

To: IAI Director: **Dr. Armando Rabuffetti**
IAI Accountant Assistant: **Marcelo Luis de Souza**

From: **Cr. Raúl Michelini**

Re.: Financial Report / Core budget request

As a general statement, I want to indicate that the core budget request report sent to the FAWG on May 11, 1999 differs from the previous report sent to the FAWG in January 1999, given that the new one is more clearly written and more detailed, and specially because it has been built based on the sound application of the principle of caution, by adjusting the total of retributions and expenditures as a function of a reasonable predicted evolution of incomes. This allows us to foresee relative good results in the various options presented in the document, even when these resources might be reduced (diminished) in a more or less important degree because of difficulties in the reception of countries contributions.

As result, there is a prediction of a positive financial result of US\$ 21,475 compared to a deficit of US\$ 712 of the previous period 7/98-6/99, thus giving a total difference of US\$ 22,187.

For the 7/99-6/2000 period, the difference is even substantially larger because one passes from a deficit of US\$ 129,650 to a surplus of US\$ 36,375 when the more optimistic scenario is considered; and to a deficit of US\$ 83,625 under a more pessimistic scenario. This improves the results of the period in US\$ 166,025 or US\$ 46,025 respectively based on a substantial reduction of previous forecast in terms of salary increase and particularly benefit to the international staff.

Next, a table shows the data supplied by the estimates given in January and in May 1999. Some comments, considered important for the discussion of this issue at the next meeting to be hosted in Canada, are also included.

TABLE 1
COMPARISON OF ESTIMATES MADE
IN JANUARY AND MAY, 1999

IMCOMES	TOTAL 7/98 - 6/99			TOTAL 7/99 - 6/2000		
	<i>Est. 1/99</i>	<i>Est. 5/99</i>	<i>Dif.</i>	<i>Est. 1/99</i>	<i>Est. 5/99</i>	<i>Dif.</i>
1 Contribution of the Countries	748.961	731.961	(17.000)	785.000	820.000	35.000
2 Banks Interest	15.000	12.460	(2.540)	10.000	10.000	-----
3 TOTAL	763.961	744.421	(19.540)	795.000	830.000	35.000
EXPENSES						
1 Personnel Salary and Benefits	442.503	430.449	(12.054)	600.650	506.625	(94.025)
2 Travels	149.474	120.000	(29.474)	150.000	128.500	(21.500)
3 Other Costs	169.233	165.775	(3.458)	169.000	158.500	(10.500)
4 Exchange Differences	3.463	6.722	3.259	5.000	-----	(5.000)
5 TOTAL	764.673	722.946	(41.727)	924.650	793.625	(131.025)
BALANCE	(712)	21.475	22.187	(129.650)	36.375	166.025

(Est = estimate)

COMMENTS TO TABLE 1:

A comparison of the January and May reports allows us to make the following comments:

I) Period 7/98 - 6/99 :

Estimated incomes diminish in 2,56%, or \$ 19,540, as expressed in the data from May 1999; this number is the sum of US\$ 17,000 because of the decrease in contributions and US\$ 2,540 because of bank interest decrease.

Expenses decrease in US\$ 41,727 (5,46%), and can be explained because of decrease in personnel salaries and benefits (US\$ 12,054) and travels (US\$ 29,474).

These variations are responsible for shifting from a financial deficit of \$ 712 to a surplus of \$ 21,475.

II) Period 7/99 - 6/2000 :

There is a favorable double effect according to the estimate made in May 1999. Revenues increase from US\$ 795,000 to US\$ 830,000 because of the increase in countries contributions in US\$ 35,000. The expenditures decrease US\$ 131,025, from a negative balance of US\$ 129,650 to a surplus of US\$ 36,375, with a favorable balance of US\$ 166,025.

The decrease in expenditures is basically explained because a decrease in resources destined to "Salary and Benefits of the Personnel" of US\$ 94,025, and because a decrease in resources destined to "Travels" in US\$ 21,500.

It is important to indicate, though, that both items show an increase as related to previous period of approximately 18% in "Salaries and Benefits" and 7% in "Travels", such resources destined to both components are substantially less in the report submitted in May as compared with the report submitted in January 1999.

Therefore , it is remarkable the effort in reducing expenses done in the May proposal and that it seems reasonable the increase in resources to 2 basic items on IAI functioning: "Salaries and Benefits of the Personnel" and "Travels".

A) Salary and Benefits for the Personnel:

Regarding variations in this issue, it is important to highlight that:

- The decrease in the Director's annual remuneration which changes from US\$ 214,500 to US\$ 154,770. That means a decrease of approximately 28%, focused in the issue "Benefits", which changes from US\$ 103,015 to US\$ 47,647.
- The decrease in the Scientific Officer annual remuneration which changes U S \$ 202,500 to US\$ 146,480. That means a decrease of approximately 28%, also focused in the issue "Benefits", which changes from US\$ 118,500 to US\$ 64,480.

- Some increments are also proposed, much less than the amounts saved with the previous decisions. These are referred to the salary of the Administrative Officer and a complement to the “Accountant Assistant”. The total decrease in the component “Salary and Benefit” when comparison is made of the estimate from January 1999 and the one proposed in the requested core budget for 1999-2000 (May 1999) is therefore of US\$ 94,025.

B) Travels:

In this component, there is a decrease of US\$ 21,500 when comparison is made of the amount estimated in January (US\$ 150,000) and the one presented in May (US\$ 128,500), which implies a saving of 14%. For 1999/2000 the amount requested is US\$ 120,000 plus US\$ 8,500 for travels of the Director and EC Chair, that I consider necessary as requested in previous EC and CoP meetings. Even with this increase, there is an overall decrease of US\$ 21,500 in the travel component.

COMMENTS TO TABLES 2 and 3:

The expected country contributions for the year 1998/99 are US\$ 785,000. Option 2 includes Guatemala with US\$ 5,000, Mexico with US\$ 45,000 instead of US\$ 20,000, and Venezuela with US\$ 25,000 instead of US\$ 20,000, thus giving a difference in + US\$ 35,000 to reach the approved amount of US\$ 820,000.

However, from this sum, up to May 11, 1999, date of the report I received, there has been an income of only US\$ 658,759. To this we might add as possible incomes:

- The amount of unpaid contributions for the period 95/96 to 97/98 which total US\$ 105,205;
- Some other contributions which might be made before the end of the first year 98/99, even based on contribution agreements specifically made with certain countries.

By making a joint analysis of tables 2 and 3, it can be seen that table 3 includes unpaid contributions for a total US\$ 105,205 whereas in table 2 these unpaid contributions are estimated only in US\$ 21,121. These differences are explained as follows

• Difference table 3	US\$ 105,205
• To be discounted:	
Argentina (new contribution begins on 98/99).....	US\$ (15,000)
Colombia, Dominican Rep, Ecuador and Guatemala (Ratified and adhesion on September, October and November, 1997)	US\$ (20,000)
Mexico (Unconfirmed contribution)	US\$ (21,200)
Paraguay (Just 97/98)	US\$ (5,000)
Peru (" " " ")	US\$ (10,000)
Venezuela (Just US\$ 8,960 in 98/99)	US\$ (13,676)

TOTAL US\$ 20,329

- Difference not included in table. 3:
Costa Rica (Quote 96/97)US\$ 793 (1)

- Conciliated amount.....US\$ 21,122

(1) So, the amount of US\$ 793 corresponding to unpaid quotes of Costa Rica in the period 96/97 must be registered on table 3.

COMMENTS OF 98/99 AND 99/2000 BUDGETS:

1) 1998-1999:

The difference between what was approved and what was requested is - US\$ 78,401 (approved: US\$ 801,347, final prevision: US\$ 722,946) as show:

PERSONNEL	US\$ (88,098)
OTHER COSTS	US\$ 9,697
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TOTAL.....	US\$ 78,401

2) 1999 - 2000:

It is important to highlight the savings in expenditures of personnel salary and benefits of US\$ 11,923 (since it goes from US\$ 518,547 on 98/99 to a projected of US\$ 506,624 for 99/2000).

There is a increment in “Travels” of US\$ 8,500, which is considered reasonable as commented before.

The item Other Costs is reduced in US\$ 4,300.

The three items as a whole let us estimate a total save of US\$ 7,723 which is more or less 1% when compared with previous period (US\$ 801,347 in 98/99 and US\$ 793,624 in 99/2000).

All previous date have been analyzed and explained enough in the report dated May 11th, 1999.

3) The balance of cash derived by the cash flow projected until June 30th, 2000 will be:

A) Option 1:

Estimated Income by contribution of the countries: US\$ 820,000

Cash balance on 31/3/99	US\$ 278,169
Estimated deficit 4/99 - 6/99	US\$ (10,413)
Other	US\$ (12,540)
Estimated surplus for fiscal year 99/2000.....	US\$ 36,375
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Estimated balance on 30/6/2000	US\$ 291,591

Thus, the real increase of available cash planed since March 31st, 1999 until June 30, 2000 is US\$ 13,422.

B) Option 2:

Estimated income as country contributions: US\$ 700,000.

In this case, the expected surplus of US\$ 36,375 for fiscal year 99/2000 would become a US\$ 83,625 deficit, decreasing the estimated balance of June 30th, 2000 to US\$ 171,591.

Final Comment:

I must express that several of the restlessness showed in my note of February of 1999 were clarified in this report. I hope to personally analyze those that still remain pending during the next meeting in Ottawa.

Finally, I wish to express my sincere recognition for the preparation of this report and my favorable opinion to its presentation, as well as to the conceptual criteria that were used for the presentation of a reasonable, cautions and equilibrated proposal.

Sincerely yours,

Cr. Raúl Michelini
C.N.C.G President.- Uruguay