

**INTER-AMERICAN INSTITUTE FOR
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Inter-American Institute for Global Change Research

Core Budget Request for the Fiscal Year 2005-2006

General Overview

In this document, the Directorate presents an overview of the finances of the IAI for Fiscal Year 2005-2006. At this time it is predicted with some confidence that the work load, activities, training and outreach activities of IAI will not diminish but will increase in quality and quantity in 2005-2006. With the hiring of the new Program Manager, it is expected that the IAI Directorate will have a full complement of experienced and competent staff. Combined with the leadership of a new Director, the IAI Directorate should be a much more efficient unit. During the coming fiscal year, the second round of Collaborative Research Networks (CRN2) awards will be funded and both CRN1 and the Small Grants Program (SPG-2) programs will be completed. The Directorate also has an ambitious set of training and outreach programs in place and plans to further extend the efficacy of these programs through attempts to present more information on training activities on the IAI website. The effectiveness and outreach of the Newsletter in both printed and electronic form will be maintained.

These activities will be undertaken at the end of a difficult financial year in which the host country Brazil has experienced a cost of living inflation estimated officially to be 12.4 percent in 2004. The costs incurred by the IAI Directorate for living costs (i.e. rentals and food) and transportation (i.e. airfare and gasoline) have increased while the purchasing power in terms of the U.S. Dollar has fallen due to the lower exchange rate of the U.S. currency.

The IAI Core Budget has not increased since a new Contribution Schedule was approved in Mérida, Mexico in 2000 (CoP VII) for the period of 2000/2001, 2001/2002 and 2002/2003. The Core Budget was increased at that time to \$940,000, which represented an increase of 14.6 percent over the Contribution Schedule established in 1997. (Bolivia ratified in 2002, bringing the total up to \$945,000.) Requests to increase the Core Budget in 2003 and 2004 were not approved.

Over the past year, there has been a recovery in country contributions to the Core Budget. The IAI has implemented an initial strategy to improve contributions further through a combination of visits and discussions and involvement of countries in activities. It is acknowledged that many currencies in the Americas have a strong linkage in value and exchange with the U.S. Dollar but that during the past year other currencies have strengthened against the U.S. Dollar, thus the equivalent in local currency of the new level of contribution would remain approximately the same as in the previous years.

Based on what is perceived as an increased interest in the IAI and a growing commitment to the benefits of the organization, a 7.4 percent increase is requested in Country

Contributions for fiscal year 2005/2006. This increase is the result of a 7.9 percent or \$74,086 increase in the Requested Core Budget expenses.

1) BUDGET REQUEST FOR FISCAL YEAR 2005-2006

This request was developed around six main categories: Salaries & Benefits, Staff Travel, Other Costs, Dissemination Activities, Director's Fund and Equipment,

Expenses

Table 1: Budget Request for Fiscal Year 2005/2006

| Category | Forecast 2004-2005 | Request 2005-2006 | Difference |
|---------------------------------|-------------------------------|------------------------------|-------------------|
| Salaries & Benefits | 601,883 (*) | 694,505 | 92,622 |
| Staff Travel | 79,100 | 79,100 | 0 |
| Other Costs | 115,336 | 103,800 | (11,536) |
| Dissemination Activities | 72,000 | 65,000 | (7,000) |
| Director's Fund | 60,000 | 60,000 | 0 |
| Equipment | 10,000 | 10,000 | 0 |
| | \$ 938,319 | \$1,012,405 | \$74,086 |

(*) The 11th CoP meeting originally approved 564,431 for Salaries and Benefits. The increase to 601,883 is due to the termination costs of Dr. Gustavo Necco.

As is shown in Table 1 the request for the FY 2005-2006 has a net increase of \$74,086 from the previous year's expenses. The differences in each budget category are explained as follows:

Salaries and Benefits (+ \$92,622)

Under this category the cost of 6 international positions and two locally hired staff are budgeted.

- The salaries for the IAI Officers have only been adjusted once – a 3 percent increase that was effective on July 1, 2002. Despite the provisions in the Employment Contracts for an increase of up to 5 percent each year, the salaries have remained level with the exception of this one adjustment. It is proposed that base salaries of the 6 international staff be increased by 2 percent.
- As noted earlier, Brazil has experienced a high rate of inflation and the U.S. Dollar has weakened. Both of these factors have resulted in a tremendous loss of purchasing power for the IAI Directorate staff. In reviewing various economic

indicators, the IAI Interim Director, in consultation with the Financial and Administrative Committee (FAC), is proposing a temporary 13 percent “post adjustment” that takes into account local inflation and changes in the U.S. Dollar / Brazilian Real exchange rate. The cost of this post adjustment accounts for 51 percent of the increase in Salaries and Benefits.

Over the coming year, the FAC will undertake a study to determine an appropriate formula for the IAI that can be adjusted in either direction.

- Although the permanent position of Program Manager was approved last year it is not expected to be filled until the current fiscal year. The IAI’s share for the fiscal year 2005/2006 will be 40 percent of a total cost of approximately \$85,000 (salaries and benefits). It is important to consider that eventually the full cost of this position will be part of the core budget.
- Two IAI Directorate staff members are scheduled for home leave in 2005/2006.
- Local staff incentives were implemented in 2004-2005.

Staff Travel Costs (No Change)

- Although no additional funds are requested for the FY 2005-2006 this may be difficult to maintain with the fluctuating price of oil and its effect on airline fares. An effort will be made to decrease staff travel by increasing the number of meetings that can be held as Conference calls. Priority will be given to fund raising activities.

Other Costs (- \$11,536)

This budget category primarily includes support for the following: staff training, professional services (legal and accounting) and meeting support for the Scientific Advisory Committee (SAC) and Executive Council Working Groups.

- Costs have been reduced where feasible, however some increases will occur. Because the IAI had to change banks, bank charges will increase by approximately \$2,000. Also the SAC met only once during the last fiscal year but is scheduled to meet twice in 2005-2006. These costs are offset by not having recruitment costs and reduction in training and professional services (lawyers, translation and auditors costs).

Dissemination Activities (- \$7,000)

- Newsletter and book costs are reduced (3 issues of the Newsletters will be published per year instead of 4). Plans are well advanced in the publication of brochures and books that add value to the Training and Workshop Activities of IAI for which other sources of funding will be sought. There is much more

interest and demand for information on the content of these workshops than originally anticipated.

Director's Fund (No Change)

Support for the Director's Funds will be maintained at \$60,000. These funds will continue to be used as 'seed money' to involve donors in research programs and other activities.

2) MEMBER COUNTRY CONTRIBUTIONS TO THE CORE BUDGET

The proposed change in Member Country Contributions is for one year only and not for a three-year term as in previous submissions. This is deliberate in that it will allow the new Director greater flexibility for planning activities for the next three-year cycle.

The table below illustrates both the present level of contribution approved by the CoP in Mérida, Mexico (with the later addition of the newly-ratified country of Bolivia) and the new request for 2005-2006. As noted earlier, this represents an overall increase of 7.4 percent the Contribution level.

Table of Contributions for 2005-2006

| | | Present | New | |
|--------------------|--------|--------------|--------------|------------|
| | % (*) | Contribution | Contribution | Difference |
| Argentina | 5.01% | 45,000 | 50,000 | 5,000 |
| Bolivia | 0.07% | 5,000 | 5,000 | 0 |
| Brazil | 8.73% | 80,000 | 85,000 | 5,000 |
| Canada | 12.63% | 115,000 | 125,000 | 10,000 |
| Chile | 0.55% | 5,000 | 5,000 | 0 |
| Colombia | 0.96% | 10,000 | 10,000 | 0 |
| Costa Rica | 0.13% | 5,000 | 5,000 | 0 |
| Dominican Republic | 0.18% | 5,000 | 5,000 | 0 |
| Ecuador | 0.18% | 5,000 | 5,000 | 0 |
| Guatemala | 0.13% | 5,000 | 5,000 | 0 |
| Jamaica | 0.18% | 5,000 | 5,000 | 0 |
| Mexico | 6.21% | 55,000 | 60,000 | 5,000 |
| Panama | 0.13% | 5,000 | 5,000 | 0 |
| Paraguay | 0.20% | 5,000 | 5,000 | 0 |
| Peru | 0.42% | 5,000 | 5,000 | 0 |
| Uruguay | 0.27% | 5,000 | 5,000 | 0 |
| USA | 60.75% | 550,000 | 595,000 | 45,000 |

| | | | | |
|-----------|-------|---------|-----------|---|
| Venezuela | 3.27% | 30,000 | 30,000 | 0 |
| Cuba | | 5,000 | 5,000 | 0 |
| | 100% | 945,000 | 1,015,000 | |

(*): This percentage represents the participation of each member country in the distribution of the operational costs of the Directorate according to the OAS Table of Contributions for 2001. As per Art. XIII of the IAI Agreement, the contributions shall be in multiples of US\$5,000. Actual participation rate relative to the budget total may be different.

3) CASH FLOW ANALYSIS

The table below shows the IAI Directorate's estimate of Cash Flow for 2005-2006 with the "Most Probable" scenario based on Core Budget Contributions of 90 percent.

Cash Flow (in US dollars)

| | |
|--|-------------------------|
| Reserves as of June 30, 2005 (estimated) | \$540,000 |
| Expected Incomes 2005/06 | \$915,000 |
| Forecasted Expenses 2005/06 | (\$1,012,405) |
| Commitments as of June 30, 2004 | <u>(\$40,000)</u> |
| Reserves as of June 30, 2006 | <u><u>\$402,595</u></u> |

Assumptions:

- Initial Reserves as of June 30, 2005= \$540,000
- 90% of the committed contributions will be collected
- 100% of the budget will be spent