



Executive Committee

Thirty-first Regular Meeting of the Executive Committee
12 -14 July 2011

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Report of the 2011 Regular Meeting of the Special Advisory Committee on Management Issues

**San Jose, Costa Rica
July 2011**

**2011 Regular Meeting of the Special Advisory Committee
on Management Issues (SACMI)
San Jose, May 4, 2011**

I. Introduction

- What is the SACMI?

The Special Advisory Committee on Management Issues (SACMI) is a permanent committee of the Executive Committee¹ and its purpose is to facilitate more regular discussion between the Director General and the member States on administrative, financial and strategic initiatives and issues in order to facilitate the process of reaching consensus on those issues and initiatives in the Executive Committee and in the Inter-American Board of Agriculture (IABA).

- How was the 2011 Regular Meeting of the SACMI organized?

In compliance with its Statute and Rules of Procedure, the Advisory Committee met on May 4, 2011, at IICA Headquarters, in Coronado, San Jose, Costa Rica. During the meeting, the decision was made to hold a follow-up meeting via videoconference, which took place on May 20.

- Who participated in the 2011 Regular Meeting?

The SACMI comprised representatives designated by Argentina, Brazil, Canada, Mexico, Peru, Trinidad and Tobago and the United States of America. A list of participants can be found in Annex 1.

- What does the present report contain?

It contains the points of agreement that emerged from both the on-site and on-line meetings.

The work of the Advisory Committee is summarized in “Points of agreement,” which include recommendations that the Director General will take into consideration to improve upon the proposals for the technical and financial strengthening of IICA. The revised versions of the proposals will be submitted to the Executive Committee at its next meeting, scheduled for July 12-14 at IICA Headquarters.

¹ As established in Article 60 of the Rules of Procedures of the Executive Committee and the Statute of the Special Advisory Committee on Management Issues, approved in Resolution IICA/CE/Res.507 (XXIX-O/09), 15 July 2009

II. Points of agreement from the On-site Meeting

The SACMI arrived at the following points of agreement:

1. To strengthen communication between the members of the SACMI and the General Directorate through the use of distance communication tools, which will enable the members of the Advisory Committee, in its capacity as a standing advisory body, to contribute more; and to ensure the timely delivery of documents it is expected to review.
2. To endorse the proposal put forth by the Director General in the sense that the main theme of the 2011 Meeting of Ministers of Agriculture of the Americas, to be held in October of this year, be innovation as a strategic factor in making agriculture competitive, sustainable and inclusive, and that the motto of the meeting be “Sowing innovation to harvest prosperity.”
3. To express agreement with the request made by the Director General to contribute to the planning of the base document for the Meeting of Ministers of Agriculture of the Americas, which will focus on innovation as a strategic factor in the efforts that the Member States undertake to make their agricultural sectors competitive, sustainable and inclusive.
4. To collaborate with the efforts of the Director General to involve the members of the SACMI in reviewing and improving upon the Visiting Professionals Initiative, which is one of the mechanisms which may make it possible to mobilize technical capacities in the Member States in implementing the 2010-2014 Medium-term Plan.
5. To retain the services of a qualified consulting firm to determine if the Net Institutional Rates the Institute currently applies to agreements for the administration and/or implementation of projects financed with external resources, fully cover the real indirect costs incurred by the Institute.
6. To revise the content of the proposal on financial strengthening and make adjustments based on the comments and recommendations of the members of the SACMI, via a videoconference held for this purpose.

III. Meeting of SACMI held via videoconference

In fulfillment of Point of Agreement No. 6, the Director General offered three possible scenarios for funding the 2012-2013 Program Budget.

SCENARIO 1

Loss in real value of income from the regular fund (with no change in the present level of income) generated by additional staff costs the Institute will incur as a result of:

- i) Government-decreed salary increases,
- ii) Inflation in the countries, and
- iii) Revaluation of national currencies vs. the US\$

Implications:

A total deficit of US\$1,932.1 thousands is generated by additional staff costs

The deficit is reduced to US\$1,103.8 thousand by cutting operating costs by US\$828.3 thousand. No further adjustments are possible without causing irreversible damage to the organization.

In order to cover this deficit, it will be necessary to take one of the following measures:

- Elimination of approximately 59 staff positions
- Cancellation of programs, lines of action or projects.

SCENARIO 2

Maintaining current level of operations while adjusting budget (taking inflation into account)

In order to maintain the Institute's capacity to deliver technical cooperation at the current (2011) level, it will be necessary to cover a deficit of US\$1,932.1 thousands generated by additional staff costs. This deficit would be covered as follows:

- i) An adjustment in quota income in the amount of US\$1,283.21 thousands in 2012 and US\$1,343.3 thousands in 2013, which is equivalent to the loss of 4.7% in the purchasing power (inflation) of the US\$ value of the Member State quotas recorded in 2010.
- ii) In addition, in order to cover the increases generated in local personnel costs in 2011, which were not considered in the Program Budget for that year, operating costs must be cut by US\$649 thousand in 2012, compared with the amount allocated to this budget item in the 2011 Program Budget.

This 4.7% is a weighted average of the inflationary effects of the different currencies of the Member States, and the exchange rates between the national currencies and the US\$, the currency in which Member State quotas are paid.

The US\$649 thousand represents a reduction in real terms of the operating capacity of the Institute in 2012 vs. 2011.

SCENARIO 3

Financial recovery to implement 2010-2014 MTP

This scenario considers:

- i) The effects of the loss in the purchasing power of the quota resources of the Institute generated in 2010 as a result of inflation, salary adjustments decreed by governments and the net effect of variations in the exchange rates between national currencies and the US\$.
- ii) The strengthening of key aspects of technical cooperation in order to implement the 2010-2014 MTP, by funding high-priority projects affected by the cutbacks explained in scenarios 1 and 2 and certain strategic projects that must be implemented under priority lines of action.

Implications:

A deficit of approximately US\$3.5 million in 2010 and an additional US\$1 million in 2013 will be generated.

As a result, the purchasing power of the quota resources of the Institute will return to the levels of 2006-2007.

Operating costs are maintained at the current (2011) level, and technical cooperation is reinforced in priority areas of the 2010-2014 MTP.

IV. ADDITIONAL POINT OF AGREEMENT (from the videoconference)

The members of the SACMI studied the three scenarios for funding the 2012-2013 Program Budget presented by the Director General and described in section III above, taking into consideration the financial situation of the Institute and the budgetary constraints of the Member

States. In order to reach agreement on the scenarios presented by the Director General, they considered the following:

- i) The importance of ensuring the continued viability of the Institute as an instrument of the Member States in support of their efforts aimed at promoting the sustainable development of agriculture, ensuring food security and reducing poverty.
- ii) To need to restore the Institute's financial capacity gradually, as a means of improving the technical cooperation it provides to the Member States.
- iii) The advisability of providing the Institute with the capacities it needs to address the growing demand for cooperation, arising from the new challenges being faced by the agricultural sectors of the Member States.
- iv) The fact that in 2010 the purchasing power of the Member State quotas suffered a loss equivalent to 4.7%.
- v) The fact that the Institute has made a serious effort to reduce operating and personnel costs in search of greater efficiency.
- vi) The fact that sources of additional resources used in the past, such as the recovery of quota arrears and miscellaneous income, are no longer available.
- vii) The fact that the General Directorate is working on ways to increase the Institutional Net Rate charged to cover incremental costs incurred in the administration of externally-funded projects; an effort that will produce results in the medium term.

POINT OF AGREEMENT No.7

“The members of the SACMI, in an effort to assist the Director General in his presentation of the three scenarios to be considered by the XXXI Regular Meeting of the Executive Committee, have stated that:

- i) They understand clearly the difficult financial situation that the Institute is experiencing and they appreciate the clarity which the three scenarios were presented; and
- ii) They recommend that scenarios 1 and 2 be developed further, in light of the following considerations:
 - a) The fact that, pursuant to the Convention of the Institute, the Member States must fund the Regular Budget of IICA, through their quota contributions, thereby guaranteeing financial stability and sustainability for the Institute.

- b) The financial difficulties being faced by the countries and the unfavorable economic situation worldwide, have made it almost impossible for scenario III to be approved, particularly since this would require a significant increase in Member States' quota contributions.
- c) Complementary proposals be considered that are directed fully towards stabilizing the financial situation of IICA, especially those that can generate additional resources for specific cooperation projects that are attractive to multilateral funding bodies.

Consideration should also be given to extra-quota funding from the Member States themselves, for programs and projects that are of high priority.

Based on the above considerations, and considering the importance of maintaining the current level of operation of the Institute, the members of the SACMI have agreed that the Proposed 2012-2013 Program-Budget be based on Scenario 2 for the following reasons: (i) it partially takes into account the impact of inflation; (ii) it incorporates adjustments in the form of budget cuts; (iii) it precludes increases in expenditure and; (iv) it lays out as a condition that the Institute must continue its efforts to increase efficiency.”

Finally, they mentioned that it must be borne in mind that any possible modification of the Scale of quota contributions at the OAS is likely to affect the Member States' contributions to IICA.

SPECIAL ADVISORY COMMITTEE ON MANAGEMENT ISSUES

ON-SITE MEETING (MAY 4, 2011)

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Meeting -Videoconference

(May 20, 2011)

The following SACMI Members participate in the videoconference

1. Liliana Mónica Sola (Argentina)
2. Daniela Raposo (Argentina)
3. Lino Colsera (Brazil)
4. Pierre Giroux (Canada)
5. Daryl Nearing (Canada, by phone)
6. Aura Dewitt (Canada, by phone)
7. Dow Seiner (Peru)
8. Matthew Lee (Trinidad & Tobago)
9. Andrew Burst (United States),
10. Wendell Davis (United States)
11. Cheryl Claus (United States).