Special Advisory Commission on
Management Issues (SACMI)

Report of the 2015 Regular Meeting of SACMI – Version 2

San Jose, Costa Rica
April 16, 2015

I. Introduction

Pursuant to its Statute and Rules of Procedure, and in compliance with resolution No. 580 of the Executive Committee, the Special Advisory Commission on Management Issues (SACMI) met on April 16, 2015 at 8:30 am Costa Rica time, via videoconference. Representatives from the following countries participated: Argentina, Belize, Brazil, Canada, Colombia, Dominica, Mexico, the United States of America and Venezuela. A list of participants may be found in Annex 1.

II. Points of Consensus

2.1 Message from the Director General

The Director General welcomed the participants to the meeting. He began by stating that conducting the SACMI meeting via a virtual platform had allowed IICA to lower event costs to USD 2,572 in the current year, compared to USD 27,621, which was the cost of the 2013 face-to-face meeting. He reminded participants that the statements from the SACMI were meant to offer recommendations and specified that, on this occasion, the SACMI's main task was to address resolution No. 491, "Restoration of the Financial Health of IICA," which was approved by the Inter-American Board of Agriculture (IABA) at its Seventeenth Regular Meeting, held in Argentina in 2013.

Before addressing the meeting's main topic, the Director General informed participants of the actions the Inter-American Institute for Cooperation on Agriculture (IICA) has been carrying out to accomplish the task of providing technical cooperation. He highlighted the fact that, beginning in the second semester of 2014, and during the first trimester of 2015, the Institute has been implementing the 2014-2018 Medium-term Plan (MTP) that had been approved by the Member States.

Among the achievements, the Director General listed the following: a) a new technical cooperation model founded on results-based management has been implemented; b) cooperation strategies have been formulated in the 34 Member States; c) support for the nine regional integration or cooperation mechanisms has continued to be provided; d) the four technical cooperation instruments established in the 2014-2018 MTP (flagship projects and AHFS, rapid response actions, the Technical Cooperation Fund initiative, and projects financed with external resources) have been set in motion; e) cooperation agendas with strategic partners (FAO, ECLAC, World Bank, IFAD, IDB, Development Bank of Latin America, WTO, CIFOR, CGIAR, CIRAD, and UN-Women) have been developed; and f) bilateral resources and support from the European Union, Spain, Finland, Australia, Switzerland, Canada, Taiwan, the United States of America, Argentina, Mexico and Brazil have been processed.

The Director General summarized the achievements within the framework of IICA's contributions, which are the main results listed in the 2014-2018 MTP that IICA has promised to deliver to the member countries. He reiterated the fact that the Institute's financial and administrative management was aimed at facilitating technical cooperation, achieving greater effectiveness and efficiency in the use of limited resources, and ensuring results-based management. He listed the main measures adopted and the milestones that had been achieved, among which he highlighted the implementation of the Financial Information System (SAP) in each of IICA's offices, which facilitates and makes project and resource management more efficient in real-time.

Next, the Director General shared the content of resolution No. 491 with participants and requested that the SACMI address it. In its operative part, the resolution calls on the Director General to submit *"to the consideration of the Executive Committee, at its next regular meeting, subsequent to consultation with the Special Advisory Commission on Management Issues (SACMI), different proposals that reflect the current financial situation of the Institute as well as recommendations for its financial strengthening."*

The Director General presented the reasons why effective measures were needed for the financial strengthening of the Institute and the achievement of the goals set forth in the 2014-2018 MTP. He stated that two options had been created to increase the budget:

"Option A" proposes an increase in the Regular Fund by 3.3%, via a 10.5% increase in quotas; nevertheless, this would require operating costs to be reduced in 2017 in order to cover the increase in personnel costs, without modifying the number of positions, and thereby avoid subjecting the countries to a new increase in quotas. This option would allow IICA to: a) cover the increase in local and international personnel costs accumulated during the biennium and estimated at 5.5%, in order to maintain a minimum salary competitiveness; b) partially cover the increases in operating costs due to variations in USD prices; c) compensate for the USD 1.8 million reduction in miscellaneous income starting in 2016; d) preserve the minimum operational viability of the Institute as the technical cooperation instrument of the Member States; e) maintain the financial capacity of IICA as a means of providing cooperation services; and f) operate the technical cooperation model defined in the 2014-2018 MTP by means of the four aforementioned instruments.

"Option B" proposes strengthening IICA's technical capacity through a 7% increase in the Regular Fund, by increasing quotas by 15%. It is expected that operating costs will diminish in 2017, in order to cover increases in personnel costs, without modifying the number of positions, thus avoiding a new increase in quotas. According to the Director General, "option B" would allow IICA to: a) cover the increase in costs, as well as in local and international personnel, accumulated during the biennium and estimated at 9.3%; b) cover increases in operating costs due to variations in USD prices and in order to replace critical inputs for technical cooperation, such as technology, materials, specialized capacity and others, estimated at a 2.5% accumulation for the biennium; c) replace the reduction in miscellaneous income worth USD 1.8 million starting in 2016; d) recover and improve technical capacity, and in turn strengthen the flagship projects, by hiring international and local specialists in topics such as water, risk management, and innovation, among others; e) hire four international specialists at a cost of USD 565,700; f) hire five local specialists to strengthen the Offices in the Member States, at a cost of USD 260,900; g) hire two general service personnel for support roles, at an annual cost of USD 41,200; and h) reinforce the operating costs of the flagship projects and rapid response actions to the tune of USD 200,000 annually, in each case.

The Director General underscored the fact that IICA was a manifestation of the will of the Member States to cooperate with one another to resolve the main challenges faced by agriculture in the hemisphere. He pointed out that, if this will prevailed and the countries continued to believe that the Institute was essential in helping them meet their needs and demands, it was imperative that the Member States commit to strengthening the Institute financially. He reiterated that IICA was making disciplined, rational, austere, and transparent use of the resources assigned to it, which it proved in its accountability, and he considered that those resources were yielding the highest rate of return for the countries.

Based on the foregoing, he requested observations and suggestions to address IABA’s mandate in resolution No. 491 and to provide the Executive Committee and IABA with a budget that was viable, pertinent, intelligent, and with a vision geared towards the future, thus allowing the Institute to better serve the Member States.

2.2 Analysis and comments

Argentina referred to the issue of quotas. The representative indicated that the Ministry of Agriculture coordinated quota payments with the Ministry of Foreign Affairs, the entity in charge of executing them. He added that his country was not currently considering an increase in quotas for any international organization. He referred to the proposals and expressed an interest in exploring the possibility of coming up with a third option of zero increase. Next, he commented that the calculations included in the scenario tables were created using the total quota as a reference, but that they should be based on the compulsory quota instead. Finally, he expressed his desire to know which methodology had been used to prepare the different scenarios.

The Director General thanked Argentina for its observations. He then urged the SACMI members to contribute ideas for complying with resolution No. 491 of the IABA. He emphasized that the scenario of zero growth in quotas was not a response to the resolution, and that he would therefore welcome ideas for complying with the mandate.

Belize declared that the topic of quota increases should be actively addressed. He recalled that 20 years had passed since the last quota increase; he therefore supported an increase since he considered that IICA needed this support.

Colombia congratulated the Director General on the report and lauded IICA’s work in that country and internationally. The representative felt that this was not an appropriate time to propose an increase in quotas, since international organizations were expecting a reduction in the countries’ economies. However, he considered that there were ways to increase resources without increasing quotas: i) one option that could be explored was to provide incentives to countries that pay their quota on time, such as a reduction in the quota amount, which would generate a better cash flow, although it would reduce income, and establishing some type of penalty for countries that are not timely in their payments; and ii) in-kind contributions could be made and quantified on an annual basis. He added that another option would be to define a lower and automatic annual quota increase. Finally, he requested the Institute’s support for the Representative in Colombia, so as to accelerate a resolution of the special situation that had taken place in that country.

The Director General took advantage of the opportunity to comment that late payment of quotas was not a critical issue for the Institute, since the Member States have been paying them in a timely manner. He added that IICA had been receiving an increasing number of requests for support and topics to address, but that its budget had not been increasing along with those requests. He thanked the SACMI for responding to his request to propose alternatives to present to the Executive Committee that would help increase the budget. He agreed with Colombia's statement that the Institute has found ways of economizing, but stressed that the Institute was running out of options. He reiterated IICA's commitment to continue providing support to Colombia and to the Institute's Representative in that country.

Brazil's representative reported that her country was evaluating the Multiannual Plan, which dovetails with IICA's MTP. Next, she pointed out that the projects executed by the Institute had yielded very positive results. She reported that Brazil was awaiting a response from the Ministry of Planning with regard to the modification of quotas, and recalled that quotas had been frozen for some time.

The Director General thanked Brazil for the observations and announced that he would be visiting the country the following week, and would take advantage of the opportunity to address the issue of the increase in quotas with authorities from the Ministry of Agriculture, Livestock and Supply, and with the Brazilian Cooperation Agency.

Canada agreed with Argentina that it was necessary to enrich the proposal for financial strengthening by adding a scenario of zero growth in quotas. The representative felt that the expected reduction in miscellaneous income was significant and that it was imperative that the reasons for this situation be clearly understood. He recommended considering options that did not imply a cutback in personnel, such as the zero growth in quotas scenario. He explained that, like Argentina, Canada was applying a zero growth in quotas policy.

The Director General stated that he had taken note of Canada's observations and that his question regarding the downward trend in miscellaneous funds would be addressed. He pointed out that it was necessary to find a way to comply with resolution No. 491 of the IABA, through alternative ways of increasing the budget. He agreed with Canada that cutting personnel was not the solution, and commented that he could not see how new issues, such as water management and innovation, and the ever-growing number of requests for support could be addressed with fewer human resources. He added that decisions regarding eliminating programs, addressing fewer issues, and reducing the number of IICA country offices, were matters for the governing bodies. However, at this time, SACMI's help had been requested in the joint effort to find alternatives that would strengthen the Institute's financial standing. He reiterated the importance of identifying options that would not compromise IICA's capacity to offer technical cooperation.

Dominica expressed its gratitude for the benefits derived from the programs and projects carried out by IICA, a highly important partner for the livestock sector of his country and the hemisphere. He added that despite IICA's troubling financial situation, Dominica did not wish for the Institute to reduce topics or projects. Regarding Option B presented by the Director General, he stated that reducing IICA's capacities was not desirable, given the increasing needs of the Member States.

He recommended a quota increase for countries with small contributions, such as Dominica, of 12% to 15%, which he considered to be a feasible amount for countries to pay. On the other hand, staggered increases, rising from 5% to 7% to 10.5% for example, could apply for large countries. He emphasized that without a quota increase, IICA would not succeed in achieving the expected results.

The Director General lauded the clarity of Dominica's proposal, of which he took note.

The United States of America stated that the discussion on quota increases could be premature. The representative felt that a discussion on the Institute's *raison d'être* was necessary. He believed that IICA was made up of 34 Member States seeking to make agreements based on a common interest, and acknowledged the laudable work that the General Directorate and the Institute's personnel have carried out through the flagship projects. Next, he commented that the zero growth in quotas that has been in effect for the past twenty years has become an increasingly uncomfortable subject. He stated that the in-depth question should be whether or not IICA was the same institution it was 20 years ago, which, in his opinion, it was not.

He recognized that the Institute was doing the impossible to fulfill its mandate and address demands, but believed it was working in a very "à la carte" fashion, responding to specific requests from countries. He declared that IICA should focus more on addressing matters of hemispheric interest.

Next, he suggested:

a. Presenting the relationship between the budgeted resources and expected results with greater clarity and transparency.
b. Promoting the streamlining of expenses to achieve greater efficiency.
c. Stating what could not be done in a zero growth in quotas scenario, since he considered that information to be lacking.

He proposed having an open dialogue to discuss topics such as the cost of maintaining IICA offices in all 34 Member States. He expressed his support for the flagship projects, but questioned the ability to finance them.

The Director General thanked the United States delegation for its comments and agreed that it was important to have the proposed dialogue. He commented that it was not easy to respond to an ever-growing number of requests with IICA's capacities. He added that each minister had priorities and often a limited amount of time to carry out actions. He emphasized the complexity of responding to needs with limited resources.

He also agreed that IICA was very different now than it was 20 years ago, or even 10 years ago, not because the institution had changed, but because the environment surrounding agriculture was not the same. As an example, he mentioned that in recent years the topic of climate change had become a priority for the member countries, which have been requesting IICA's consulting services in areas related to agricultural insurance, a topic for which the Institute did not have any experts.

He called upon participants to strengthen the Institution, to avoid having to adopt more drastic measures such as closing offices or eliminating one of the flagship projects, and to be competent in whichever areas prevailed. He added that a decision on these measures was not within the purview of the General Directorate. He pointed out that, instead, the General Directorate must respond to the Member States, which it does with honesty, transparency and technical capability, thereby enhancing the Institute's reputation.

He summarized by pointing out that IICA had submitted two proposals and that the contributions and recommendations that had been received would make it possible for the Director General to put together a series of options to present to the Executive Committee.

Mexico expressed its gratitude for the presentation on the progress made towards complying with the MTP and for the assistance IICA had provided to address the needs of the countries, which it has done with insufficient resources and savings generated through efficiency. The representative felt that, given the challenges and changes in agriculture, as well as the freezing of quotas, the situation required immediate attention. She stressed that the SACMI needed a constructive spirit and proposed mechanisms to strengthen IICA.

She added that the two alternatives presented by the Director General were viable options to present to the Executive Committee and the IABA and that they had Mexico's support. She also offered two additional suggestions:

a. That, in addition to providing the regular contribution, a country or group of countries could support or adopt one of the flagship projects, like the United States of America had done with agricultural health and food safety.
b. That countries with low quotas be encouraged to carry out a cost-benefit analysis, and consider making a voluntary contribution, in addition to their regular quotas.

The Director General thanked Mexico for the positive proposals, which he took note of in order to incorporate them into the list of recommendations of the meeting.

Venezuela thanked the participants for their observations. The representatives recognized IICA's contributions to the countries, as well as the need to strengthen the institution's financial standing. He was pleased with the Director General's proposal to seek creative ways of achieving that goal. He considered that innovative options that did not imply personnel cuts should be explored. He pointed out that agriculture and food safety were vital topics in his country, and committed to submitting the meeting's information and suggestions to the corresponding authorities.

In response to Argentina, the Director General explained that IICA's quota system was based on the model used by the Organization of American States (OAS), which is defined by the ministries of foreign affairs of the Member States.

The Secretary of Corporate Services explained that the Miscellaneous Resources Fund was one of the two components of IICA's Regular Budget and was primarily made up of resources from sources such as: i) tax refunds from the countries, ii) interest generated from the external resources IICA manages, iii) the sale of obsolete equipment, iv) the sale of services, and v) other sources.

He explained further that the resources in that fund had diminished for two main reasons: i) fiscal policies in the countries that have made tax refunds inexistent; and ii) it is not possible to use the interest generated by resources from IICA's technical cooperation projects. He pointed out that, in the absence of those two sources of resources, the Miscellaneous Resources Fund was fueled only by resources generated from the sale of equipment, furniture, books, and services. Furthermore, he expressed his concern that the fund would practically run out within two years, since it partly counteracted the deterioration - caused by inflation - of the purchasing power of resources from quotas. He added that this fund could be useful for Member States to provide direct contributions that would strengthen the Regular Fund's budget.

In response to the request from the Director General with respect to advising him, independently of each country position, Argentina presented its recommendations, pointing out that: i) the possibility of undertaking a gradual process of increases in quotas could be examined, until the desired levels are attained; ii) since the quotas were proportional, a minimum amount could be established; or iii) additional quotas could be provided. Finally, he requested that IICA carry out an internal evaluation of the implications or risks associated with a scenario of zero growth in quotas.

Canada expressed doubt regarding the origin of the reduction in miscellaneous income, which he wished to discuss further with the Secretary of Corporate Services.

The Director General thanked the participants for their observations and their efforts to identify options. He summarized their suggestions as follows: i) to carry out gradual or staggered increases in quotas; ii) to provide in-kind contributions, which IICA has been receiving and recognizes and appreciates, and iii) some Member States have expressed their support for the proposed 10.5% increase. He considered that an open dialogue was important and that in order to obtain a real and strict assessment of what IICA was and where it was heading, its financial context did not necessarily need to play a role in the conversation. He mentioned that another alternative for supporting IICA was the adoption of flagship projects, and pointed out as an example that the United States of America had been providing support to agricultural health and food safety with noticeably positive results, including the participation of countries from the hemisphere in relevant international forums. He mentioned that he could prepare a proposal responding to resolution No. 491 of the IABA, taking into account the discussions at the meeting.

The representative from Brazil stated that she would share the proposal for a staggered increase in quotas proposal with the corresponding authorities in her country and would report back to IICA on the results of that exchange.

The representative of the United States of America stated that he required additional information about the preparation of the budget, in order to deepen his analysis of it. He mentioned three aspects relating to the budget that required attention: i) the results-based management, ii) the identification of objectives and results for the biennium and iii) the relationship between results and resources. He considered it important to consider the impact that an increase or reduction in resources would have on achieving results and complying with the MTP. He called on the countries to participate, together with Canada, in the discussion on the reduction of the Miscellaneous Resources Fund and its financial impact. Regarding the reduction of that fund, he mentioned that it was important to know whether it was a temporary situation or one that could be turned around in the coming years. Finally, he indicated that at the next meeting, information should be provided about the implications of a reduction of the Miscellaneous Income Fund, and of implementing the proposed budget adjustments, as they relate to the Institute's work.

The Director General expressed his gratitude for the observations made, and explained that the MTP was formulated to respond with results and that the budget was channeled toward the flagship projects; as a result, the execution of the budget was directly linked to the results. He clarified that the execution of the budget should respond to the results proposed in the MTP, which were yearly results.

Venezuela requested that the information requested by the United States of America be shared with all SACMI members.

The Director General welcomed Venezuela's request and proposed that SACMI members analyze the information and submit their observations.

He highlighted the fact that the SACMI meeting had helped to better prepare for the Executive Committee meeting, based on the recommendations received. On behalf of the entire institution, he thanked the participants for making the meeting possible. He expressed his gratitude for the recommendations that had been received and encouraged the participants to submit additional observations that would help address resolution No. 491 of the IABA.

He invited the members of the SACMI to make further comments; there being no other speaker wishing to take the floor, he proceeded to the Close of the Meeting.

At 10:35 a.m. Costa Rica time, on April 16, 2015, the agenda items having been analyzed and discussed at length, the Director General thanked the members of the SACMI for their participation and adjourned the meeting.

Annex 1
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