

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH



December 2008

**Quarterly Status Report
YTD - September 30, 2008**

Index

1)	Status of the Core Budget	3
a)	Country Contributions.....	3
b)	Collection of Country Contributions	4
c)	Expenses	5
2)	Cash Composition and Core Budget Reserves	7
3)	Administrative Area.....	8
a)	Changes to Administrative Processes / Internal Controls.....	8

1) Status of the Core Budget

a) Country Contributions

As of September 30, 2008 the funds collected (cash incomes) represent 58% of the approved contributions for the fiscal year 2008/2009.

Table I shows the status of the contributions received as of September 30, 2008.

Core Budget - 2008 / 2009
Status of Country Contributions as of September 30, 2008
 Amounts in US\$

	Contribution for FY 08/09	Paid - in 2008/2009 to be applied to:			Due as of 30-Jun-09
		Arrears	Current year	Advances	
Argentina	57,000				108,957
Bolivia	5,000				25,000
Brazil	100,000		(85,000)		20,000
Canada	143,000				143,000
Chile	6,000	-	-	-	(9,000)
Colombia	11,000	(10,000)	(11,000)		40,000
Costa Rica	5,000	(2,000)			15,000
Cuba	5,000	(5,000)			25,067
Dominican Republic	5,000				60,000
Ecuador	5,000				40,000
Guatemala	5,000				60,000
Jamaica	5,000				25,000
Mexico	70,000			-	70,000
Panama	5,000				-
Paraguay	5,000				65,000
Peru	5,000				18,351
Uruguay	5,000				55,000
USA (*)	691,000	(550,000)			736,000
Venezuela	37,000		(12,500)		214,021
Totals	1,170,000	(567,000)	(108,500)	-	1,711,396
			Total Revenues:		(675,500)
			Total Advances:		-
			Contributions not received:		(494,500)
			Difference:		-

(*) The NSF has approved a grant for the fiscal years 05-08.

The full grant is available and the funds are received by IAI upon request.

TABLE I: Status of Member Country contributions as of June 30, 2008 (cash basis)

The response from the countries to the IAI contacts had been very positive, however collections in the first half of 2008/2009 are low in comparison to the previous fiscal year regardless of the increased contacts with the country representatives.

b) Collection of Country Contributions

The funding requests continue to involve all senior members of the IAI staff, with different strategies depending on the situation of each specific country. Important developments have been obtained in the cases of Colombia and Peru, to engage them with IAI activities and to collect contributions in arrears.

Talks with high-level government officials have taken place in Guatemala and Uruguay, but without tangible results so far. Guatemala has never paid its contributions, and Uruguay only once upon joining.

Colombia and Cuba have paid contributions in arrears. Costa Rica paid US\$2,000 balance from the 2005/2006 fiscal year.

Every opportunity to promote IAI and request funds is used. Whenever there is travel to one of the countries not actively participating in IAI affairs, contacts are made in order to promote IAI with the high level country officials, usually requesting meetings with persons with enough political power and budget, to move towards a decision to engage the country and compromise the funds.

The strategy to engage more countries is based on content driven effort, first creating the local scientific content and then involving local scientists in the IAI's request for contributions. This encompasses not only current members of the Institute, but also potential members, with a focus on the Caribbean and the Central American countries.

Whenever the IAI had communications with member countries (or those not actively participating), a country profile sheet is provided in order to show the tangible benefits that the countries have obtained from participating in IAI. This creates a very positive impact.

However, the IAI needs more support from the member countries, as contributions should be received at the earliest. We will undertake additional collection efforts before the end of the current fiscal year, and we expect a positive response from a number of member countries.

c) Expenses

The following table shows the expenses year-to-date September 2008 (3 months into fiscal year 2008/2009). This comparison shows the status of the core budget compared to the actual expenses in the corresponding period.

These expenses include the provisions for holidays, contributions to social security, and depreciation of fixed assets as of September 30, 2008.

Budget Performance
July 2008 - September 2008
 Amounts in US\$

Category	Actuals	3-month Budget	Difference	%
	2008/2009	2007/2008		
Salaries & Benefits	211,258	206,733	4,525	2.2%
Travel & Training	6,133	21,050	(14,917)	-70.9%
Equipment	4,568	6,500	(1,932)	-29.7%
Operational Costs	17,795	34,583	(16,788)	-48.5%
Dissemination & Outreach	4,700	10,750	(6,050)	-56.3%
Director's Fund	-	11,250	(11,250)	-100.0%
Total	244,453	290,865	(46,412)	-16.0%

Budget was included for the period (3 months) - total budget is US\$1,163k

TABLE II: Core Budget expenses as of September 30, 2008

Year-to-date expenses at the end of September 2008 are 16.0% lower than the 3-month budget, with most of the variance coming in the categories of Operational Costs and Travel and Training and Director's Special Fund partially offset by higher expenses in Salaries and Benefits.

Salaries and Benefits appear higher than expected due to a lower than expected US dollar exchange rate, however the average for the next quarter (October to December) will decrease this trend and we should expect net savings compared to the budget in this line.

Travel and training expenses are also lower than expected as the budget considers travel to the EC meeting (usually in the 2nd quarter) that this year will not be held. In the line of operational costs, the variance comes from the SAC meeting (occurred in November) as the expenses are not yet reflected in the accounting.

During the current fiscal year, we have not funded any activities with the Director's Special Fund, since the funding is held in reserve pending the signing of Cuban contract components in CRN II.

We expect to close the second quarter of 2008 (December), with a year-to-date variation of -5% compared to the budget for the same period (first half of the 2008/2009 fiscal year).

2) Cash Composition and Core Budget Reserves

The cash balance at the end of September 30, 2008 was 17% higher than the ending balance at the end of September 2007; expenses continue to be tightly controlled and some countries continue to pay for previous year's contributions, by September IAI temporarily covered Core Budget expenses with reserves, before requesting the funds from the NSF waiting for the new grant to be approved, and also expecting contributions from other countries.

The grant to cover the U.S. Contribution for 08/09 is currently being submitted to NSF for approval, therefore we have not been able to withdraw the funds for the 2008/2009 U.S. contribution, however expenses have been incurred and the funds will be requested (reimbursement) in the following months.

Cash Reconciliation

At the end of Sep-08

Amounts in US\$

	Sep-07	Sep-08	Variance
Program Funds	228,117.34	132,871.84	-41.8%
IAI CB Funds	337,796.40	531,447.24	57.3%
Total Cash	565,913.74	664,319.08	17.4%

This level of reserves (IAI Core Budget Funds) would cover 5.5 months of operations with the current annual budget level of \$1,163,462 (Fiscal Year 2008/2009 budget approved by the 15th CoP in Buenos Aires, June 2008).

If the funds for the U.S. and other contributions expected for 2008/2009 were taken into consideration in terms of reserves, the IAI Core Budget Funds would cover 12.6 months of operations at the current US\$1,163,462 budget level.

3) Administrative Area

a) Changes to Administrative Processes / Internal Controls

CRN II Program Audit

From Aug. to Dec. 2008, the IAI performed the audits for the CRN II program, covering all PI institutions and several Co-PI institutions that were considered relevant. The audit was made with a focus on reported expenses compared to the physical receipts, internal controls, operational effectiveness, and the project in general. All receipts were reviewed (100% sample) and the results were satisfactory, a detailed report will be presented to the FAC during the next meeting (April 2009).

Employee Manual

The changes to the forms and approved policies are being compiled and attached to the manual as a new annex. The manual is up-to-date with all changes.

Accounting Manual

For several other reasons, the accounting manual has not received a high priority during the past fiscal and it is still pending. The need of such a manual is being discussed with the FAC; a conclusion will be made during the next FAC meeting (2009).

Host Country Agreement with Brazil

This item is still unresolved, however there are very positive signs from the Brazilian representation to IAI, as well as INPE as the administrator of the contract. Additional talks are still needed, however in time we believe all issues will be resolved or clarified.

Brazilian Staff provided by INPE

After several sessions and negotiations with INPE, the contract for the IAI staff was issued with some changes, however not fully covering the IAI needs. Changes and were needed, to eliminate as much as possible, the supplements paid with Core Budget funds; due to this, the contracts of two staff members were not renewed (Finance and Administration Assistant, Office Clerk), activities were re-distributed and the contract values and salaries were assigned to those positions that more closely reflect the reality of the salaries, while minimizing the amounts paid out of the normal payroll. This change will be translated into savings of about US\$35k per year and solved many potential problems related to the reporting of salaries to the Brazilian tax authorities.

Cash management and other issues with Brazil

Improvements were made in the handling of cash for IAI; Banco do Brasil is not being used, substituted by Citibank which now is able to handle US dollar operations, providing more security and a more discrete location. Cash withdrawals are now being handled by a security company (armored truck), at a higher cost, however it is a better long-term solution.

Internal Controls

The controls remain in place, being reviewed and updated where opportunities for improvement are detected. Currently there are no critical Internal Control Issues outstanding either from the FAC or the External Auditors. The external audit report is again delayed, however the latest communications indicate that it will be received shortly.

Inflation for the calendar year

Jan-08	0.96%	0.96%
Feb-08	0.26%	1.22%
Mar-08	0.19%	1.41%
Apr-08	0.76%	2.17%
May-08	0.68%	2.85%
Jun-08	0.89%	3.74%
Jul-08	0.65%	4.39%
Aug-08	0.23%	4.62%
Sep-08	-0.12%	4.50%
Oct-08	0.13%	4.63%
Nov-08	0.41%	5.04%
Dec-08		5.04%

The inflation in the current calendar year is already higher than 2007 (4.54%), even without the data for December 2008. We expect the year to close at close to 6%.

Exchange rate – current year

Jan-08	1.779
Feb-08	1.758
Mar-08	1.678
Apr-08	1.749
May-08	1.672
Jun-08	1.628
Jul-08	1.592
Aug-08	1.566
Sep-08	1.634
Oct-08	1.914
Nov-08	2.115
Dec-08	2.333

The average for the previous post-adjustment was set at 1.738, in Q1-2008; the average for Q3-2008 was 1.597 (-8.1%, therefore falling below the 5% threshold).

In Q4-2008, the average exchange rate at the day of payroll increased to 2.121. With these values, the post-adjustment will be reduced by 17% once we consider the 5% threshold. This change will come into effect 01-Jan-09.