



Thirty-sixth Regular Meeting of the Executive Committee

**Report of the 2016 Regular Meeting of the Special Advisory
Commission on Management Issues (SACMI)**

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23-24 August 2016

I. Introduction

Pursuant to the provisions of its statute and rules, the Special Advisory Commission on Management Issues (SACMI) convened on April 22, 2016, at 8:30 a.m. (Costa Rica time), via videoconference, as required by Resolution No. 580 of the Executive Committee (EC). The meeting was attended by representatives from the following countries: Argentina, Brazil, Canada, Costa Rica, Grenada, Mexico, the United States of America and Venezuela. Annex 1 includes a list of participants.

II. Points of Consensus

2.1. Address by the Director General

The Director General of the Inter-American Institute for Cooperation on Agriculture (IICA) welcomed participants and informed them that Ecuador regretfully had been unable to attend the meeting, due to the earthquake which had struck the country a few days earlier.

He noted that the SACMI had been created by the Inter-American Board of Agriculture (IABA) in 1999, as a temporary body charged with addressing management issues. However, in 2009, by Resolution No. 507, the EC had decided to make it a permanent commission. He further noted that in 2013, the EC had adopted Resolution No. 590, whereby it decided that meetings of the SACMI could be conducted remotely, as a means of facilitating communication between the Director General and the Committee and reducing the cost of organizing the meeting.

He informed the Commission that, two weeks earlier, at Institute Headquarters, a meeting had been held with IICA representatives in member States and the leaders of its flagship projects, with a view to conducting a critical assessment of implementation of the Medium-term Plan (MTP) during the 2014-2018 period. On April 19, he had presented the Institute's 2015 Annual Report to the Permanent Council of the Organization of American States (OAS) in Washington, D.C., United States of America. IICA had been commended for its work.

Before addressing the items on the agenda, the Director General covered a number of management issues and discussed the main technical cooperation achievements of the organization within the framework of the MTP.

With regard to institutional management, he noted that procedures had been simplified in order to address the technical cooperation needs of member States in a more timely manner. Furthermore, in order to provide for more efficient use of resources and effectively address requests for assistance, IICA officials – particularly its representatives in member States – had been given expedited decision-making powers. He added that timely payment of quotas on the part of member States had enabled the Institute not only to honor the commitments undertaken in the MTP, but also to remain financially stable.

He explained that during the 2016-2017 biennium, IICA would allocate approximately USD 19.7 million to direct technical cooperation efforts, and approximately US\$7.2 million of that allocation would be spent on three MTP tools: flagship projects, Rapid Response Actions, and the Technical Cooperation Fund (FonCT). The amount of USD 42.3 million had been earmarked for

the technical staff responsible for direct technical cooperation in member States. Consequently, 90% of the regular budget for 2016-2017, totaling USD 68.8 million, had been allocated for technical cooperation.

The Director General noted that external funding had been declining over the last three years, affecting the provision of technical cooperation services and the finances of the Institute. That was particularly true with regard to recovery of indirect costs. He requested input from the attendees, with a view to jointly drawing up a proposal to be submitted at the next meeting of the EC.

He proceeded to list the main technical cooperation achievements of 2015, underscoring the following:

- (a) Development of national proposals aimed at renewing the institutional framework of agriculture and the rural milieu, particularly with regard to research and innovation;
- (b) Creation of regional platforms to promote rural development in over 15 countries, as well as coordination mechanisms to promote socio-economic inclusion;
- (c) Development of area-based rural development policy proposals, plans and agreements to stimulate territorial economies;
- (d) Implementation of projects to promote technological innovation in member States;
- (e) Strengthening of sanitary and phytosanitary systems.
- (f) Support for market-linked agricultural enterprises, through market information services in 33 countries; development of ties between producers and importers;
- (g) Support for enhancing the resilience of agriculture in the face of climate change, as well as proper management of natural resources;
- (h) Strengthening of efficient irrigation, climate-smart agriculture, water-harvesting and soil conservation capabilities, in cooperation with strategic partners;
- (i) Support for the use of agricultural insurance;
- (j) Strengthening of hemispheric coordination and dialogue through various regional fora, including the Mexico 2015 Meeting of Ministers of Agriculture of the Americas and the Inter-American Meeting on National Animal and Plant Health and Food Safety (RISAVIA);
- (k) Strengthening of knowledge-intensive agriculture through IICA-CONACYT and Mexico-Caribbean scholarship programs.

He concluded by noting that IICA had provided quality technical cooperation services, notwithstanding its financial constraints, and reiterated his thanks to the IABA for approving a 6.57% increase in the quota budget, beginning in 2016. He also expressed appreciation for the fact that most member States had offered over-quotas, producing an overall increase of 8.11% in the Institute's regular budget.

2.1.1. Review and discussion

The representative of Argentina commended IICA for its achievements, as well as for the quota increases agreed on at the Eighteenth Regular Meeting of the IABA, held in Mexico in October 2015. Those accomplishments would facilitate implementation of the objectives and results proposed in the MTP for 2014-2018. The representatives of Costa Rica and Mexico endorsed Argentina's remarks.

The representative of Brazil expressed satisfaction with the holistic manner in which planning, programming and budgeting had been integrated in the current MTP. The representative of Costa Rica agreed.

The representative of Canada commended the Institute for conducting the SACMI meeting by virtual means.

The representative of Costa Rica expressed appreciation for the support the Institute had provided to the institutional framework of agriculture in that country. Costa Rica was concerned about the decline in external funding. The SACMI was to be commended for lending its support and expertise to the drafting of the quota-increase proposal approved by the IABA.

The representative of the United States of America underscored the progress made in the achievement of results and pledged to continue investing in IICA and supporting its member States. The countries that were contributing over-quotas were to be commended. It should be noted that the SACMI had assisted the IABA in reviewing its strategy for improving the Institute's performance.

The representative of Grenada endorsed those remarks and acknowledged the support received from IICA with regard to training and transfer of technology and knowledge.

The representative of Mexico congratulated the Director General for his thorough report on the Institute's activities. Mexico was honored to have organized the Eighteenth Regular Meeting of the IABA, at which the quota increases had been agreed.

The representative of Venezuela stated that the Ministry for Productive Agriculture and Land, as well as its Foreign Ministry, were currently reviewing pending matters involving IICA, in order to improve cooperation with the Institute. Venezuela reiterated its commitment to actively participate in the Institute's affairs.

The Director General thanked attendees for their remarks and pledges of support and asked the Secretary of Corporate Services to report on progress and results achieved in the area of corporate management.

2.2. Main corporate management results

The Secretary of Corporate Services explained that the Administration had maintained the Institute's financial and organizational stability and listed a number of corporate management achievements, including the following: (a) approval and expansion of European Commission accreditation of the Institute's administrative and financial rating, through the five pillars, based on compliance with international standards; (b) implementation and use of SAP at all IICA country Offices, as well as at Headquarters; (c) development and enforcement of fraud-prevention policies, the guidelines for developing project proposals, and the policy for preventing and dealing with sexual harassment; (d) an updated Code of Ethics and updated Financial Rules (in process); (e) improvements to the insurance plan; (f) simplification of procedures; (g) increased efficiency of procedures; and (h) improved institutional infrastructure, among others.

He added that, as part of the continuing improvement of technical cooperation services, the Director General had authorized representatives and specialists to sign legal instruments for implementation of externally funded projects for up to USD 500,000. Units have also been authorized to request budgetary allocations of up to USD 1,000 without submitting paperwork. In addition, financial restrictions on the procurement of goods and services had been relaxed, and more use was being made of SAPIENS, an innovative technological tool for human resources management.

He noted that the current program/budget model, which was aligned with the 2010-2020 Strategic Plan and the 2014-2018 MTP, had significantly improved efficiency in the use of funds. He explained that the Regular Fund budget amounted to USD 34.4 million for each year of the 2016-2017 biennium, including USD30.1 million from quotas and over-quotas and miscellaneous income accounts totaling USD 4.3 million. As noted by the Director General, 90% of funds were allocated to technical cooperation actions carried out within the framework of MTP tools (flagship projects, Rapid Response Actions, and the FonCT). The Institute was expected to execute external funds totaling USD129.7 million and USD 138.9 million in 2016 and 2017, respectively. Quota collection was deemed to be adequate, as 20 countries were current, 13 were regular, and only one was in arrears.

He noted that the computation of indirect costs resulting from the execution of external funds was also an important issue. He stated that, according to preliminary calculations, the Institutional Net Rate (INR) had been rising, due to a decline in externally funded projects. The projected INR had risen from 8.08% in 2011 to 11.55% in 2015. Efforts had therefore been made, beginning in the previous year, to secure more projects, streamline their implementation and cut costs, with the clear objective of moving into the 9% to 10% range for indirect costs by the end of 2016.

He explained that the number of national projects and sub-projects had dropped from 249 in 2010 to 159 in 2015, while, conversely, regional projects and sub-projects had increased from 22 to 124 during the same period. The composition of the technical projects portfolio had shifted significantly from national to regional projects, expanding the scope and contribution of the Institute's technical cooperation.

He concluded by explaining that the Financial Rules were being updated, in order to bring them in line with current operating conditions and the resolutions adopted by the Institute's governing bodies. The updating of 15 of the 134 articles which comprised the Financial Rules did not entail any transformation in their object and purpose; it simply adapted certain provisions to current circumstances, in order to improve efficiency.

2.2.1. Review and discussion

The representative of Argentina expressed appreciation for the information provided and support for the simplification of processes, which would improve efficiency and reduce costs. Argentina supported efforts to reduce the INR, as well as the approach of directing project implementation towards the regional sphere. Argentina was pleased that a budgetary strategy had been devised that was in line with long-term planning.

The representative of Brazil expressed concern at the fact that, owing to the economic crisis facing that country, it would be difficult to meet the commitment it had undertaken at the Eighteenth Regular Meeting of IABA to increase its quota. The Ministry of Planning was in charge of the budget for quota payments to international organizations; the Ministry of Agriculture was making every effort to ensure that payments would be met, in recognition of the Institute's cooperation with the Government of Brazil. Another matter of concern was the fact that, pursuant to a provision contained in the domestic legislation, Brazil could only recognize indirect costs up to a maximum of 5% of execution; although that percentage was low, it would be difficult to increase it. Brazil would continue making every effort to increase the project portfolio and would pursue its work with IICA, as it had done for several years.

The Director General expressed appreciation for the effort being made by Brazil despite its situation and for the confidence it had placed in IICA for project execution over the years. He hoped the situation would improve; the IICA Office in Brazil would be available to support project execution. Finally, he stressed the importance of increasing the portfolio of externally funded projects in Brazil and meeting the deadlines for execution.

The representative of Canada commended the Administration of IICA for proposing a reduction in operating costs from USD 11.5 million to USD 11 million in 2017. The delegation had the following questions: (1) Why was there a difference between the rate of recovery of indirect costs in 2011, which amounted to 8 %, and in 2015, which amounted to 11.5 %?, and (2) How much would the miscellaneous income fund change during the forthcoming bienniums?

The Secretary of Corporate Services, replying to the questions raised by Canada, explained that as a result of the measures taken, the indirect costs of 11.5 % estimated for the end of 2015 had begun to decline. That amount had been generated by a reduction in the number of externally funded projects. Part of the problem was that it was impossible to suddenly reduce institutional costs and quickly redistribute those costs among a smaller number of projects. Strict measures had been taken to reduce costs and increase the number of projects, the overall allocations for such projects and their implementation, in the expectation of returning to levels of around 9 %.

With regard to miscellaneous income, he said that no significant changes were expected. That income came mainly from tax recovery, which had been reduced under the policies applied by the countries, and from interest generated by external resources, which had also been affected by restrictions that had made it difficult to obtain them.

The representative of Costa Rica referred to the constant improvements being made and stressed the importance of information and communication technologies (ICT). A good way to increase financing with external resources was to attract and implement regional projects. Costa Rica would like to know why the category of facilities, furniture and equipment had risen by 77% in 2016, compared with 2015.

The Secretary of Corporate Services pointed out that the increase in that category arose from the need to maintain the facilities and keep them in good condition, to purchase telecommunications equipment and to cover the increase in the cost of software licenses and services, among other things. By contrast, the costs associated with official travel and the purchase of documents,

materials and inputs had been reduced. In net terms, the increase amounted to around 1%, and that category was expected to decline by 40.5% in the following year.

The Director General referred to the updating of ICTs, which had enabled IICA to carry out training activities that had benefitted 27,000 technicians throughout the hemisphere during 2015.

Given that SACMI was an advisory group to the Director General, he asked delegates to make recommendations that would enable IICA to perform its duties in the best way possible.

The representative of the United States of America thanked the Secretary of Corporate Services for his presentation and for his responses to issues raised by members of the SACMI. Under the methodology adopted with regard to indirect costs, the rate should be reviewed annually. The United States was concerned that there might again be gaps between indirect costs incurred by the Institute and the amounts that it was able to recover. What was the strategy for managing studies of indirect costs with respect to the change in the rate? Did figures provided reflect the studies of indirect costs? With respect to quota payments, there was a discrepancy between the data on the status of arrears presented today and those provided in the report on quota collections that had been distributed earlier.

The Secretary of Corporate Services explained that several elements must be considered with regard to recovery of indirect costs. One was the fact that recovery of indirect costs was mainly associated with externally funded projects; the IABA had established a specific policy on the matter, but the Institute's technical cooperation also generated indirect costs. It should also be borne in mind that if the volume of resources and the number of projects decreased, and costs were not reduced as quickly, it would be necessary to charge a higher rate of recovery of indirect costs. Hence, in 2015 and 2016, an aggressive strategy had been applied to attract more externally funded projects, as a result of which there were 142 such projects in March, amounting to almost USD110 million, and the number of projects and the level of resources were expected to almost double.

The strategy consisted of increasing the number of externally funded projects, along with resource and implementation levels. The start of implementation was sometimes delayed for reasons beyond the Institute's control. In addition, recovery of indirect costs must continue to be measured by using the methodology developed by the consultant services facilitated by the United States of America and approved by IABA. The information on the status of quota payments was consistent with the note accompanying the table in the previously distributed report. He asked the Director of the Financial Management Division of IICA to provide further details on the matter.

The Director of the Financial Management Division said that IABA resolution No. 414, adopted in 2005, provided that quotas for the current year should be considered to be in arrears if they have not been paid by June 30 of that year. After that date, based on payments made by countries, their status would be classified accordingly.

The Director General stated that the explanations just given should help explain why the Institute needed externally funded projects, which represented 70% of budget execution. He asked members of the SACMI to help identify new projects and improve execution.

The representative of Grenada thanked IICA for the presentation and expressed support for the steps that had been taken to improve operational management procedures. Grenada was facing the same challenge mentioned by Brazil, inasmuch as quota payments were not the responsibility of the Minister of Agriculture. The matter was being pursued with the Minister of Finance, with a view to ensuring that Grenada could meet its commitment.

The representative of Mexico applauded the Institute's presentation and expressed support for its strategy of continuous improvement. Promotion of regional projects was a good way to attract external resources and increase the benefits to countries. IICA might consider entering into partnerships with other international organizations, such as the Inter-American Development Bank (IDB) and the World Bank, which could facilitate undertaking joint projects.

The Director General stated that IICA was already coordinating its work with other institutions, such as the Tropical Agriculture Research and Higher Education Center (CATIE), the International Regional Organization for Plant and Animal Health (OIRSA) and the Caribbean Community (CARICOM). The Institute should now increase its work with the private sector, including companies, corporations and producer organizations. During the current week, he had met in Washington D.C. with private-sector representatives, who had expressed interest in setting up a "friends of IICA club" and a desire to learn more about the Institute's work, with a view to identifying opportunities for working together.

The representative of Venezuela expressed satisfaction at the effort made by IICA to reduce costs. It was important to increase external resources for regional projects, which offered evidence of the effectiveness of integration mechanisms. Venezuela would like to see a graph showing the ratio between the share of countries' own resources and resources from regional initiatives with respect to the level of quotas. Finally, the presence of Venezuela at the meeting was evidence of its increased interest in integration processes and the joint efforts of Member States.

The Director General stated that for every dollar that Member States contributed to IICA, they received the equivalent of around USD24 in technical cooperation. Although that was not an exact figure, and it varied from country to country, it was indicative of the fact that contributing to IICA was a good investment. Bearing in mind the important advisory role of the SACMI, he asked delegates of member countries to make suggestions to enable the Institute to continue improving its management and performance.

The representative of Canada said that Canada wished to contact the Secretary of Corporate Services and his team by email in order to review the estimates of direct costs.

The Director General accepted Canada's request and instructed the Secretary of Corporate Services to follow up on it.

The representative of Mexico recommended that a proposal should be drawn up for attracting resources from the private sector, for presentation at the next meeting of the Executive Committee.

The Director General commented on the need for international cooperation agencies of IICA member countries to use the Institute to implement projects within the hemisphere, so as to raise awareness about IICA among those agencies and enable the Institute to offer technical cooperation services in areas in which it had proven competency.

The representative of the United States of America asked that the matter of IABA resolution No. 501, adopted at its Eighteenth Regular Meeting, should be dealt with at another meeting. The resolution in question dealt with the institutional process for drawing up and submitting proposals for strengthening the finances of IICA and its strategic restructure. The SACMI should decide how to approach that issue and present its findings at the next meeting of the Executive Committee.

The Director General thanked the United States of America for referring to the matter, and said that information on compliance with resolution No. 501 was already available and would be shared with the United States delegation.

The Director General asked members of the SACMI if they had any further comments, and since there were not, he declared the meeting closed.

At 10:50 a.m. in Costa Rica, on April 22, 2016, having completed discussion of the items proposed, the Director General thanked members of the SACMI for their participation and declared the meeting closed.

Annex 1
List of participants

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