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5 June 2018

**CONFERENCE OF THE PARTIES TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Twenty-sixth meeting
Antigua, Guatemala, 20-21 June 2018
Agenda item 5a**

Financial and budgetary matters

Annex 1: Overview of the Financial Status for FY 2017-2018

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 2017-2018 and an update on Party contributions to 30 April 2018.

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 25th meeting (Bogota, 2017), adopted Decision XXV/25, which states:

The CoP encourages proactive participation by country representatives in IAI meetings, reporting on IAI research project results in their countries, and working for the timely payment of country contributions.

5. The Conference of the Parties, at its 24th meeting (Santiago, 2016), adopted Decision XXIV/25, which states:

The CoP decided that small countries having arrears in contributions could cancel their debts by organizing events or other activities that would be attributable to the IAI core budget.

6. The Conference of the Parties, at its 6th meeting (Ottawa, 1999), adopted Resolution 6, which urged Parties to:

...assure that their voluntary contributions are made fully and on a timely basis to allow the development of the Institute for the shared benefit of all.

7. CoP-6 also 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.

8. 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.

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 2017-2018

Party Contributions

9. As of 30 April 2018, the contributions received (cash incomes) represent the equivalent of 52% of the approved contributions for the fiscal year 2017/2018.
10. The non-submission of expected contributions is beginning to place 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 2017 /2018						
Status of Country Contributions as of April 30, 2018						
Amounts in US \$						
	Due as of 30-Jun-17	Contribution for FY 17/18	Paid in 2017/2018 to be applied to:			Due as of 30-Jun-18
			Arrears	Current year	Advances	
Argentina	78,957	69,000				147,957
Bolivia	55,000	5,000				60,000
Brazil	120,206	120,000				240,206
Canada	77,821	173,000		(146,362)		104,459
Chile	6,000	8,000				14,000
Colombia	13,256	13,000	(8,823)			17,433
Costa Rica	(5,341)	5,000				(341)
Cuba	65,067	5,000				70,067
Dominican Republic	100,000	5,000	(5,000)			100,000
Ecuador	(5,000)	5,000				-
Guatemala	100,000	5,000				105,000
Jamaica	65,000	5,000				70,000
Mexico	-	85,000				85,000
Panama	(4,915)	5,000				85
Paraguay	39,153	5,000	(10,169)			33,984
Peru	(26,286)	6,000				(20,286)
Uruguay	(5,000)	5,000				-
USA (*)	121,415	831,000	(52,416)	(506,641)		393,358
Venezuela	135,000	45,000				180,000
Totals	930,335	1,400,000	(76,409)	(653,003)	-	1,600,923

12. The IAI Directorate notes Decision XXV/25 which encourages proactive participation by country representatives to work for the timely payment of country contributions.

13. It is also noted that USD5000.00 in January 1992 had the same buying power as USD8974.19 in January 2018, or, in other words, the purchasing power in 2018 of the Core Budget has decreased significantly.

Efforts by the IAI Directorate related to late Party contributions

14. The IAI Directorate has met and discussed the need for timely submissions of contributions with 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 2018 (8 months into the fiscal year).
16. Expenses were 9.9% 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

Budget Performance				
July 2017 - February 2018				
Amounts in US\$				
Category	Actuals 2017/2018	YTD Budget 2017/2018	Difference	%
Salaries & Benefits	617,147	652,602	(35,455)	-5.4%
Travel & Training	34,220	66,187	(31,967)	-48.3%
Equipment	17,776	7,133	10,642	149.2%
Operational Costs	139,555	145,411	(5,857)	-4.0%
Dissemination & Outreac	32,607	26,000	6,607	25.4%
Director's Fund	-	36,000	(36,000)	-100.0%
Total	841,304	933,333	(92,029)	-9.9%

Salaries and benefits

17. Salaries and benefits show a slight decrease of -5.4% from what was budgeted for the 2017/2018. 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 2017/2018 owing to severance payments due to the resignation of the Director of Finance and Administration.

Travel

18. Travel and training expenses are significantly lower than expected, i.e. -48.3%. 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.
20. The new IAI Executive Director has also implemented an economy class travel only policy, with exceptions for health reasons.
21. The termination of the consultancy in the Science-Policy Liaison Directorate in Buenos Aires, Argentina, provided the means to better coordinate travel associated with that office with other IAI missions resulting in considerable savings.

Equipment

22. Equipment costs were higher, 149.2%, owing to the need to purchase software licenses, anti-virus software, instalment of IP telephony for staff, purchase of network equipment, increased network security, update of server operating systems and purchase of 3 new laptops for staff.

Operational costs

23. Operational costs were slightly lower, -4.0%. However, it is expected that operational costs will meet what was originally budgeted by the end of the fiscal year.

Dissemination and outreach

24. Costs associated with dissemination were higher, 25.4%, owing to the effect of consultant salaries accounted for as salaries.

Cash composition and core budget reserves

25. The cash balance at the end of March 2018 was 39.5% lower (see Table III) than the balance at the end of April 2017.
26. Part of the amount in Table III, in the line "program funds," refers to USD50,000 received under the agreement between the IAI Directorate and the National Scientific and Technical Research Council of Argentina (Consejo Nacional de Investigaciones Científicas y Técnicas) to support CRN3 projects that have the participation of Argentina.

27. The remaining funds refer funds from the United States National Science Foundation that are normally requested to keep the balance of cash-on-hand close to zero and were requested in advance owing to temporary problems related to the establishment of a bank account on United States soil. This problem has been resolved and the funds will be disbursed before the end of the fiscal year.
28. The Cash reconciliation reflects a critical situation caused by the non-submission of voluntary contributions by several Parties. If the undisbursed funds by the United States are taken into consideration, the current available funds can cover 7.1 months of operations.
29. Expenses continue to be tightly controlled specially since extraordinary and considerable expenses are planned before the end of the calendar year (severance as per the contracts, relocation expenses, moving allowances).

Table III

Cash Reconciliation			
At the end of March 2018			
Amounts in US\$			
	Apr-17	Mar.-18	Variance
Program Funds	533,824	419,676	-21.4%
IAI C B Funds	875,831	433,282	-50.5%
Total Cash	1,409,656	852,958	-39.5%

Administration

Staff handbook

30. Updates to the *Staff handbook* were discussed and approved by the FAC.

Tripartite Agreement

31. Implementation of the Tripartite Agreement is discussed in document *Decision XXV/30: Implementation Committee for the Tripartite Structure of the IAI*, no. IAI/COP/26/13.
32. Parties are invited to take note of the document and the draft decisions contained in the annex.

33. The contract for the consultant working out of the Science-Policy Liaison Directorate was terminated on October 2017. The Executive Director assumed responsibilities for that post in the interim.

Internal Controls

34. 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.
35. The IAI Directorate received the external auditor's report for the past fiscal year (2016/2017) and it is available as an information document. The external audit report was received without qualifications.

Accounting and Information Management Software

36. The Accounting and Information management software has 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. The Director of Finance and Administration resigned his post on 30 March 2018. An acting Administration, Finance and Operations Officer is fulfilling the responsibilities assigned to the post.

Recommendation

37. The Conference of the Parties is invited to take note of this document.
38. 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 2018-2019 and preliminary request 2019-2021*, no. IAI/COP/26/5/ANNEX/b.