbursed relatively quickly for specific projects, programs, or operational costs, rather than being invested to generate income over time. These funds play a central role in multilateral development finance, providing flexible resources for immediate needs, such as high-priority projects, capacity building, and technical assistance.⁵²

As revenues from activities in the Area increase, pursuant to the evolutionary approach, the ISA could re-assess, as part of the mandatory review, whether to establish an endowment fund as a component of its financial mechanism. At least in the short term, the amounts available for equitable sharing are expected to be relatively modest, so earnings from principal at a 3-4% rate of return would not generate meaningful distributions. For purposes of the CHM principle, however, an endowment fund, which could be established as a complement to a replenishment-based account, would advance intergenerational equity, creating a stable, long-term funding source for future generations.

Objectives of the Fund

While not making any final decisions and expressing interest in maintaining flexibility with regard to the development of the CHF concept, the Finance Committee has provided guidance⁵³ on the fund’s objectives:

- Focus on the ocean, rather than other global commons;
- Expand beyond the Area to include the high seas;
- Invest in capacity development, knowledge, and competence related to the ocean with a view to enhancing the ISA’s contributions to the 2030 Agenda and the SDGs; and

⁵¹ International Seabed Authority, [ISBA/28/A/4-ISBA/28/C/13](#) at p. 8.

⁵² The GEF Trust Fund, Green Climate Fund, and Multilateral Fund for the Montreal Protocol rely on replenishment cycles. The BFS and Cali Fund (companies and users of digital sequence information can contribute to global biodiversity conservation) are replenished from voluntary and private sector contributions.

⁵³ International Seabed Authority, [ISBA/28/A/4-ISBA/25/C/13](#).

- Allocate resources on “worthwhile initiatives and projects,” rather than on building wealth like a sovereign wealth fund.

Draft Regulation 3, “Objectives of the Common Heritage Fund,” provides:

“The objective of the common heritage fund is to invest in capacity development, scientific knowledge of the Area and [ocean] valorization, as well as in competence related to the ocean, with a view to enhancing the contributions of the Authority to the effective implementation of the Convention and other relevant global commitments [, including the 2030 Agenda for Sustainable Development].”

A focus on investments in scientific knowledge and capacity development related to the Area and the high seas reflects the legal architecture and purpose of Part XI of UNCLOS, which is anchored in the CHM principle and the Area and its resources. This initial focus would maximize the fund’s legal and operational coherence in its formative years, while directly reflecting the redistributive intent of the CHM principle by prioritizing the knowledge and capacity of developing states to participate meaningfully in the governance, science, and activities of the Area.

Consistent with the evolutionary approach, as the fund establishes an institutional track record and as mining revenues mature, the ISA could consider expanded objectives to include coastal areas and investments in conservation, climate resilience, and other ocean-related global public goods. An expanded focus in a later phase to include not only the Area and the high seas but coastal areas would be consistent with the CHM principle because many developing countries’ most immediate ocean-related needs – food security, livelihoods, climate adaptation, and coastal protection – are in these areas. In the longer term, focusing on coastal areas could add substantial value for humankind and address intergenerational equity, as averting the loss of critical coastal ecosystem services would provide significant benefits for future generations.

An expanded scope in a later phase could also include more active collaboration and co-financing with other multilateral funds, particularly the BBNJ Treaty financial mechanism,⁵⁴ and exploring innovative finance approaches including blended finance.⁵⁵

⁵⁴ The BBNJ Agreement entered into force on January 17, 2026. Both the ISA and BBNJ Treaty mechanisms operate under UNCLOS in areas beyond national jurisdiction and include mandates for benefit sharing, marine scientific research, capacity building, technology transfer, marine environment protection, and environmental impact assessment. As the CHF and BBNJ funding mechanism mature, collaboration between the funds could increase to include inter-Secretariat coordination on best practices and lessons learned, funding prioritization, data sharing, and co-financing.

⁵⁵ In a later phase, the CHF could play a catalytic role in accelerating action to achieve development goals addressing inequality and the conservation and sustainable use of the ocean by deploying blended finance approaches. Blended finance uses concessional finance, including below-market loans, credit guarantees, and first-loss capital, to improve risk-return profiles on investments in a wide-range of sectors with the goal of improving sustainable development outcomes. The CHF could partner, for example, with an ocean finance mechanism like One Ocean Finance, a platform that is being designed by the UN and partners to pool

Activities Eligible for Funding

Draft Regulation 4, “Activities Eligible for Funding,” states: “The activities to be financed by the common heritage fund in accordance with the policies and guidelines of the Authority include”:

- Funding research in support of advancing knowledge and protection of the deep-sea and ecosystems functions with a special focus on deep-sea benthic habitats and migratory species present in the Area;
- Scaling up the network and capacity on ocean data and science, including in support of the creation of area-based management tools in areas beyond national jurisdiction and support for national- and regional-level investments in advancing scientific research and marine data;
- Providing qualified scientists and technical personnel from developing States with opportunities to participate in international marine scientific research programmes, including through on-board training, technical assistance and scientific cooperation programmes;
- Contributing to the design, development and implementation of dedicated capacity development programmes and activities aligned with the priority needs identified by developing members of the Authority and with the capacity development strategy of the Authority;
- Developing and strengthening the institutional capacity of developing countries, including through assistance in the development of national legislation, deep-sea literacy and technology hubs; and
- Establishing and running regional training centres as foreseen under article 276 of the Convention and in conformity with the priorities identified under article 140 of the Convention.

The CHF’s “eligible activities,” which are listed in Draft Regulation 4, are largely aligned with the ISA Strategic Plan, Action Plan for Marine Scientific Research, and Capacity Development Strategy; this would position the CHF, at least in an initial phase, as a funding mechanism for existing ISA instruments, rather than as a parallel structure.

Aligning with ISA Strategies and Plans

The Draft Strategic Plan 2024–2028 establishes equitable benefit sharing and full participation of developing states as core institutional commitments. Strategic Directions 5 and 6 provide an organizing framework within which CHF grants for scientific training,

proceeds from industry and deploy those funds through blended finance, catalytic capital, and grants to achieve “win-win-win” outcomes that benefit people, companies, and the ocean. On average, blended finance funds have leveraged \$4 of commercial capital for every dollar of concessional capital. Convergence, “[How much does a dollar of concessional capital mobilize?](#)” (February 21, 2023)

technology transfer, and institutional strengthening could operate.⁵⁶ The plan's Strategic Direction 5.2 designates the ISA Partnership Fund as the primary platform for resource mobilization and capacity development. The CHF, as a mandatory benefit-sharing mechanism grounded in Article 140, would supplement the Partnership Fund's voluntary contributions to a significant extent with a more durable financial foundation.⁵⁷

The Action Plan for Marine Scientific Research in Support of the UN Decade of Ocean Science for Sustainable Development defines six strategic research priorities that map directly to activities the CHF could support at scale, from advancing understanding of deep-sea ecosystems and standardizing biodiversity assessment methodologies to promoting open data sharing and strengthening the deep-sea scientific capacity of developing states, including SIDS, LDCs and LLDCs.⁵⁸

The Capacity Development Strategy 2022–2030 reinforces this framework, grounding capacity development for developing states in UNCLOS Articles 143, 144, and 148 as a legal obligation of the Authority, and establishing that programming should be demand-driven and aligned with priority needs identified by developing States Parties themselves, precisely the governance principle the CHF's distribution methodology would be designed to address.⁵⁹

Advancing Intergenerational Equity

The CHM principle carries an inherently intergenerational dimension: the resources of the Area are to be held in trust not only for the present generation, but for future generations as well. Funding research to advance knowledge; scaling up ocean data and science capacity; supporting training, technical assistance, and scientific cooperation programmes; and strengthening the institutional capacity of developing countries advance intergenerational equity by ensuring that the benefits of deep-sea mining have sustained, lasting impact.

Scientific research expands the knowledge base on which sound, long-term stewardship of the Area depends, while training and capacity building provide developing States Parties, particularly least-developed and landlocked countries, with the expertise and institutional capacity needed to meaningfully participate in activities in the Area over time. Together, these investments widen the circle of States Parties and citizens, from current

⁵⁶ International Seabed Authority, Draft Strategic Plan of the Authority for the Period 2024–2028, [ISBA/28/A/7](#).

⁵⁷ Since its establishment in 2022, the [Partnership Fund](#) has received contributions totaling approximately USD 204,644 from four member states: France, Greece, China and Mexico. ISA Partnership Fund, contribution figures current as of 2025. The Fund was established by Assembly decision ISBA/27/A/10 on August 3, 2022 as a trust fund within ISA, pursuant to regulation 5.5 of the ISA Financial Regulations.

⁵⁸ International Seabed Authority, [Action Plan in Support of the United Nations Decade of Ocean Science for Sustainable Development](#), ISBA/26/A/17 (adopted December 2020).

⁵⁹ International Seabed Authority, [Capacity Development Strategy 2022–2030](#), ISBA/27/A/5 (June 2022); endorsed by the Assembly, November 2022 (Decision ISBA/27/A/11).

and future generations, who are able to engage with, benefit from, and exercise responsible stewardship over the ocean’s shared resources.

Supporting Joint Training and Research Centres

The establishment and sustained operation of a network of national and regional Joint Training and Research Centres (JTRCs) are referenced in Draft Regulation 4 and all three of the ISA strategies and plans. The Capacity Development Strategy designates as formal outputs both “national and regional training and research centres” for the benefit of developing states and “a network of national and regional training and research centres with complementary scope of work and actions established to support the capacity development mandate of ISA.”

The establishment and sustained operation of a network of JTRCs would advance the objectives of Articles 275 and 276, which require states to promote the establishment of national and regional marine scientific and technological research centres to, in the case of national centres (Article 275), “stimulate and advance the conduct of marine scientific research by developing coastal States and to enhance their national capabilities to utilize and preserve their marine resources for their economic benefit” and, in the case of regional centres (Article 276), “promote the establishment of regional marine scientific and technological research centres, particularly in developing States, in order to stimulate and advance the conduct of marine scientific research by developing States and foster the transfer of marine technology.”

Implementation to date has been limited to two centres, the ISA-China JTRC in Qingdao (2020) and the ISA-Egypt JTRC in Alexandria (2024), a gap that CHF grant funding could directly address, enabling the ISA to meet an obligation at a scale commensurate with the needs of its developing States Parties, with priority for countries where deep-sea and high seas scientific and technical capabilities are limited.

Prohibiting Funding for Activities that Are the Responsibility of Contractors

Finally, with regard to eligible activities, Draft Regulation 4 should include a provision that precludes funding for any activity that should be the responsibility of contractors. Using the CHF to finance these activities could be considered a subsidy and reduce the financial benefits available for equitable distribution.⁶⁰ Broadening the scope of the fund beyond the

⁶⁰ See [Wilde](#), et al. at p. 7 and [Planet Tracker](#) at p. 15. Article 144 and Annex III, Article 15 create specific obligations on contractors and sponsoring States Parties relating to technology transfer. Annex III, Article 15 requires contractors to develop training programs for developing States personnel. The CHF should fund activities to support technology transfer, training programs, and technical assistance that are different from what contractors and sponsoring States are obligated to provide. The CHF governing instrument should clearly define this difference.

Area to the high seas could lessen the likelihood that CHF distributions would subsidize the industry.

Options for a Phased Approach to Equitable Benefit Sharing

Article 140(1) creates two axes: 1) A universal mandate (equitably sharing benefits with “mankind as a whole, irrespective of geographic location;” and 2) A priority requirement (“taking into particular consideration the interests and needs of developing States and of peoples who have not attained full independence or other self-governing status”).

Article 140(2) authorizes equitable sharing “through any appropriate mechanism,” which provides the legal basis for the Council and Assembly to decide, based on the recommendation of the Finance Committee, to establish a grant-making fund as an alternative or complement to direct cash distribution. Every grant would be made pursuant to UNCLOS’s equitable distribution requirements and comply with the governing instrument’s provisions on CHF objectives and eligible activities.

Consistent with Article 140 as well as Draft Regulation 3 (objectives) and Draft Regulation 4 (eligible activities), this report proposes that the CHF focus, in its initial phase, on scientific research, ocean data, capacity building, training and technical assistance, regional science and technology centres, with the option in a later phase to expand the: 1) Geographic scope beyond the Area and high seas to include coastal waters; and 2) Eligible activities to include investing in other “ocean global public goods,” including conservation, sustainable use of the ocean, climate resilience, and sustaining vital ecosystem services.

This phased approach would align the CHF’s initial programming with the ISA’s Strategic Plan, MSR Action Plan, and Capacity Development Strategy, include a geographic scope that is proximate to the Area, and allow sufficient time to establish the fund’s operational and programmatic track record. As revenues increase and the CHF demonstrates its capacity to govern a more ambitious portfolio, the geographic scope and eligible activities could expand at the discretion of the Finance Committee, Council, and Assembly.

The Grant-Making Framework: Two Windows for Equitable Distribution

The CHF’s grant-making framework could be organized around two complementary windows, reflecting the fund’s dual focus: 1) Equitable redistribution of proceeds from activities in the Area; and 2) Strategic investments in ocean knowledge and capacity for the benefit of humankind as a whole. Together, the two proposed windows would operationalize both pillars of the CHM principle: an Equitable Distribution Window would ensure that no eligible state is excluded from meaningful access to benefits derived from mining activities in the Area and address the intergenerational equity mandate. The Joint Training and Research Centres Window would ensure that resources are deployed

strategically to build the durable organizational infrastructure through which the redistributive promise of Part XI can be realized over the long term.

Window One: Equitable Distribution

Design Principle: Window One, the Equitable Distribution Window, would operate on a rights-based entitlement model with a merit-based component. Consistent with Article 140's mandate to ensure equitable sharing of financial and other economic benefits derived from activities in the Area, with particular consideration for the interests and needs of developing states, each eligible state would have a funding envelope percentage calculated using the geometric mean of population share and inverse GNI per capita share described in Technical Study No. 31, with a Multidimensional Vulnerability Index (MVI) variable included.⁶¹

This formula would be used to determine a funding envelope percentage for States Parties that produces proportional, redistributive, equity-sensitive allocations without requiring states to compete for resources derived from their collective heritage. The funding envelope would be a ceiling on what a state could access in a given cycle, not a guaranteed transfer; access would be activated by submission of an eligible proposal meeting defined criteria. At the discretion of the Assembly, the percentage could be adjusted based on the number of States Parties that submit eligible proposals during a funding cycle.

Eligible Activities: Window One grants would support scientific research related to the Area and high seas, ocean data collection and management, capacity development, training and technical assistance, and technology transfer, consistent with the eligible activities defined in Draft Regulations 3 and 4.

Eligibility and Access Criteria: The following threshold conditions would have to be met for a proposal to be considered, but they would not be scored:

- The applicant state is a party to UNCLOS and a member in good standing of the ISA;
- The submitting entity is a recognized national authority, a qualifying public research institution or university, or a regional organization acting on behalf of States Parties with a documented mandate to do so;
- The proposed activities fall within the eligible activity categories for Window One;

⁶¹ The [Multidimensional Vulnerability Index](#) was endorsed by the United Nations General Assembly in 2024. Designed as a universal benchmark, the MVI evaluates structural vulnerability and resilience across economic, environmental, and social dimensions. It complements traditional income-based metrics like Gross National Income (GNI), allowing international institutions to better assess which developing countries are at highest risk from external shocks.

- The applicant demonstrates, or has a credible plan to develop, basic financial management and accountability systems sufficient for the grant size requested;
- The proposal includes a monitoring, evaluation, and learning framework proportionate to the scale of the grant;
- To maximize access for the smallest and most capacity-constrained states, the CHF Secretariat would provide dedicated application preparation support, including technical assistance grants of up to USD 15,000 per applicant per cycle, and maintain a streamlined, single-stage application process with a target determination period of no more than 120 days from submission to decision.

Quality and Prioritization Criteria: Where demand within a state’s envelope exceeds available funds, or where multiple proposals are submitted by a state, the following criteria would be applied to prioritize among proposals (the proposals would be scored by the ITRP):

- Alignment with national ocean science, capacity development, or sustainable development priorities, as evidenced by national plans, NBSAPs, NDCs or equivalent instruments;
- Demonstrated or credibly planned absorptive capacity of the implementing entity;
- Additionality relative to existing official development assistance (ODA), contractor training obligations, and domestic expenditures;
- Quality of the monitoring, evaluation, and learning framework; and
- Potential for knowledge-sharing, replication, or regional spillover beyond the primary grantee.

Impact and Scaling Top-Up: A ring-fenced sub-account equivalent to 20% of Window One’s annual budget could be reserved for an impact and scaling bonus, available to proposals that demonstrate exceptional potential for transformative impact, significant scaling, or catalytic leverage of additional resources. The top-up would complement the base allocation: a proposal that meets only eligibility and access criteria would remain fundable from the base envelope; the top-up would reward ambition above that floor and be assessed against the following additional criteria:

- Evidence of a credible pathway to scale, including through regional replication, institutional mainstreaming, or leveraging co-financing;
- Demonstrated potential to generate knowledge products, datasets, or methodologies of broad benefit to the ISA membership and the global ocean science community;
- Strength of partnerships with regional or international scientific institutions, including ISA-affiliated JTRCs; and
- Degree to which the proposal addresses documented gaps in deep-sea scientific knowledge or capacity identified in the MSR Action Plan or Capacity Development Strategy.

The top-up awards could increase a base grant by up to 40% of a country's funding envelope, subject to the 20% sub-account ceiling. These awards would be determined by the Management Board on the recommendation of the ITRP, with decisions being published and accompanied by a clearly-stated rationale for the award. Developed States Parties could decide not to access their funding envelope; these funds could be contributed to the top-up Equitable Distribution sub-account and be treated as voluntary contributions. Alternatively, the Assembly could decide to limit participation in Window One to developing States Parties.

Pursuant to Article 140(1), peoples who have not attained full independence or other self-governing status could be eligible applicants. Both territorial governments and the administering state would have to endorse the grant application and distributions would count against the state's allocation. Freely associated states (e.g., Cook Islands and Niue) would participate directly without administering state endorsement.

Window One could include criteria that preference programs led by Indigenous Peoples and local communities (IP&LCs) or create a dedicated funding sub-window for IP&LCs.

Window Two: Joint Training and Research Centres

Design Principle: Window Two, the Joint Training and Research Centres Window, would provide dedicated grant financing for the establishment, operationalization, and sustained programming of national and regional Joint Training and Research Centres for the benefit of developing States Parties, pursuant to the programmatic priorities of the Capacity Development Strategy and MSR Action Plan, and the obligations set out in UNCLOS Articles 275 and 276. The proportion of annual CHF income allocated to Window Two would be determined by the Management Board, which would have the discretion to adjust the allocation across cycles in response to demonstrated demand, regional coverage gaps, and the maturity of the JTRC network.

Eligible Activities: Window Two would support the establishment of new JTRCs, operationalization and programming of existing JTRCs, development of curricula and training materials, deployment of scientific equipment and data infrastructure, and design and delivery of regional training programmes in marine science and technology, technology transfer, deep-sea environmental management, and ISA regulatory processes.

Allocation and Governance: JTRC grants would be awarded by the Management Board following a streamlined proposal process open to States Parties, regional organizations, and qualifying scientific institutions with a demonstrated mandate and capacity to host or anchor a JTRC. In exercising its discretion over Window Two allocations, the Management Board would be guided by the principle of equitable regional coverage – prioritizing regions where deep-sea scientific capacity is most limited and where no JTRC currently operates – and by the Capacity Development Strategy's demand-driven principle that programming must be aligned with priority needs identified by developing States Parties themselves.

Table 4. Common Heritage Fund: Proposed Funding Windows

Window	Name and Funding	Key Features
W1	<p>Equitable Distribution Window (EDW) <i>100% of available funds, net of JTRC distributions in the cycle</i></p>	<p>Model: Country envelopes calculated using the geometric mean of population share and inverse GNI per capita, with MVI variable, consistent with Article 140. Envelopes are ceilings, not guaranteed transfers.</p> <p>Eligible activities: Scientific research; ocean data collection and management; capacity development; training and technical assistance; and technology transfer.</p> <p>Access criteria: States Parties; eligible submitting entity; activities within eligible categories; financial management systems in place or credibly planned; and MEL framework included.</p> <p>Prioritization criteria (when demand exceeds available funds): Alignment with national priorities; absorptive capacity; additionality; MEL quality; and potential for replication or regional spillover.</p> <p>Impact and Scaling Top-Up: 20% ring-fenced amount available for proposals demonstrating exceptional impact and scaling potential.</p> <p>Application support: Technical assistance grants up to USD 15,000 per applicant per cycle. Single-stage process; decision within 120 days of submission.</p>
W2	<p>Joint Training and Research Centres Window (JTRCW) <i>Amount determined by Management Board each cycle</i></p>	<p>Legal basis: Articles 275 and 276; Capacity Development Strategy; MSR Action Plan; and Assembly Decision.</p> <p>Eligible activities: Establishment and operationalization of national and regional JTRCs; curricula and training materials; scientific equipment and data infrastructure; regional training programmes in marine science and technology, deep-sea environmental management, and ISA regulatory processes.</p> <p>Eligible applicants: Developing States Parties, regional organizations, and qualifying scientific institutions with demonstrated mandate and capacity to host or anchor a JTRC.</p> <p>Allocation principles: Management Board prioritizes regions where deep-sea scientific capacity is most limited and no JTRC currently operates, guided by the Capacity Development Strategy’s demand-driven principle.</p>

Roadmap for Design and Implementation

Pursuant to the evolutionary approach, the CHF would be hosted and managed within the ISA, adopting the Authority’s legal personality and leveraging its financial, human

resources, and IT systems. This approach would reduce start-up costs and timelines, particularly when compared to standalone fund models.

The following roadmap sets out the actions that will be needed to establish the CHF, starting with stakeholder consultations; a formal design process; Finance Committee and Council recommendations; approval by the Assembly; establishing the trust account, adopting the governing instrument; and scaling up the support that will be needed to launch and manage the fund.

Phase 1: Stakeholder Consultations (Months 1-6)

- Engage with ISA States Parties groups on the design of the fund;
- Consult with ISA focal points from developing States Parties, including SIDs, LDCs, and LLDCs, to receive inputs on priority needs, institutional constraints, and preferred modalities of access;
- Host small-group meetings with expert practitioners, including representatives of comparable multilateral funds, leading scholars on UNCLOS and benefit-sharing design, civil society organizations with deep expertise in ocean governance and equity, and private sector actors;
- Convene regional workshops and webinars to ensure inclusive, equitable participation and inputs from States Parties and other stakeholders; and
- Prepare a Consultation Summary Report to document the range of views received, explain how they have been taken into account, and identify areas of unresolved disagreement requiring political resolution by the Finance Committee, Council, and Assembly.

Phase 2: Formal Design Process (Months 7 to 24)

- Decide whether to proceed to a formal design phase
- Establish a Design Working Group comprised of Finance Committee members and independent experts in fund structuring, governance, and ISA legal requirements and operations
- Draft governing instrument covering legal status; alignment with UNCLOS requirements; adherence to the evolutionary approach; governance structure; objectives and eligible activities; trustee arrangement; and mandatory five-year review
- Prepare the following policy documents: Environment and Social Safeguards; Monitoring, Evaluation and Learning (with a Results Framework); Transparency Policy; Risk Management Framework; Gender Policy; Grievance Mechanism; and AI Policy
- Finalize trust account legal agreement and financial management protocols
- Develop resource mobilization strategy and revenue projections (from contractor royalties/fees and voluntary contributions)

- Present complete design package (the governing instrument and policy documents) to Finance Committee and Council for review and endorsement and Assembly for consideration and approval

Phase 3: ISA Assembly Adoption (Month 25)

- Assembly considers Finance Committee and Council recommendations and design package
- Assembly adopts the design package, authorizes the trust account, approves a biennial budget to be funded as a reimbursable ISA administrative cost, and delegates needed authority to the Management Board
- ISA Secretariat executes the trust fund legal agreement with designated trustee and signs hosting agreement

Phase 4: Pre-Operational Phase (Month 26 to Start of Production)

- Create the trust account and transfer allocated budget to the account
- Appoint an Interim Director and two FTEs to establish CHF Secretariat
- Management Board holds first meeting and adopts governing instrument and policy documents
- Interim Director works with ISA Secretariat to establish shared HR, IT, and financial systems and CHF website
- Post governing instrument and policy documents on the website
- Consult with stakeholders and donors about collaboration and possible voluntary contributions
- Conduct a financial modeling exercise to determine minimum revenue thresholds for commencing distributions, a liquidity reserve policy, and a readiness assessment that must be completed before the fund becomes operational

Phase 5: Operational Phase (Phase 5 Starts when Production Begins)

- Secure CHF office space
- Interim Director and transitional staff complete terms
- Recruit first five CHF Secretariat staff: Director, Senior Grant Officer, Science & Knowledge Officer, Finance Officer, and Administrative & Operations Coordinator (See Secretariat staffing requirements and costs in the next section)
- Pause on recruiting an additional five Secretariat staff until sufficient sums are received in the trust account
- Management Board begins quarterly meetings
- Scientific Advisory Board, ITRP, and Performance Audit Board members retained and hold first meetings
- Convene CHF Inception Workshops with focal points, prospective grantees, civil society organizations, and potential donors and co-funders
- Management Board approves Operations Manual and first call for proposals

- Post Risk Management Dashboard

Phase 6: Mandatory Review Modifications (Phase 6 would be triggered by any changes recommended as a result of the five-year mandatory review, which would be completed five years after the adoption of the governing instrument)

Operational Framework and Staffing

Given the uncertainties associated with the timing of exploitation, full production, number of mining sites, and how much revenue will be available for equitable sharing, operations and staffing levels should be phased in based on milestones. The CHF’s operations and staff should be lean in the early years, with the ability to scale and accelerate activities as royalties start to flow into the trust account.

Operations and staffing would scale as production and royalty payments start, with sufficient FTEs on board to ensure the fund is ready for implementation. Pursuant to the evolutionary approach, a limited number of ISA Secretariat staff could be dual hatted to support the launch of the fund. Costs in Phases 1 through 4 would be modest and include support for regional consultation workshops; the Design Working Group; and the Interim Director and two support FTEs.

The following table estimates FTE numbers, grades, and functions when full production, payments, and programming have commenced. Five FTEs would be recruited in Phase 5 (operational phase); the remaining five FTEs would not be recruited until sufficient sums are received in the trust account.

Table 5. Common Heritage Fund Secretariat Staff

Number	Position	Grade	Function
1	Director	D-1	CHF leadership, stakeholder and donor engagement, spokesperson, Assembly/Council/Finance Committee liaison and reporting
2	Senior Grant Officer	P-4	Full grant cycle management and oversight
3	Science & Knowledge Officer	P-4	Ensure scientific rigor in programming, and coordinate Advisory Body and ITRP activities
4	Finance Officer	P-3	Liaison to Trustee, income and disbursements, financial reporting, and audit coordination
5	Legal & Governance Officer	P-3	Liaison to ISA Legal, grant agreements, compliance, and governing body documentation

Number	Position	Grade	Function
6	Programme Officer	P-3	Support for Senior Grant Officer
7	MEL Officer	P-3	Monitoring, evaluation, and learning lead, and Advisory Board and ITRP technical support
8	Deputy Programme and MEL Officer	P-3	Support for Programme and MEL officers
9	Communications and Outreach Officer	P-3	External communications, stakeholder engagement support, website, and annual report
10	Administrative & Operations Coordinator	GS-6	Administrative, HR, travel, and meeting logistics support

Personnel costs for the initial five FTEs would be \$1,099,080 per year; annual costs for the next five staff during a later phase would be \$783,840.⁶² Estimated total costs per year once initial operations start would be:

Table 6. Common Heritage Fund: Estimated Annual Costs

Cost Category	Annual Cost	Notes
Personnel	\$1,099,080	See positions and functions above.
Operating Costs	\$630,000	Office space, IT/grant platform, travel, meetings, translation, and communications
Consultants	\$430,000	Support for CHF Secretariat, ITRP, and Advisory Board
External Services	\$60,000	Independent audit
Total Annual Cost	\$2,219,080	Total Annual Costs During the Initial Period⁶³

⁶² Net base salaries reflect International Civil Service Commission (ICSC) salary scales effective January 1, 2025. Source: ICSC, [Salary Scales for the Professional and Higher Categories](#). Post adjustment of 57% applied to net base salary, reflecting the Kingston, Jamaica post adjustment multiplier as of March 2024. Source: ISA, Proposed Budget for the Financial Period 2025–2026, [ISBA/29/A/3–ISBA/29/C/11](#). Common staff costs (CSC) of 56% of net base salary reflects the ratio of established posts to common staff costs in the ISA’s approved 2025–2026 budget. CSC encompasses education grants, rental subsidy, home leave travel, recruitment/separation costs, and insurance subsidies. Source: [ISBA/29/A/3/Add.1–ISBA/29/C/11/Add.1](#).

⁶³ For comparable operating and consultant costs, see [Adaptation Fund Administrative Budget \(AFB/EFC.24/8\)](#)(March 2019).

This phased approach seeks to avoid incurring costs prior to the receipt of payments into the fund; however, the CHF will incur costs in the start-up phase. To cover these costs, the ISA could: 1) Seek voluntary contributions from States Parties and other donors; and/or 2) Impose a fee on States Parties that would be reimbursed once the CHF's annual royalty revenues exceed a specified amount.

Using Artificial Intelligence to Strengthen Operations

As a new fund, the CHF could make early investments in AI tools to streamline and expedite processes, enhance accessibility, reduce administrative burdens, and improve cost effectiveness across the lifecycle of the fund's programming. For applicants and grantees, AI would simplify the grant application process, give real-time guidance on proposal development and status, provide translation services, and reduce compliance and documentation burdens.

For the CHF, AI would accelerate program design by synthesizing scientific literature and evaluation findings, improve portfolio oversight through predictive analytics and real-time monitoring of funded activities, and extract lessons from large volumes of project reports. Large language models can summarize findings, identify emerging trends, and identify insights across the portfolio. These capabilities can make the fund more agile, adaptive, equitable, and evidence-based, provided they are deployed with human oversight, transparent and auditable algorithms, and regular assessments to ensure AI tools are serving, rather than marginalizing, partners.

For developing States Parties, AI tools, including remote sensing, satellite monitoring, and open-access data platforms, can strengthen national ocean science capacity, support evidence-based budgeting and policy-making, and provide access to enhanced data and analytical capabilities.

In November 2025, the GEF's Scientific and Technical Advisory Panel (STAP) published an information note examining how AI can be responsibly integrated into GEF operations and funded projects.⁶⁴ In the note, the STAP made the following recommendations:

- Strengthen internal operations by responsibly adopting AI to enhance portfolio analysis, knowledge management, and monitoring;
- Develop Partnership-wide AI guidance and readiness assessments, enabling all GEF agencies to deploy AI effectively and equitably;
- Convene learning partnerships to foster innovation and learning, including through collaborations with philanthropic, private, and multilateral actors;

⁶⁴ Global Environment Facility, Scientific and Technical Advisory Panel, [Artificial Intelligence and the GEF: STAP's early thoughts](#) (November 2025)

- Support equitable access to AI by investing in foundational infrastructure, open models, and AI literacy for recipient countries;
- Promote human oversight in all AI applications and avoid overreliance on automated outputs, especially in high-stakes contexts;
- Align with international governance frameworks to ensure human rights and sustainability are core to AI adoption; and
- Integrate AI considerations into environmental and social safeguards, using global standards to address transparency, bias, and environmental impacts.

The STAP noted that while AI presents an opportunity to scale environmental action, enhance program design and effectiveness, and drive systems transformation, “this potential must be pursued with caution, guided by principles of sustainability, inclusion, and transparency.”

The STAP information note can help guide the CHF’s adoption of AI. In many cases, the greatest barrier to adoption is the cost, time, and organizational disruption associated with retrofitting AI onto legacy systems. Grant-making organizations can spend years attempting to integrate new technologies into existing administrative processes, grant management systems, and reporting frameworks. As a new fund, the CHF can integrate AI capabilities into its grant management platform, application portal, and monitoring and knowledge management systems from the start.

Environmental and Social Safeguards

The CHF should adopt an environmental and social safeguards (EES) framework that upholds the highest standards of environmental stewardship and social equity, consistent with the CHM principle. The EES framework will be essential to the effectiveness, credibility, and reputation of the fund. The starting point for the framework should be establishing a process for identifying and managing environmental and social risks before a grant is approved and throughout project implementation.

The Adaptation Fund, which “serves the Paris Agreement by accelerating effective adaptation action and efficient access to finance, including through direct access, to respond to the needs and priorities of developing countries,” has conducted a review of best practices in updating its Environmental and Social Policy (ESP). The proposed updates to the Adaptation Fund ESP⁶⁵ provide:

⁶⁵ Adaptation Fund Board Secretariat, [Update to the Adaptation Fund’s Environmental and Social Policy](#), AFB.B.44.7 (March 2025).

- Environmental and social policies are fundamental to ensuring that the fund does not support projects/programs that cause unwanted harm to the environment, public health, or those who are marginalized or vulnerable;
- Implementing partners are required to identify, assess, and manage environmental and social risks and impacts for all projects, and the proposed projects must be categorized according to the seriousness of those risks;
- Implementing partners must have an EES system in place and, following the mitigation hierarchy, adopt measures to avoid or mitigate the risk, and monitor and report on the status of those measures during and at the end of implementation;
- All projects must be designed and implemented to meet environmental and social principles on Human Rights; Access and Equity; Marginalized and Vulnerable Groups; Indigenous Peoples (including obtaining Free, Prior and Informed Consent); Gender Equality and Women’s Empowerment; Labor Rights and Safe Working Conditions; Restrictions on Land Use and/or Involuntary Resettlement; Conservation of Biological Diversity and Natural Habitats; Climate Change; Pollution Prevention and Resource Efficiency; Community Health, Safety, and Security; Cultural Heritage; and Stakeholder Engagement (accessible and inclusive means to participate in project design and implementation); and
- Implementing partners are required to develop and implement a grievance mechanism to deal with complaints related to environmental, social, and gender risks or impacts caused by projects.

The CHF could adopt an EES framework based on the Adaptation Fund’s updated ESP as well as a transparency policy that requires publication of grant decisions, environmental and social screening outcomes, and an annual safeguards report. All key documents should be published in the official languages of the ISA to ensure accessibility for States Parties, consistent with the CHF’s equity mandate.

Monitoring, Evaluation, and Learning

The CHF monitoring, evaluation, and learning (MEL) policy would define how the fund collects, assesses, and uses data to manage its portfolio, demonstrate accountability to States Parties, and continuously improve program and project design and implementation across the portfolio. As an example of best practices, the GEF M&E Policy is based on four objectives: 1) Monitor and evaluate results and impacts; 2) Provide a basis for decision-making on mid-course corrections; 3) Promote accountability for resource use; and 4) Document, provide feedback on, and disseminate lessons learned.⁶⁶

⁶⁶ GEF [M&E Policy](#) (2010) and GEF [Evaluation Policy](#) (2019).

The CHF MEL policy could use the GEF M&E Policy as guidance, and operate at the following levels:

- Project Level: Grantees submit two-page project implementation reports (PIRs) every six months;
- Portfolio Level: The CHF Secretariat produces an annual monitoring report synthesizing the PIRs and measuring progress against the fund's Results Framework;
- Mid-Point Level: All grants in excess of a certain amount would be subject to an independent mid-term review; and
- Strategic Level: A comprehensive independent evaluation of the CHF's overall performance every four years, in collaboration with the Performance Audit Board and external auditor, and informing the mandatory review process.

A CHF Learning Platform could be developed with three components:

- Knowledge Repository: A publicly accessible, searchable platform on the CHF website that hosts all publications, evaluation reports, lessons learned analyses, case studies, and monitoring data sets;
- Annual Learning Review: An event that convenes grantees, States Parties representatives, Management Board, Secretariat, ITRP and Advisory Board to discuss portfolio performance and, as needed, recommend course corrections; and
- Quadrennial Learning Report: An independent, public-facing report that synthesizes the annual monitoring reports and mid-term reviews, and makes recommendations for changes based on these reports and best practices from comparable funds.

Risk Management

The CHF should develop a Risk Management Framework to establish how the fund will identify, monitor, assess and mitigate risks across its portfolio of programs, projects, and activities. The Green Climate Fund's framework, an example of best practices, addresses funding, investment, and compliance risks at the project and portfolio levels, and requires a risk appetite statement, risk register, and publicly accessible risk dashboard.⁶⁷

Risk Appetite Statement. A risk appetite statement is a document that outlines the amount and type of risk an organization is willing to accept to achieve its strategic objectives. It guides decision-making, defines acceptable risk boundaries (for financial and operational

⁶⁷ Green Climate Fund, [Risk Management Framework](#) (2017).

threats), and would be approved by the Management Board. CHF's risk appetite should reflect the ISA's dual mandate: managing mining-related activities in the Area for the benefit of humankind, while ensuring the effective protection of the marine environment from harmful effects arising from those activities. The risk appetite should be approved on an annual basis by the Management Board and disclosed publicly with the Annual Monitoring Report.

Risk Identification, Assessment, and Mitigation. Risks should be identified through four mechanisms operating across the project cycle at different stages: grant design, grantee reporting during implementation, the Secretariat's quarterly risk monitoring across the portfolio, and the Management Board's annual review and consideration of emerging external risks. The potential impact of a risk should be assessed based on four factors: financial, reputational, environmental and social, and governance.⁶⁸

Risk mitigation would follow four response options: reduce, transfer, accept, or avoid, with mitigation decisions being driven by the risk appetite statement and risk ratings. Operational risk can be mitigated, to some extent, by phasing portfolio growth to match revenue growth and Secretariat capacity.

Risk Register and Dashboard. The Risk Register is meant to catalogue the CHF's most important identified risks, the assessment of those risks (including the overall risk rating), key mitigation measures, and designated risk owners. The Risk Register should be a living document that is updated every six months by the Secretariat and reviewed at least annually by the Management Board.

The risk management dashboard would be a visual, regularly updated tool that displays the CHF's key risk assessments and mitigation measures in one central location. The dashboard, which should be publicly accessible, enables internal and external stakeholders to analyze risks, track mitigation measures, identify trends, and make informed decisions about changes in direction.

Exploring Alternative Distribution Mechanisms

In developing the CHF concept, this report describes how Article 140 payments could be made through the fund as one of the possible ways to equitably distribute proceeds from activities in the Area. Other options for equitable distribution and governance could include:

- Follow a hybrid approach in which the CHF administers both direct distributions and grant-based funding;

⁶⁸ Global Fund to Fight AIDS Tuberculosis and Malaria, [Risk Management Framework](#) (2024 update), drawing on the Global Fund Risk Management Policy (2014) and Risk Appetite Framework (2023 amendment).

- Place all payments into a permanent endowment fund with no distributions until the fund reaches a defined assets under management (AUM) threshold (e.g., \$1 billion); the fund would invest across asset classes and only distribute investment returns (4-5% per year), never principal;
- Decentralize grant-making in partnership with the ISA regional groups and perhaps the United Nations Regional Economic Commissions;
- Use the payments to capitalize and operationalize the Enterprise, which could distribute returns to the ISA and States Parties as a form of beneficial ownership in common heritage resources;
- Adopt the proposed governance structure under the evolutionary approach but appoint the World Bank or UN Multi-Partner Trust Fund Office as Trustee;
- Channel a portion of the ISA's equitable sharing proceeds to the BBNJ Special Fund, which would establish a window to administer and distribute the funds in a manner consistent with the CHF's governing instrument;
- Pass through all or a portion of the funds to a global fund, such as the Global Biodiversity Framework Fund, Joint SDG Fund, or Global Fund to Fight AIDS, Tuberculosis, and Malaria;
- Partner with an ocean finance platform like One Ocean Finance to serve as the CHF's blended finance and catalytic capital arm;
- Issue non-tradeable "participation certificates" to developing States Parties that represent a defined share of future revenue streams; states could use these certificates as collateral for concessional borrowing from MDBs, effectively monetizing future CHF distributions in advance of the revenues materializing; and
- Use the funds to establish a Debt Swap/Debt Conversion Facility to purchase or retire the sovereign debt of developing States Parties, in exchange for commitments to redirect the funds to CHF-eligible activities.

These options vary in their complexity, administrative costs, distributional timing, and alignment with the CHM principle, but they provide examples of the wide range of options available to the ISA and States Parties in meeting their obligations under Articles 140 and 82.

Article 82

Article 82 deals with payments and contributions from the exploitation of the non-living resources of the continental shelf beyond 200 nautical miles. While falling outside Part XI, Article 82(4) requires that payments or contributions shall be made through the ISA and on the basis of equitable sharing:

“The payments or contributions shall be made through the Authority, which shall distribute them to States Parties to this Convention, on the basis of equitable sharing criteria, taking into account the interests and needs of developing States, particularly the least developed and the land-locked among them.”

Articles 160 and 162 specify the authorities of the Assembly and Council in establishing “any appropriate mechanism” for equitable sharing. The references in these Articles to not only benefits derived from activities in the Area (Article 140), but to “payments and contributions made pursuant to article 82” are significant because the provisions bring Article 82 within the same equitable-sharing, decision-making framework as Article 140, bridging the two principal revenue streams that will be made available for equitable distribution.

Article 82(4) provides that payments and contributions shall be made “through the Authority, which shall distribute them to States Parties,” but the Article does not specify how that distribution is to be made, by which mechanism, or through which instrument. There have been differing views about whether Article 82(4) requires the ISA to directly distribute payments and contributions to States Parties.

In Technical Study No. 4, “Issues Associated with the Implementation of Article 82 of the UN Convention on the Law of the Seas,” the authors concluded:

“Irrespective of the purposes of the benefits and beneficiaries, it is arguable that Article 82 does not necessarily require the Authority to directly distribute the benefits itself. Whilst Article 82(4) clearly tasks the Authority with the distribution, there is nothing to suggest that this function may not be delegated, while the Authority retains ultimate responsibility for proper distribution.”

Technical Study No. 4 notes that the UNCLOS drafters chose not to include the word “direct” in Article 82(4), despite having used the term and its derivatives in numerous other Articles, including 1(4), 19(2)(l), 63(1)and(2), 64(1), 72(1), 123, 161(1)(b), 170(1), 195, 197, 200, 201, 202, 204, 247, 266(1), 268, 269, 271, 275(1) and 278. There are similar uses of “direct” in the annexes of the Convention. Technical Study No. 4 concludes that the text “through the Authority” in Article 82(4) “simply identifies the administrative function of the

Authority in receiving payments and contributions,” not a requirement that the ISA serve as a pass through for direct distribution.⁶⁹

A Finance Committee report in 2021 took the opposite view: “In the case of Article 82, the function of the Authority is to serve as a conduit for the transmission of payments...and the role of the Authority is purely instrumental.”⁷⁰

More recently, during a July 2023 session, Finance Committee members expressed differing views on the issue:

“Different views were expressed regarding whether payments received from coastal States should be distributed immediately or left to accumulate in an investment fund. In this respect, some members highlighted that article 82 did not provide for the creation of an investment fund or any fund as an alternative to direct distribution. Others considered a fund providing targeted benefits in line with the provisions of article 82 to be a more effective and efficient way to consider equitable distribution.”⁷¹

As suggested above, the phrase “Through the Authority,” particularly in the context of the drafters’ decision not to include the words “directly distribute” in Article 82(4), may be interpreted to mean that the ISA can administer the distribution “through” its own institutional mechanisms, including a dedicated fund established for that purpose. International organizations and funds routinely operate by acting “through” their own subsidiary instruments.

The term “through the Authority” could also be interpreted to mean the ISA only has the authority to calculate allocations based on an equitable sharing formula and then forward the funds to States Parties. However, a genuine pass through would not require any equitable sharing criteria at all. The fact that Article 82 calls for equitable sharing implies an active administrative role and determination, rather than a mechanical pass through function.

If the Finance Committee ultimately recommends that Article 82 proceeds should be distributed through the CHF, how would this work in practice? Article 82 and Article 140 provide different criteria for taking into account “the interests and needs of developing States.”⁷² Article 140 states that activities in the Area should be carried out for the benefit of humankind:

⁶⁹ ISA [Technical Study No. 4](#), Issues Associated with the Implementation of Article 82 of the UN Convention on the Law of the Seas (2009) at p. 43

⁷⁰ [ISBA/26/A/24-ISBA/26/C/39](#) at p. 12/20.

⁷¹ [ISBA/28/A/4-ISBA/28/C/13](#) at p. 6/11.

⁷² When comparing the differences between Article 82 and Article 140, It is important to note that Article 82 falls outside Part XI of UNCLOS, so the CHM principle does not apply.

“...irrespective of the geographical location of States, whether coastal or land-locked, and taking into particular consideration the interests and needs of developing States and of peoples who have not attained full independence or other self-governing status recognized by the United Nations in accordance with General Assembly resolution 1514 (XV) and other relevant General Assembly resolutions.”

While Article 82(4) provides:

“The payments or contributions shall be made through the Authority, which shall distribute them to States Parties to this Convention, on the basis of equitable sharing criteria, taking into account the interests and needs of developing States, particularly the least developed and the land-locked among them.”

Using similar but not identical language to Article 140, Article 160(2)(g) specifies that the Assembly has the authority and responsibility to approve:

“...the rules, regulations and procedures on the equitable sharing of financial and other economic benefits derived from activities in the Area and the payments and contributions made pursuant to article 82, taking into particular consideration the interests and needs of developing States and peoples who have not attained full independence or other self-governing status.”

Technical Study No. 31 concluded that these differences could be reconciled by using the same equitable sharing formula for both Articles, but in the case of Article 82, making adjustments to give greater preference to least developed and land-locked States:

“The key finding of [this] report is that any of the distribution formulae developed in relation to Article 140 could also be applied to distributions under Article 82(4). If the basic methodology is accepted, the social distribution weights can be easily manipulated to give preference to any group of States. It would simply be necessary to determine which States should receive preferential treatment.”⁷³

Article 82 payments and contributions, therefore, could be administered by the ISA through the CHF and, after making necessary adjustments to social distribution weights to give preferences to different groups of countries, the Authority could allocate the proceeds through the same channels that are adopted for Article 140 distributions.⁷⁴ Special consideration will have to be given to Article 82’s prioritization of landlocked states. Payments made pursuant to Article 82 would be directed to a separate CHF account or

⁷³ ISA, [Technical Study No. 31](#) at p. 83.

⁷⁴ For financial management and accountability purposes, Article 82 and Article 140 funding streams should share a common administrative and governance platform, with funding streams tracked separately through sub-accounts to show the different weighting approaches and through which windows the streams are flowing.

sub-account for both accounting and accountability purposes, but disbursed through the Equitable Distribution Window.

Managing both equitable sharing streams under a common administrative and governance platform would ensure sound governance, increase efficiency, avoid duplication, and have the potential to increase impact. This approach would be consistent with the Article 160(2)(f) requirement that both streams be grouped together under an ISA institutional framework for decision-making purposes.

Key Recommendations

The report makes the following recommendations:

- 1) Conduct a structured consultation process to ensure the participation of all stakeholders in the design of the CHF concept.
- 2) Adopt a governing instrument based on best practices that establishes the fund's governance structure, objectives, eligible activities, and mechanisms for collecting and disbursing proceeds, consistent with the evolutionary approach.
- 3) Maintain focus on redistributive intent of the CHM principle and prioritization of the needs and interests of developing states, which is the foundational principle of both Articles 140(1) and 82(4).
- 4) Follow a phased approach to implementation with an initial focus on investments in scientific knowledge and capacity development related to the Area and the high seas, which reflects the legal architecture and purpose of Part XI of UNCLOS and is aligned with existing ISA plans and strategies, and, in a later phase and consistent with the evolutionary approach, consider whether to broaden the objectives and eligible activities to include coastal waters, investments in other ocean-related global public goods like conservation and climate resilience, more active collaboration and co-financing with other multilateral financial mechanisms, and exploring innovative finance approaches including blended finance.
- 5) Consider other options for equitable distribution, including hybrid approaches and "pass throughs" to existing funds and regional organizations (See above at pp. 58-59).
- 6) Prohibit subsidies for industry by not allowing funding for activities that are the responsibility of contractors under UNCLOS and ISA regulations.
- 7) Require a mandatory five-year review of the fund's governance structure and operations in light of the evolutionary approach and changing circumstances, including fund performance, the amounts available for equitable distribution, and

opportunities for enhanced impact, while ensuring the independence of the review by including a central role for the Performance Audit Board and external auditor.

- 8) Administer Article 82 proceeds through the fund using adjusted social distribution weights to give preference to different groups of states, particularly “the least developed and land-locked among them,” consistent with Articles 82(4) and 160(2)(f), while tracking both Article 140 and Article 82 revenue streams through sub-accounts that are separate and distinct, but share a common administrative and governance platform.
- 9) Align with the 2030 Agenda, particularly Sustainable Development Goals 10 (“Reduce inequality within and among countries”) and 14 (“Life Below Water”), other international policy frameworks, and their successor frameworks.
- 10) Integrate AI tools into operations from the start, including grant processing, portfolio monitoring, formula administration, and knowledge management.

Conclusion

When Ambassador Arvid Pardo addressed the United Nations General Assembly in 1967, he articulated the principles that would become the basis of Part XI of UNCLOS: The resources of the deep seabed and ocean floor, beyond the limits of national jurisdiction, should be developed in the interest of all humankind, with “particular regard to the needs of poor countries” and in a manner that does not cause “serious impairment of the marine environment.” The Common Heritage Fund is one of the possible ways through which the ISA can give practical effect to this ambitious vision.

Under short-term revenue scenarios, all of which are uncertain, distributing proceeds across 171 States Parties after mandatory deductions would produce per-country amounts that for most developing states would be too small to have meaningful impact, a conclusion anticipated by the 1971 UN Secretary-General’s report and confirmed by subsequent analyses including Technical Study No. 31. A fund-based approach that pools revenues and deploys them through targeted grants could achieve a level of impact that direct cash distribution cannot, particularly when the timing and amount of per-country distributions revenue are uncertain and likely to be modest, at least initially.

The evolutionary approach, as defined in the 1994 Agreement, would allow for governance to evolve in proportion to the scale of activities and revenues. It is a sound design principle, but it should not be applied in a manner that defers strong governance safeguards. A comprehensive governance instrument, foundational policy documents, conflict of interest policy, designated trustee, and independent technical reviews are baseline requirements that should be in place at the time the fund is established.

The report presents a conceptual framework for the Common Heritage Fund, one of the possible ways to equitably distribute proceeds from activities in the Area. The framework presented in this report is intended as a starting point for discussion, not a final design. Through the consultation process, the States Parties and ISA stakeholders will shape the CHF concept, and the ISA governing bodies will ultimately decide whether to establish the fund. This report has sought to demonstrate that a well-designed, legally grounded, and operationally credible fund is achievable within the ISA's existing institutional framework, the decisions required to establish the fund are possible within a realistic timeframe, and the fund, working in collaboration with partners, has the potential to achieve significant impact for the benefit of humankind as a whole.

Discussion Questions

The following questions are intended to guide deliberations on the design of the Common Heritage Fund:

- 1) **Structured Consultations for the Design Phase.** Should the Secretariat convene a structured, inclusive stakeholder consultation process, including regional workshops and targeted outreach to State Parties, including SIDS, LDCs, and landlocked developing countries, civil society, and the scientific community, as a formal step in the CHF design process, with outputs synthesized in a Consultation Summary Report?
- 2) **Legal Form and Institutional Architecture.** Should the CHF be established as a multilateral trust account within the ISA, consistent with the evolutionary approach, with a comprehensive governing instrument, conflict of interest policy, independent external trustee, independent technical review and audit functions, and mandatory five-year review?
- 3) **Grantmaking Framework and Distribution Formula.** Should the CHF's primary distribution mechanism for developing States Parties be a redistributive model in which country funding envelope percentages would be calculated using the geometric mean formula updated with a UN Multidimensional Vulnerability Index variable, with individual grants awarded through a streamlined, criteria-based process that includes dedicated application preparation support for SIDS, LDCs, and LLDCs?
- 4) **Funding Windows and Impact and Scaling Top-Up.** Should the CHF be organized around two funding windows: an Equitable Distribution Window (EDW) providing rights-based grant access for States Parties, and a Joint Training and Research Centres Window (JTRCW) for developing States Parties with allocations determined by the Management Board during each cycle? Should the EDW include an Impact and Scaling Top-Up, ring-fenced at 20% of the EDW budget, available to proposals

demonstrating exceptional impact and scaling potential, with awards determined by the Management Board on the recommendation of an independent technical panel?

- 5) Objective and Scope.** In the initial phase, should the CHF's programmatic scope be aligned directly with the ISA's Strategic Plan, MSR Action Plan, and Capacity Development Strategy, focusing on scientific research, ocean data, capacity development, training, and technical assistance related to the Area and the high seas? Should expanding the geographic scope and eligible activities of the fund be explored in a later phase?
- 6) Article 82 Payments.** Should Article 82 payments flowing through the ISA be administered through the CHF using a dedicated sub-account with adjusted social distribution weights giving additional preference to least developed and landlocked states as required by Article 82(4), while channeling distributions through the same Equitable Distribution Window as Article 140 revenues?
- 7) Collaboration with Other Funds.** Should the CHF coordinate with the BBNJ Treaty financial mechanism and other multilateral funds? As the CHF and BBNJ funding mechanism mature, should collaboration between the funds increase to include inter-Secretariat coordination on best practices and lessons learned, funding prioritization, data sharing, and co-financing?