INSTITUTO INTER-AMERICANO
DE
CIENCIAS AGRICOLAS
—————
ANALYSIS OF MANAGEMENT
IMPROVEMENT PROPOSAL

C&L

COOPERS & LYBRAND

I. INTRODUCTION

I. INTRODUCTION

The Inter-American Institute of Agricultural Sciences (IICA) is the specialized agricultural agency of the Organization of American States (OAS). The Institute began as an agricultural research and education center in Turrialba, Costa Rica. It has since evolved into a multi-functional rural development agency with projects and offices located throughout the hemisphere.

In view of the increasing volume and complexity of its programs, the management of IICA decided that it would be necessary to take steps to strengthen its internal managerial capacity. To this end, the Institute submitted a proposal to the U.S. Agency for International Development (AID) for a management improvement project.

Coopers & Lybrand was requested by AID to review the proposal and to prepare an institutional profile of IICA. The objectives of the consultancy were to provide guidance to IICA with regard to strengthening its internal managerial capacity, as well as to assist potential donors in determining the feasibility and advisability of long-term support in the area of management improvement.

To obtain the information used in this report, a Coopers & Lybrand study team made two visits to IICA headquarters in San Jose, Costa Rica, where management and staff were interviewed and written materials were reviewed. Members of the team also interviewed IICA personnel in the national offices in the Dominican

1

Republic, Haiti, Jamaica, Colombia, Brazil, Honduras, and Costa Rica.

The basic frame of reference for our assessment of IICA's needs for management improvement was the proposal developed by IICA. We projected IICA's future needs on the basis of its current ability to manage its programs. We then compared IICA's needs assessment with our own in order to draw the conclusions presented in this report.

It is important to note that we did not evaluate the effectiveness of IICA's programs. Instead, we were concerned that, given its organizational goals and program objectives, IICA have the institutional capacity to achieve them.

II. <u>INSTITUTIONAL PROFILE OF IICA</u>

II. INSTITUTIONAL PROFILE OF IICA

This chapter of the report establishes the framework for our assessment of the management improvement needs of IICA. It reviews the history of IICA; describes its current organizational structure and operational processes; examines recent and projected patterns of growth; and assesses the overall implications of its growth.

1. History

IICA was formally established in 1942. In 1944 it became an intergovernmental institution under the terms of a multi-lateral convention among the member states of the Pan-American Union. Following the establishment of the OAS in 1948, IICA was recognized as the specialized agency for agriculture of the Inter-American System.

The history of IICA has been marked by distinct phases of development. Originally the Institute operated in a single location in Turrialba, Costa Rica. In its earliest years it had two basic functions. One was to conduct research into the agricultural problems of the equatorial zone relating to areas such as crop nutrition and animal diseases and parasites. The other was to serve as a center for education in the agricultural sciences.

The second stage of IICA's development came during the decade of the 1950's. The main impetus was the Institute's administration of "Project 39" of the Technical Cooperation Program of the OAS. The project resulted in the training of thousands of

3

agricultural professionals throughout the hemisphere. It also had a permanent impact upon the functions and structure of IICA in that it brought the Institute into the fields of technical cooperation and extension services. Furthermore, in order to meet the needs of the project, IICA moved beyond Turrialba and established three regional offices. In 1955 IICA reached further into the field of technical cooperation through the signature of a contract with the predecessor agency of AID to provide training, consultancy services, applied research, and information services.

The next phase of IICA's development began in the 1960's. The growing involvement of the Institute in the broader aspects of rural development, and its increasing emphasis upon various forms of technical cooperation rather than research and education, were formally recognized in a new official policy. At the same time, the three regional offices established to carry out Project 39 were made a permanent part of IICA and the Turrialba Center was given operational autonomy. In a sense, activities which began as an outgrowth of the IICA Turrialba Center had become IICA itself.

The decade of the Seventies saw IICA further refine its doctrine. The key word which IICA chose to place itself among the various agencies operating in the international development field was "humanistic." The objective was to focus on the campesino and his environment through programs which, in the words of the official doctrine of IICA:

4

- provide not technical assistance, but technical coop-
  eration in a participative collaborative way;

- concentrate on working through national institutions,
  and thus reinforce rather than replace them;

- work at the level of individual countries and develop
  programs in the context of the needs of the country.

This decision to focus its programs at the country level led to a further fundamental change in the structure of the Institute. Over the past decade, IICA established permanent offices and staff in each of its member countries. At the same time, the role of the regional offices in the management of IICA's programs was then gradually reduced until finally in 1979 they were abolished. IICA now consists of 25 national offices reporting directly to headquarters in San Jose.

Thus, the history of IICA has been characterized by continuous change. From a single center located in Turrialba, it has evolved into an organization with a permanent hemispheric presence. From an institution whose main objective was to promote research and provide education in the agricultural sciences, it has been transformed into a development agency which carries out technical cooperation programs touching upon broad aspects of rural development.

2. Current Organization and Functions

The operations of IICA are carried out in its headquarters in San Jose, Costa Rica and in its 25 national offices in Central and South America and the Caribbean. (IICA continues to maintain a formal relationship with the research center at Turrialba.) The

5

IICA

INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCE – OAS

BOARD OF DIRECTORS

DIRECTOR GENERAL

DEPUTY DIRECTOR GENERAL

institution is chartered and operates under the auspices of the Organization of American States. It receives quota funds from its members as well as funds from contracts and agreements with external institutions.

A description of the IICA organization follows:

. The Board of Directors. The official Board of Directors is composed of the permanent representatives of its member countries to the OAS. For purposes of program planning, the board delegates its authority to high level representatives from IICA member countries, usually from their ministries of agriculture. A technical advisory board is empaneled before the annual meeting to discuss issues which will affect future program planning and budgeting.

. The Director General. The Director General has overall responsibility for the operations, administration and performance of the Institute.

. The Deputy Director General. The Deputy Director General has line responsibility for all IICA country and multizonal projects. He serves as an advisor to the Director General and acts as Director General in the absence of the latter from headquarters. He chairs special committees created to study specific issues of concern to the Director General and is responsible for the recurring operations of IICA headquarters and its general administration.

. National Office Directors. The National Office Directors are the principal line managers of IICA. They operate within the framework of program policies established by the Director General and under the general supervision of the Deputy Director General. Office directors normally have three to eight permanent IICA employees assigned to them. They may hire additional national staff locally on a contract basis to meet country project requirements. The office director is responsible for establishing a working relationship with the host country government; identifying programs or projects that fall within the operating policies of IICA and are in accord with the country's development plans; and ensuring that they are properly carried out. The national director has
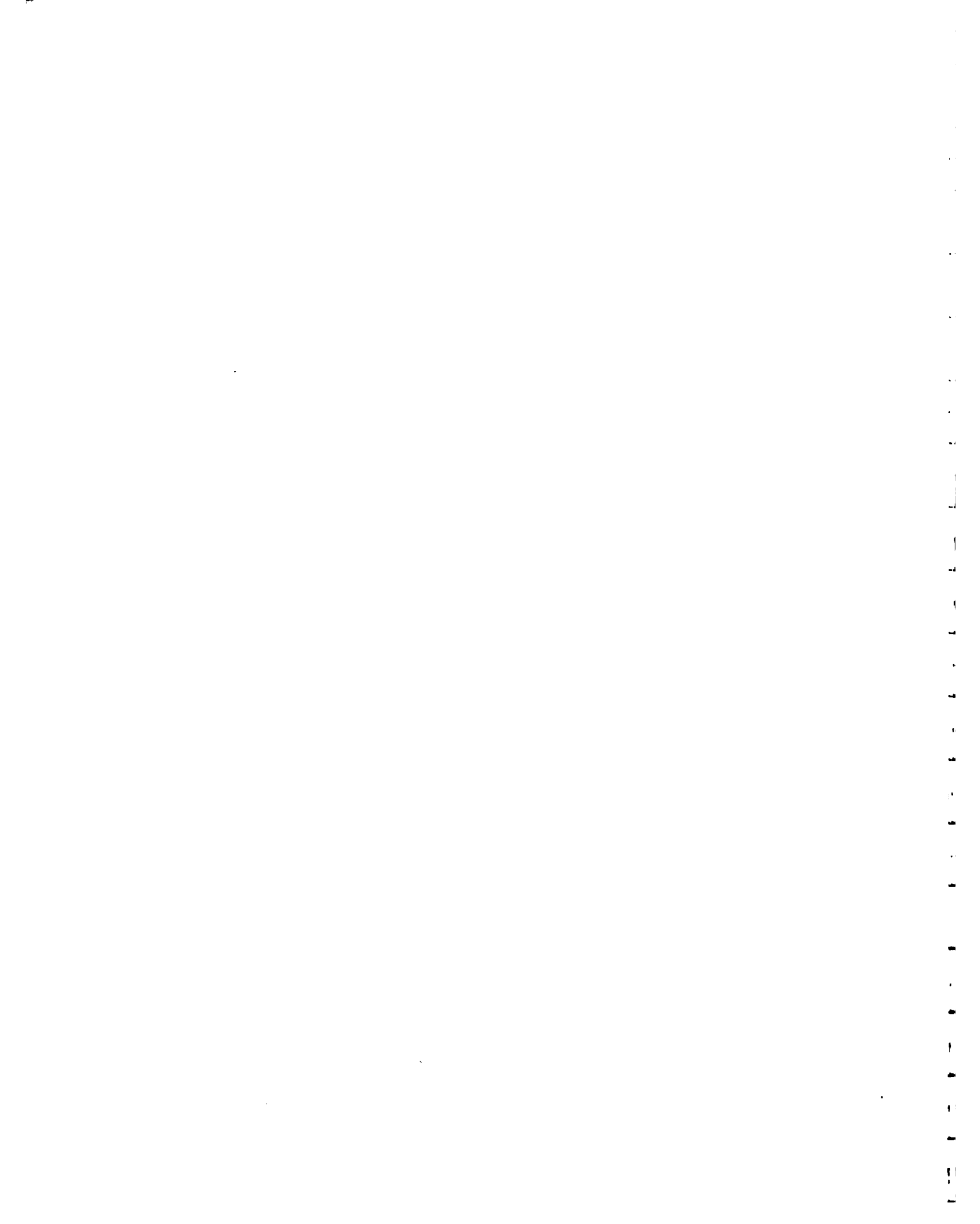
managerial, technical and administrative responsibility for his office and reports office performance on a periodic basis to headquarters.

- **Regional Coordinators.** Reporting to the Deputy Director General are four regional coordinators. They support the national offices within their respective zones and act in an advisory role to the Deputy Director General. They have no direct authority over country office performance.

- **Assistant Sub-Director General for Planning.** His office is responsible for planning, policy analysis and project evaluation. It has formal responsibility for medium-term planning. It is also responsible for the annual plan which identifies and assigns operating budgets to projects. It evaluates selected IICA projects for purposes of making interim adjustments or improving future project design or execution.

- **Multi-Zonal Projects.** The multi-zonal projects unit is responsible for the oversight and coordination of IICA projects that extend to more than one country. Multi-zonal projects may be developed internally by IICA to test projects before recommending them to countries, or they may be carried out at the request of an external sponsor interested in fostering agriculture or rural development in more than one country.

- **Simon Bolivar Fund** - The Simon Bolivar Fund receives funding principally from Venezuela and, to a lesser degree, other countries in Latin America and the Caribbean. Projects are used to support rural development, resource utilization and preservation, and the transfer of technology. National directors, following the guidelines of Simon Bolivar funding, are encouraged to identify, in conjunction with local officials, suitable projects for implementation.

- **Other Projects** - IICA creates special project groups to undertake unusual or larger scale projects. Currently such a group has been put together for an animal health project.

- **Assistant Sub Director General for External Coordination** - The Assistant Sub-Director General for External Coordination is responsible for coordinating IICA's efforts to obtain funds from external sources. He also has the role of maintaining relationships with international agencies, foundations, and universities, and developing policies concerning IICA's relationship with national institutions.

- **Assistant Sub-Director General for Administration -** The Assistant Sub-Director General is responsible for the Institute's financial management, accounting and budgetary control. He is also responsible for the maintenance and upkeep of headquarters buildings and facilities and for other general support functions.

- **Assistant Sub-Director General for Rural Development** Because it is relatively new, Rural Development is still defining its role and functions in practical terms. Presently it is conducting research relating to IICA's future role in the field of rural development. The unit also provides technical support to project managers. Rural Development is also responsible for the technical information services provided by the Inter-American Centre for Documentation and Agricultural Information (CIDIA). CIDIA, in turn, is responsible for maintaining the Institute's computer facilities and providing computer services to the organization.

- **Human Resources -** Human Resources carries out the personnel administration and support functions of the Institute. It assists directors in locating and selecting project staff, maintains the personnel records of all IICA employees, and administers the Institute's classification and compensation system. It reports to the Deputy Director General.

- **Other Staff Support -** Individual positions exist for the following: official (public) relations; agricultural policy advisor; and Board of Directors Cabinet Secretary. IICA also has an office in Washington.

3. Description of Current Process of Operations and Management

(1) Planning Process

IICA uses three planning documents. The General Plan states the broad goals and objectives of IICA under seven major "lines of action" and defines in general terms what the Institute intends to accomplish in a ten-year period.
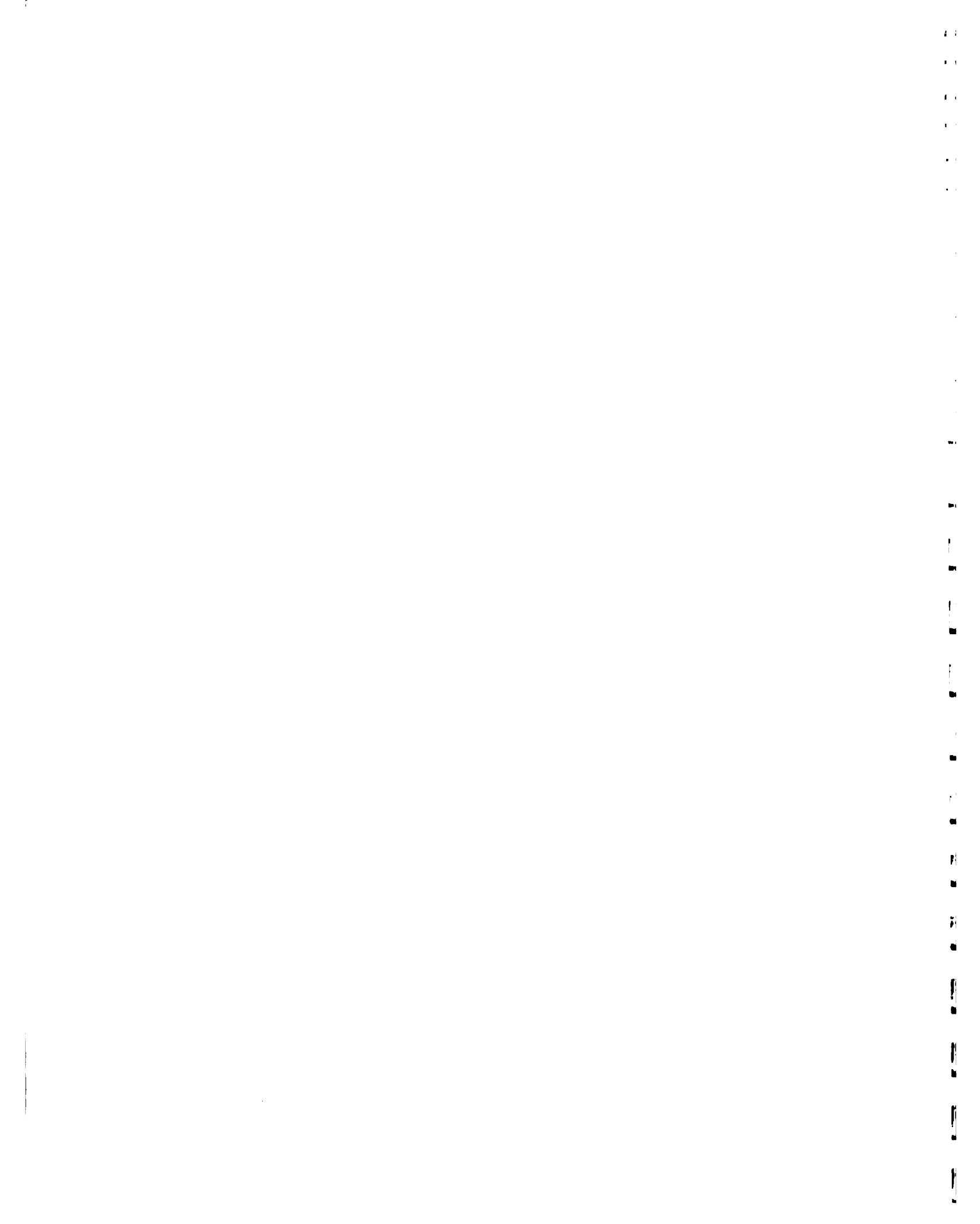
The Indicative Plan addresses more specifically IICA's operations for a five-year period. It is intended to be used by national office directors and headquarters management to set priorities and to provide programming guidance. The Indicative Plan is updated every five years.

In theory, the Annual Program Plan is revised annually on the basis of the perceived needs of member countries as they are interpreted by the twenty-five national office directors. It serves as the basis for the annual program budget. In practice, the national offices are apprised of the quota funds authorized for the coming year. Historically, this allocation has been based on the previous year's budget plus an increase to account for inflation. This method has been primarily used for quota-funded activities. Extra-quota-funded projects are budgeted on the basis of costs estimated to be incurred during the fiscal year.

A summary of IICA's lines of action and programs for 1981 is contained in the following exhibit.

(2) Operations

Projects at the national level are carried out under the overall control of the office director. Projects are usually managed by a permanent IICA employee and in the case of extra-quota projects are frequently staffed by technicians and support staff hired on a contract basis for a particular project.

IICA
LINES OF ACTION AND PROGRAM AREAS

I.   INFORMATION AND DOCUMENTATION FOR RURAL DEVELOPMENT

    1. HEMISPHERIC INFORMATION SYSTEM
    2. NATIONAL INFORMATION SYSTEMS
    3. PRODUCTION AND DISTRIBUTION OF INFORMATION

II.   EDUCATION FOR RURAL DEVELOPMENT

    1. EDUCATION PLANNING
    2. IMPLEMENTATION OF EDUCATIONAL POLICY

III.   AGRICULTURAL RESEARCH AND TECHNOLOGY TRANSFER

    1. RESEARCH AND TECHNOLOGY TRANSFER
    2. MULTINATIONAL COORDINATION OF RESEARCH AND TECHNOLOGY TRANSFER

IV.   AGRICULTURAL PRODUCTION, PRODUCTIVITY AND MARKETING, ANIMAL HEALTH, PLANT PROTECTION

    1. FOSTERING PRODUCTION AND PRODUCTIVITY
    2. AGRICULTURAL MARKETING
    3. ANIMAL HEALTH
    4. PLANT PROTECTION

V.   REGIONAL RURAL DEVELOPMENT

    1. REGIONAL DEVELOPMENT PLANNING
    2. IMPLEMENTATION OF REGIONAL RURAL DEVELOPMENT POLICIES

VI.   STRUCTURAL CHANGE AND CAMPESINO ORGANIZATION

    1. AGRARIAN REFORM
    2. CAMPESINO ORGANIZATION

VII.   FORMULATION AND ADMINISTRATION OF AGRICULTURAL POLICY

    1. FORMULATION OF AGRICULTURAL POLICY AND SECTORAL PLANNING
    2. RURAL DEVELOPMENT MANAGEMENT
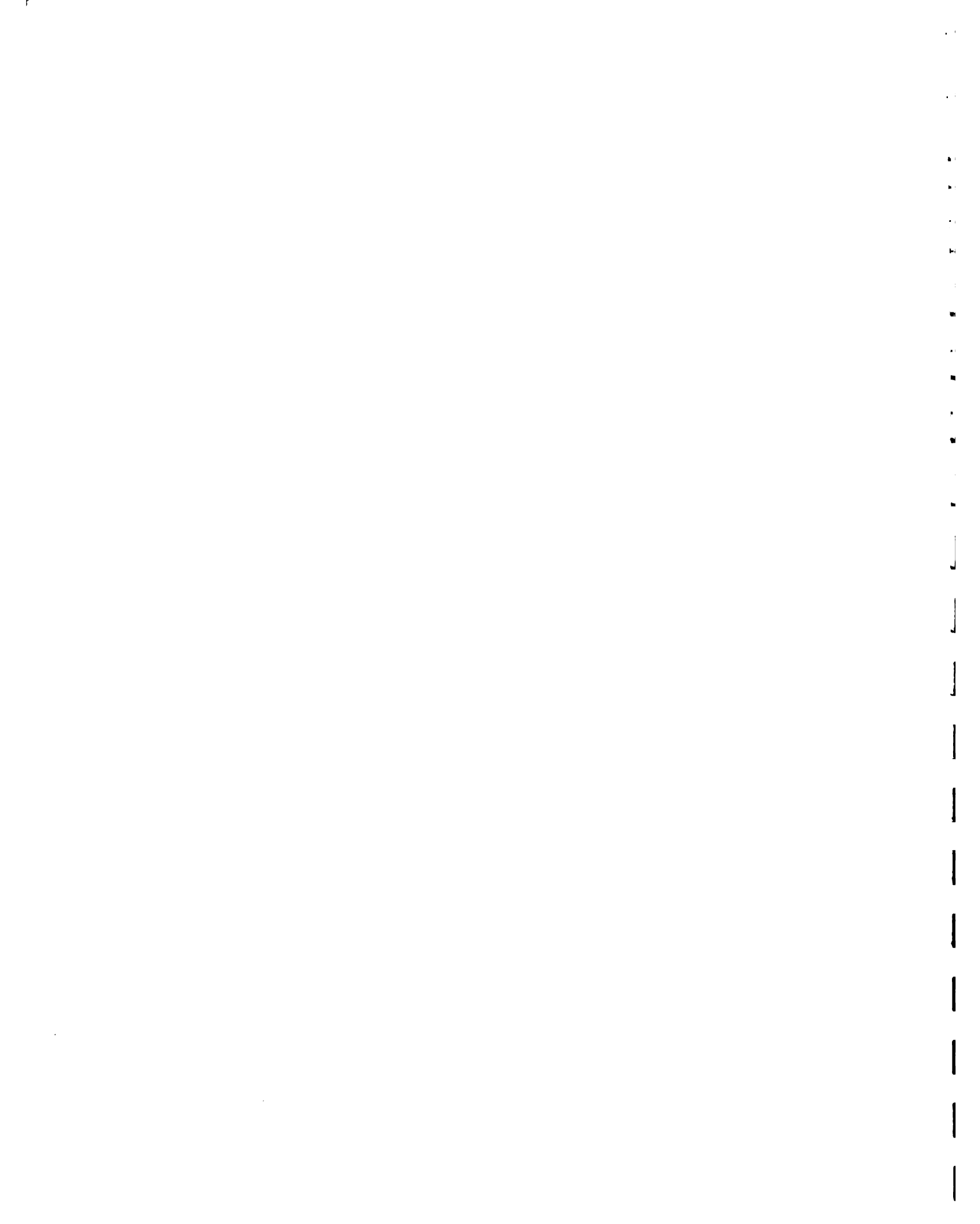
Project technical performance is reported quarterly by project managers to headquarters through the national office director. The reports are narrative in nature and address progress made, accomplishments to date, and problems encountered.

Project financial performance is reported monthly. Monthly project expenditures are sent to headquarters where they are entered into the Institute's accounting system. Financial reports are then returned to the national office directors.

Project evaluation is carried out on a limited basis by the headquarters planning office. Projects are chosen for evaluation based on requests from the board of directors and sponsors (e.g , Simon Bolivar Fund) or on the nature of the project or when problems are encountered.

IICA also manages projects from San Jose. These tend to be multi-zonal projects involving two or more countries and can be experimental in design. Multi-zonal projects most often are financed from extra-quota funding by development assistance agencies such as the Agency for International Development or the Inter-American Development Bank.

(3) Administration

General office administration is left to the national office directors using regulations established by headquarters. Financial administration at the national office level
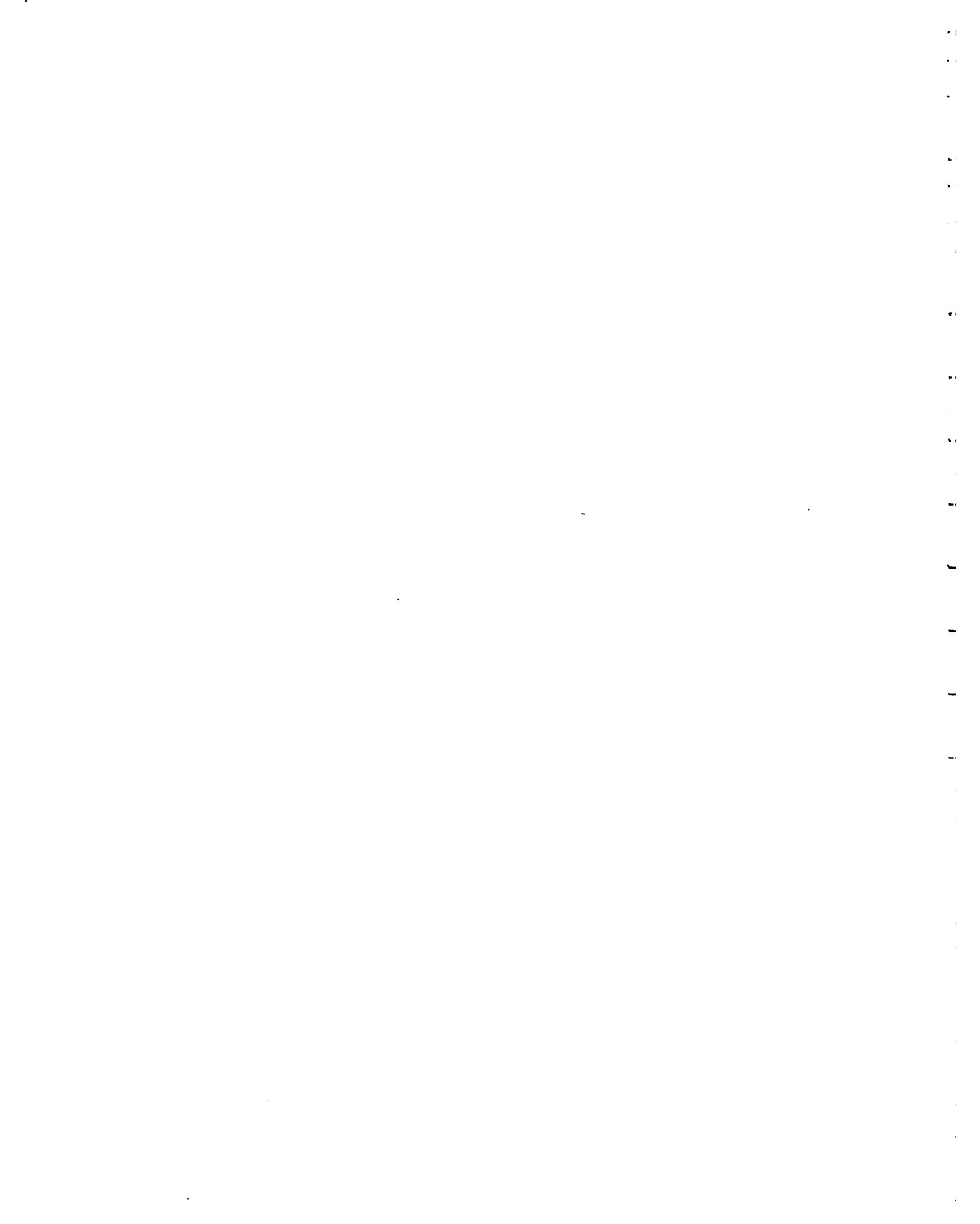
is a relatively simple process. Cost data is forwarded monthly to San Jose for review, consolidation and financial reporting.

Personnel administration is supported by headquarters in the form of recruitment, selection screening, and classification to establish proper compensation levels for permanent and contract employees.

4. Patterns of Growth

The basic concept which underlies the management proposal of IICA is "growth". The senior management and staff of IICA foresee a period of rapid growth and change for their organization. They believe that at the present time and under current conditions IICA is performing satisfactorily. They are, however, concerned that IICA have the managerial capacity to respond to the increasing demands for its services.

This section of the report analyzes the growth recently experienced by IICA. It also describes the growth projected for the future by IICA, and thus provides a framework for assessing IICA's needs for organizational development.

(1) Recent Growth Patterns

We examine here the patterns of IICA's recent growth in terms of the geographic sphere of its operations; the volume and type of its financial resources; the size and composition of its staff; and the nature of its programs.

11
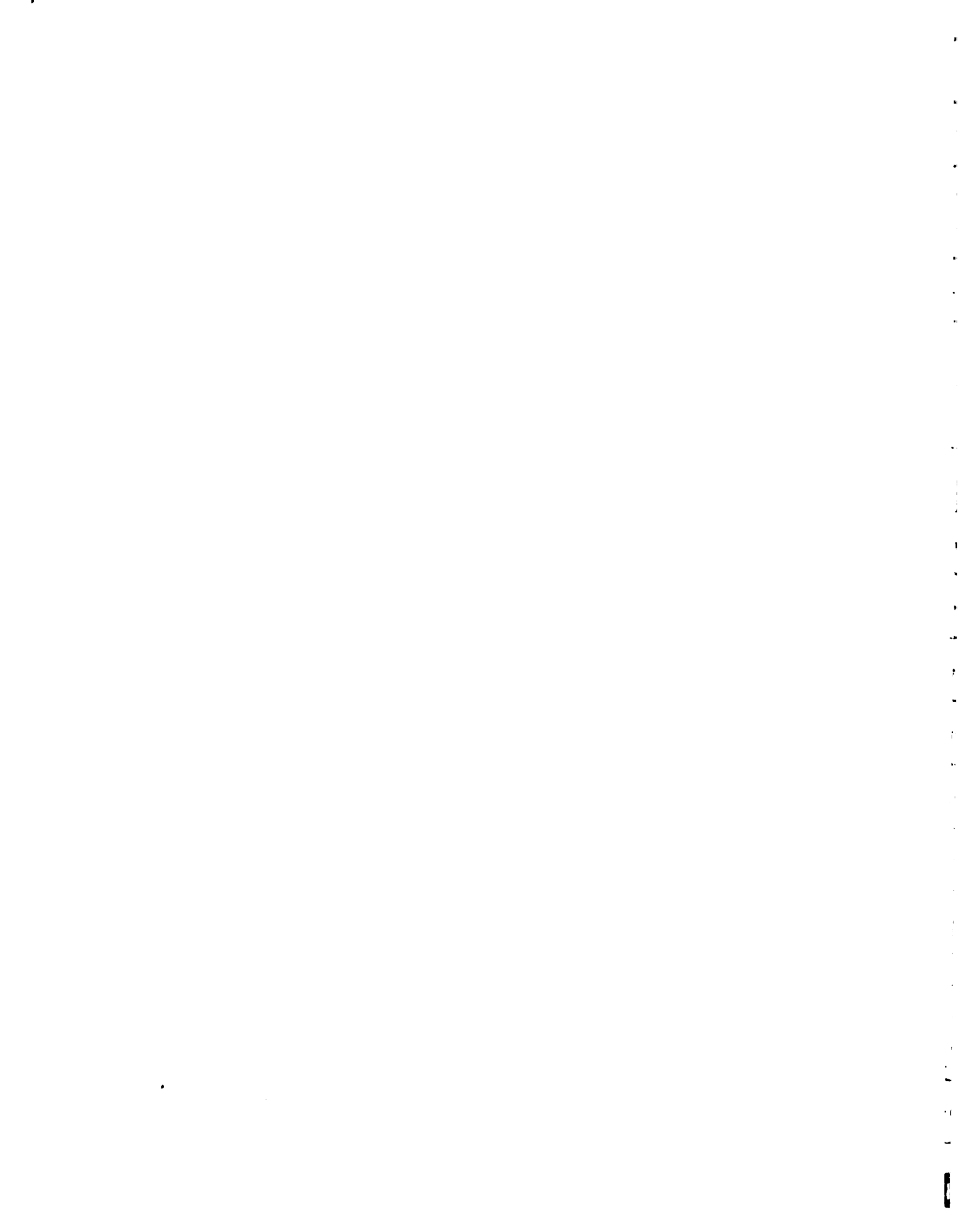
. <u>Geographic Sphere of Operations</u>

IICA began the decade of the 1970's with a formal structure which consisted of a headquarters and three regional offices. The current Director General established the policy that IICA's fundamental strategy would be to work through national institutions at the country level. To carry out this policy, IICA created permanent offices within each member country. The decade also saw the addition of the Caribbean states as members of IICA. As a result, IICA now is responsible for the activities of 25 offices located throughout the hemisphere.

. <u>Volume and Type of Financial Resources</u>

Within the past ten years, the total budget of IICA has grown from approximately $5 million to $32 million, with the most rapid increases occuring within the past six years. In the period from 1972 until 1976 IICA's budget doubled from $5 million to $10 million. By 1981 the budget will have tripled again to more than $30 million.

Even more important than the growth in the budget is the change in the composition of the sources of funds. Until recently, IICA obtained most of its financial resources from quotas provided by its members. While the relative size of each member's contribution is established by a formula, annual increases in the overall level of the quota budget have not kept pace with inflation. Thus, the quota portion of the

IICA
ANNUAL BUDGETS

$MILLIONS

Chart axis labels: 40, 30, 20, 10

Years: 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981

EXTRA-QUOTA FUNDS
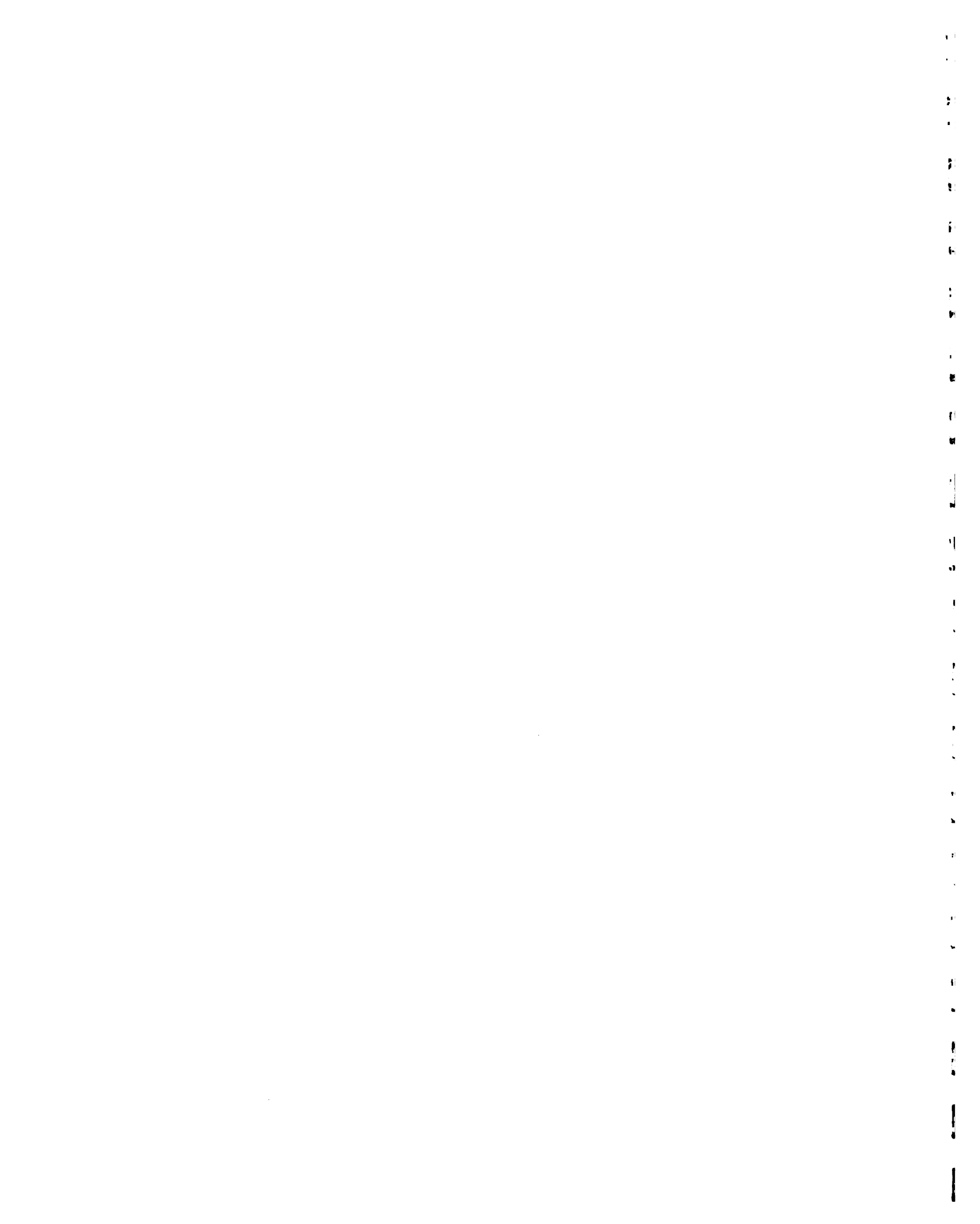
QUOTA FUNDS
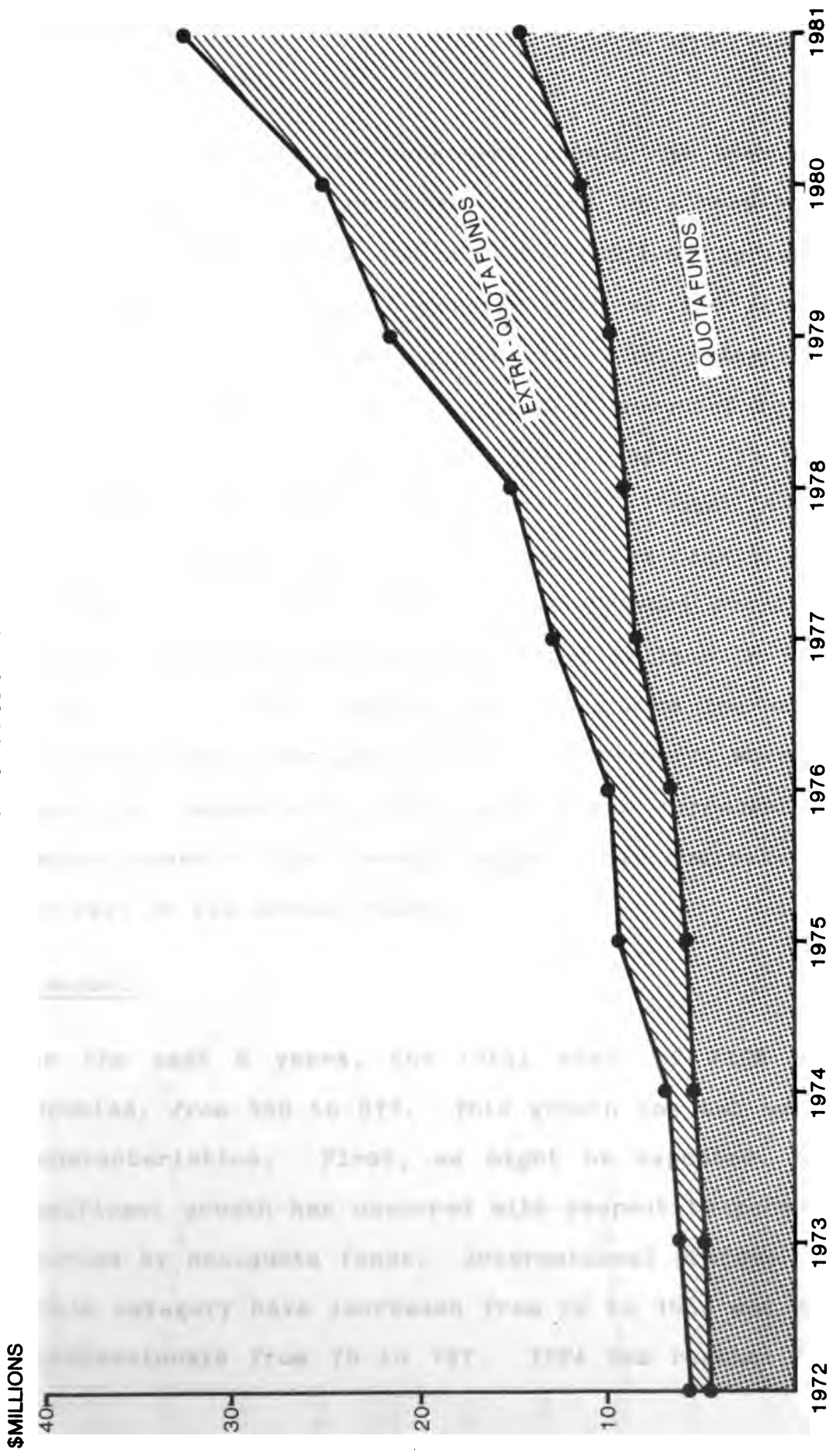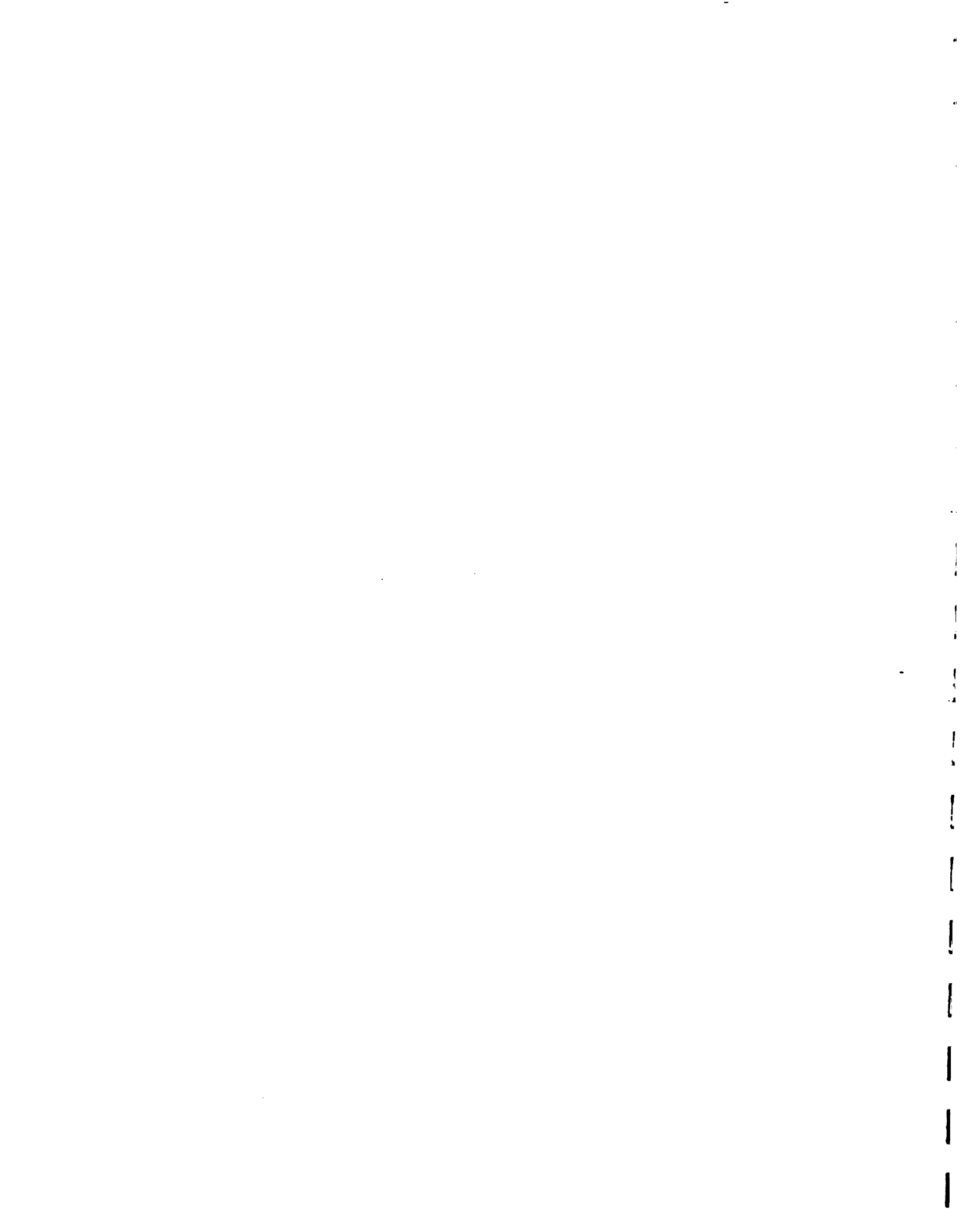
IICA budget has shown only modest increases and in real terms has actually diminished.

The principal reason for budgetary growth has been the dramatic increase in funds received by IICA as a result of agreements or contracts with national institutions, private foundations, and international agencies such as the Agency for International Development and the Inter-American Development Bank. In 1972, these resources amounted to $1 million and accounted for only 19% of IICA's budget. In 1981 it is estimated that extra-quota funds will total $17.4 million and will provide 54% of IICA's resources. Again, the rate of growth of non-quota funds has accelerated over the past 6 years. They have increased from $2.8 million in 1976 to $17.4 million in 1981. While quota funds have increased 100%, non-quota funds have grown 500%. Furthermore, whereas IICA began the decade with extra-quota funds representing only a minor share of its overall budget, they now make up more than half of its annual budget.

. Personnel

Over the past 6 years, the total staff of IICA has nearly doubled, from 450 to 877. This growth has two note-worthy characteristics. First, as might be expected, the most significant growth has occurred with respect to person-nel supported by non-quota funds. International profession-als in this category have increased from 22 to 166, and na-tional professionals from 76 to 197. IICA has reached the
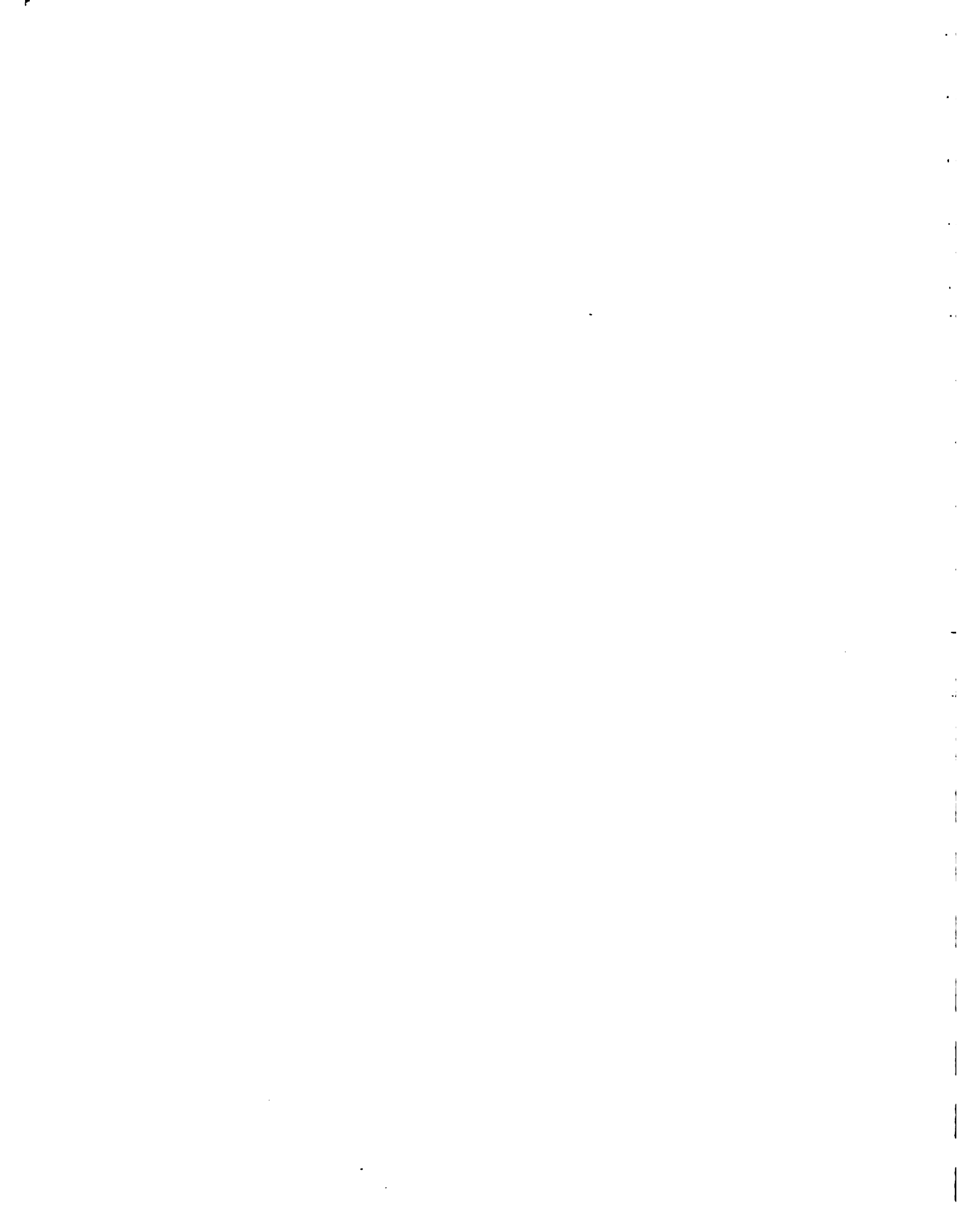
IICA
RATIO OF QUOTA AND EXTRA-QUOTA FUNDS
BUDGETED ANNUALLY
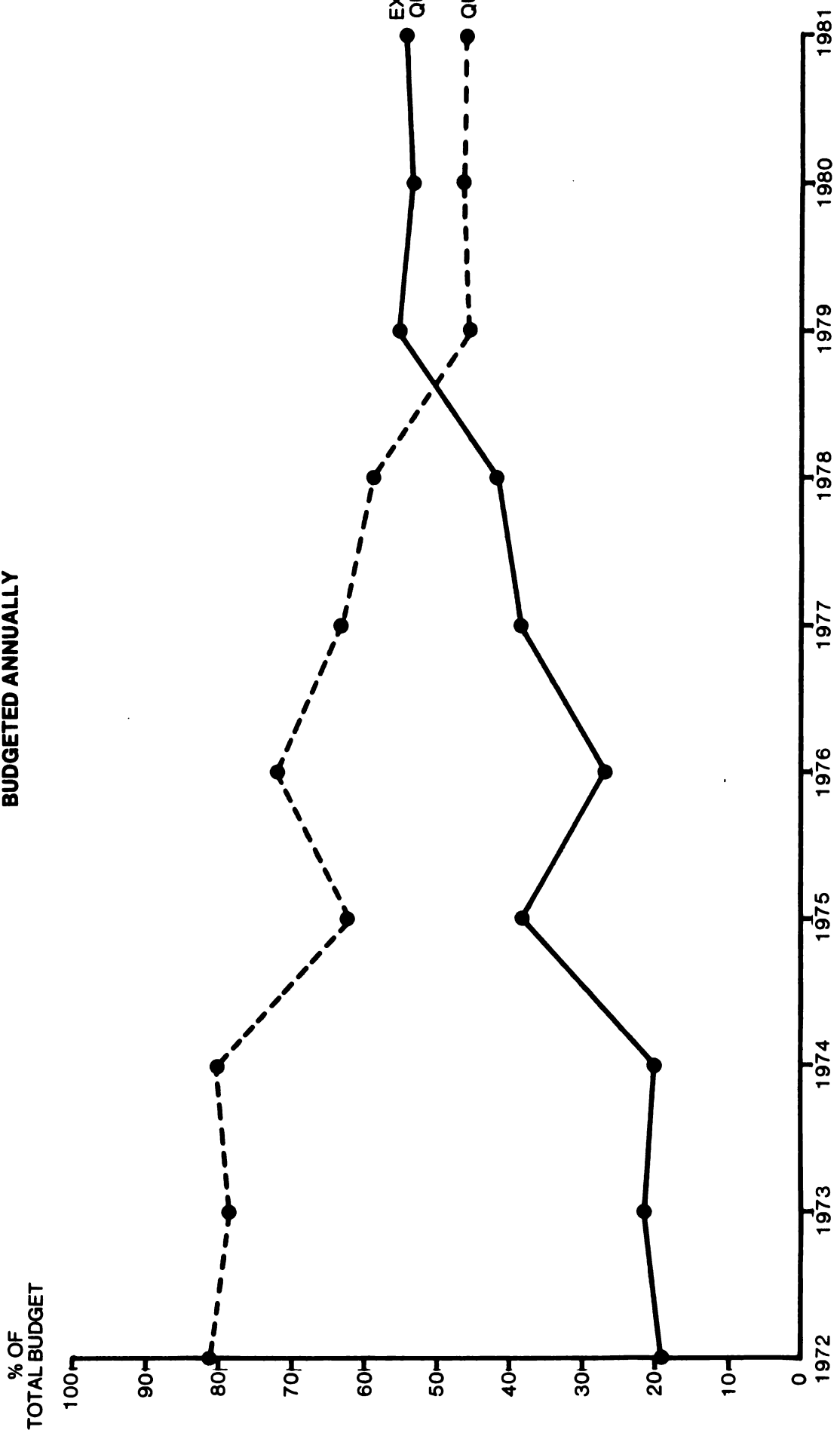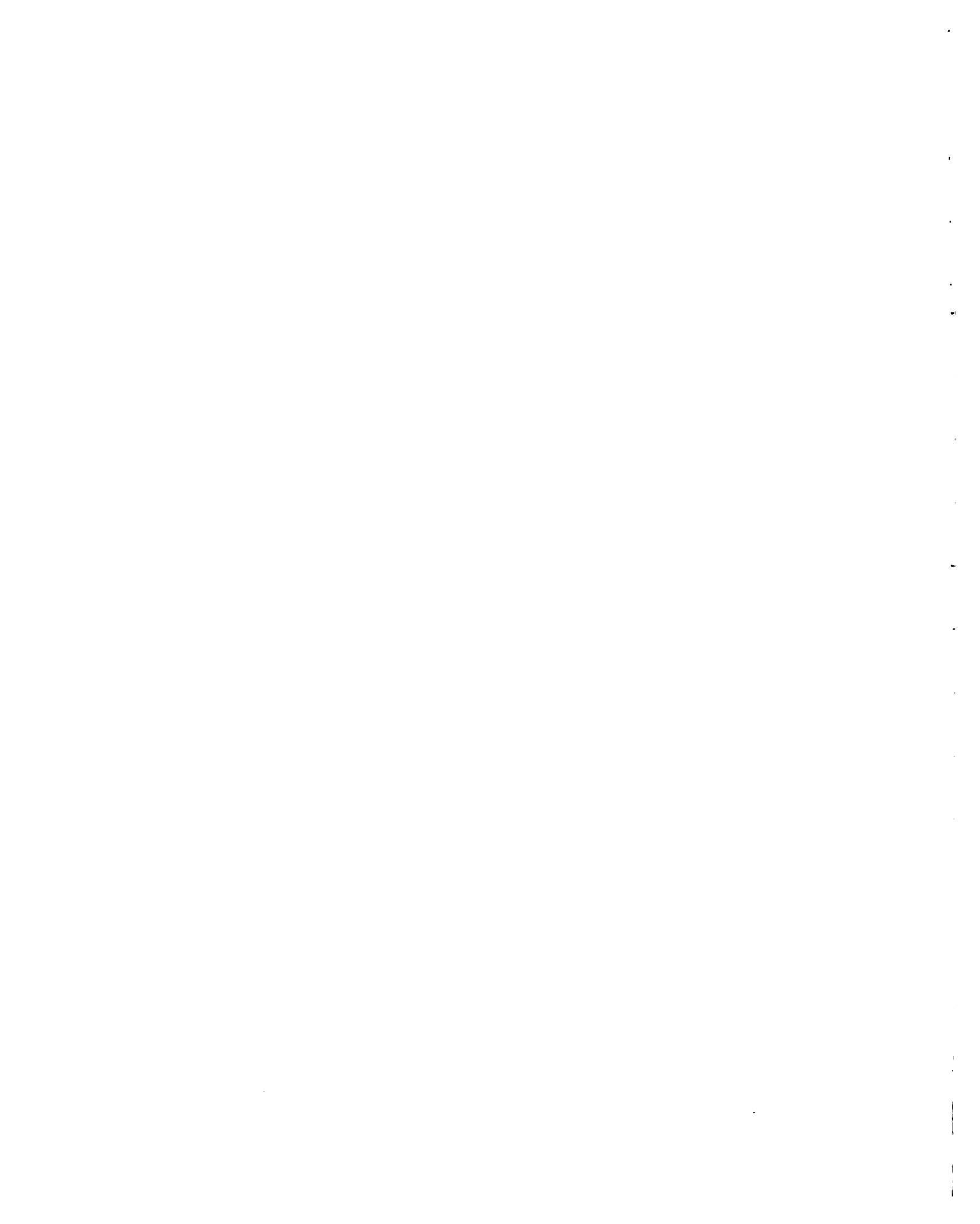
point where its traditional core staff consisting of international personnel financed out of quota funds now make up only 23% of the total.

The second important point is that staff increases have not occurred in a uniform manner. The southern zone and headquarters, after a period of relatively modest increases, have grown rapidly in the past three years. In the other three zones, the pattern is the opposite. They expanded rapidly from 1976 through 1978 and have since stabilized.

. Types of Programs

According to IICA, its fundamental doctrine has remained constant. The strategies adopted to fulfill that doctrine, however, are changing. One basic trend, as previously mentioned, is the increasing reliance upon funds from sources outside of member country quotas. The number of agreements, convenios, and contracts now in force has doubled since 1976. Related to this movement is a change in the character of the activities now carried out by IICA. Traditionally, the principal activity of the Institute was technical cooperation with national institutions by a core staff financed by quota funds. In a sense, the activities of IICA in a given country depended upon the technical expertise of permanent office personnel operating within the context of the agricultural plans and policies of the national government. Results

14
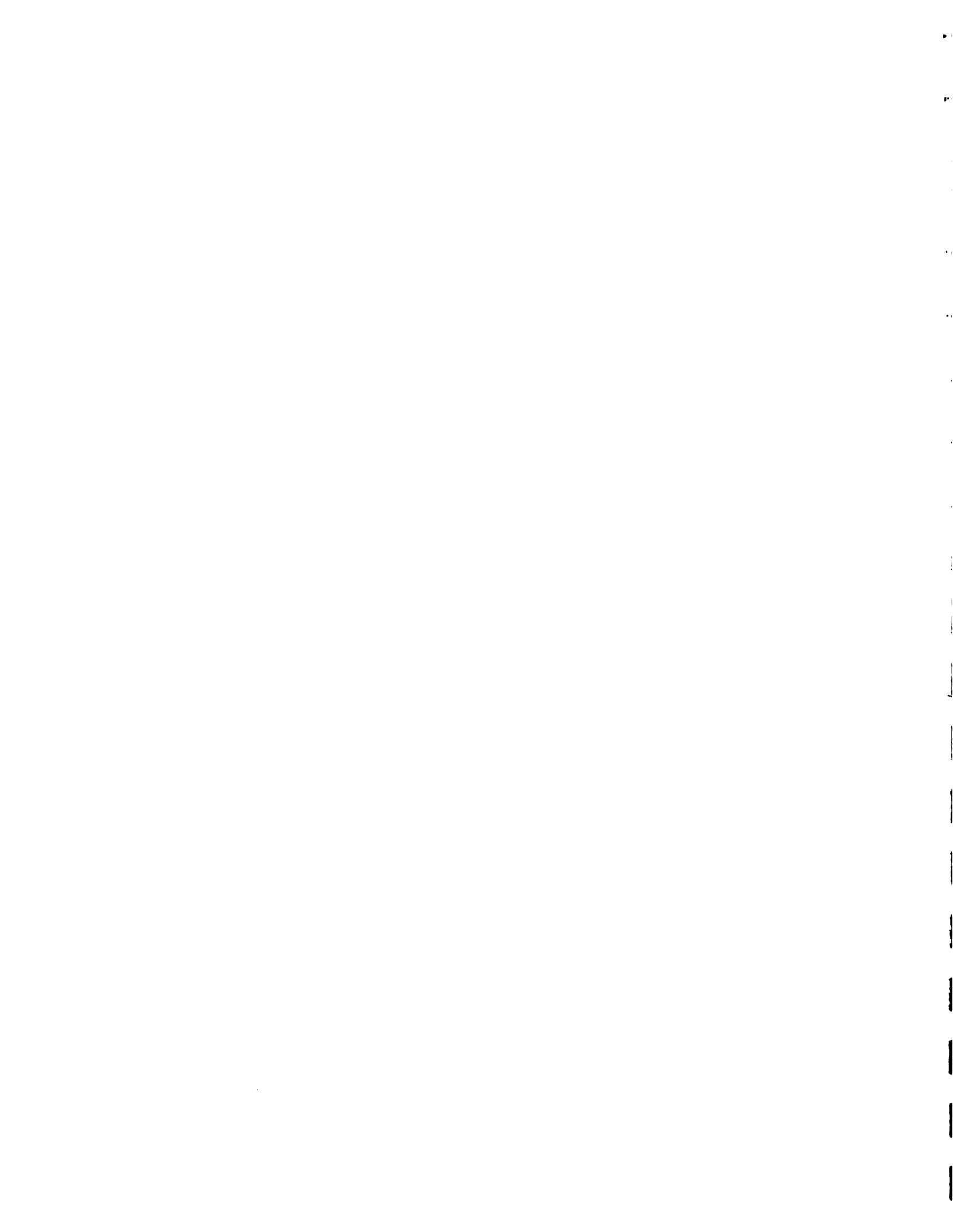
IICA
GROWTH IN STAFF
BY ZONE

NUMBER OF EMPLOYEES

SOUTHERN
HEADQUARTERS
ANDEAN
NORTHERN
ANTILLES

300
250
200
150
100
50

1976   1977   1978   1979   1980   1981
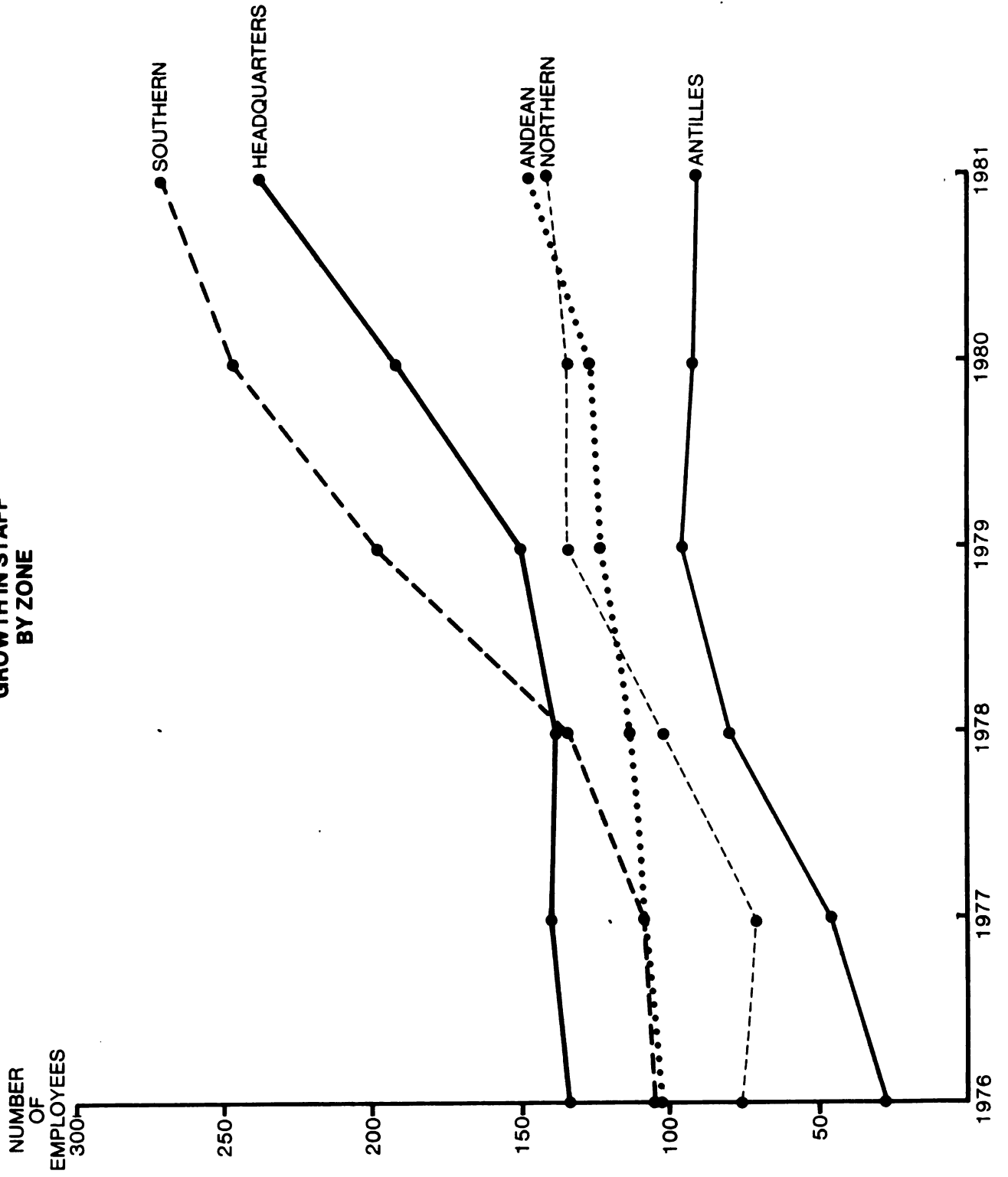
IICA
AGREEMENTS AND CONTRACTS
IN FORCE

NUMBER

150
140
130
120
110
100
90
80
70
60
50
40
30
20
10

1976   1977   1978   1979   1980
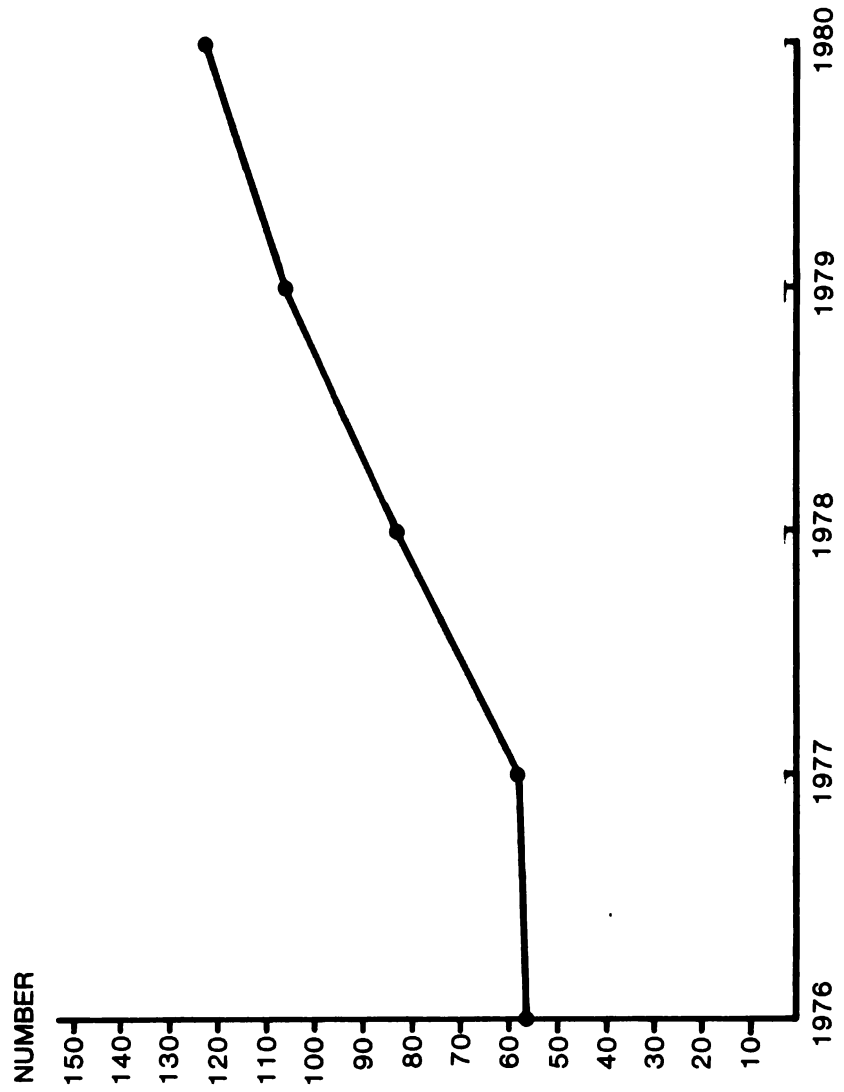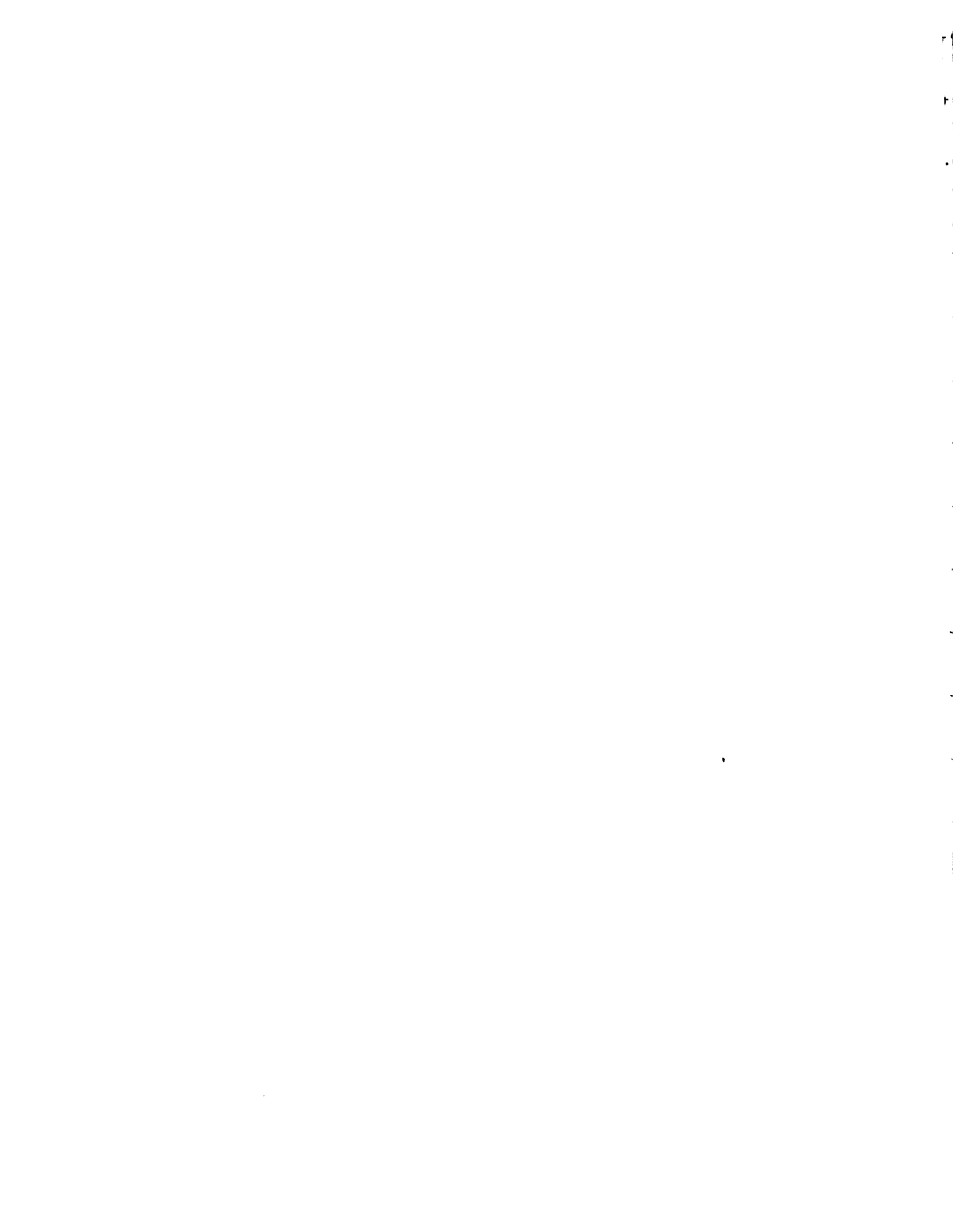
would be defined largely in terms of the quality of the relationship established between the IICA technician and his national counterpart, long-range changes in the country's policies, and the extent to which the country eventually contributed resources to a project initiated by IICA.

IICA

COMPOSITION OF STAFF
1976 - 1981

STAFF CATEGORY	1976		1981		1976-1981
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL	% increase
QUOTA					
International	149	33	200	23	34
National	203	45	314	36	45
Sub-Total	352	78	514	59	
NON-QUOTA					
International	22	5	166	19	655
National	76	17	197	22	159
Sub-Total	98	22	363	41	
TOTAL	450	100	877	100	95

In recent years, however, the character of projects supported by IICA has changed. From an emphasis upon agricultural development and associated skills in the agricultural sciences, IICA has been shifting toward efforts to promote rural development in a broader sense and is requiring personnel with more diverse technical skills. At the same time, the character of the activities conducted by the Institute

has been changing. Instead of "projects" which consist of whatever a single permanent technician can accomplish over an extended period of time by working with key counterparts in national institutions, IICA has gradually been assuming responsibility for more complex, multi-disciplinary efforts which are subject to performance standards established by contract with outside entities. At the present time, for example, it is carrying out the following large extra-quota projects:

- an agricultural credit insurance program financed by AID

- project preparation for the Caribbean Development Bank, the World Bank, and the Inter-American Development Bank

- the integration of women into rural development

- assistance in the execution of a World Bank loan to a development agency in Haiti.

The following exhibit summarizes the extra-quota projects budgeted for 1981.

(2) Projections for the future

In many ways, IICA now stands at another important juncture in its history. There are two impending developments which are likely to have an impact upon its future. The first is the new convention which will shortly go into effect. The convention provides de jure recognition of the fact that IICA has evolved over time into a different institution. The convention will change the Institute's name to the Inter-American Institute for Agricultural Cooperation

16

IICA

EXTRA-QUOTA PROJECTS BUDGETED FOR 1981

FUNDING SOURCE

		AMOUNT
A. International Institutions		
IDRC - Documentation Project	(Peru)	11,000
IDRC - Project on Andean Cropping Systems	(Peru)	108,420
CDB-IICA-Project Identification and Formulation		60,000
IBRD/UNDP/IFAD/IICA-Project Preparation	(Cen.Amer.)	280,000
UNICEF-Training Projects	(Mexico)	159,900
AID-Women's Project		400,669
ROCAP-Information, Central American Isthmus	(Cen.Amer.)	136,567
IDRC-Information Project	(Uruguay)	16,000
IDB/Govts. Southern Cone IICA-Research Project	(Sout.Zone)	1,245,875
AID/IICA-Information Systems	(Chile)	45,000
Ford Foundation-Technology Transfer		10,000
Gov. Netherlands-Technology Transfer		340,000
IDRC-Information and Documentation-AGRIS		86,146
AID-Agricultural Credit Insurance Project		568,900
AID/MSU/ISU-Planning		161,811
Kellog-Planning and Project Management		550,786
IDB-Project Preparation		500,000
IFCC-French Cacao and Coffee Institute		60,000
ORSTOM-French Overseas Scientific and Technical Research		60,000
Sub-total		**$ 4,801,074**
B. National Institutions		
Ministry of Agriculture	(Colombia)	35,000
Ministry of Agriculture-OPSA	(Colombia)	200,000
IDEMA-Agrarian Fund, Bank of Republic,others-Tr.	(Colombia)	200,000
CENICARA	(Colombia)	31,415
Ministry of Agriculture and Livestock	(Ecuador)	50,000
SEDEGE(CDG/IDB)-IICA	(Ecuador)	100,000
Ministry of Agriculture and Livestock-Irrigation	(Venezuela)	23,300
Ministry of Agriculture and Livestock	(Venezuela)	74,766
National Agrarian Institute	(Venezuela)	34,900
National Agricultural Insuror	(Venezuela)	331,200
Price Stabilization Institute	(Dom.Rep.)	34,808
Secretary of State of Agriculture	(Dom.Rep.)	33,238
ODVA/IDB/IICA-Artibonite	(Haiti)	68,207
CEIDER/IICA-Education	(Haiti)	127,742
SENACA/ACDI/IICA	(Haiti)	33,500
DARNDR/ACDI/IICA-Planning	(Haiti)	189,000
Gov.Jamaica/IDB/IICA-Allsides	(Jamaica)	186,000
Ministry of Education/OFIPLAN/IICA	(Costa Rica)	58,000
MAG/OFIPLAN/CAN	(Costa Rica)	182,000
Secretariat of Natural Resources	(Honduras)	643,225
Agricultural Policy Commission	(Honduras)	64,779
PROMECAFE	(Cen.Amer.)	240,000
PRACA	(Cen.Amer.)	84,000
GOBHOL-PRACA/IICA	(Cen.Amer.)	450,000
MAG/IICA (IDB)Education Proj.(Contr.1 and 2)	(Paraguay)	269,728
MAG/IICA (IDB)Technific.Proj.(Contr.3 and 4)	(Paraguay)	529,836
Ministry of Agriculture	(Brazil)	111,374
SUDEPE	(Brazil)	75,100
CEPLAC	(Brazil)	225,000
Sec. of Education and Culture (Pernambuco)	(Brazil)	43,834
Sec. of Education, State of Ceará	(Brazil)	62,467
EMBRAPA/IBRD	(Brazil)	3,314,152
EMBRAPA/IDB	(Brazil)	1,480,000
Gov. Rio Grande do Sul	(Brazil)	107,000
SUDENE (MINTER)	(Brazil)	130,000
CODEVASF	(Brazil)	139,300
Ministry of Agriculture	(Chile)	86,000
Ministry of Education/IBRD	(Chile)	6,000
Sub-total		**$ 10,054,871**
C. Simon Bolivar Fund		**$ 2,500,000**
TOTAL		**$ 17,355,945**

and, according to a statement by the President of its Board of Directors cited in a recent annual report,

> "... redefines the goals of the Institute, identi-fying it more explicitly as an organization devoted to promoting and stimulating agricultural develop-ment and rural well-being".

A second major factor is that IICA has begun the process of a change in its leadership It would be difficult for an observer not to conclude that IICA's development over the last ten years can be attributed to a great extent to the personal vision and energy of its current Director General. A change in leadership may be expected to have a substantial impact upon IICA's operations.

With regard to its programs and policies, we did not obtain evidence to suggest that IICA intends to change sub-stantially the recent trends in its programs. IICA does not engage in medium-term planning which combines financial and program planning for more than one year (although with the new convention it will have a biennial rather than annual budget). The following observations on the growth patterns projected for the future result from interviews with IICA management:

- One authoritative projection would have IICA's overall budget grow to $100 million by 1990, with the majority of funds derived from extra-quota sources. This projection function assumes that the permanent quota-funded staff would remain constant at about 200.

- However, IICA is now under consideration for extra-quota contracts with a total value in excess of $100 million If a substantial percentage of these potential contracts materialize, the above projec-tion may, in fact, prove conservative.

. It is also likely that IICA will continue to increase its reliance upon extra-quota contracts, and to carry out work related to rural development in the broadest sense.

. Finally the projects themselves are likely to increase in complexity. For example, IICA is under consideration for the execution of a $45 million effort to eradicate swine fever in Haiti. This would be a major management responsibility, which would be at the extreme end of the continuum away from a traditional technical cooperation project.

5. Overall Implications of Growth

If growth is considered as a measure of success, it can be said that IICA has been very successful. However, growth provides both opportunities and risks for IICA. IICA has the opportunity to enhance its capabilities, increase its prestige, and broaden its contribution to the hemisphere. IICA is also running the risks inherent in sudden and sustained expansion.

IICA is now reaching beyond its traditional fields of expertise. At the same time, sponsors that provide external funding will demand greater accountability for technical performance and financial control. The demand placed upon IICA's institutional capabilities will be much greater in the future.

If growth is to continue to be to IICA's advantage, it must be managed. It is not possible to predict with absolute certainty what effect growth will have on the organization, management and operations of IICA. However, it is possible to draw upon the experience of other organizations that have grown at similar rates into diverse fields and suggest that IICA may encounter the following needs:

- **A greater need for shared decision-making.** As the organization grows in terms of activities and staff, particularly at the national office level, the ability to control and manage from headquarters may be greatly diminished. More decision-making responsibility (e.g , personnel selection and budgetary changes) may have to be delegated to the national office level.

  Further, as the complexity of the organization increases, more minds will be needed to become actively involved in studying issues, testing alternatives, and making decisions.

- **A greater need for professionalized management.** Evolving organizations often cannot afford the luxury of hiring professional managers. In organizations such as IICA, technical specialists usually assume administrative and managerial responsibilities in addition to their technical duties. By training, experience, and inclination, they remain technicians first, and managers and administrators second.

  However, as the organization progresses in size and in terms of the complexity of situations it faces, the need for managerial skills tend to overshadow in importance the technical skills of the incumbent managers. They need to become managers first and technicians second. This shift in priorities is often difficult and can lead to frustration on the part of the manager.

  IICA will, in the future, need to provide training to its administrative and staff managers (at least for those who choose to remain in that capacity) to refocus their primary fields of expertise, or hire new managers specifically for their administrative and managerial expertise. In IICA's case the need for this will be exacerbated within the next few years as much of the senior managerial staff becomes eligible for retirement.

- **A need to define organizational identity.** Growth often creates a need to redefine organizational identity. Existing policies, practices, and management style may be no longer appropriate for the organization and its environment. In growth periods there is a natural inclination to reach out for all available opportunities. The inherent danger is that the organization may extend itself beyond its capabilities and organizational resources. This in time may lead to a deterioration in its responsiveness and the quality of its services, and in the longer run thwarts growth. There is no guarantee that this will

happen to IICA. However, it has been a frequent phenomenon in other organizations which can be minimized by proper planning, a carefully conceived growth strategy, and a realistic assessment of organizational capabilities.

. **A need to analyze the trends and patterns of growth.** Growth cannot be looked at solely in macro- terms. To do so would be misleading. For example, not all of IICA's national offices have grown at the same rate. Some offices, such as Brazil, have experienced tremendous growth. Others have been more stable. This makes growth planning more complex. IICA will need to consider each country on an individual basis to ensure the proper allocation of technical resources and to focus its external coordination activities to minimize imbalances that may result from an "order-taking" approach to growth.

. **A greater need to institutionalize managerial, administrative and control capabilities.** A natural consequence of growth is the loss of personal contact. People who in a smaller organization were able to communicate directly or had a first-hand knowledge of organizational and staff resources, no longer can maintain this personal approach. Nor can managers rely on personal observation to be informed of the many and diverse operations and problems of their organization. They must rely on information systems and other institutionalized tools to manage, control, and make decisions. IICA will need to recognize this phenomenon and build the systems required to properly manage its growth.

III. **ASSESSMENT OF NEEDS FOR MANAGEMENT IMPROVEMENT**
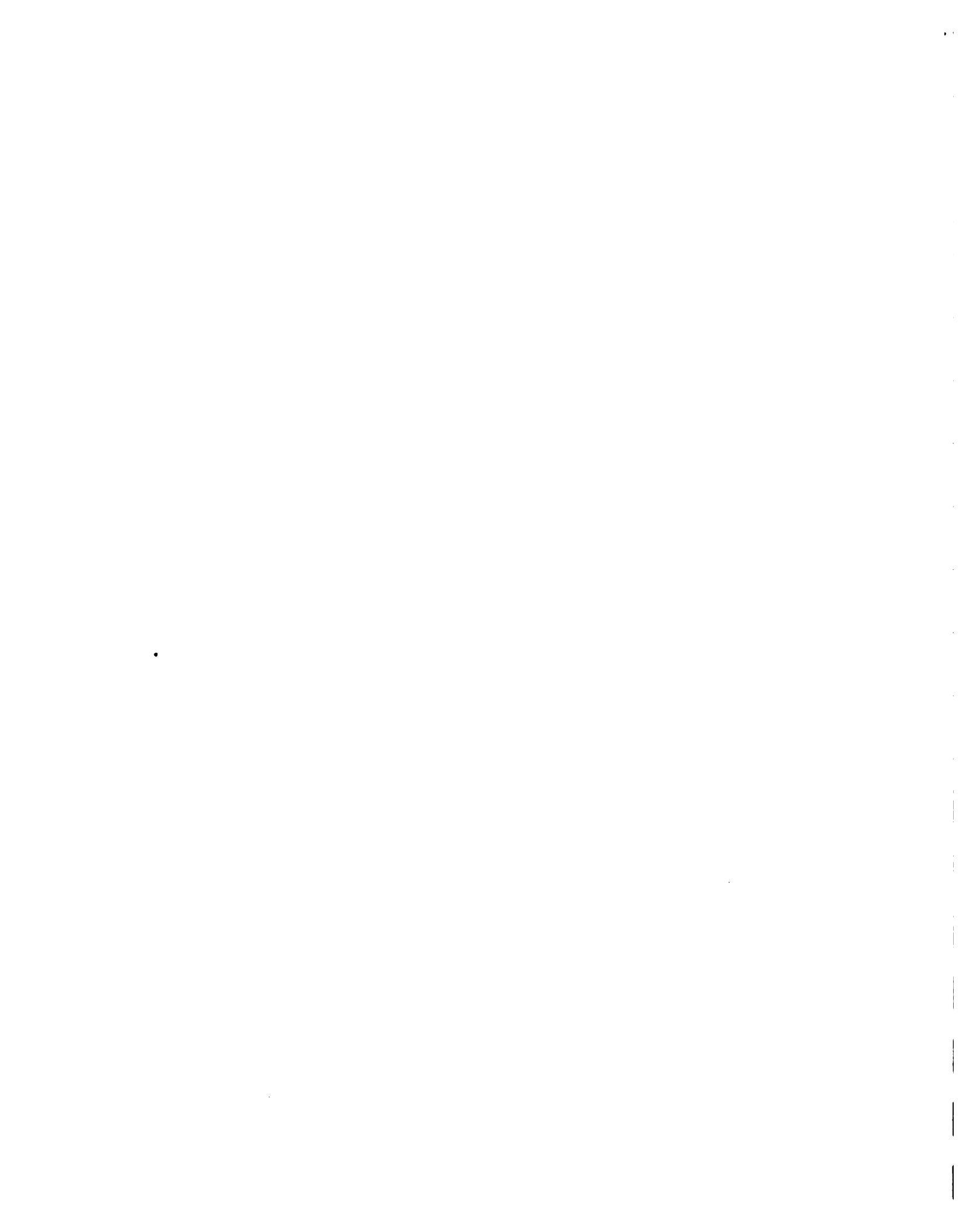
III.   ASSESSMENT OF NEEDS FOR MANAGEMENT IMPROVEMENT

Our basic objective was to assess the need for the management improvement project proposed by IICA. This chapter of the report summarizes the IICA proposal and assesses the need for it in the light of the growth patterns and overall needs described previously.

The proposal submitted to AID was developed by a working group of senior managers and staff of IICA. The impetus for the program came from a concern that TTCA have the institutional capacity to meet the management needs of an international development assistance agency confronted by increasingly complex demands. The rationale for their proposed program is to take action in a measured and systematic way in order to prevent problems, instead of finding themselves in a position where they are forced to solve them after the fact in an ad hoc manner.

The stated goals of the project are to "improve the living conditions and income of the rural poor by reinforcing the capability of IICA to act more effectively as an agent of change throughout Latin America's rural sector and to augment IICA's capabilities as a program administrator." The following exhibit summarizes the components of the project.

Each component of the project is divided into five phases:

.   an orientation phase of seminars to explain the project to IICA personnel and incorporate modifications resulting from the seminars

.   a diagnostic phase consisting of in-depth analyses by consultants of seven priority areas:

21

IICA
SUMMARY OF MANAGEMENT IMPROVEMENT PROPOSAL

- ORGANIZATIONAL STRUCTURE

  - ANALYSIS AND MODIFICATION OF ORGANIZATIONAL STRUCTURE
  - STRENGTHENING OF OFFICE OF MANAGERIAL ANALYSIS
  - PERIODIC WORKSHOPS TO BRING FIELD STAFF TOGETHER WITH HEADQUARTERS ADMINISTRATION TO EVALUATE ORGANIZATION AND FUNCTIONS OF IICA

- CAREER MANAGEMENT DEVELOPMENT

  - ASSESSMENT OF MANAGERIAL NEEDS
  - FORMULATION OF MANAGEMENT DEVELOPMENT PROGRAM
  - STRENGTHENING OF MANAGERIAL ANALYSIS AND HUMAN RESOURCES OFFICES TO ENABLE THEM TO IMPLEMENT AND EVALUATE THE PROGRAM

- INTERNAL CONTROL

  - DEVELOP AND IMPLEMENT IMPROVED OPERATING AND ADMINISTRATIVE PROCEDURES
  - STRENGTHEN CAPABILITY OF OFFICES OF ADMINISTRATION

- PERSONNEL SYSTEM

  - REVISE CURRENT PERSONNEL ADMINISTRATION POLICY
  - DETERMINE PERSONNEL REQUIREMENTS FOR BOTH QUOTA AND NON-QUOTA FINANCED PROJECTS
  - FORMULATE HUMAN RESOURCES DEVELOPMENT PROGRAM

- FINANCIAL, BUDGETING AND ACCOUNTING SYSTEM

  - IMPROVE BUDGETING SYSTEM FOR QUOTA AND NON-QUOTA PROJECTS
  - DEVELOP ACCOUNTING SYSTEMS COMPATIBLE WITH DONOR INSTITUTIONS
  - DEVELOP UNIFIED ACCOUNTING SYSTEM FOR QUOTA AND NON-QUOTA FUNDS

- INFORMATION SYSTEMS

  - ASSESS INFORMATION NEEDS BY DECISION MAKERS
  - DEVELOP INFORMATION SYSTEM

- PROJECT ADMINISTRATION

  - REVIEW CURRENT PROJECT MANAGEMENT PROCEDURES
  - REVIEW CAPACITY OF IICA TECHNICIANS TO MANAGE A LARGE NUMBER OF PROJECTS
  - ADJUST PROCEDURES TO MEET REQUIREMENTS OF THE INSTITUTE, COUNTRIES, AND DONOR INSTITUTIONS

- organization structure
- career management development
- internal control
- personnel system
- financial budgeting and accounting system
- information systems
- project administration

. a review phase during which working committees of
  IICA personnel will study and modify as needed the
  recommendations of the consultants

. implementation and evaluation of the recommendations

. institutionalization of the new processes.

The expected result of the project is to institutionalize the
capacity of IICA to continuously improve its management capacity,
and ultimately increase its effectiveness in carrying out its
present and expanded programs in the future. An assessment of
each area of the IICA proposal follows.

1. Organizational Structure

Organization is the first item listed in IICA's institutional
strengthening proposal. It suggests the need for creating a
permanent capacity within the Institute to analyze structure and
functions, readjust them when necessary, and make changes known
through workshops and seminars. While we believe the intent is
sound, we also believe these suggestions should first be tested
against several premises of organizational life.

. Premise Number 1 - An organization reflects the
  needs, desires and management style of executive man-
  agement. Based on our review of IICA, we believe
  that its current structure reflects the needs for
  advice, information and assistance as perceived by
  the Director General. It has been our experience
  that, within reasonable limits, any one of several
  structural alternatives may be responsive to the need
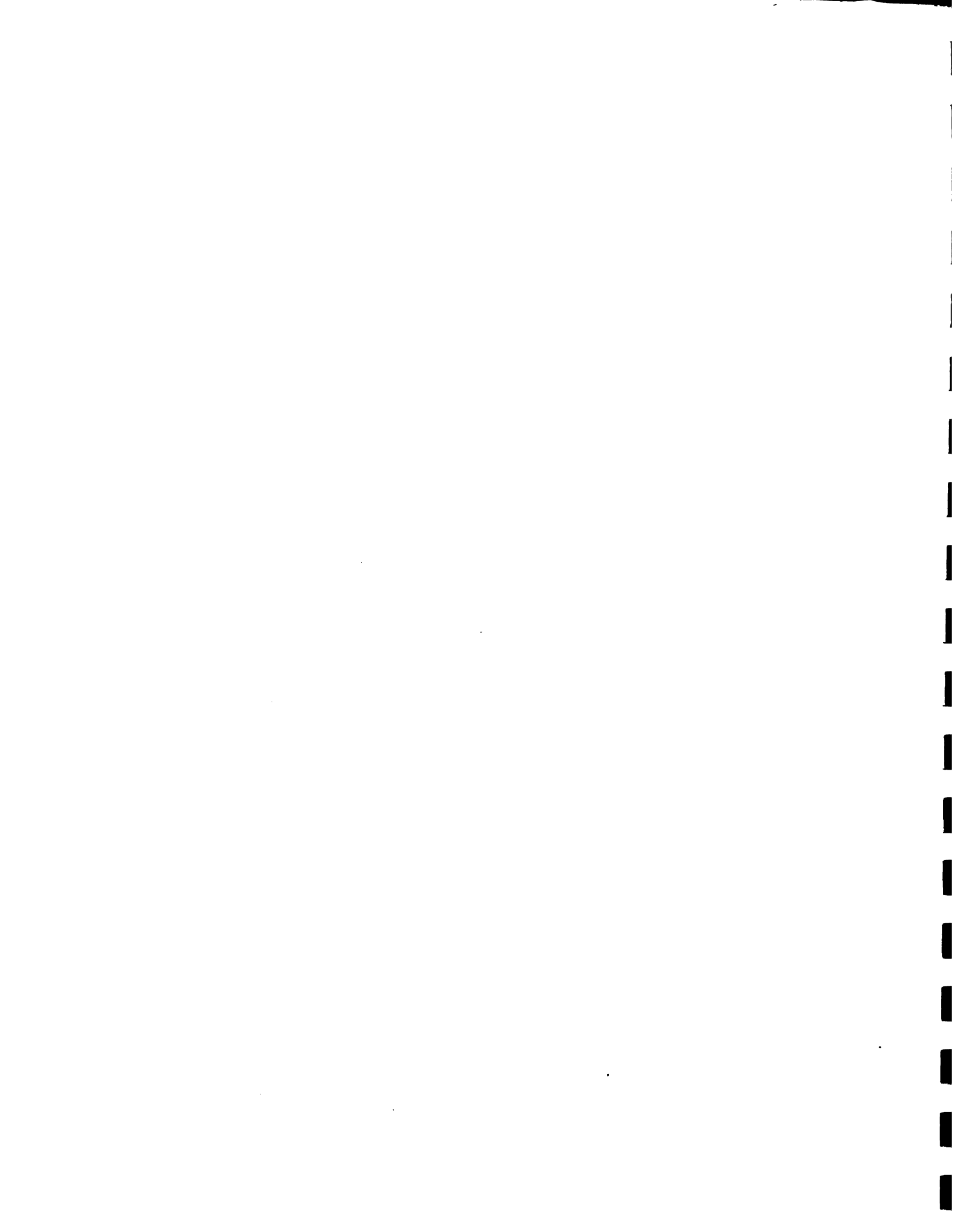
of executive management to organize work effectively, carry out operations and adequately measure results. That is, there is not one "right" organization.

Structure, in any case, does not ensure effective operational performance within the boxes on a chart. What is perceived as a structural problem may in fact be a condition which can be alleviated by making more information available, by encouraging more active participation in organizational decisions, and by reducing the level of general uncertainty on the part of staff. These factors are influenced by management style, not by organizational structure.

. <u>Premise Number 2</u> - Change agents are only effective when supported by executive management. If senior management perceives a need for an advisor on organization and management issues; has confidence in the advisor's ability; and trusts that his actions will be in the best interests of the organization, then creating the position may be advantageous. However, it is an axiom that a change agent does not change an organization; management does.

. <u>Premise Number 3</u> - Organizational change is best carried out during a period of managerial stability. IICA is facing a probable change in Director Generals within the year. In our opinion, the organization must reflect the mandate and style of the presiding Director General. It would not be to the incoming Director General's advantage to have an organization structure imposed upon him. Better that he be allowed a transitional period, and then restructure it as he sees fit.

Given the above premises and based on our own analysis of the IICA organization, we do not see the need for immediate and fundamental changes in the organizational structure of IICA. We do think it would be useful to update the organizational manual to reflect the current structure.

We would suggest the following role for an internal management analyst. He/she could be made responsible for maintaining and updating the IICA organization manual; for chairing the

activities of special work groups and committees; and for coordinating the management improvement project. We further recommend that the position report to the Deputy Director General in order to give the project sufficient visibility.

We do not see the need for special seminars or workshops to announce and gain commitment to changes in IICA's organization, management and operations resulting from the project. This should be a recurrent responsibility of the General Directorate and regional coordinators.

While we do not believe that it would be productive for IICA to reorganize itself at this time, we do recognize that it is quite possible that structural change may need to occur in the future. Therefore, we offer the following alternatives for consideration by IICA at the appropriate time.

We believe it important to distinguish between line and staff functions in an organization. Line functions, by definition, are those that are the reason for the organization to exist. Manufacturing organizations exist to produce products. Service organizations exist to provide services. Staff functions, on the other hand, exist to support the line functions.

Alternative No. 1 represents several differences from the present organization. A separation is made between the Director General and the Deputy Director General. This is done to emphasize that the Deputy Director General's principal responsibility is the management of operating programs and projects; and the

24

ALTERNATIVE ORGANIZATION
Number 1
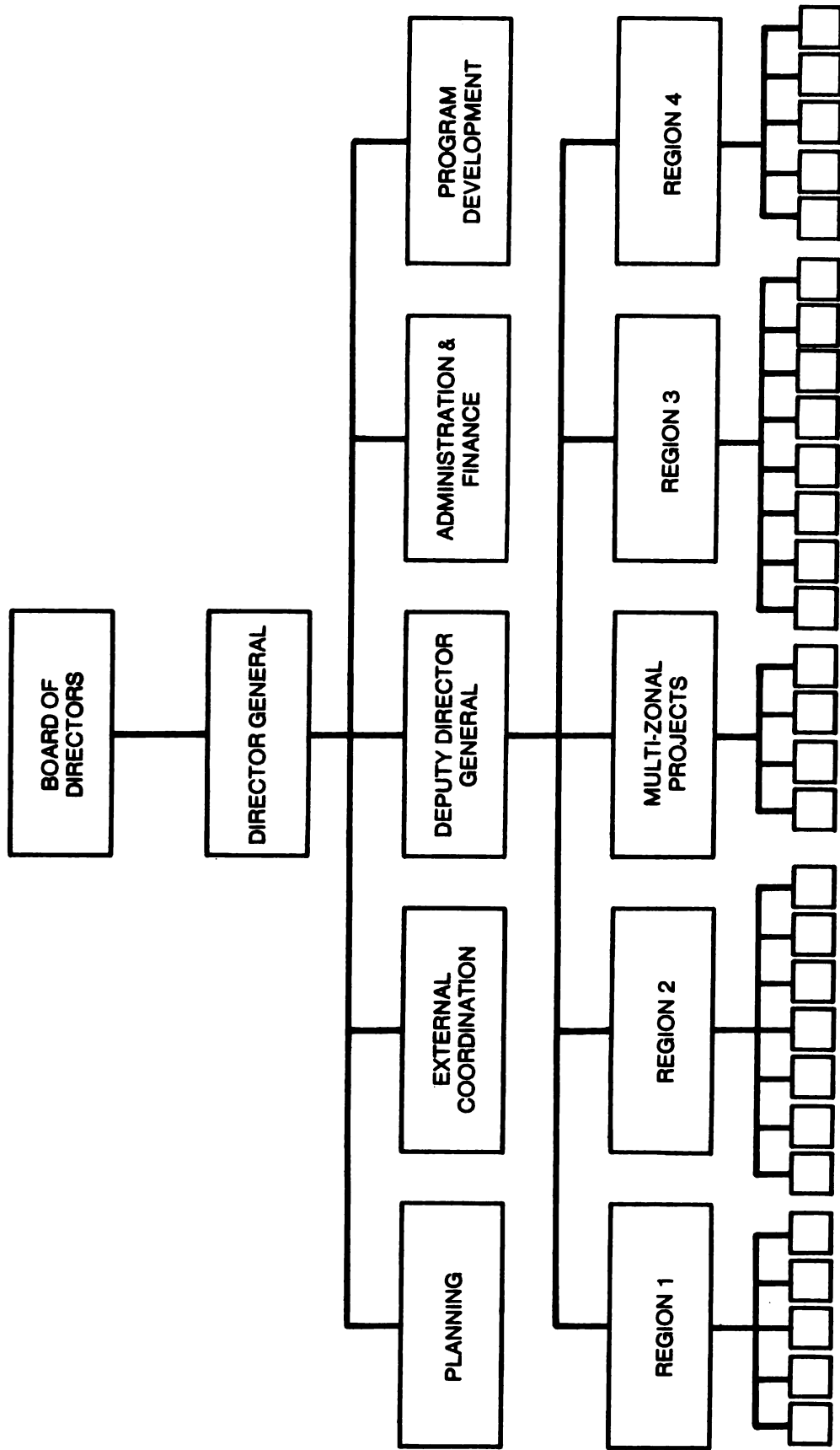
staff offices, by the nature of their responsibilities, are intended to be advisors to the Director General and are not directly involved in operations management. If their role is undefined or if their activities bring them on a recurring basis into the operational aspects of the Institute, then there should be serious consideration of having them report to the Deputy Director. (See Alternative 2.)

It should be noted that an additional tier of management has been reintroduced between the Deputy Director General and the national offices that comprise a region. This is done to recognize that growth will make effective management and direction from headquarters increasingly difficult. An alternative, which recognizes the fact that growth in all regions is not equal, would be to create a regional office only for those regions experiencing exceptional growth. One additional small change from the existing organization is the retitling of "Rural Development" to "Program Development" which, we believe, would be a more accurate description of the office's activities.

Alternatives Number 3 and 4 focus on possible realignments in the staff offices at headquarters. The basic principle which should underlie the headquarters structure is the question of how the Director defines his role. The more deeply he wishes to personally involve himself in the organization, the more staff functions should report directly to him. For example, Alternative Number 3 assumes that the Director General would wish to control personally long-range planning, finance, and external

ALTERNATIVE ORGANIZATION
Number 2

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                    │    BOARD OF      │
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                    ┌────────┴─────────┐
                    │ DIRECTOR GENERAL │
                    └────────┬─────────┘
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                    │ DEPUTY DIRECTOR  │
                    │     GENERAL      │
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   │REGION 1 │ │REGION 2│ │MULTI-ZONAL│ │REGION│ │REGION 4│
   │         │ │        │ │ PROJECTS  │ │  3   │ │        │
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ALTERNATIVE NUMBER 3

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                              │     GENERAL      │
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│    POLICY     │              │   FINANCE    │          │    EXTERNAL      │
│   PLANNING    │              │              │          │  COORDINATION    │
├───────────────┤              ├──────────────┤          ├──────────────────┤
│• MEDIUM AND   │              │• FINANCIAL   │          │• EXTERNAL        │
│  LONG TERM    │              │  PLANNING    │          │  RELATIONS       │
│  PLANNING     │              │• ACCOUNTING  │          │• EXTERNAL        │
│• ANNUAL       │              │• BUDGETING   │          │  RESOURCES       │
│  PROGRAM PLAN │              └──────────────┘          └──────────────────┘
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                              ┌──────────────────┐
                              │     DEPUTY       │
                              │    DIRECTOR      │
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│   PERSONNEL      │         │    RESEARCH      │          │   MULTI-ZONAL    │
│      AND         │         │      AND         │          │   OPERATIONS     │
│ ADMINISTRATIVE   │         │    PROGRAM       │          └────────┬─────────┘
│   SERVICES       │         │  DEVELOPMENT     │                   │
├──────────────────┤         ├──────────────────┤          ┌──────────────────┐
│• PERSONNEL       │         │• BASIC RESEARCH  │          │    COUNTRY       │
│• TRAINING        │         │• PROGRAM AND     │          │   OPERATIONS     │
│• SUPPORT         │         │  PROJECT DESIGN  │          └──────────────────┘
│  SERVICES        │         │• EVALUATION      │
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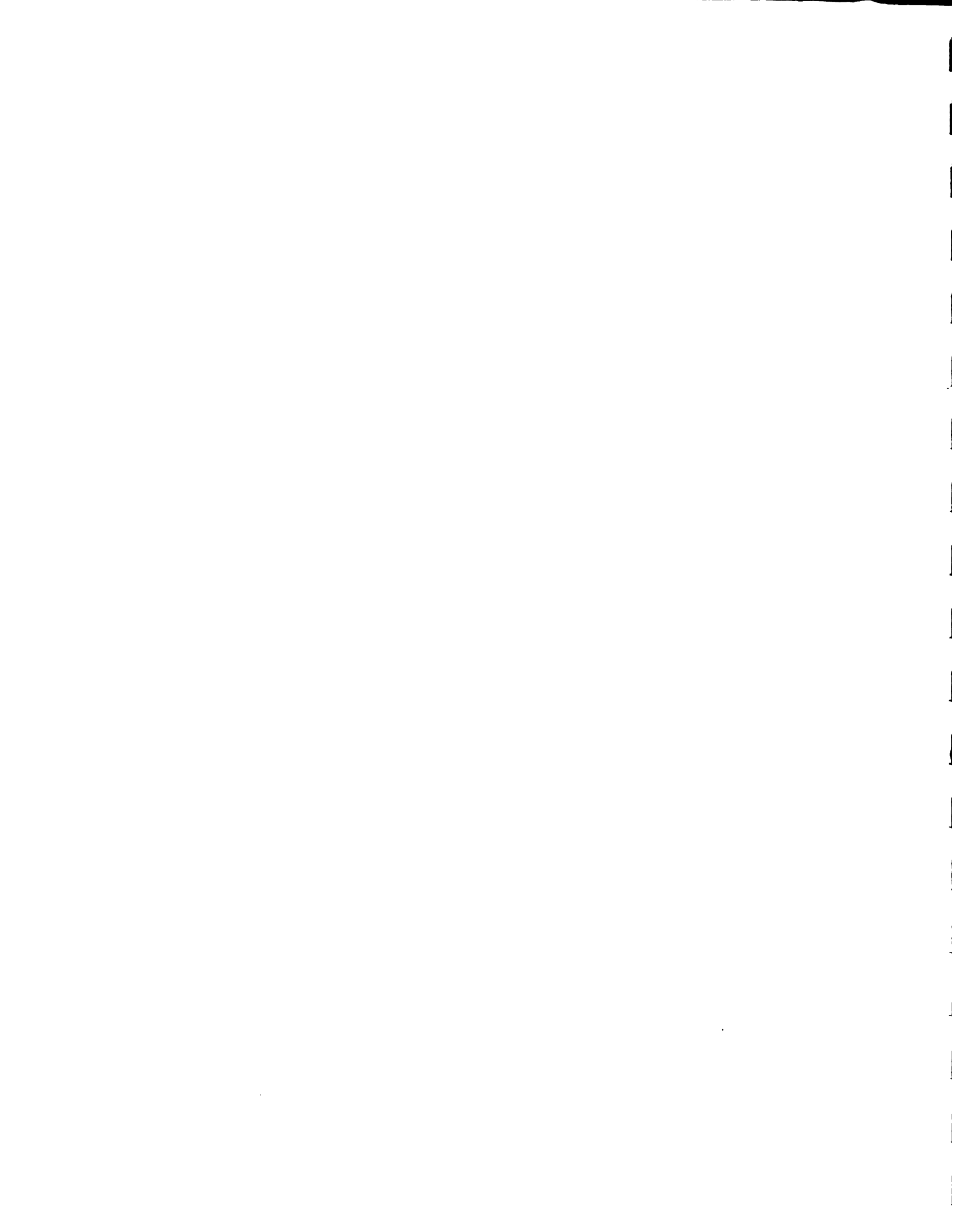
coordination. These functions concern the longer-term directions of the Institute, financial and other relationships within external institutions, and the financial status of the organization. Basic research and the design of new programs is seen as having an operational character and thus reports to the Deputy Director General. This unit would combine the functions of Rural Development with the evaluation function now in the Planning Office. Its overall function would be to develop new approaches to the problems of rural development on the basis of a program of directed research, and coordinate the evaluation of the effectiveness of programs. The one principle that remains is that the Deputy Director is responsible for the execution of programs.

Alternative Number 4 shows how all staff functions with the exception of medium- and long-term planning could be delegated. This alternative separates planning for particular programs from the function of planning the overall future of the organization. It also considers External Coordination as a staff function reporting to the Deputy Director General because it becomes involved in the details of particular contracts and projects, and thus has an operational character.

2. Personnel and Training

(1) Personnel System

The IICA proposal suggests the need to improve personnel management and administration through upgrading recruiting and selection capabilities, increasing management training, and

ALTERNATIVE NUMBER 4

DIRECTOR
GENERAL

PLANNING
• MEDIUM AND
  LONG-TERM

DEPUTY
DIRECTOR
GENERAL

EXTERNAL
COORDINATION

ADMINISTRATION
• FINANCE
• PERSONNEL
• SUPPORT SERVICES

OPERATIONS

PROGRAM
PLANNING
• RESEARCH
• PROGRAM DESIGN
• EVALUATION
• ANNUAL OPERATING
  PROGRAM

COUNTRY
OPERATIONS

MULTI-ZONAL
OPERATIONS
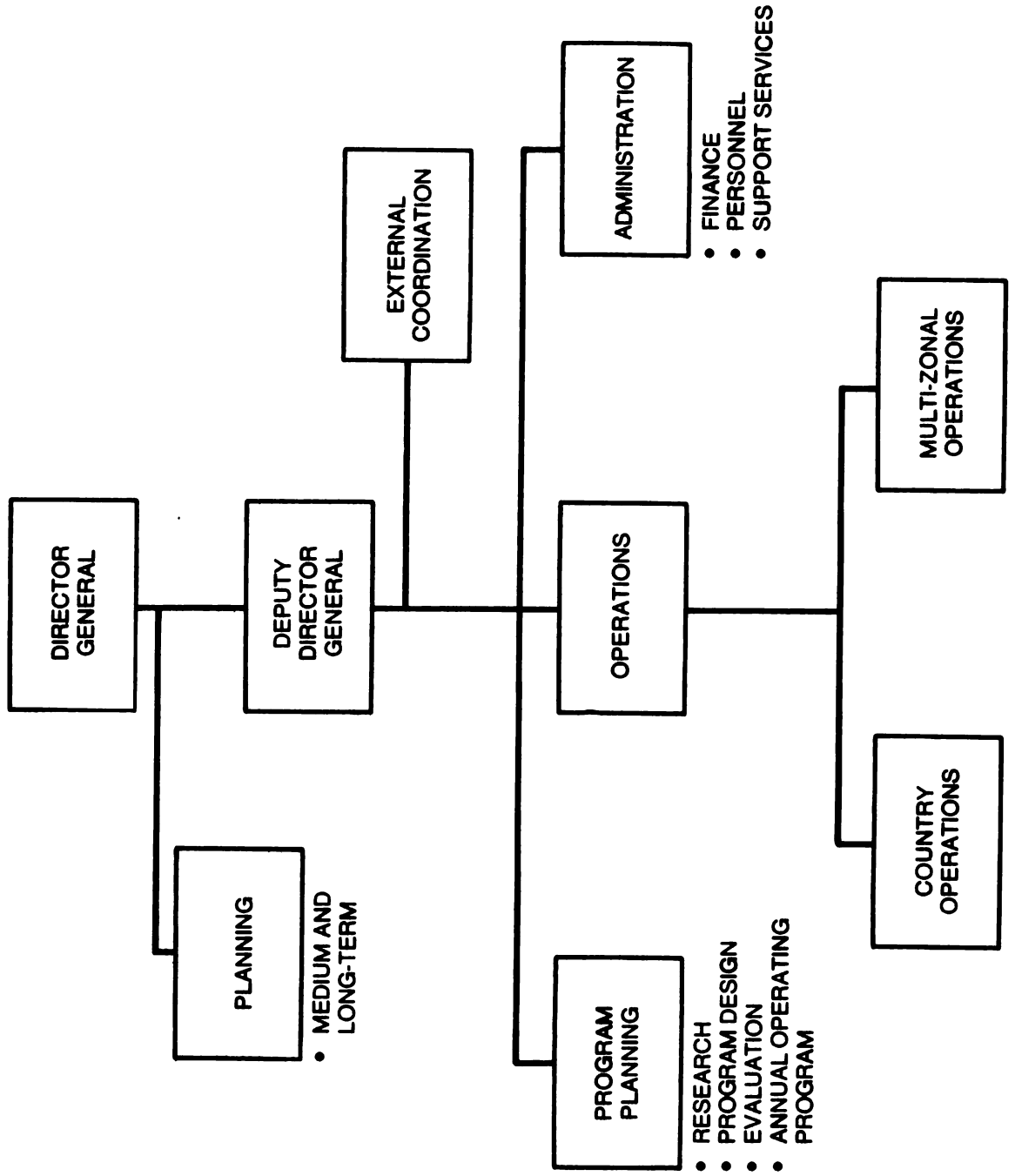
systematically assessing future staffing needs. The impetus for the task comes from the fact that IICA is facing increasingly heavy and more diverse staffing needs for its extra-quota projects. We concur that these are legitimate concerns that should be resolved during any general institutional strengthening effort.

IICA has the need to identify existing and future staffing requirements; schedule acquisitions; intensify recruiting and hiring; upgrade training; and structure paths for career progression.

IICA needs to create a manpower forecasting system. It should be directly linked to IICA's overall plans and take into account changing program needs. It must also take into account other factors such as retirements from the existing work force, change in personnel policies, technological developments, training, labor productivity and changes in the organizational structure itself. In detail, it should:

- estimate changes in the work force resulting from promotions, separations, and transfers

- predict the probable effect of changes in personnel policy and programs

- take into account program developments which may change the mix of skills and size of the staff

- consider changes in the amount of time needed to train or recruit personnel

- consider changes in the organizational structure which will obviously affect the staffing of the organization in the future.

In the area of recruitment and selection, we strongly concur with the need to improve IICA's present capabilities. This, we believe, can be accomplished by expanding the sources through which IICA has traditionally recruited personnel, and through improving its existing personnel data bank system.

Improvements to the data bank system should include:

. an application form suitable for use as an electronic data processing input document

. more use of quantifiable information in the initial application

. an update and purge routine for records retained in the data bank

. revised listings and reports of manpower availability for line managers.

In the area of manpower management we believe that there may be a need to establish dual career paths for IICA professionals. Salary levels need to be re-examined to ensure that they recognize managerial and technical contributions. Limited advice by a professional in this area could provide a plan of action at little cost to the Institute. A manpower specialist could also assist IICA to develop ratios for forecasting the impact of growth in technical programs on the Institute's administrative and support personnel.

During our stay in San Jose and during our visits to national offices we detected a certain amount of preoccupation concerning prevailing wage and salary classifications, especially for contract employees. Our scope of work did not allow us to verify

this perception. However, we feel it is believed by enough staff to influence the morale of the organization. For that reason we recommend that a definitive wage and compensation survey be undertaken, to include the other international organizations against which IICA competes for personnel. The results should be used to determine the need for changing the Institute's classification and pay system.

(2) Training

IICA has traditionally functioned as a group of experts in technical and scientific fields. However, IICA's programs are increasing in size and complexity. Their implementation will require management skills which are not universally present within the organization. We believe that IICA will need to professionalize its management through a formal management development program. In the course of our study, we have also identified certain needs for professional training and education which go beyond IICA's proposal. IICA's training needs include the following:

o   **Management Training Needs**

We have identified three managerial groups within IICA which have specific training needs.

-   **National Office Directors**

The directors of IICA's national offices are its principal line managers. In the absence of a fundamental change in organizational strategy, they will remain so. At the present time, the role of the country office director requires a combination of diplomatic, technical, and managerial skills. His role contains three main components:

29

. political relationships with the national govern-
   ment

. technical leadership and supervision of the
   country program

. managerial and administrative responsibility for
   the internal operations of the office.

Our concern is for the last set of required skills.
Prior to the explosive growth of the past five years, the
typical country office consisted of a relatively small cadre
of permanent professional personnel and associated adminis-
trative staff. The country office director could function as
the leader of a team of technical experts. There was no need
for a management structure within the office. His non-tech-
nical responsibilities might be limited to administration,
strictly speaking, in such areas as office accounts, person-
nel records, and so forth.

Now the situation has changed and will continue to do
so. The sheer size of some offices may require that the
office director identify himself primarily as a manager who
allocates resources among a set of complex projects and makes
sure that the goals of the office are being met. Offices
such as Brazil and Honduras are already large. Other offices
within the IICA system may grow likewise. The office direc-
tor of the future is likely to need to know how to delegate
responsibilities to other managers, operate on the basis of
formal reporting systems, and deal with inter-personal rela-
tionships that become more complicated with size.

- Project Managers

As IICA assumes responsibility for larger, multi-dis-
ciplinary projects carried out under the terms of contracts
with outside institutions, there will be an increasing need
for personnel with the skills to handle their special de-
mands. Financial control over projects with variable types
and rates of expenditure, for example, will be increasingly
important. This should primarily be the responsibility of
the project manager, who will need to be aware of and have
the skills for budgeting and controlling projects on a con-
tinuous basis.

- Headquarters Staff Managers

The final group of managers with specific training
needs are the managers in charge of staff units at head-
quarters. If the offices of Planning, Rural Development, and
External Coordination grow in size, there may be a need for
management skills training for their managers. More impor-
tant, however, are the potential needs for training of
managers in the administrative areas, such as finance,

accounting and personnel management. Eventually, IICA may need to invest resources in the recruitment and development of a cadre of personnel with substantive knowledge of these fields as will as general management skills.

o <u>Professional Training</u>

- <u>Continuing Professional Education</u>

IICA's basic function is to provide a service. The quality of that service depends upon the knowledge and skills of its technicians. In order to maintain and improve the quality of its services, IICA technicians need to keep abreast of current developments in their fields of technical expertise.

If IICA desires to establish and maintain a reputation as a leading institution in its field, it will need to create a formal program of continuing professional education and training for its permanent staff. Under this type of program, minimum annual requirements for education and training would be established and enforced. Each professional would be expected and permitted to satisfy the requirements as part of his normal duties. The requirements could be fulfilled by such activities as refresher courses, the publication of articles in professional journals, and participation in professional conferences.

- <u>Training in the Skills of Technical Cooperation</u>

In addition to possessing knowledge about a particular technical field, IICA technicians need to be skilled in transferring that knowledge to their counterparts through the process of technical cooperation. An individual may be the foremost expert in his discipline, but not have the capacity to transfer that knowledge in a constructive way to bring about institutional change.

At the present time, IICA presumes that an experienced professional possesses the skills required to operate in the field of technical cooperation. However, as its senior professionals retire, and as IICA engages more and more professionals on a temporary contract basis, there may be a need to institute a formal training program in the skills of technical cooperation.

- <u>Orientation</u>

Until relatively recently, IICA was a small organization consisting of professionals who had a long association with it and who had similar technical bckgrounds. Now, however, the Institute is growing rapidly. It has incorporated into its ranks many new and not necessarily permanent employees from diverse disciplines.

31

The question is how IICA, in the midst of growth and change, is to maintain its identity and ensure that its doctrine and philosophy are understood by its new employees. We understand that from time to time new professional employees of IICA have been brought to San Jose for a period of orientation. We believe that the need for such a program persists and will intensify in the future.

The success of any training program within IICA will depend upon following a systematic process which has been designed and conducted to meet the specific needs of the organization and the individual. The process should contain four major components: detailed assessment of need; program planning; implementation; and evaluation. The following discussion illustrates how the process would be used to carry out a program for country office directors.

. Detailed Assessment of Need

The needs assessment is conducted at three levels: the organization, the individual, and the job.

-- Organization Level

The first step is to specify the short and long-range goals of IICA in order to relate them to specific management development needs. IICA's projected growth patterns, for example, with respect to complex extra - quota projects, will significantly affect the role of the country office director and the content of the training program. The needs assessment at the organizational level must also be concerned with process issues such as the overall effectiveness of communication, the method used for resolving conflicts, decision-making processes and other organization and management issues.

In order to determine needs at the organization level, various assessment techniques could be used. These include interviews with top-level managers, surveys, documentary analysis, and observation. It is also useful to rely on extensive participatory identification techniques such

as interdepartmental meetings and "brainstorming" sessions. The end objective will be to develop a comprehensive overview of the operations of the organization in order to assess the training and development needs of the office director.

-- Individual Level

The assessement of needs at the individual level is designed to determine how well prepared a specific individual is to carry out the tasks which constitute his or her job. The emphasis, therefore, will be on the skills, knowledge, and attitudes to be developed in specific country office directors.

-- Job Level

The job of the country office director should be examined in order to identify present and future training requirements of a job with its actual functions in order to base training on realistic need rather than on assumptions unsupported by facts.

The assessment techniques used at this level could include on-site task analyses, written surveys of selected directors in various positions, and group interviews.

. Planning

The next step will be to devise a Management Development Plan which will translate needs into strategies for training. Through analysis and discussion, management development needs should be prioritized and placed in the form of a detailed plan which establishes the general content of the training program, the frequency and duration of training, and a strategy for ensuring that all country directors receive training in a cost effective manner.

. Implementation and Evaluation

This phase includes the following steps:

-- Design of a realistic curriculum that is aimed at meeting specific organizational and individual country director needs.

-- Development of accurate pre- and post course evaluation tools to measure the effectiveness of the program.

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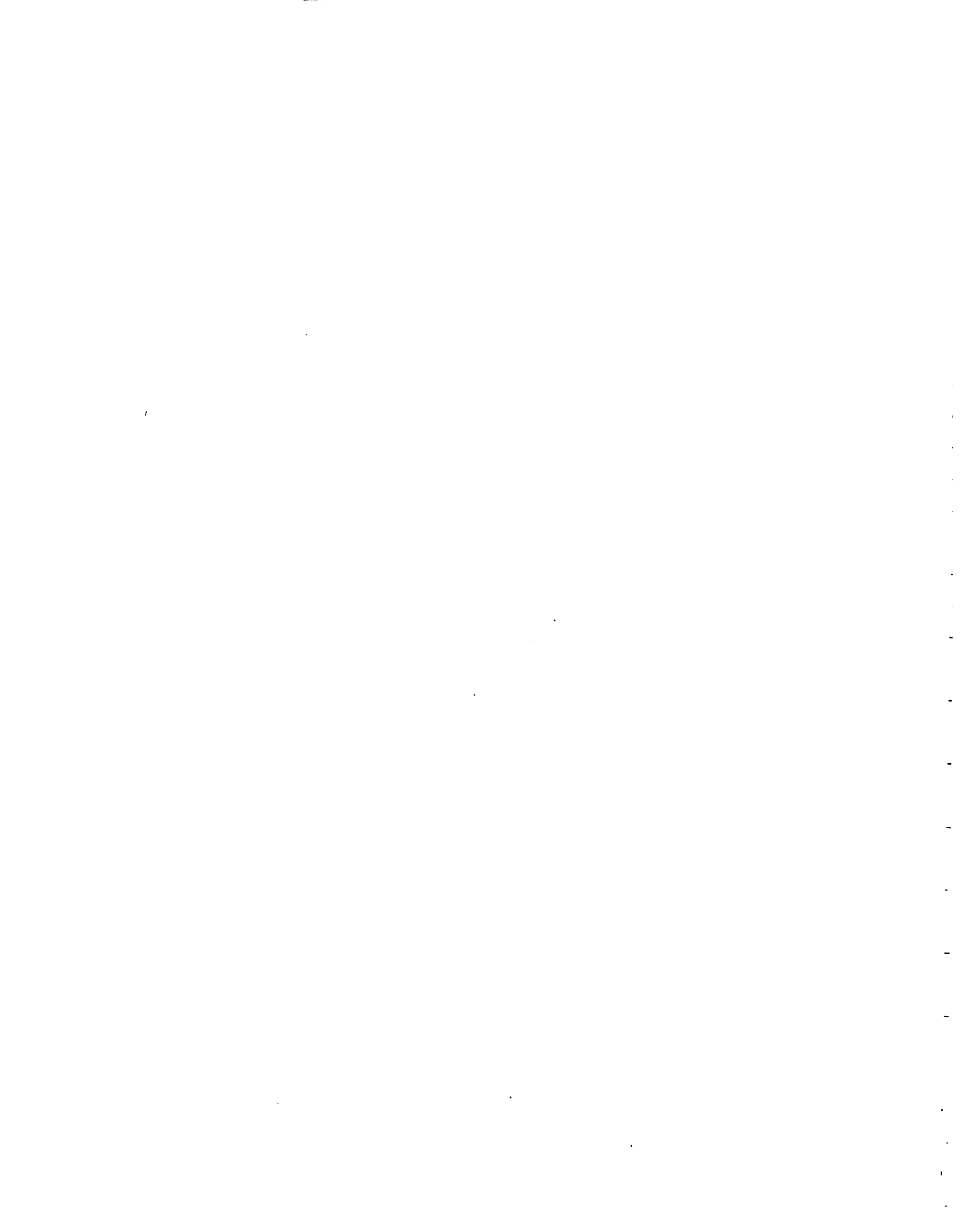
-- Design of a schedule for the program.

-- Development of course materials that encourage a high level of participant involvement and reflect real life situations.

-- Pilot testing of the curriculum to ensure that it meets the objectives of the plan.

-- Development of an ongoing evaluation process that ensures that the program remains on target.

-- Development of a mechanism to continue the program.

The following exhibit displays a sample syllabus for a country director training program.

3. Financial, Budgetary, and Accounting Systems

During recent years, the volume of funds handled by IICA has increased considerably, particularly extra-quota funds. These are being obtained from an increasing number of sources and are being applied to finance an increasing number of projects. This situation calls for a new orientation of the accounting, budgeting, and financial planning functions, primarily in order to provide the information needed to use the funds in the most effective manner possible.

The measures called for to achieve this purpose are outlined below.

(1) Improvements in Financial Planning, Budgeting, and Budget Control Procedures

The five-year plan defines objectives by line of action and program, and indicates the relative magnitude of the funds to be

34

SAMPLE SYLLABUS - BASIC MANAGEMENT
(COUNTRY OFFICE DIRECTORS)

SESSIONS	TOPIC	KEY ISSUES	LEARNING OBJECTIVES
1.	Basic Management Model Planning Organizing Central Direction Communicating Implementing Evaluating	1) Lines of Authority 2) Areas of Responsibility 3) Organizational Structure	A. To be able to identify the elements of the basic management model and understand its functions within the setting of IICA. B. To understand the relationship of each element and the effect on organization management, behavior and the change process. C. To apply the concepts of the model to real-life situations.
II.	Planning Process (Determining the goals of the office and how to achieve them)	1) Setting Priorities 2) Organizing 3) Delegation of Tasks 4) Work Scheduling 5) Time Management 6) Control 7) Mobilizing Resources 8) Information and Report Writing	A. To understand the elements of the planning process. B. To understand relationships between goals and plans. C. To be able to write general goals and specific objectives. D. To develop a plan that meets the goals of an actual country situation.
III.	Decision Making (Deciding the most cost effective way to implement the plan at the country level)	1) Developing Data 2) Developing Decision Making Techniques 3) Constraints on Resources and Decision Making	A. To identify the types of decision styles managers can use, e.g. command, consultation, consensual, convenience. B. To identify and use tools as an aid to decision making. C. To apply the decision making process to the solution of practical management problems.
IV.	Leadership and Managerial Styles (Understanding how to lead and manage)	1) Communication 2) Role Definition 3) Motivation 4) Discipline 5) Decentralizing Authority 6) Leadership Skills 7) Coordinating Group Effort 8) Interpersonal Relations 9) Retention of Personnel	A. To identify and understand the leadership style each participant currently uses. B. To identify the task and relationship elements of leadership. C. To identify and understand the situational approach to leadership.
V.	Change (Knowing how to introduce plans so that they are accepted at the country level	1) Resistance to Change 2) Conflict Management 3) Evaluation and Followup 4) Change Techniques 5) Identifying the Need for Change	A. To develop strategies for introducing change into the institutional system at the national level. B. To understand how changing one part of the institutional system can affect other parts. C. To understand and deal effectively with resistance to change.

allocated thereto in the form of percentile distributions, but does not estimate the amounts of funds to be handled.

The annual budget determines the amounts to be spent each year, classified under the double criterion of object of expenditure (by broad categories) and purpose of expenditure (the latter subdivided by lines of action, programs, projects and tasks).

There is no directly perceptible correlation between the five-year plan and the annual budget.

We believe there is a need for an integrated system of financial planning. This should include, in addition to the annual budget with detailed estimates of funds from the different sources and of their application, a set of summary financial projections for the subsequent period of at least three years. The budget and the projections should be developed as explained below.

Initially, the medium-term financial projections should reflect the estimated impact of the goals of IICA, expressed in monetary terms, for the three years beyond the current year covered by the Annual Budget. Later on, when greater financial forecasting skills have been developed, the projections should be extended to cover five years or more.

In the absence of unforeseeable developments, the general configuration of the annual budget should correspond fairly closely to that of the projections for the first year of the medium-term financial plan. As these are replaced by the much

35

more detailed formulations of the annual budget, another year's summary projections should be added on to the medium-term financial plan which should thus be maintained and perennially updated.

For this financial plan to be an effective management tool, two conditions are essential:

-- it must reflect IICA's long-range policies

-- it must be used as the framework for the preparation of the annual budget.

It will then provide invaluable guidelines for advance plans of action for the obtainment of financial resources, the formation of capital investment, the procurement and training of specialized professional personnel, the development of new areas of expertise, and other efforts, all geared to the planned orientation of future activities.

IICA should also adopt a <u>new approach to annual budgeting</u>. The annual budget of IICA is used essentially as an instrument of formalistic control over disbursements of funds, in the manner prevalent in most national and international institutions handling public funds throughout the world. The rigidity of this control is somewhat attenuated by the possibility of obtaining authorization to transfer up to a maximum of 20% of the initial amount from one budgeted item to another. But, even with this element of flexibility, the system is by no means the most appropriate to ensure that the funds made available to IICA are employed judiciously and effectively.

Once a preliminary choice has been made, in accordance with IICA's policies and within the framework of the medium-term financial plan, of the projects to be commenced, continued or completed during the forthcoming year, the annual budget should serve two principal purposes:

. first, it should serve to verify the financial feasibility of the proposed operations;

. secondly, it should serve as a yardstick wherewith to measure to what extent the aims of the budgeted operations have been attained.

These two objectives call for the following explanations.

. <u>Financial Feasibility of the Proposed Operations</u>

A clear understanding of what is implied by this objective calls for the following observations:-

All costs incurred by IICA should be classified in one of the following categories:

-- Costs directly attributable to the execution of a specific project.

-- General operating overhead costs, (such as, for example, rent, insurance, office supplies, etc.) that could be allocated to projects only in an arbitrary manner.

-- Capital investment costs (for buildings, equipment, furniture, vehicles) which should be absorbed over the years of their useful life in the general operating overhead costs by means of depreciation allowances and provisions for renewal at replacement value.

-- Direct operating costs of income-generating activities.

General operating overhead costs are inevitable. They will normally increase (independently of inflation) with the growth of IICA's operations. A small part of these costs may be covered by income from sundry sources (such as interest earned on bank

deposits or profits on sales of publications). The remainder must be covered by those funds whose main purpose is to finance IICA's activities.

In what proportion the funds obtained from various sources (quota and extra-quota) should contribute to the coverage of the overhead costs is, obviously, a matter on which the final decision must rest with the Board of Directors and/or top management of IICA. However, we must point out that the present treatment of overhead charges results in a very obscure and confusing picture of the operating results of IICA as reflected in the financial accounts. We therefore submit the following observations and suggestions for a different budgetary and accounting approach to the problem:

-- It would seem desirable for the structure of the budget to set aside out of funds obtainable from all sources, a provision sufficient to cover not only the "general operating overhead costs" but also a certain percentage of the year's total receipts as a reserve to provide for unforesee- able increases in expenditures due either to rising costs or newborn needs with high priority.

-- The preliminary studies for the preparation of the annual budget should serve to determine a viable proportion between the two main categories of application of funds, viz. the direct costs of IICA's activities and the overhead costs supple- mented by the general reserve.

-- It would seem highly desirable to avoid any cross-subsidizing of projects intended to be financed from different sources. If this premise is accepted, all quota funds (globally) and all extra-quota funds (individually or categorized according to their purpose) should contribute in the same proportion to the coverage of the over- head costs and general reserve.

Forecasts of receipts and planned disbursements (for both operations and capital investments) should be scheduled month by month and used as a basis for a cash-flow projection. This will indicate what tem- porarily idle funds may be invested in interest- bearing deposits or, conversely, what short-term borrowings or readjustments of the timing of dis- bursements may be needed to maintain a likely viable cash position throughout the year.

As an additional check on the financial soundness of the annual budget a projection of the financial condition should be developed from the combined income and expenditure budget, capital investment budget, and cash flow projection. The projected financial condition would show, month by month, the liquidity position, the net-book value of the capital investments (after deducting accumulated depreciation), any long-term debt outstanding, and the evolution of the net worth of IICA. Such projection would be useful for internal purposes of evaluation of the financial condition which should result from IICA's planned activities and comparison with actual achievement. Moreover, an annual balance sheet of IICA drawn up on the same lines for publication would present a more meaningful image of IICA than the present form of financial statements.

To sum up, an integrated annual budget structured and developed in accordance with the observations outlined above would ensure the following benefits:

-- the program of action for the year as mapped out in the annual budget would be germane to the general lines of IICA's policies as formulated in the longer-range financial plan;

-- the budget would be as realistic as any forecast of future activities can be (especially under the inflationary conditions existing, in varying degrees, in all the member countries) since it would have to pass a double feasibility test:

    .. feasibility of the individual projects - since projects would be budgeted only provided resources sufficient to accomplish a meaningful purpose appeared available;

and

    .. overall financial feasibility of the budget- since the recommended structure would offer more effective means of providing an adequate distribution of allocated funds between desirable direct project costs and indispensable general operating overhead costs and capital investments.

. <u>Measurement of Operational Performance</u>

The present system of limiting expenditures to budgeted allowances plus or minus authorized transfers of up to 20% of their initial amounts can serve only two purposes, viz.

39

-- to keep total actual disbursements within the limit of total budgeted receipts, for the whole year;

-- to reserve for the authority of the Director General to decide what deviations from original spending plans may be permitted, within the purely arbitrary limit of 20%.

Through the process of transferring of allocations from one budgeted item to another, all expenditures finally fall under approved (albeit revised) budgetary limits and variances between actual outlays and initial allocations are lost sight of - whether such variances were due to unskillful estimating, or injudicious spending, or to factors beyond IICA's control remains unexplained and presumably unheeded. IICA is thus deprived of what should be used as a very useful instrument of analysis from which constructive conclusions could be drawn to improve budgeting skills and/or operational performance.

To this end, explanations should be obtained from responsible executives only for all significant variances of actual expenditures, whether over or under budgeted forecasts, as scheduled (in a monthly timeframe as previously recommended). Such explanations are relevant essentially for evaluation of past performance and identification of errors to be avoided in the future (in forecasting as well as in spending).

Analyses of variances between actual and budgeted expenditures should be used not only for purposes of performance evaluation but also as signals for re-orientation of activities. For example, if in the early part of the year, the monthly analyses foretell a trend of increase in irreducible overhead expenses, in the absence of any compensating additional resources, timely consideration should be given to a re-allocation of funds to direct costs of projects, to make it possible to bring high-priority projects to completion rather than scatter resources ineffectually on curtailed efforts.

2. Improvements in the Accounting System

The accounts of IICA are processed by the computer at headquarters in San Jose. The basic data from the national offices and the operating units of headquarters are recorded on forms

that can be filled in without difficulty by personnel with minimal bookkeeping experience. These forms are sent with all vouchers and other supporting documents to the accounting department at headquarters where all entries are checked for budgetary allocation, account classification, and codification. This mechanism has proved adequate to operate IICA's very simple chart of accounts, comprising essentially income and expense accounts and bank accounts plus a few accounts receivable and payable and other balance sheet accounts.

The system of codification of the accounts, however, is unduly complicated, the codes comprising fourteen boxes for either digits or letters - a combination that does not lend itself to decimalization. These accounts are codified by Line of Action, Region, Country, Office, Program, Project, Task, and Object of Expenditure. This codification is used to produce, each month, a voluminous collection of printouts comparing, under seven different classifications, actual expenditures for the month and for the year-to-date with the corresponding budgeted allocations for the whole year. In addition, the printouts show the percentage of the accumulated actual expenditures in relation to the budgeted allocations for the year, which are meaningful only for those expenditures that are normally incurred in equal monthly portions.

The printouts are distributed to the various levels of management. They reach national offices generally in the latter part of the following month - that is, too late to keep track of

41

the local bank position and of unspent budget allocations. In Brazil, where many projects are financed with funds from different sources, the local staff have tried to solve the problem by maintaining a set of accounting records for their own purposes, but these are inexpertly conceived and call for a great deal of superfluous clerical work.

What is more important, however, is that the printouts do not themselves provide information that can be conveniently used. Only since the beginning of 1980 has the Financial Director, through analysis of the · computer reports, prepared periodical reports with highlights and comments on the financial aspects of IICA's operations.

In order for the accounting system to provide the information required for a meaningful control of the execution of the budget (such as outlined in the foregoing sections of the report) and a more effective management of IICA's financial resources, we believe that the following improvements are called for:

. a revised chart of accounts

. a simplified system of codification of the accounts

. fewer and more informative printouts

. possible decentralization of certain accounting tasks

. appropriate revisions of the accounting manual.

3. Improvement in the Reporting System

The observations presented above regarding the desirability of an effective system of control over operating performance

imply the need for improvements in the system of internal financial reporting.

Executives that would be held responsible for the effectiveness of their actions must be kept informed of their deviations from goals established with their concurrence, in a manner that can help them to identify causes and decide on remedial action. In their present form, the computer printouts distributed to employees at various levels of managerial responsibility are inadequate to fill this need.

The simplified printouts recommended above should contain precisely the sort of management information that would be required for the above mentioned purpose. Nevertheless, printouts, even in expurgated form, are not the most appropriate vehicle to convey such information to the individuals concerned. This should be done by means of well-designed internal report forms highlighting significant aspects of the results of operations together with indicators of performance, and specifying the points which call for explanation.

IICA is now receiving funds from an increasing number of national organizations and international institutions, to which financial reports in various forms must be submitted. A careful study of these requirements is needed to decide the most appropriate way of simplifying IICA's clerical work in this connection. For IICA's own purposes, accounting for the use of funds obtained from whatever source should be kept in a uniform manner. It may be possible to devise a form of reporting that could

43

be readily prepared from IICA's accounting system (improved as envisaged) and that would be acceptable to all providers of funds. If not, it should be possible to develop computer programs to produce diversified forms of reports as required by the different providers of funds, direct from the basic accounting data.

4. Other Systems and Procedures

(1) Information Systems

The discussion of information needs in the IICA proposal appear to address two separate areas. One suggests a concern with IICA's ability to collect, store, process and disseminate technical information. As such, we believe this area would not be compatible with the six other items of the proposal which specifically address needs for organization and management improvement. We are not suggesting that improving IICA's technical information capability is not worthwhile or necessary. We do feel, however, that such activities should be considered separately from IICA's proposal to strengthen its organization.

Much of the information required by IICA management is available as a consequence of such recurring activities as the monthly budget submissions, routine personnel actions, quarterly project reports, and changes made to the Institute's financial statements. The timeliness and accuracy of such information should improve as the systems that generate them improve. Information

cannot be considered as a system into itself. It relies on other systems as the base of its data.

We believe that, with very few additions or modifications to existing systems, IICA's management can obtain the information it needs to effectively manage the Institute. Thought should be given to how this information will be reported and to whom it will be distributed. We recommend that an information needs survey be conducted within IICA to determine the information managers need in order to control and manage the organization. This will require the design of an information hierarchy with emphasis on more concise information at the top and more detailed information at the project management level. The use of quantified categorical information, for example, in project reporting could prove very useful to the Institute. Variance analysis is another approach to filtering information for quick and concise use by decision-makers. Responsibility and distribution systems may also need to be considered to better control correspondence, memos, letters and other communications requiring action.

(2) Project Administration

One of the major consequences of IICA's reliance upon extra-quota funds is a change in the character of the projects it now carries out. They are becoming more complex and are involving IICA in the role of management responsibility for their execution. Equally important is the fact that they are carried out under the terms of contracts which place legal performance obligations upon the Institute. Thus, IICA increasingly requires

45

systems and skills which will allow it to meet specific project objectives on time and within budget.

In recent years, IICA has taken steps to improve the procedures it uses to administer extra-quota projects, but it still requires a set of policies and procedures to address this need in a systematic manner.

In our opinion, project administration must be viewed in a comprehensive manner. A comprehensive set of policies and procedures would include guidance on the terms and conditions of contracts as well as project management procedures to be followed in managing the project.

(3) Internal Control

The area of "internal control" in the IICA proposal refers primarily to a perceived need to continuously update the manuals of operating procedures of IICA. Although IICA now has a comprehensive set of manuals of procedures, many recent changes have not been incorporated into them. IICA in many areas is operating on the basis of directives from the Director General, but has lacked the time or resources to codify and organize them into the form of manuals. In other cases, such as the management of multi-zonal projects, IICA has been confronted by problems due to the lack of clear policy guidelines and operating procedures.

We concur that IICA has a need to update its operational manuals. As IICA grows, it will be increasingly necessary for its operating procedures to be promulgated in a systematic way so

46
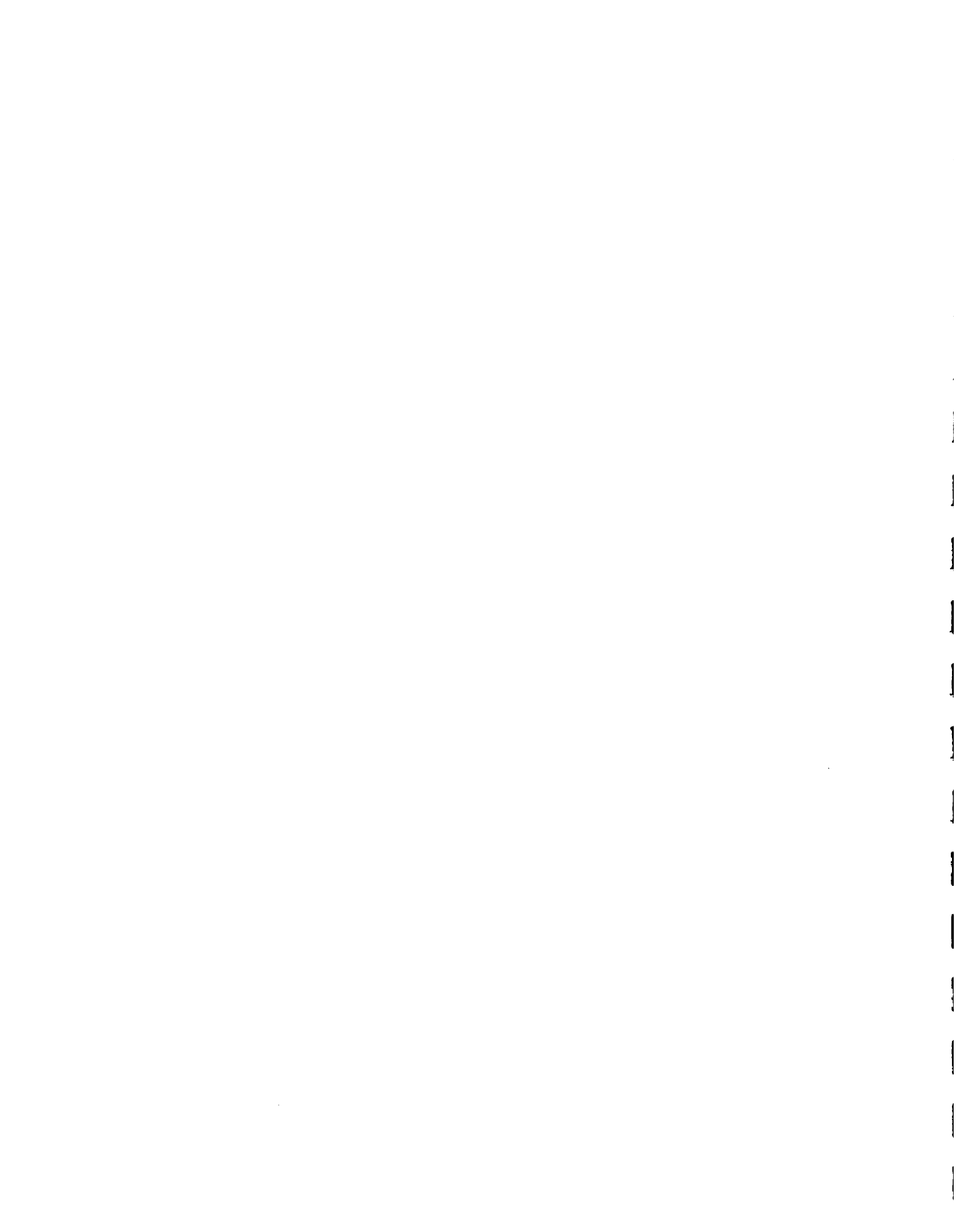
that they can be clearly understood by all members of the organization.

In addition to a simple codification of existing procedures, this task should also include a detailed assessment of their effectiveness. Our study did not include an analysis of the flow of operations and paperwork within the organization nor a review of the standard forms used by IICA. However, it was suggested that there is a need to streamline both.

IV. SUMMARY OF RECOMMENDATIONS

IV. SUMMARY OF RECOMMENDATIONS

In general, we have concurred in IICA's assessment of its needs for organizational improvement. However, we have suggested certain modifications in the approach and amount of resources proposed by IICA.

There are three alternative approaches IICA could follow to carry out the project:

- Consultants could be engaged to provide advice to IICA in the detailed diagnosis and design work, but IICA staff would actually produce "hard copy" procedures and manuals. This approach would minimize the requirements for outside consultants and would be the lowest-cost alternative.

- Consultants could be engaged to take full responsibility for the diagnosis, design, and production of the systems and training programs, and IICA counterparts would guide the consultants in their work. This is likely to be the most costly approach.

- Finally, IICA could choose a combination of the above, depending upon the task.

In this report, we have provided estimates of the total person months required for each major task and have indicated areas in which consultants could be used effectively. The proportion of the work that would be carried out by IICA staff, as opposed to the consultants, is a decision which can only be made by IICA itself.

We also have suggested priorities for the project in the form of a proposed work schedule.

IICA
MANAGEMENT IMPROVEMENT PROJECT

SUGGESTED IMPLEMENTATION SCHEDULE

TASK

1. ORGANIZATION STRUCTURE
   o Revise Manual

2. PERSONNEL + TRAINING

   (1) PERSONNEL

       o Improve Data Bank
       o Intensify Recruitment
       o Conduct Compensation Survey/Revise
          Classification System
       o Establish Manpower Planning System

   (2) TRAINING

       o Conduct Needs Assessments
       o Prepare Training Plans
       o Design and Implement Initial Programs for:

          - Country Office Directors
          - Headquarters Managers
          - New Employees Orientation
          - Technical Cooperation Skills
          - Continuing Professional Education

3. FINANCIAL MANAGEMENT

   (1) Improve Financial Planning and Budgeting

   (2) Improve Accounting System

   (3) Improve Reporting System ,

4. OTHER SYSTEMS AND PROCEDURES

   (1) Design and Implement Improved
       Information Systems

   (2) Improve Operating Procedures

   (3) Design and Implement Project Management System

MONTHS AFTER INITIATION OF PROJECT

3   6   9   12   15   18   21   24   27   30   33   36

IICA

MANAGEMENT IMPROVEMENT PROJECT

Task	Total Person Months
o Project coordination	(Life of project)
. Hire management analyst	
1. Organization Structure	
. Update manual	2
2. Personnel and Training	
(1) Personnel	
. Improve data bank	6
. Intensify recruitment	12
. Conduct compensation survey	6
. Establish manpower planning system	4
(2) Training	6
. Country Office Directors	
-- Conduct needs assessment	
-- Develop training plan	
-- Develop curriculum	
-- Conduct initial module of training	
-- Evaluate and revise as needed	
. Headquarters Staff Managers	4
-- Conduct needs assessment	
-- Develop training plan	
-- Develop curriculum	
-- Conduct initial module	
-- Evaluate and revise as needed	
. Technical cooperation skills	3
-- Design materials	
-- Train line managers as trainers	/4 3

Task	Total Person Months
. New employee orientation	2
-- Design materials	
-- Train trainers	
. Continuing professional education	3
-- Establish policies	
-- Incorporate into personnel system	
3. Financial Management	
(1) Improve Financial Planning and Budgeting	
. Develop medium-term financial projections	9
. Improve annual budget system	18
(2) Improve Accounting System	
. Revise chart of accounts, codification system, and printouts	5
. Decentralize certain accounting tasks	2
. Revise accounting manuals	3
(3) Improve reporting system	
. Internal financial reports	1
. Reports to providers of extra-quota funds	2
4. Other Systems and Procedures	
. Information systems	6
. Improve operating procedures	6
. Develop project management system	3
	60

LTW = 108 _____
= 85 _____

1. Organizational Structure

It is our belief that at the present time it would not be productive for IICA to make fundamental changes in the structure of its organization. The structure was revised only this past year and additional changes might create confusion. In any case, the possiblility of a new Director General argues in favor of delaying structural changes until after his election.

We do think that in the near term IICA would benefit from the following activity:

. **Update Existing Organization Manual**

Recent organizational changes have not been incorporated with IICA's organizational manual. They should be through the following activities:

- Analyze contents of existing organization manual and executive directives.

- Verify accuracy and completeness of relationships as shown functional statements and descriptions of responsibilities.

- Determine need for adjustments based on changes in the organization and its environment since the manual completed.

- Draft changes and submit to Director General for approval.

- Oversee production of revised manual.

As part of this task, IICA should also engage a management analyst on a permanent basis to coordinate the execution of the management improvement project.

2. Personnel and Training

(1) Personnel

In the area of personnel, IICA must take immediate actions to enhance its capacity to meet the demands arising from extra-quota projects.

- **Upgrade Personnel Data Bank**

  - Analyze existing personnel data bank system and capabilities.

  - Purge system of out-dated files.

  - Design new input sheets/application forms that are computer formatted.

  - Redesign data file format and upgrade sort programming capabilities.

  - Redesign formats.

  - Verify continuing interest and availability of candidates in date file.

  - Increase number of file records based on results of recruiting effort.

- **Intensify Recruitment Program**

  - Determine immediate IICA manpower recruitment needs.

  - Identify potential sources of qualified candidates.

  - Establish contact and determine institutional willingness to participate.

  - Develop a recruiting schedule.

  - Coordinate recruiting visits.

  - Assess results and revise recruiting program as necessary.

  - Report results and make recommendations for the future.

The longer term needs for improving the personnel system are as follows:

- Revise Classification and Pay System

  - Analyze underlying rationale for existing IICA position classification and pay system.

  - Design and carry out a comparative wage and compensation survey of organizations similar to IICA.

  - Coordinate wage and compensation surveys for national employees at the national office level.

  - Make recommendations for permanent and contract international and national employee position classification and compensation scales.

  - Design methodology and forms for incorporating recommendations into IICA personnel system.

- Develop Manpower Planning System

  - Identify technical program requirements, existing and anticipated

  - Develop administrative - technical support ratios

  - Make recommendations for skills mix required and manpower acquisition schedules.

  - Analyze existing career patterns.

  - Test feasibility of dual career paths for technical and managerial positions.

  - Analyze the impact of dual career paths for IICA's recruiting, compensation, and performance objectives.

(2) Training

Management training programs should be inplemented for the following groups:

51

- County office directors

- Headquarters staff managers

- Project managers

The approach for the first two groups should be as follows:

- Conduct detailed needs assessment

  -- organization level

  -- individual level

  -- job level

- Establish Management Development Plan

- Implement program

  -- design curriculum

  -- develop evaluation tools

  -- design schedules

  -- develop course materials

  -- conduct training

- Conduct program evaluation

- Develop mechanism to institutionalize the program.

Project managers should be trained in the context of the development of project management procedures recommended in section 4(3) of this chapter.

With regard to professional training and education, we suggest that a working committee of IICA managers and staff be responsible for the following activities:

- Establish minimum hours required

- Determine activities to satisfy requirements

- Prepare draft policy guideline for review by key staff

- Promulgate final policy guideline

- Incorporate professional education requirement into personnel system.

The most cost-effective approach to providing training in technical cooperation and providing orientation to new employees would be to design training materials which could be used by line managers, such as country office directors, to train new employees as they come under their supervision. A strategy for implementation of these training programs could be to "train the trainers" (the line managers) as part of their normal periodic meetings in headquarters.

3. **Financial Management**

(1) **Improve Financial Planning and Budgeting**

- Develop procedures for medium-term financial projections.

- Improve preparation and control of annual budget.

(2) **Improve accounting system**

- Revise chart of accounts.

- Simplify codification system.

- Improve computer reports.

- Decentralize certain accounting tasks

- Revise accounting manuals.

(3) **Improve reporting system**

- Design and introduce improved internal reports

- Design and introduce improved reports to providers of extra-quota funds.

53

4. Other Systems and Procedures

    (1) Information systems

- Survey IICA managers to identify information needs.

- Identify data sources.

- Design reporting systems and reporting formats.

- Assess need for electronic data processing.

- Design MIS-EDP applications.

- Test programs and reporting capabilities.

    (2) Operating Procedures

- Review current policies and procedures.

- Determine required modifications.

- Design revised procedures.

- Incorporate into manuals.

    (3) Project Management

- Establish policies and control systems for obtaining extra-quota funds.

- Design standard formats for contracts.

- Design procedures for project management

    -- technical planning

    -- budgeting

    -- reporting

- Provide training in project management procedures