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**GLOBAL CHANGE RESEARCH**



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## **Inter-American Institute for the Global Change Research**

### **IAI CORE BUDGET REQUEST FOR FISCAL YEAR 2003/2004**

#### **I) BUDGET REQUEST FOR FY 2003/2004**

##### **General Overview**

The request was developed around five major categories: Salaries & Benefits, Staff Travel, Dissemination Activities, Director's Fund and Other Costs.

In this document and in the funds requested for the period 2003-2006, the Directorate will make a big effort in order to keep the operational expenditures (including a small amount to support research) at the same level as in the previous three years.

Following this zero net growth approach, a cash flow analysis shows that an 8% in the contributions will be needed to handle a manageable cash deficit at the end of 2005/2006 if we do not receive the total of the contributions from the member countries.

In the analysis of different cash flow scenarios will be demonstrated that the forecasted final cash balances are very sensitive to the level of contribution.

##### **Expenses**

The following table shows the differences between the request submitted for the previous fiscal year (2002/2003) and the current request.

Table 1: Budget Request for Fiscal Year 2003/2004

<b>Category</b>	<b>Request 2002-2003</b>	<b>Request 2003-2004</b>	<b>Difference</b>
Salaries & Benefits	544,820	543,020	( 1,800)
Staff Travel	108,600	108,600	-
Dissemination Activities	88,500	98,500	10,000
Director's Fund	50,000	75,000	25,000
Other	147,250	114,050	(33,200)
	<b>939,170</b>	<b>939,170</b>	<b>-</b>

As it is shown in Table 1, the request for the FY 2003/2004 is for the same amount as for the previous fiscal year. There are differences between the different categories which are explained as follows:

##### **Salaries and Benefits**

- Within this category we included an estimated cost for the annual salary adjustments, based on the performance appraisals, as well as the cost of the review of the salary levels as a result of the review of the job descriptions.

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

- The total cost of the Director's position (salary + benefits) is now adjusted to the actual cost of 1 staff + 1 dependent.
- Adjustment of the staff benefits according to the updated employee manual.
- The hiring of a professional Financial Assistant and a Computer Systems Assistant.

### **Staff Travel**

- This category only forecasts travel costs for the IAI staff. Is the same amount requested for the previous fiscal year.

### **Dissemination Activities**

This category is introduced this year in order to show what is intended to invest in activities that will help to increase the visibility of IAI.

This amount of \$ 98,500 is intended to be used to support the representation of IAI in different meetings by non-IAI staff (EC Chair, EC Members, SAC Members), printing of brochures and for the cost of the Newsletter and the Annual Report.

### **Director's Fund**

These funds are for the discretionary use of the Director in order to support research/training activities that cannot be supported out of the regular research funds. These funds can also be used as "seed money" to involve other donors in larger research programs/activities.

The fund is being increased up to \$75,000 due to the increasing number of requests to support small activities (participations in training/meetings, partial funding of workshops). By supporting this kind of activities IAI is increasing its visibility.

### **Other Costs**

This category includes operational costs for the Directorate (professional services and the annual audit review, temporary help, office supplies, publications), a small fund for the renewal of equipments and for hospitality expenses. It also includes the costs associated to the support of the EC meetings and to its ad-hoc working groups.

Efforts were done in order to streamline the expenses in this category in order to generate savings to increase the Director's Fund and the Dissemination Activities.

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

## II) MEMBER COUNTRY CONTRIBUTIONS TO THE CORE BUDGET

As a result of a cash flow analysis based on a zero net growth of the Directorate's budget, we reached to the conclusion that maintaining the same level of expected contributions would produce an unmanageable cash deficit at the end of the fiscal year 2005/2006 if all member countries do not pay their contributions on time.

Therefore, to maintain an adequate operational capacity of the Directorate it was found necessary to increase the level of contributions. A reasonable minimum increase would be 8%.

The table below illustrates the level of contribution proposed to each member country. The distribution is based on the OAS table for quota collection for 2001.

Table 2: Requested Contributions for the Period 2003-2006

Country	%	Present	Proposed	Difference
Argentina	5.01%	45,000	<b>50,000</b>	<b>5,000</b>
Bolivia	0.07%	5,000	<b>5,000</b>	-
Brasil	8.73%	80,000	<b>85,000</b>	<b>5,000</b>
Canada	12.63%	115,000	<b>125,000</b>	<b>10,000</b>
Chile	0.55%	5,000	<b>5,000</b>	-
Colombia	0.96%	10,000	<b>10,000</b>	-
Costa Rica	0.13%	5,000	<b>5,000</b>	-
Dominican Republic	0.18%	5,000	<b>5,000</b>	-
Ecuador	0.18%	5,000	<b>5,000</b>	-
Guatemala	0.13%	5,000	<b>5,000</b>	-
Jamaica	0.18%	5,000	<b>5,000</b>	-
Mexico	6.21%	55,000	<b>60,000</b>	<b>5,000</b>
Panama	0.13%	5,000	<b>5,000</b>	-
Paraguay	0.20%	5,000	<b>5,000</b>	-
Peru	0.42%	5,000	<b>5,000</b>	-
United States	60.75%	550,000	<b>595,000</b>	<b>45,000</b>
Uruguay	0.27%	5,000	<b>5,000</b>	-
Venezuela	3.27%	30,000	<b>35,000</b>	<b>5,000</b>
<b>FUND TOTAL</b>	<b>100.00%</b>		<b>1,015,000</b>	
Cuba		5,000	<b>5,000</b>	-
		<b>945,000</b>	<b>1,020,000</b>	<b>75,000</b>

As mentioned before, the zero nominal growth in total expenditures will impinge upon the operational Directorate activities if the level of contributions does not reach 100 % (see next Section III Cash flow).

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

In order to manage possible negative financial scenarios we may consider some alternatives, aiming at compensating these deficits, such us:

- Contingency plans reducing the level of expenses affecting Directorate activities (see Section III, Historical Scenario);
- Opportunities to manage program funds from other organizations charging overhead;
- Additional contributions from the countries to the Research Budget, alleviating the pressure over the Director's funds.

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

### III) CASH FLOW

The following tables show a scenario analysis on the possible cash position of IAI at the end of fiscal year 2005/2006 based on the possible levels of contributions to be received from the member countries during the period 2003/2006.

In all the analyses we do not include the initial cash balance as of June 30, 2003 in order to clearly show the impact on the cumulative cash balances of overdue payments.

#### Ideal Scenario

	2003/2004	2004/2005	2005/2006
Initial Cash Balance		84,830	166,760
Country Contributions	1,020,000	1,020,000	1,020,000
Bank Interests	4,000	4,000	4,000
Expenses	(939,170)	(942,070)	(944,970)
<b>Surplus/Déficit</b>	<b>84,830</b>	<b>81,930</b>	<b>79,030</b>
<b>Final Cash Balance</b>	<b>84,830</b>	<b>166,760</b>	<b>245,790</b>

This table shows the best of the possible scenarios, assuming that IAI will receive 100% of the contributions. Under this scenario, a positive cash balance is expected at the end of the fiscal year 2005/2006.

In this case, part of the positive balance could be transferred to the Program Budget through the Director's Fund upon authorization from the EC/CoP.

#### Historical Scenario

	2003/2004	2004/2005	2005/2006
Initial Cash Balance		(119,170)	(241,240)
Country Contributions	816,000	816,000	816,000
Bank Interests	4,000	4,000	4,000
Expenses	(939,170)	(942,070)	(944,970)
<b>Surplus/Deficit</b>	<b>(119,170)</b>	<b>(122,070)</b>	<b>(124,970)</b>
<b>Final Cash Balance</b>	<b>(119,170)</b>	<b>(241,240)</b>	<b>(366,210)</b>

This table assumes that the level of contributions to be received during the period will be 80% of the committed contributions. Under this scenario negative cash balances are expected at the end of each fiscal year and a cumulative negative balance at the end of the period close to \$ 360,000.

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

Savings from previous fiscal years will have to be used to compensate the contributions not received. Assuming an initial cash balance as of July 1<sup>st</sup> 2003 in the amount of \$500,000, this would imply that 72% of the reserves would be consumed in order to compensate the amounts not paid by the member countries.

In order to preserve the reserves as of July 1<sup>st</sup>, 2003 another possibility could be to compensate the deficit reducing expenses. In this case, the categories affected would be the following:

Category	Amount	Impact
Salaries and Benefits	15,000	- No salary adjustments over the period
Travel	25,000	- 23% reduction in the travel budget
Dissemination Activities	25,000	- No support to EC Chair visits - No support to EC/SAC visits - 40 % reduction in the publication of brochures - 15% reduction in the Newsletter
Director's Fund	25,000	- No increment for the Director's Fund
Other	30,000	- 50% reduction in equipment renewal - No support to EC/CoP meetings - 50% reduction in training costs - 30% reduction in support to EC Ad-Hoc working groups - 20% reduction in support to SAC meetings
<b>TOTAL</b>	<b>120,000</b>	

### Worst Scenario

	2003/2004	2004/2005	2005/2006
Initial Cash Balance		(170,170)	(343,240)
Country Contributions	765,000	765,000	765,000
Bank Interests	4,000	4,000	4,000
Expenses	(939,170)	(942,070)	(944,970)
<b>Surplus/Deficit</b>	<b>(170,170)</b>	<b>(173,070)</b>	<b>(175,970)</b>
Final Cash Balance	(170,170)	(343,240)	(519,210)

This table assumes that the level of contributions from the Member Countries will be 70% of the committed funds.

The EC XVII and CoP X did not approve the 8% increase in the level of contributions until next year.

Under this scenario, the savings as of June 30<sup>th</sup>, 2003 (\$500,000) will not be enough to compensate the forecasted deficit as of the end of the fiscal year 2005/2006.

A similar reduction in the expenses as in the previous scenario would only help to reach to a final cash deficit that can be managed with an important reduction in the reserves.

It is very important to highlight that the operational budget of IAI is calculated based on that the member countries will make their contributions in due course. Delays in sending the contributions to the core budget reduce IAI's possibilities to support its day-to-day operations, jeopardizing the possibility to carry out its activities.