

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH



EC-XXIX - CoP-XVII – EC-XXX

June 08-11, 2010

Brasília, Brasil

Quarterly Status Report

8.ECXXIX/CoPXVII/ECXXX/English/11.May.2010

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1) Status of the Core Budget

a) Country Contributions

As of May 8, 2010 the funds collected (cash incomes) represent 81% of the approved contributions for the fiscal year 2009/2010.

Table I shows the status of the contributions received as of May 8, 2010.

Core Budget - 2009 / 2010
Status of Country Contributions as of May 8, 2010
 Amounts in US\$

	Contribution for FY 09/10	Paid - in 2009/2010 to be applied to:			Due as of 30-Jun-10
		Arrears	Current year	Advances	
Argentina	57,000	(50,000)			66,000
Bolivia	5,000	(10,000)			20,000
Brazil	100,000	(20,000)	(65,153)		34,847
Canada	143,000	(71,500)	(143,000)		0
Chile	6,000				(3,000)
Colombia	11,000				40,000
Costa Rica	5,000	(3,899)			10,964
Cuba	5,000				30,000
Dominican Republic	5,000				65,000
Ecuador	5,000				45,000
Guatemala	5,000				65,000
Jamaica	5,000				30,000
Mexico	70,000				140,000
Panama	5,000				5,000
Paraguay	5,000				70,000
Peru	5,000				23,350
Uruguay	5,000				60,000
USA (*)	691,000	(568,928)			813,072
Venezuela	37,000		(12,500)		238,500
Totals	1,170,000	(724,327)	(220,653)	-	1,753,733
			Total Revenues:		(944,980)
			Total Advances:		-
			Contributions not received:		(225,020)
			Difference:		-

TABLE I: Status of Member Country contributions as of May 8, 2010 (cash basis)

The response from the countries to the IAI contacts has been very limited, even though very positive signs have been received from Bolivia, and Colombia and Paraguay expressed the intention to pay for previous years before the end of the fiscal year. Costa Rica is still making partial payments. Canada was able to catch up on

previous year's pledged amounts, thanks to the critical and timely action by the Canadian representative and Environment Canada. The US has increased the contribution for the 2009/2010 fiscal year by US\$270k, reducing the outstanding dues for previous years.

Brazil has a negative balance of US\$35k that we are trying to recover. As announced at the last CoP, Argentina made a partial payment for the current fiscal year. Mexico has not paid for the past two fiscal years, a situation we are trying to resolve.

b) Collection of Country Contributions

The funding requests continue to involve all senior members of the IAI staff, with different strategies depending on the situation of each specific country.

Every opportunity to promote IAI and request funds is used. Whenever there is staff travel, contacts are made in order to promote IAI with high level country officials, usually requesting meetings with persons with enough political and budgetary decision power, to move towards a decision to engage the country and commit funds.

The strategy to engage more countries is based on content driven efforts, first creating the local scientific content and then involving local scientists in the IAI's request for contributions. This encompasses not only current members of the Institute, but also potential members, with a focus on the Caribbean and the Central American countries.

Whenever the IAI had communications with member countries (or those not actively contributing or participating), a country profile sheet is provided in order to show the tangible benefits that the countries have obtained from participating in IAI. This has had a very positive impact, specially with those countries that have not had an active involvement in IAI activities.

However, the IAI needs more support from the member countries, as contributions should be received at the earliest. We have undertaken additional collection efforts without a positive result so far. The support of the member countries is needed at this point, not only for the yearly contribution, but also to pay for arrears: the total amount not yet collected now amounts to US\$1.4 million.

c) Expenses

The following table shows the expenses at the close of March 2010 (nine months into the fiscal year). This comparison shows the status of the core budget compared to the actual expenses in the corresponding period (3/4 of the total approved budget).

These expenses include the provisions for holidays, contributions to social security, and depreciation of fixed assets.

Budget Performance
July 2009 - March 2010
Amounts in US\$

Category	Actuals 2009/2010	YTD Budget 2009/2010	Difference	%
Salaries & Benefits	602,304	583,107	19,196	3.3%
Travel & Training	15,233	55,883	(40,650)	-72.7%
Equipment	-	10,650	(10,650)	-100.0%
Operational Costs	64,675	140,948	(76,272)	-54.1%
Dissemination & Outreach	15,750	36,750	(21,000)	-57.1%
Director's Fund	-	45,000	(45,000)	-100.0%
Total	697,962	872,337	(174,376)	-20.0%

TABLE II: Core Budget expenses as of March 31, 2010.

At the close of the March 2010, expenses were -20% lower than the budget (75% of the total budget), in most categories except S&B.

Salaries and Benefits were higher than expected due to the decrease of the US dollar in Brazilian Real terms in the last 3 quarters of the fiscal year, plus the severance and move payments as per contract.

Travel and training expenses are also lower than expected as all travel has been frozen, except for critical needs.

In the line of operational costs, expenses have been delayed where possible, including the contract with Oakridge that was due last February; however some of these expenses will catch up before the end of the fiscal year. Other items affecting the line of Operational Costs is the funds needed for unliquidated obligations and the Accounting service that was cancelled.

Dissemination and Outreach is lower due to the SAC meeting and one edition of the newsletter being cancelled in 2009/2010.

The activities under Director's Special Fund have all been cancelled or frozen, awaiting countries to make their payments for the contributions. This will affect Cuban expenses as the US funds cannot be used for these expenses.

2) Cash Composition and Core Budget Reserves

The cash balance at the end of March 2010 was 19.8% higher than the ending balance at the end of March 2009, due to Program Funds, particularly MacArthur and IDRC funds received in our accounts; expenses continue to be tightly controlled and some countries continue to pay for previous year's contributions. The balance of Core Budget Funds was -40.2% than the previous year.

An additional amount was added to the current US Contribution Grant (US\$270k) and this will allow IAI to recover some past expenses and rebuild a cash reserve; these funds have not been withdrawn yet, pending an assessment of the best low-risk investment option with Bank of America. The funds will be kept in a separate account. The Cash reconciliation reflects the difficult position of the core budget, with reserves not even covering 2 months of operations.

Cash Reconciliation

At the end of Mar-10

Amounts in US\$

	Mar-09	Mar-10	Variance
Program Funds	146,329.33	288,775.85	97.3%
IAI CB Funds	189,301.25	113,205.79	-40.2%
Total Cash	335,630.58	401,981.64	19.8%

3) Administrative Area

a) Changes to Administrative Processes / Internal Controls

Employee Manual

The changes to the forms and approved policies are being compiled and attached to the manual as a new annex. The manual is up-to-date with all changes.

Accounting Manual

For several reasons, the accounting manual has not received a high priority during the past fiscal year and it is still pending. The need for such a manual is being discussed with the FAC; a decision will be made during the next FAC meeting (2010).

Host Country Agreement with Brazil

This item is still unresolved, however there are very positive signs from the Brazilian representation to IAI, as well as from INPE as the administrator of the contract. A draft document was presented to the Brazilian authorities and we are waiting for feedback.

Brazilian Staff provided by INPE

Once again, the INPE's contract with the company that currently hires 4 staff members is under review. There are some possibilities to solve the issue as an emergency by late May 2010, however this item is a potential risk for IAI, specially in a fiscal year when the funding from the countries is lacking. At this point, the IAI cannot take on the payments for the staff, therefore if the situation fully deteriorates, this would have to be treated as an emergency item with the countries. Potentially, this item could also become a problem with the fulfillment of the Host Country Agreement with Brazil.

Internal Controls

The controls remain in place, being reviewed and updated when opportunities for improvement are detected. Currently there are no critical Internal Control Issues outstanding either from the FAC or the External Auditors.

Inflation for 2009

Inflation Rate	%	Cumm. % Year
Jan-09	0.75%	0.75%
Feb-09	0.40%	1.15%
Mar-09	0.43%	1.58%
Apr-09	0.58%	2.16%
May-09	0.42%	2.58%
Jun-09	0.17%	2.75%
Jul-09	0.34%	3.09%
Aug-09	0.16%	3.25%
Sep-09	0.28%	3.53%
Oct-09	0.03%	3.56%
Nov-09	0.14%	3.70%
Dec-09	0.20%	3.90%

The inflation in the current calendar year is expected to close at about the same level as the 2009 calendar year (4%).

Exchange rate – current year

Year	US\$ Exchange Rate
Jan-09	2.337
Feb-09	2.316
Mar-09	2.378
Apr-09	2.315
May-09	2.178
Jun-09	1.973
Jul-09	1.952
Aug-09	1.873
Sep-09	1.886
Oct-09	1.778
Nov-09	1.744
Dec-09	1.786
Jan-10	1.741
Feb-10	1.875
Mar-10	1.811
Apr-10	1.781

After a recovery at the end of 2008, the exchange rate fell in comparison to the US dollar, returning to the level before the financial crisis in Oct-08, post-adjustment levels were adjusted accordingly.