PROGRESS IN IMPLEMENTING THE FINANCE PLAN

What has been achieved?

There will be a slight increase in salaries to accommodate the new Executive Officer position and to recognize increased work by the Administrative Assistant on web management.

Contributions continued to increase as documented in the Finance Report (WP 26). More new members are being sought (Austria, Romania, Belorus and the Czech Republic. Most arrears have been cleared.

There have been no bids to house the Secretariat.

All supporting documents for seeking new funds have been completed (last 2 for consideration by EXCOM in Washington are Achievements document and Brochure.

Income generated by the endowment fund is already increasing due to it having been transferred to the University of Cambridge account, where it earns a higher rate of interest than it did in the USA.

Further benefits in terms of interest are likely when SCAR becomes a Charity, documents for which have now been finalized for the attention of EXCOM.

Draft Rules of Procedure have been adapted to make it clear that SCAR can attract donations.

Next Steps

As the basis for determining the future funding profile the Secretariat needs to analyse actual patterns of income versus expenditure so that we have a good idea of how much extra external income we may require to maintain ourselves in a healthy state of financial balance. In particular, SCAR needs to consider what the effect on its budget will be from:-

(a) declining external income (cessation of the voluntary contributions from Germany and the UK in 2008; and eventual cessation of the management fee from the Sloan Foundation, which together amount to around $60k/year);

(b) the 2006 increase in annual contributions and associated changes in numbers of members and in their categories;

(c) the continuing slide in the value of the dollar.

In relation to [c], ICSU noted that the slide in the value of the dollar, combined with the fact that many of its payments are in euros, had caused a decline in the overall value of its funds, and so has recently agreed to change its dues to euros from dollars (see Annex 1). Do we need to do something similar, for instance since much of our expenditure is on £ sterling? As a first step it is recommended that the Executive Officer carries out an analysis of the relative strengths of the $, £ and € over the past decade to see what the difference in value of the SCAR income would have been with different currencies, as the basis for a possible recommendation to the delegates in 2008 for a change in the currency of contribution.

In relation to (a), (b), and (c) it is recommended that the Executive Officer make a budget forecast showing the effect on the reserve (unspent part of the closing balance) of the
various changed patterns of income for the next 5-10 years. In this context it should be noted that the present Finance Plan suggests that there should be an annual increase of 3% in the level of annual contributions, to offset the effects of inflation. ICSU’s analysis of the same problem led it to suggest that an increase of 1.4% was in order (see Annex 1). Some Members (esp. NZ) have already noted that they would find it difficult to justify an annual increment. Thus we need to consider the possibility of making step changes in income at, say, 5 year intervals to help to maintain an adequate income stream. These various models should be examined by the Executive Officer with a view to seeking approval from the delegates.

In line with the Finance Plan, the Secretariat should focus on attracting grants from donors to supplement the endowment fund in support of capacity building, education, and training (CBET) – especially to enlarge the fellowship fund and to provide additional funds to enable young researchers to attend key meetings.

Between now and the Delegates meeting the Secretariat should also focus on developing plans for attracting additional external support following the model set out in the Finance Plan. This will include creating a Development Committee capable of identifying potential donors. It is suggested that $5000 be set aside from the current budget to assist with the costs of the Development Committee (e.g. for travel for donors to attend meetings at SPRI).
Annex 1: Notes from the report of the ICSU 28th General assembly, China, October 2008 follow:

19. Report of the Treasurer and Chair of the Committee on Finance

Extracts from Text:

(i) Change in dues from dollars to Euros

Over the past three years, the change in exchange rate between income (in US dollars) and expenditure (primarily in euros) resulted in a greater utilization of the General Fund than was originally anticipated.

The Executive Board had invited Members to pay their dues for 2005 in euros at parity with the US dollar and, as of July 2005, 16 National Members and 9 Scientific Unions had done so.

The ICSU 27th General Assembly asked the Executive Board to consider the relative merit of setting the annual dues in euros or US dollars. For planning and budgeting purposes, it was necessary that income and expenditure be in the same currency. The ICSU financial books had also to be kept in euros to comply with French law. The proposed budget was based on the assumption that the GA agreed that dues be set in euros at parity to the dollar. This was essential to bring ICSU back to the financial situation in 2002, when the 2003-2005 outline budget was approved.

Decisions:

19.4 to approve the budget for 2006 and encourage Members to pay dues for 2006 in euros at parity with the US dollar;

19.5 to establish membership fees in euros at parity with the US dollar as of 2007;

(ii) Changes to Membership Dues

Member dues were currently paid on the basis of voluntary adherence to one of 51 nominal categories. What category National and Union Members selected was largely governed by history and, in many cases, it no longer reflected either economic or scientific strength. Most international organizations linked their dues structure to an objective indicator, such as Gross Domestic Product (GDP) for a member nation or total budget for a member organization. This was a generally accepted mechanism, which increased both the stability and the transparency of the funding structure.

In recent years a number of Members had begun to question the dues structure of ICSU and some had changed their payment categories. Such decisions had not necessarily been based on value for money assessments but rather had reflected other financial pressures within the Member organizations. Such cases illustrated the vulnerability for ICSU of the current voluntary mechanism. However, it was also recognized that switching to an index-linked mechanism would result in a request for significant increases in subscriptions for some Members and decreases for others. Such a change would need to be carefully planned and could only be introduced after full consultation with Members. Thus, the Executive Board proposed that a review of ICSU’s dues structure be conducted over the next triennium, with a view to presenting a proposal to
the next General Assembly for a revised structure. This review would include a full consultation with Members. In the debate, many Members stressed their concern about the existing dues structure and the urgency of this review.

In addition, an annual increase of 5% was proposed for 2008-2009. This equated to an average annual increase of only 1.4% if the period 2003-2009 was considered.

Decisions

19.8 to request the Executive Board to establish a working group, in full consultation with Members, to consider the Member dues structure. The Working Group shall report back to the EB as soon as possible. The EB shall then submit the report and the EB’s recommendation to the Members for a vote by whatever means it determines to be expeditious.