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10 April 2024

**EXECUTIVE COUNCIL TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Fifty-seventh meeting
Videoconference
16 May 2024
Agenda item 5b**

Report of the Financial Working Group

1. This document has been prepared by the IAI Directorate on behalf of the Financial Working Group.

Background

2. The Executive Council, at its 55th meeting (EC-55, Panamá City, 2023), made the recommendation LI/4 which invites the Conference of the Parties to:

...establish a working group to develop a plan to: 1) increase Parties' annual voluntary contributions to the IAI core budget over the next 1-3 years; 2) define other types of contribution to the IAI core/program budgets (i.e. secondments, etc); 3) define other financial and in-kind contributions to the IAI program budgets (science, capacity building programs and projects).

3. Accordingly, during the CoP-32, the Financial Working Group was formed.

Membership

4. The members serving on the working group are, as per volunteering during CoP-31: Carlos Eduardo Higa Matsumoto (Brazil), Milagro Mainieri (Panamá), Maria Uhle (United States), Anahí Urquiza (SAC member), Alexandra Mallett (SAC member), the IAI Directorate (Anna Stewart Ibarra, Valeria Villamil).

Activities

5. Three meetings of the Financial Working Group were held via videoconference during the intersessional period: 18 September 2023, 6 November 2023, and 27 February 2024 at the time of writing. Issues discussed included:
 - Financial stability and resource security: Discussions centered on the challenges faced by the Directorate in a scenario where Party contributions have not been adjusted in recent years to account for inflation and several Parties have not made voluntary contributions for a number of years, and the need to ensure the financial stability of the Directorate, emphasizing the importance of securing monetary resources to sustain operational activities effectively.
 - Voluntary contributions and flexibility: There was an emphasis on the voluntary nature of contributions, alongside the necessity for flexibility to accommodate both monetary and in-kind contributions, ensuring inclusivity and participation of Parties.
 - Determining core budget and reserve funds: The working group requested that the Directorate calculate the core budget required, including resources and necessary reserve funds, for the present and near-future scenarios to establish a baseline for monetary contributions essential for the Directorate's operations and to accompany the growth and expanding activities in support of the objectives under *Article II of the Agreement Establishing the Inter-American Institute for Global Change Research*, and the IAI Strategic Plan. The Directorate diligently assessed the core budget requirements for both present and future scenarios (to account for more activities and collaborations), including calculating the necessary reserve funds. This figure will be the starting point for determining the level of contribution that the Directorate requests to be covered exclusively with monetary contributions from the voluntary contributions of the Parties.
 - Communication of resource needs: It was underscored that as the IAI experiences growth and expands its activities, there is an urgent need to communicate the necessity for increased resources to support these developments. The working group requested that the Directorate set up meetings with Parties to discuss financial considerations, programmatic activities and the country' regional priorities, and these meetings have been ongoing since March 2024. The working group also emphasized that SAC and SPAC members can help in communicating with focal points.
 - Adjustment of current voluntary contribution levels: Deliberations focused on fairness, varying contribution capacities, flexibility, and the importance of consensus among Parties in agreeing to the budgetary increase. It was emphasized that increased resources are needed to address financial challenges and to match the growth and expanding activities of the IAI.
6. The working group made the following recommendations:
 - To dismiss the voluntary financial contributions to the core budget not submitted more than five years ago (before 2019). Meanwhile, for voluntary financial contributions not submitted

in the last five years (2019-2024), Parties could provide in-kind contributions, e.g.: hosting scientific and training events/workshops and staff secondments to the Directorate.

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- The IAI Directorate will send annually, after each CoP, a letter to the focal points informing of the amount of the annual voluntary contribution for the current fiscal year. It will be accompanied by the country profile prepared for each Party by the IAI Executive Directorate, which summarizes the benefits and opportunities received by each Party as a result of being a member country of the IAI. The first letters were sent in October 2023.
- Increase the Party voluntary contributions by 20% in FY2024-2025, and 5% annually in each subsequent year:

| | Fiscal Year 2023-2024 | Fiscal Year 2024-2025 | Fiscal Year 2025-2026 | Fiscal Year 2026-2027 |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Argentina | 69.000 | 82.800 | 86.940 | 91.287 |
| Bolivia | 5.000 | 6.000 | 6.300 | 6.615 |
| Brazil | 120.000 | 144.000 | 151.200 | 158.760 |
| Canada | 173.000 | 207.600 | 217.980 | 228.879 |
| Chile | 8.000 | 9.600 | 10.080 | 10.584 |
| Colombia | 13.000 | 15.600 | 16.380 | 17.199 |
| Costa Rica | 5.000 | 6.000 | 6.300 | 6.615 |
| Cuba | 5.000 | 6.000 | 6.300 | 6.615 |
| Dominican Republic | 5.000 | 6.000 | 6.300 | 6.615 |
| Ecuador | 5.000 | 6.000 | 6.300 | 6.615 |
| Guatemala | 5.000 | 6.000 | 6.300 | 6.615 |
| Jamaica | 5.000 | 6.000 | 6.300 | 6.615 |
| Mexico | 85.000 | 102.000 | 107.100 | 112.455 |
| Panama | 5.000 | 6.000 | 6.300 | 6.615 |
| Paraguay | 5.000 | 6.000 | 6.300 | 6.615 |
| Peru | 6.000 | 7.200 | 7.560 | 7.938 |
| Uruguay | 5.000 | 6.000 | 6.300 | 6.615 |
| USA (*) | 831.000 | 997.200 | 1.047.060 | 1.099.413 |
| Venezuela | 45.000 | 54.000 | 56.700 | 59.535 |
| Totals | 1.400.000 | 1.680.000 | 1.764.000 | 1.852.200 |

- The Directorate should report on financial and in-kind contributions from Parties to the IAI, in addition to core budget contributions, during the COP and EC financial reports. This could include funding for specific programs, hosting of scientific and training events, hosting of COP or EC meetings, staff secondments, among other forms of support.

Recommendation

7. The Executive Council is invited to consider approving the draft decision contained in Annex 1 to the present document.

Annex

Draft decisions of the Conference of the Parties

Core Budget

Directed to Parties

2024/CoP-32/xx. The Conference of the Parties approves to increase the Party voluntary contributions by 20% in FY2024-2025, and 5% annually in each subsequent year.