

CORE BUDGET PROPOSAL FOR THE FISCAL YEAR 1996/7

INTRODUCTION

The IAI has adopted the fiscal year of 1st July to 30th June, as proposed in the 'IAI/IC White Paper on Financial Issues' (IAI:CoP-1/10). Although 1996/7 is the first full operational year for the IAI Directorate, it is the second fiscal year for budgeting purposes.¹

There is a staff of seven, with three expatriate officers (Armando Rabuffetti, Director- started 1/3/96, Chris Hill, Financial Officer - started 15/7/96 and Bradford Wilcox, Scientific Officer - to start on 1/10/96) and four Brazilian staff provided by INPE (Marcella Ohira- Assistant to the Director, Ligia Froes- General Assistant, Luciana Queiroz-Secretary to the Director and a Driver).

The draft budget that was prepared for Year 1 in 1994 as part of the 'White Paper on Financial Issues' was the basis for the development of this budget request. Certain elements of the original budget have now been refined, based on the location of the Directorate and current costs associated with Brazil.

2. INCOME (ANNEX 1)

Core contributions received to date total US\$ 285,300. These contributions cover those received in 1994-5 and for Years 1, 2 and 3.

On 11th July 1996 US\$ 240,003.03 was received from the National Science Foundation which included Core Budget contributions from Argentina, Canada, Mexico, Panama and Uruguay that were held in a Trust Fund account. This transfer fully transitioned the financial management of IAI funds from the IAI Secretariat to the IAI Directorate.

Outstanding contributions for Year 1 total US\$ 65,000 and US\$ 495,000 for Year 2.

For Year 1 the US contribution was made in kind through support to the IAI Directorate during the initial start-up period which included salaries, benefits and travel for the IAI Director, the IAI Executive Scientist, and the Assistant to the Director. Salaries were also paid for part of the time to the General Assistant and to the Secretary. There was additional support for the newsletters, for education and training activities and for costs associated with the recruitment and hiring of the IAI Scientific and Financial Officers.

3. EXPENDITURE (ANNEX 2)

The Core Budget proposal is presented in three general categories: Personnel, Travel and Other Costs.

¹ Year 1 = 1995-6, Year 2 = 1996-7, Year 3 = 1997-8.

While the IAI Directorate plans to keep expenditure within the estimated totals, it is expected that costs may vary as the fiscal year progresses. The IAI Directorate is granted authority to reallocate funds between these categories at a level not to exceed the overall budget or 10% of each category.

3a) Personnel

- **Salaries**

Salaries are based on levels agreed in the White Paper of March 1994. Approval is requested for the proposal presented to the EC for a mechanism to approve changes to the salaries and benefits of expatriate staff.

In the 'White Paper on Financial Issues' provision was made for a Liaison Officer at an annual salary of US\$ 36,000 plus benefits. The present situation shows that this position is not necessary. However, the amount of work at the Directorate, particularly in relation to the implementation and follow up of the Initial Science Program activities, Program announcements and other related activities during 1996 and 1997, clearly justifies the position of an 'Assistant to the Director', who will later be working more directly with the Scientific Officer. This position needs to be filled by a person who already has long term institutional knowledge and commitment to the IAI. Marcella Ohira started to work as an assistant to the Executive Scientist in June 1994 and has been working as an assistant to the IAI Director from January 1996 to date. Support has been provided by the US through September 30th, 1996. The position of Assistant to the Director will be funded jointly by INPE and the IAI Directorate at an annual cost to IAI of US\$ 12,000

For the past fiscal year there has been an increase in the cost of living in Brazil of approximately 10-15% and the Directorate is investigating several cost of living adjustment schemes- UN, OAS, local Brazilian indices etc.- that would be used to adjust salaries of the international staff at the beginning of each year of their contracts. Prior to February 1, 1997, the IAI Directorate will determine which scheme would be both cost effective to the IAI and provide adequate financial support for the international staff. This scheme will be considered by the Executive Council (or designated Working Group) and would be used to adjust salaries for the coming year.

The Director will have authority to grant the Scientific Officer and Financial Officer salary increases of up to 5% of their salary based on an annual merit review. The Executive Council (or designated Working Group) will develop a mechanism for reviewing the Director's performance and salary.

- ◆ **Benefits**

Benefits include pension, health and life insurance, allowances for education and housing, home air fare, relocation expenses and provision for a domestic telephone.

3b) Travel

Travel costs for the three Officers and support staff have been estimated on the basis of 2 EC meetings per year, 1 CoP meeting and 2 SAC meetings, plus additional travel for the three Officers which will include site visits to IAI - funded projects and workshops.

These costs are necessarily estimates during the first full year of operations.

INPE has allocated a vehicle and driver to the Directorate in the short term but it may become necessary later in the budget year to pay for travel costs within Brazil for Directorate staff and visitors mainly to the São Paulo international airport.

Provision has been made for the travel costs of the Directorate staff within Brazil for financial and diplomatic purposes and for the costs of visiting scientists and representatives of other organizations. In addition, the Director and Scientific Officer will be seeking to establish relationships with other scientific and funding organizations related to global change, for which an estimate of a minimum of 8 to 10 trips per year has been made. It will also cover the costs of transport outside INPE's normal working days.

Per diem rates are based on those adopted by the US Government.

3c) Other Costs

INPE has agreed to pay for the main costs of telephone, fax, E-mail, Internet and photocopier up to US\$ 50,000. A provision has been made to cover postage and any costs above this level.

The Directorate Reserve, for which an allowance was made in the White Paper, sets aside funds for any contingencies or unpredicted increase in costs in the first full year of operations. These increases may be incurred for example in :

- scientific and/or programmatic activities such as a further SAC meeting, which may prove necessary
- the participation of invited scientists in the preparation of proposals (GEF, IDB, Foundations)
- setting up working groups
- panel review work.

The IAI Directorate will look at mechanisms to keep translation costs as low as possible through seeking in-kind agreements with member countries and using Directorate staff whenever this is possible

4. CASH FLOW (ANNEX 3)

For Year 2 a deficit of US\$ 125,000 is forecast, as the contributions agreed will not be sufficient to cover the proposed core budget of the Directorate. However, the unspent portion of the contributions for 1994-5 and for Year 1 of US\$ 260,000 will be used to cover this deficit, to leave a forecast balance of US\$ 145,000 as at 30th June 1997. It is not known at this stage whether all outstanding contributions will have been received by that date.

Since the IAI Directorate operates on a cash flow basis it is recommended that funds be available to carry over to the next fiscal year to cover salaries and other costs for the first quarter of the new fiscal year since contributions may not be available on 1st July.

The suggested contributions from member countries for Year 3 will take into account the level of funds held as at 30th June 1997.

5. RECOMMENDATIONS

It is recommended that the Executive Council establish a Budget and Fiscal Policy Working Group that will provide support and guidance to the IAI Directorate and the Executive Council Chair on an on-going basis. As addressed in the section on benefits, there are decisions that will need to be made intersessionally with the approval of this Working Group, if approved. If this proposal is accepted, nominations for 4-5 members will be requested at the fourth meeting of the Executive Council in Havana, Cuba.

It is recommended that the Executive Council approve the Budget for Year 3 at a meeting in April/May 1997, prior to the commencement of the financial year, so that revised contributions from each member country can be calculated and recommended to the CoP.

AI CORE BUDGET 1996/7	YEAR 2						
INCOME							
		YEAR 1	YEAR 2	YEAR 3	TOTAL	Note	
	1994/5	1995/6	1996/7	1997/8			
	US\$	US\$	US\$	US\$	US\$		
Contributions paid :							
ARGENTINA		20.000,00			20.000,00		
BRAZIL	45.000,00				45.000,00		
CANADA	73.350,00	59.893,50	70.226,53		203.470,03	1	
MEXICO		20.000,00			20.000,00		
PANAMA		5.000,00	5.000,00	5.000,00	15.000,00		
URUGUAY		5.000,00	5.000,00	5.000,00	15.000,00		
USA		[385.000,00]				2	
	118.350,00	109.893,50	80.226,53	10.000,00	318.470,03		
Less: Costs of IAI Newsletter Vols 7 & 8	-33.170,00				-33.170,00		
Remitted to IAI Directorate	85.180,00	109.893,50	80.226,53	10.000,00	285.300,03		
Contributions outstanding:							
ARGENTINA			20.000,00		20.000,00		
BRAZIL		45.000,00	45.000,00		90.000,00		
CHILE		5.000,00	5.000,00		10.000,00		
COSTA RICA		5.000,00	5.000,00		10.000,00		
CUBA		5.000,00	5.000,00		10.000,00		
MEXICO			20.000,00		20.000,00		
PERU		5.000,00	5.000,00		10.000,00		
USA			385.000,00		385.000,00		
VENEZUELA			5.000,00		5.000,00		
sub-total		65.000,00	495.000,00		560.000,00		
Contributions pending :							
(subject to ratification)							
COLOMBIA			5.000,00		5.000,00		
PARAGUAY			5.000,00		5.000,00		
TOTAL CONTRIBUTIONS	85.180,00	174.893,50	585.226,53	10.000,00	855.300,03		

Note 1. The 1994/5 contribution of \$10,106.50 was combined with the 1995/6 contribution of \$59,893.50 to total the Year 1 contribution of \$70,000.

Note 2. For Year 1 payment was made in kind.

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IAI CORE BUDGET 1996/7		YEAR 2	
		EXPENDITURE	
			TOTAL
			US\$
Personnel			
DIRECTOR	(Salary US\$ 110,933 and benefits \$ 43,308)		154,241
Annual base salary of US\$ 104,000, plus estimated cost of living adjustment effective 1st March, plus benefits.			
SCIENTIFIC OFFICER	(Salary \$ 52,500 and benefits \$ 61,250)		113,750
Annual base salary of US\$ 70,000, prorated for 9 months, plus benefits, plus moving expenses.			
FINANCIAL OFFICER	Salary \$ 67,083 and benefits \$ 39604)		106,687
Annual base salary of US\$ 70,000, prorated for 11.5 months, plus benefits, plus moving expenses.			
ASSISTANT TO DIRECTOR	(Salary supplement)		9,000
Supplement prorated for 9 months			
TOTAL PERSONNEL COST			383,678
Travel & per diems			
Dir/SO/FO - EC/CoP/SAC	(5 meetings for 3 days each)	26,650	
SAC meetings - members	(2 meetings for 4 days each)	36,900	
Support personnel	(12 trips of 4 days each)	24,600	
Director - Additional	(8 trips of 3 days plus 6 extra days)	15,600	
EC Chairman - Additional	(3 trips of 3 days each)	5,400	
SO - Additional	(6 trips of 3 days each)	10,800	
FO - Additional	(3 trips of 3 days each)	5,400	
IAI Directorate & visitors- Brasil	(Airport, Brasilia)	15,000	
TOTAL TRAVEL / PER DIEMS			140,350
Other Costs			
Communications	(Telephone, fax,E-mail,postage, Xerox)	16,000	
Newsletter	(4 issues)	66,000	
External audit		25,000	
Annual report		25,000	
Directorate reserve	(Contingency for 3 Officers)	25,000	
General funds (Salary transfers,bank charges,accounting software,equipment)		24,000	
Translation costs		5,000	
TOTAL OTHER COSTS			186,000
GRAND TOTAL			710,028
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IAI CORE BUDGET 1996/7 YEAR 2						
CASH FLOW			Year 1	Year 2	Year 3	Total
	1994/5	1995/6	1996/7	1997/8		
	US\$	US\$	US\$	US\$		US\$
Income:						
Contributions received	85.180	109.894	80.226	10.000		285.300
Contributions outstanding or pending		65.000	505.000			570.000
sub-total	85.180	174.894	585.226	10.000		855.300
Less Expenditure:						
Proposed core budget expenditure for year 2			-710.028			-710.028
Total	85.180	174.894	-124.802	10.000		145.272
Bank Account:						
Actual balance 1/7/96						
1994/5 contribution received 7/96						240.300
Add: Contributions for years 1 and 2 to be received during 1996/7						45.000
sub-total						570.000
						855.300
Less: Proposed budget expenditure 1996/7						-710.028
Estimated bank balance 30/6/97						145.272
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FOURTH MEETING OF THE IAI EXECUTIVE COUNCIL**HAVANA, CUBA****16-17TH SEPTEMBER 1996****RECOMMENDATIONS FOR APPROVAL TO PRESENT TO THE CONFERENCE OF THE PARTIES**

CORE BUDGET 1996-7**1. WORKING COMMITTEE**

- ◆ That a Budget/Finance Working Committee be set up.

2. BUDGET FLEXIBILITY

- ◆ That the Director be granted authority to reallocate funds between the three main categories of expenditure (salaries, travel and other costs) at a level not to exceed the overall budget or 10% of each category.

3. CORE BUDGET YEAR 3

- ◆ That approval for the Year 3 Core Budget be sought at a meeting of the Conference of the Parties in April/may 1997.

4. SALARIES

- ◆ That an appropriate cost of living index be identified by the IAI Directorate to adjust the salaries of the three international staff at the beginning of each year of their contracts.
- ◆ That a mechanism be agreed to review the Director's performance and salary
- ◆ That the Director be given authority to grant the Scientific Officer and Financial Officer salary increases of up to 5% of their salaries based on an annual merit review.
- ◆ That the position of Assistant to the Director be funded jointly by INPE and IAI.

5. BENEFITS

- ◆ That a mechanism be agreed for the Director to obtain authority to modify the benefits awarded to the international staff.
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