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15 April 2019

**CONFERENCE OF THE PARTIES TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH**
Twenty-seventh meeting
Brasilia, Brazil, 5-6 June 2019
Agenda item 5a

Financial and budgetary matters

Annex 1: Overview of the Financial Status for FY 2018-2019

1. This document has been prepared by the IAI Directorate.

Introduction

2. This document presents an overview of the financial status for the fiscal year 2018-2019 and an update on Party contributions to 30 April 2019.

Background

3. The *Agreement establishing the Inter-American Institute for Global Change Research*, Article XIII, *Financial provisions*, paragraph 1, states:

A budget of operational expenses for the Institute, consisting of salaries for the Directorate and basic support for the Directorate, Scientific Advisory Committee, and Executive Council shall be supported by the voluntary contributions pledged annually for a three-year period by the Parties in accordance with the interests of the Parties. Such pledges shall be in increments of US\$ 5,000. The adoption of the

annual budget shall be by consensus of the Parties. The Parties recognize that regular contributions to the operational budget are essential to the success of the Institute and that such contributions shall take into account the research resources of the contributing parties.

4. The Conference of the Parties, at its 26th meeting (CoP-26, Antigua, 2018), adopted Decision XXVI/3 which urges Parties to:

...submit their contributions to the Core Budget in a timely manner and in accordance with the basic scale and encourages them to make extraordinary contributions above their regular contributions whenever possible and as appropriate.

5. The CoP-26 also adopted Decision XXVI/4 which invites Parties to:

...submit their contributions as far as possible during the year prior to the one to which they relate or, otherwise, by the beginning of the calendar year to which the contributions apply.

6. CoP-6 adopted Resolution 7, which proposes an amendment to Article XIII of the Agreement. It states:

A budget of operational expenses for the Institute, consisting of salaries for the Directorate and basic support for the Directorate, Scientific Advisory Committee, and Executive Council shall be supported, by the voluntary contributions pledged annually for a three-year period by the Parties in accordance with the interests of the Parties. Such pledges shall be in increments of US\$ 1,000. The minimum contribution shall be US\$ 5,000¹. The adoption of the annual budget shall be by consensus of the Parties. The Parties recognized that regular contributions to the operational budget are essential to the success of the Institute and that such contribution shall take into account the research resources of the contributing Parties.

7. At the time of writing, the amendment to Article XIII has not entered into force. as the required 2/3 of the Parties, which are currently members of the Institute, have not notified the Depository (General Secretariat of the Organization of American States) through appropriate diplomatic channels, that they have completed their corresponding domestic legal requirements².

8. Given the 20 year time span since adoption of Resolution 7, the Conference of the Parties may wish to consider retiring this Resolution.

¹ Underlined text by the IAI Directorate. Underlined text identifies proposed amendments to Article XIII.

² For a list of Parties which have notified the Depository, see: [http://www.oas.org/juridico/english/sigs/c-19\(1\).html](http://www.oas.org/juridico/english/sigs/c-19(1).html)

Financial status for the fiscal year 2018-2019

Party Contributions

9. As of April 30, 2019, the contributions received (cash incomes) represent the equivalent of 37% of the approved contributions for the fiscal year 2018/2019.
10. Parties are invited to consider Decision XXVI/3 particularly as the non-submission of expected contributions is placing stress on the ability of the IAI Directorate to fulfill its mandate and complete its activities.
11. Table I shows the status of the Party contributions.

Table I

Core Budget 2018 / 2019
Status of Country Contributions as of April 30, 2019
Amounts in US\$

	Due as of 30-Jun-18	Contribution for FY 18/19	Paid in 2018/2019 to be applied to:			Due as of 30-Jun-19
			Arrears	Current year	Advances	
Argentina	147,957	69,000				216,957
Bolivia	60,000	5,000				65,000
Brazil	240,206	120,000				360,206
Canada	104,459	173,000	(104,459)	(36,757)		136,243
Chile	14,000	8,000	(14,000)			8,000
Colombia	17,433	13,000	(17,433)	(6,260)		6,740
Costa Rica	(341)	5,000				4,659
Cuba	70,067	5,000				75,067
Dominican Republic	100,000	5,000	(5,000)			100,000
Ecuador	-	5,000	(5,000)			-
Guatemala	105,000	5,000				110,000
Jamaica	70,000	5,000				75,000
Mexico	85,000	85,000	(85,000)			85,000
Panama	85	5,000				5,085
Paraguay	33,984	5,000	(9,868)			29,116
Peru	(20,286)	6,000				(14,286)
Uruguay	-	5,000				5,000
USA (*)	393,358	831,000	(232,324)			992,034
Venezuela	180,000	45,000				225,000
Totals	1,600,923	1,400,000	(473,084)	(43,017)	-	2,484,822

12. The IAI Directorate also refers Parties to Decision XXV/25 which encourages proactive participation by country representatives to work for the timely payment of country contributions.
13. Moreover, USD5000 in January 1992 had the same buying power as USD9113.40 in January 2019. Or, alternatively, since 1992, Party contributions remaining at the USD5000 level have lost approximately 45% of its purchasing power. Party contributions are discussed in document no. IAI/COP/27/6, *Decision XXVI/6: Different options regarding increases to Party contributions and possible use of United Nations post adjustment scales on professional staff salaries*.

Efforts by the IAI Directorate related to late Party contributions

14. In support of Decision XXVI/5³, the IAI Directorate has met with Argentina, Brazil, Canada, Chile, Guatemala, Mexico, Panama, Peru, the USA and Uruguay. The Directorate also met with the focal point from Colombia, virtually. Discussions touched on the need for timely submissions of contributions by Parties that are late in meeting their pledges. The IAI Directorate is hopeful that Parties will be able to submit in a timely manner their contributions.

Status of the core budget and expenses

Expenses

15. Table II summarizes expenses at the close of 28 February 2019 (8 months into the fiscal year).
16. Expenses were 4.4% lower than that foreseen in the core budget (67% of the total budget), representing a slight improvement in expenses from the budget performance for previous fiscal years.

Table II

³ *The Conference of the Parties instructs the IAI Directorate to continue to monitor Parties that have pending contributions to the Agreement by sending reminders twice yearly, with copies to the permanent missions in Montevideo, Uruguay and initiating discussions with the permanent missions in Montevideo of the Parties with pending contributions for three or more years.*

Budget Performance
July 2018 - February 2019
Amounts in US\$

Category	Actuals 2018/2019	YTD Budget 2018/2019	Difference	%
Salaries & Benefits	653,000	662,041	(9,041)	-1.4%
Travel & Training	43,530	57,953	(14,423)	-24.9%
Equipment	4,358	8,799	(4,441)	-50.5%
Operational Costs	145,327	155,873	(10,546)	-6.8%
Dissemination & Outreach	21,000	12,667	8,333	65.8%
Director's Fund	25,000	36,000	(11,000)	-30.6%
Total	892,215	933,333	(41,118)	-4.4%

Salaries and benefits

17. Salaries and benefits show a slight decrease of -1.4% from what was budget for the 2018/2019. At the end of the fiscal year, the IAI Directorate expects to be in line with the full-year budget. It is noted that an additional impact will be received in the last trimester of 2018/2019 owing to severance payments due to the resignation of the Science Program Officer and the hiring of the new Director, Science.

Travel

18. Travel and training expenses are significantly lower than expected, i.e. -24.9%. The IAI Directorate made efforts to cover travel costs from non-core funds whenever possible and as appropriate.
19. Moreover, several missions were planned to occur back-to-back thereby providing savings in air travel. The IAI Directorate also encouraged participation by staff using video conferencing whenever possible to lower the carbon footprint of the IAI.
20. An economy class travel only policy, with exceptions for health reasons, has also contributed to lower travel costs.

Equipment

21. Equipment costs were lower than expected, -51%, owing to the harmonization of services, better training of staff in the use of new information technologies, centralization of IT services through one provider and greater oversight in the purchase of new equipment and software.

Operational costs

22. Operational costs were also slightly lower, -7%. Again, greater oversight of general services and use of resources, including telephony and general office supplies, has contributed to a more cost-effective Directorate. However, it is expected that operational costs will meet what was originally budgeted by the end of the fiscal year.

Dissemination and outreach

23. Costs associated with dissemination of information on the IAI were higher, 66%, owing to payment of salaries for the consultant, Editor. The IAI Directorate notes that this contract has been terminated effective 1 December 2018.

Administration

Staff handbook

24. New administrative regulations under the new *Staff handbook* were implemented and are currently in-force.

Tripartite Agreement

25. Discussion related to implementation of Decision XXVI/19, merger of the Science Development Directorate and the Science-Policy Liaison Directorate with the Integrated Operations and Finance Directorate is discussed in document no., IAI/COP/27/15, *Decision XXVI/19: Report of the IAI Directorate on the merger with the Science Development Directorate and the Science-Policy Liaison Directorate*. Parties are invited to refer to that document.

26. The merger was completed successfully during the 2018-2019 intersessional period without interruption of services and advice to Parties.

Internal Controls

27. Internal controls continue to be updated when opportunities for improvement are detected. Currently there are no critical internal control issues either from the FAC or the external auditors.

28. The IAI Directorate received the external auditor's report for the past fiscal year (2017/2018) and it is available as an information document. The external audit report was received without qualifications.

Accounting and Information Management Software

29. The Accounting and Information management software, SAP, continues contributed to more efficient administrative and financial controls to the budget and provides easier to manipulate information used by the management of the IAI Directorate.

Recommendation

30. The Conference of the Parties is invited to take note of this document.

31. The Conference of the Parties is invited to take note of the draft decisions contained in document *Financial and budgetary matters Annex 2: Core budget and country contributions for FY 2019-2020 and preliminary request 2021-2023*, no. IAI/COP/27/5/ANNEX/b.