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MODERNIZING THE MANAGEMENT STRUCTURE OF IICA THROUGH TECHNOLOGY

San José, Costa Rica

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The Inter-American Institute for Cooperation on Agriculture (IICA) has served its 34 member states for 60 years. As outlined in our Medium Term Plan for 2002-2006, our vision to promote food security and the prosperity of the rural sector of the Americas will be greatly enhanced by modernizing the management structure of IICA through technology.

As a result of this modernization goal, IICA is seeking to make an investment in a new management information system which meets the following goal statement:

The goal for the system is one that is on-line, real time, scalable and flexible. The system will provide all offices with standardized procedures, yet allow decentralized decision-making, increasing service levels to IICA stakeholders.

The system will be secure and allow "on demand" report generation to meet all users' needs, from providers of external funds and representatives of member states to internal managers, from local administrators to personnel at the Headquarters. The ERP system (Enterprise Resource Planning) will increase the participation of stakeholders in a transparent manner. The solution will also provide a tool to increase accountability for results at all levels of operation.

Starting in September, 2002, IICA undertook an intensive evaluation of its current system to determine the degree to which further investment would allow us to attain the desired management tool described in the Goal Statement.

The process was executed by an evaluation team involving virtually every entity of IICA including the Country Offices. Every country was included in the process either directly or indirectly. The process took 4 months.

The evaluation team created a Request for Proposal (RFP) which was further reviewed by Deloitte and Touche MIS Consultants. The RFP was sent to two pre-qualified suppliers, Baan and Oracle, and to the OAS as a potential supplier of outsourcing for the system. The result of the evaluation, determined by both qualitative and quantitative measures, yielded a distinct margin of preference for Oracle. Oracle, in fact, was preferred by a 40% margin. The proposed Oracle solution is the same technology and application that the OAS uses, although there will be differences in some of the actual modules used as well as some of the work rules and workflow.

Following that selection, and after having received direction from the SACMI, IICA reviewed the system operated by the Agencia Brasileira de Cooperacao. This system is a proprietary system developed internally by a Brazilian Government Agency. It is used and supported internally only in Brazil and is fundamentally a financial/administrative system without a component addressing business intelligence or knowledge management. As such,

IICA determined that the system would not meet the requirements of the goal statement for the ERP, nor with the major tenets of the “Request for Proposal” presented to potential suppliers.

The ERP system or solution IICA is seeking to implement will integrate and modernize essentially every aspect of IICA’s financial information processing and management systems. The impact of this should be to catalyze a cultural evolution in management style. The new ERP system will render a more effective and productive IICA enabling us to carry out our technical cooperation and development missions at a higher level of quality.

The solution will integrate project management, human resources, accounting, control, finance, external funds management and reporting, purchasing and warehousing, among others. The solution will operate in an internet-based environment, reducing communications costs in a secure manner while providing a technical platform for future growth and development. It will also provide IICA with the necessary technological platform for knowledge management.

The benefits to IICA for the proposed investment and modernization are numerous. IICA will improve its technical agricultural cooperation, yielding benefits to member states and stakeholders. The solution will allow authorized outside stakeholders to view pertinent information on our joint projects in a targeted and immediate manner.

The timely availability of accurate information will generate increased confidence from member states and funding organizations. As such, IICA’s image will improve in the international community, enabling IICA to attract more external funds with lower operating costs.

An ancillary benefit is that the Institute will also be able to attract human resources required for the transformed and repositioned IICA.

The modernization requires an investment that is reasonable on the scale of international organizations. The projected investment for the solution is approximately US\$3.2 plus an additional US\$1 million of internal costs to be incurred over two years. The two year period is required in order for the program to be implemented in stages beginning with the Headquarters. This staged implementation provides for better control and quality of communications over decisions made during the implementation thereby reducing project risk.

The investment represents 1% of total funds managed by IICA during this 2 year time frame. This relative measure, as well as the projected annual operating expenditures for information technology both compare favorably to the experience of other international organizations.

In addition to providing a tool for future expansion of project management capabilities, implying increases in overhead fees (CATIs/NIR), as well as expansion in the types of services to be offered, there are substantial operating savings which can be realized.

These savings, calculated using an industry-accepted methodology, amount to a projected US\$7.8 million over the first five years.

The implemented solution will be operated by a third party on an outsourced basis. This means that Oracle or another provider of Oracle solutions would operate the system for IICA. This allows IICA to concentrate its resources on its area of competitive advantage. This will also enable IICA to focus more resources on the provision of high quality technical cooperation while Oracle operates the solution and the technology. In addition to the strategic benefit of outsourcing, IICA will save approximately US\$1 million over the first five years by outsourcing instead of building its own capability.

Traditional financial analysis yields an expected return on this investment of 15% annually over a five year planning horizon. This projected return, coupled with the qualitative benefits which will accrue to the Institute, highlight a strategic investment that IICA must make.

Funding sources for the investment will include the General Subfund (pending approval by the Executive Committee) and overhead fees (CATI's/NIR). In addition, IICA will seek to supplant these allocations by adding direct charges to project costs and pursuing grants from international foundations sympathetic to information technology modernization projects in Latin America.

The modernization of IICA's technology base will enable it to retain and improve its level of excellence in technical cooperation in agriculture. It will continue to serve its Member States and the rural poor with a high degree of expertise and accomplishment. Our goal is for IICA to become the recognized and preferred supplier of technical cooperation and repository of knowledge in the agricultural world in the Western Hemisphere.

The Executive Committee is asked to ratify our selection process, to authorize the use of the General Subfund for up to US\$1 million for this purpose, and to give its support to this important component of IICA's modernization.