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Core Budget Request Fiscal Year 10-11

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1) Overview

This document contains the Directorate's operational budget for the 2010/2011 fiscal year. The budget considers all the funds needed to maintain the current level of service and operations, including the monitoring and synthesis of CRN II and SGP-HD Programs, training activities and additional programs according to current plans. It maintains operational expenses at a minimum despite an increase in activities related to the science program synthesis and future planning.

The IAI Core Budget supports the Directorate's operations; it represents approximately a quarter of the total budget administered by the IAI. The remainder is program funds which support activities coordinated and executed by the Directorate.

The major IAI Directorate activities during fiscal year 2010/2011 include:

a) Scientific activities

Management and Monitoring of the CRN II and SGP-HD Programs

Projects under CRN-II (Collaborative Research Network II) will be completing their fourth year and the IDRC-funded La Plata Basin initiative is also entering a synthesis phase (IDRC stands for the International Development Research Center). The Directorate will continue the close involvement in shaping the networking and coordination of all projects. All projects will be monitored according to the management manual, and a scientific evaluation of the CRN II projects based on the progress/status will be initiated at the end of CRN II project year 3. The Small Grants Program for the Human Dimensions (SGP-HD) second annual report is being compiled and a renewal of the program is expected, so that the end will coincide with the end of CRNII. Additional agreements have been implemented and CRN2021-Sanchez has installed NDVI - Sensing Towers for CRNs 2021, 2015 and 2031 (NDVI: Normalized Difference Vegetation Index); several projects have begun the science synthesis, base on which the Directorate is producing a number of science and extension publications.

The assessment of climate impacts on biodiversity in the Andes funded by the MacArthur Foundation's will be concluding in 2010. The directorate is editing a book and several policy briefs to be released in late 2010. A further grant application has been made to the foundation to fund field research based on the priority-setting of the assessment.

The project Landuse change, biofuels and rural development in the La Plata Basin, funded by the International development Research Center (IDRC) of

Canada at CAD 444,000, is being expanded. Additional funding is applied for to permit an overarching economic analysis of landuse change. A project meeting has been held in April 2010 which initiated a process of research tool and data integration across the participating countries. The IAI Directorate main task remains the coordination and the facilitation of stakeholder participation, who were present at the meeting, will participate in the synthesis and have offered outlets and publicity for results.

IAI observer status at the UNFCCC and participation in SBSTA.

The Directorate continues its participation at the UNFCCC SBSTA (United Nations Framework Convention on Climate Change, and its Subsidiary Body for Scientific and Technological Advice), although funding constraints have prevented in-person participation at SBSTA events. The Directorate is preparing a summary of research progress to be submitted in preparation for the 2010 SBSTA meeting in Bonn.

b) Capacity building

Interdisciplinary training institutes (TI).

The IAI is organizing a joint IAI Training Institute on the use of seasonal climate predictions for applications in Latin America (02 – 13 August, 2010 - Buenos Aires, Argentina) and CRN II synthesis meeting on climate modeling and hydrology Cities' Responses to Climate Change will be held in 2010 in (05 – 06 August, 2010 - Buenos Aires, Argentina). Partners of the TI are IRI and the University of Buenos Aires. This activity will be sponsored by UCAR and co-funded by WCRP.

A second training with the Economic Commission for Latin America and the Caribbean (CEPAL) will be held in November, 2010. Partnership is also being pursued with UN Habitat, UNEP/ROLAC and the International Union of Local Governments. This Institute will seek to link urban studies, sustainability, and climate change with practical knowledge towards policies shaping the construction and functioning of urban areas.

In addition, the IAI is also discussing the possibility of organizing a training event in Paraguay associated with the IAI La Plata Basin project in 2011.

c) Outreach and Communication

The costs of the IAI Newsletter and reporting are being reduced by relying increasingly on electronic rather than paper formats since the greatest expense is mailing.

As the CRNII synthesis progresses, publications and web content are being developed - several of these are available on the IAI website.

d) Data Information System

The IAI Data Information System (DIS) permits data access and synthesis across projects, disciplines and regions and in this way generates an information technology tool that complements the international science mandate.

The Directorate is working with several of the CRNs and also with organizations involved in the IDRC project to facilitate a smooth metadata flow and mirroring of geographic information.

e) Finance and Administration

The Financial and Administrative Office of IAI continues to improve and streamline everyday activities, financial reporting, project monitoring, while maintaining internal controls, and satisfactory external audit results.

The budget for 2010/2011 includes the contracting of basic accounting services, due to increased duties and in order to improve management reporting and analysis, and to achieve timely and better quality information for decision making, an item that was also included in the previous budget request, however due to lack of stable funding from the member countries, we were not able to execute the contract.

Besides the analysis of financial reports and requests received from the Grantees, Finance and Administration is responsible for the assessment and monitoring of the financial and administrative capabilities of prospective and current grantees as well as for the control of all contracts issued by the Directorate.

On-going activities include budget development, strategic planning, as well as management reporting and analysis.

2) Budget Request for Fiscal Year 2010-2011

The budget was developed in detail around six main categories: Salaries & Benefits, Travel, Equipment, Operational Costs, Dissemination & Outreach, and Director's Fund. These categories comprise all individual expense accounts and provide a clear perspective of the planned expenses for Fiscal Year 2010/2011.

The proposed budget amount increases the operational budget of the Institute by approximately 10%, and will require changes in the total contribution amount. The proposed budget level allows IAI to continue with a steady level of activities and services even though it contains lower operating costs. The lower operating costs compensate for additional liabilities that have in the past not been included in the budget (see below). On the other hand, major shortfalls in country contributions during 2009 and 2010 have now depleted reserves and are seriously affecting operations and the ability to honor staff contracts.

a) Core budget comparison

For the summary of the budget, please refer to Table I:

Amounts in US\$	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Difference
Salaries & Benefits	904,485	777,477	127,008
Travel	83,180	74,510	8,670
Equipment	14,200	14,200	-
Operational Costs	174,135	187,930	(13,795)
Dissemination & Outreach	49,000	49,000	-
Director Fund	54,000	60,000	(6,000)
Total	1,279,000	1,163,117	115,883

The budget bridge to 2009/2010 by category is explained in detail below.

b) Salaries and Benefits

Under this category the cost of 6 international positions and 2.5 locally hired staff are budgeted. For the previous four years, the IAI had been paying nearly 50% of the salaries of the staff provided by Brazil as the funding provided for these three positions was no longer enough to cover salaries at market rates for the level of qualification required and detailed in the above mentioned agreement.

After extensive negotiations with the Brazilian representation, the situation was resolved and the changes meant a reduction of 50% on the Staff Incentives, a reduction of the salaries paid directly by IAI (Accountant, Driver), and an increase of salary costs for the 2 part-time assistants to the Director, now fully covered by IAI.

Recent communications with INPE (Instituto Nacional de Pesquisas Espaciais) indicate that the current contract is not valid and a new process for hiring will be put in place; there is a significant risk of the situation to revert to the pre-2008 levels, where the IAI would have to supplement the salaries in order to keep the local employees. However, with the current funding situation, the IAI would not be able to supplement these salaries, so the IAI may be facing the loss of key staff in the near future.

The current details by employee status are provided below:

Employees by Type	Quantity
International Staff (DIR, 3 A.D.'s , PM, ITM)	6
Locally Hired (IAI) (1.5 Assistants, Programmer)	2.5
Provided by INPE (Accountant, Driver, 2 Assistants)	4
MacArthur - Part-time Not funded with Core Budget	0.5

Other details of the Salaries and Benefits line include:

- The amount shown under salaries includes the full cost of the Program Manager with the CRN II Program as per the CRN II approved project proposal.
- The US dollar exchange rate in terms of Brazilian real appears to have stabilized therefore no additional changes in the Post-adjustment level are considered on this budget.

- For the international positions, an inflation adjustment of 4% has been considered in the budget (the Consumer Price Index was 3.9% in 2009).
- A total of US\$47k was reduced from the salary line as this is the IAI's income arising from the IDRC and MacArthur projects. This amount includes only the indirect costs covered by these projects for the administration of the grant.
- For local employees, the budget considers the adjusted value in terms of US dollars, however no salary increase is expected, other than the inflation rate adjustment for the previous calendar year calculated at 4.0%.
- Based on the Post Adjustment procedure in place, the budget considers the same level of Post Adjustment as the calculation made in the fourth quarter of 2010, with a level of 31.1% for the International Positions. This level represents an average exchange rate of 1.77 Brazilian Real per one US dollar.
- The Salaries and Benefits line represents 77% of the IAI Core Budget (up from from 67% in 2009/2010 and 71% in 2008/2009).

c) Travel

The travel budget for the 2010/2011 fiscal year has been reduced from the previous fiscal year's level, considering only one EC meeting per year. It includes attendance to the Executive Council and Conference of the Parties meetings for the Director, Officers, and two Assistants; it also includes attendance by the Director, Scientific Officer, and Program Manager at the SAC Meetings, attendance of the Program Manager at the UNFCCC-COP-SBSTA meetings, and other travels based on previous years.

The detailed travel budget is as follows:

TRAVEL ESTIMATES FOR THE FISCAL YEAR 2010/2011
Amounts in US\$

Position	Perdiem	Air Fare	Total
Priority 1			
Director	9,800	9,800	19,600
A.D. Science	3,800	7,015	10,815
A.D. Finance and Admin.	11,300	9,695	20,995
A.D. Outreach	2,900	4,300	7,200
Program Manager	3,800	7,245	11,045
IT Manager	800	1,200	2,000
Local Staff	2,220	3,225	6,345
Subtotal: Priority 1 Travel	34,620	42,480	78,000
Priority 2 and 3	2,228	2,952	5,180
Total Travel	36,848	45,432	83,180

d) Operational Expenses

This budget category primarily includes support for the following: staff training, professional services (external audit, legal advice, translations, DIS services, accounting services), office supplies and communication costs, and meeting support for the Scientific Advisory Committee (SAC) and for Executive Council meeting incidentals.

e) Dissemination and Outreach

We are proposing maintaining the costs of the IAI Newsletter and the IAI Annual Report, by streamlining the contents of both publications, providing an enhanced electronic rather than paper version. The design of the Newsletter and the Annual Report is done in-house.

f) Director Special Fund

The Director's Special Funds was reduced from the previous fiscal year for a total of US\$54,000, to compensate for activities for Cuba under CRN II and extend the reach of the Fund. For the past four years, the Directorate no longer supports activities that do not fit the science and outreach program, thereby making it more effective and strategically managed; however, with the current funding situation, all funds under DSF have been frozen.

3) Member Country Contributions to the Core Budget

For fiscal year 2010-2011, the IAI Directorate is requesting an increased level of contributions from the previous fiscal year, to compensate for shortages in collections and to slowly increase an operational fund to cover known liabilities.

Table III: Current and Proposed Contribution to CB by country
Amounts in US\$

Country	Part. %	Current US\$	Proposed US\$
Argentina	5.01%	57,000	63,000
Bolivia	0.07%	5,000	5,000
Brasil	8.73%	100,000	110,000
Canada	12.63%	143,000	159,000
Chile	0.55%	6,000	7,000
Colombia	0.96%	11,000	12,000
Costa Rica	0.13%	5,000	5,000
Cuba	0.00%	5,000	5,000
Dominican Republic	0.18%	5,000	5,000
Ecuador	0.18%	5,000	5,000
Guatemala	0.13%	5,000	5,000
Jamaica	0.18%	5,000	5,000
Mexico	6.21%	70,000	77,000
Panama	0.13%	5,000	5,000
Paraguay	0.20%	5,000	5,000
Peru	0.42%	5,000	5,000
United States	60.75%	691,000	762,000
Uruguay	0.27%	5,000	5,000
Venezuela	3.27%	37,000	41,000
FUND TOTAL	100.00%	1,170,000	1,286,000

(*): 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. The 26th EC approved contributions in multiples of US\$1,000, was confirmed and implemented in 2007

With the current forecast for contributions, IAI expects to fund 100% of the 2010/2011 budget, either by current year contributions or payments to previous year's contributions; however we will continue to pursue the maximization of these funds and to get all member countries to participate in and contribute to the IAI's activities.

4) Core Budget Request Bridge

The comparison to the previously approved Core Budget shows increases in Salaries and Benefits, due to the higher cost of the Brazilian Staff with salaried fixed in Brazilian Real, as well as the increased cost of living reflected by the higher than expected post adjustment level; decreases in Travel and Equipment, Dissemination and Outreach and the Director's Special Funds.

Table III: Budget Comparison 2010-2011 - 2009-2010 - Bridge
Summary by major category

Amounts in US\$	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Difference
Salaries & Benefits	904,485	777,477	127,008 (a)
Travel	83,180	74,510	8,670 (b)
Equipment	14,200	14,200	-
Operational Costs	174,135	187,930	(13,795) (c)
Dissemination & Outreach	49,000	49,000	-
Director's Fund	54,000	60,000	(6,000) (d)
Total	1,279,000	1,163,117	115,883

(a) Salaries and Benefits	127,008	
Salaries Intl Staff	67,612	Inflation adjustment + Increased cost in R\$
Salaries - Local Staff	(3,685)	Salaries updated for Inflation - minus .5 position
Pension plans Intl Staff	10,114	Based on salaries
Post-adjustment	26,675	R\$ has again increased its value against US\$
Education allowance	5,560	
Health allowance	4,482	
Home leave	13,000	
Others	3,250	
(b) Travel	8,670	
Staff Travel	8,670	Increase travel to maintain activities
(c) Operational Costs	(13,795)	
Severance and Relocation Reserve	10,000	Cash reserve build-up
Relocation Expenses	(12,000)	Hired last fiscal year
SAC meetings	(8,930)	Only one meeting per year
EC working groups	(865)	
Others	(2,000)	Part-time accounting services
(d) Director's Fund	(6,000)	
Director's Fund	(6,000)	

5) Three-year Core Budget (FY 10-11 / 11-12 / 12-13)

Budget by Year 2010/2011 - 2011/2012 - 2012/2013 Summary by major category

Amounts in US\$	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Salaries & Benefits	904,485	898,488	917,106
Travel	83,180	87,583	87,583
Equipment	14,200	15,000	10,000
Operational Costs	174,135	172,522	211,754
Dissemination & Outreach	49,000	40,000	40,000
Director's Fund	54,000	60,000	70,000
Total	1,279,000	1,273,593	1,336,443

The budget for 11/12 and 12/13 are for reference and planning purposes, and each year a three-year budget will be presented, however approval for each one is made yearly.