



Thirty-seventh Regular Meeting of the Executive Committee

## **2018-2019 Program Budget**

IICA/CE/Doc. 662 (17) Original: Spanish

San Jose, Costa Rica  
18-19 July 2017



Draft  
Program  
Budget

2018-2019



**Inter-American  
Institute for  
Cooperation on  
Agriculture**

*July 2017*



# CONTENTS

FOREWORD.....	1
I. MAIN CRITERIA FOR THE 2018-2019 PROGRAM BUDGET.....	2
II. STRATEGIC OBJECTIVES AND THEIR IMPLEMENTATION.....	4
III. BUDGET FOR THE 2018-2019 BIENNIUM.....	6
IV. FINANCIAL STRENGTHENING.....	11
V. ANNEXES.....	13

## FOREWORD

**T**he Inter-American Institute for Cooperation on Agriculture (IICA) is celebrating 75 years of existence dedicated to supporting efforts by its Member States to achieve agricultural development and rural well-being.

IICA's longevity may be explained, on the one hand, by the firm conviction of its member countries that international technical cooperation is a tool of singular importance that complements and increases their individual capabilities; and on the other hand, by the Institute's strength and close attention to the needs of its Member States, which enables it to adapt to and address the challenges of a dynamic and changing hemispheric agriculture.

We are convinced that the agriculture of the Americas has enormous potential to provide the region's countries with a productive base that will promote their development and ensure the food security of their inhabitants. We also believe that IICA's member countries are committed to finding joint solutions to common problems, continuing to meet the challenges facing the agricultural sector and preparing for the coming years.

The Executive Committee, authorized by the Inter-American Board of Agriculture (IABA), approved the 2014-2018 Medium Term Plan (MTP). This plan acknowledges that, in order to achieve the great objectives of agriculture, on which the Institute, as an international organization, has focused its efforts and capacities, the coordinated action of countless national, regional and hemispheric stakeholders is required.

The 2014-2018 MTP focuses on four technical objectives and on their administration. The strengthening of the institutional culture is based on austere and responsible management in the use of resources, with a clear focus on achieving results, improving processes, implementing a monitoring and evaluation system and promoting transparency and accountability.

The approval of the 2018-2019 Program Budget will enable the Institute to implement and consolidate

the strategic guidelines of the 2014-2018 and 2018-2022 MTPs, design inclusive collaborative strategies in the 34 Member States, continue to provide support to the regional integration and cooperation mechanisms and develop cooperation agendas with new strategic partners.

However, it is our duty to insist on the urgent need to financially strengthen the Institute, so that it can better respond to the mandates received. This strengthening cannot be postponed, given the erosion of the Regular Fund as a result of the depletion of the Miscellaneous Income Fund on the one hand and, on the other, the fact that the generation of annual miscellaneous income declined steadily due to governmental decisions to eliminate the recovery of taxes and impose restrictions on retaining the interest generated by external funds administered by IICA and by the reduction of interest rates.

Today, as I present my last draft Program Budget, I can assure you that every dollar invested in the Institute is a dollar that benefits the agricultural sector of your countries and that, as a cooperation organization, IICA contributes to the creation of public goods that can be capitalized by all our clients and partners.

I wish to thank the Member States for allowing me to lead the work of an exceptional group of professionals committed to its noble objectives, capable of delivering results in spite of the serious limitations we suffer. I hand over to you an organization that has been strengthened in its technical and corporate capacity.

Finally, we must reflect on the Institute's future, since its technical and financial strengthening will enable it to continue fulfilling its mission and meeting the challenges facing the hemisphere's agriculture.

*Víctor Manuel Villalobos*  
*Director General*

## I. MAIN CRITERIA FOR THE 2018-2019 PROGRAM BUDGET

The present document contains the draft Program Budget of the Inter-American Institute for Cooperation on Agriculture (IICA) for the period 2018-2019, based on the 2010-2020 Strategic Plan and on the 2014-2018 Medium Term Plan (MTP).

This draft Program is based on the following main criteria:

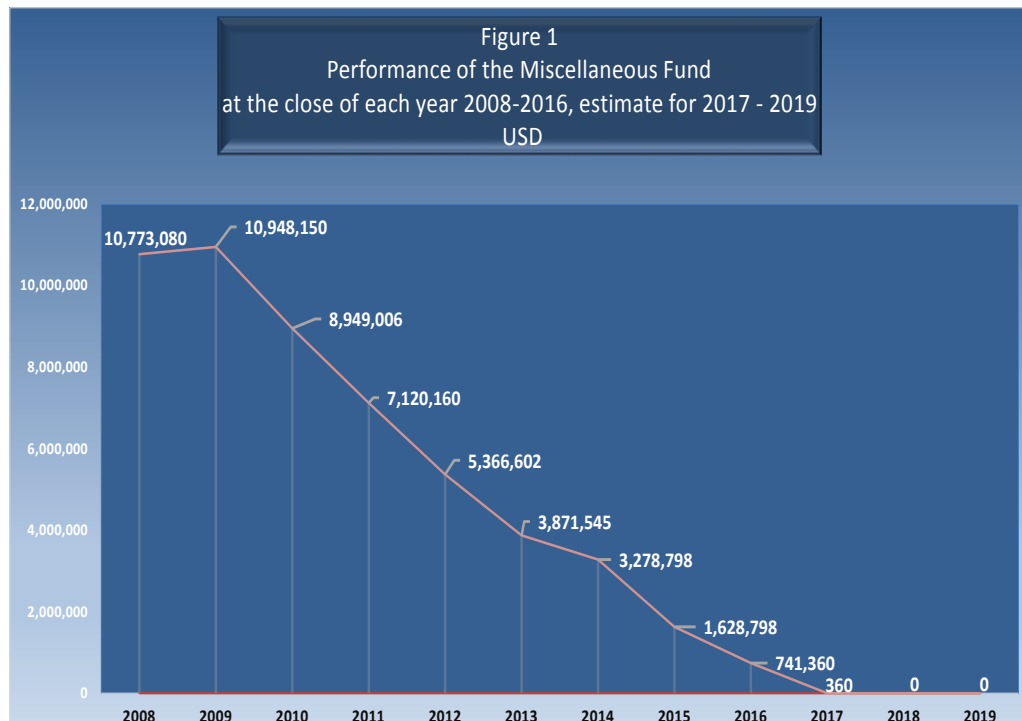
1. The sources of financing for the Regular Fund (Quotas and Miscellaneous Income) for the years 2018-2019 are submitted for approval, together with details of the proposed Expenditure Budget for 2018; the proposed Expenditure budget for 2019 will be presented for subsequent approval, considering that a new Administration period begins in January 2018.
2. Once the new 2018-2022 MTP has been approved, the Expenditure Budget for 2018 may need to be adjusted to the new MTP in order to facilitate its immediate implementation. Similarly, the Expenditure Budget for 2019 must be approved under the guidelines of the new MTP.
3. Definition of the quotas of the Member States based on the scale approved by the OAS, pursuant to Resolution AG/RES. 2895 (XLVI-O/16), applicable to IICA during the 2018-2019 biennium and contributions of over-quotas.
4. Consolidation of the technical cooperation structure established in the 2014-2018 Medium Term Plan, geared to achieving results and managed through four instruments: flagship projects, rapid response actions, initiatives of the Competitive Fund for Technical Cooperation (FonTC) and externally funded projects.
5. A budgetary approach that establishes a direct link between the projects and the proposed results, strengthening the processes of planning, programming, monitoring, evaluation and accountability.

### HOLISTIC PLANNING – BUDGETING MODEL



6. Global budget aligned to the institutional strategic planning and focusing on projects that contribute more effectively to addressing the agricultural needs of the Member States.
7. Based on the strategic objectives, the Program will promote the changes necessary to enhance IICA's technical cooperation actions, in order to contribute to each of the countries in the hemisphere.
8. With this Program Budget, the Member States are assured of the institutional commitment and capacity to help address their agricultural needs and to achieve sustainability, competitiveness, rural well-being and food security.
9. The Miscellaneous Income Fund has faced a reduction in resources which will not be possible to recover due mainly to changes in the policies adopted by countries and donors in recent years with respect to the resources used to finance its projects:
  - Elimination of refunds on taxes paid during management of externally funded projects.
  - Restrictions on retaining the interest generated by the external funds administered by the Institute; stipulation that any yields obtained must be reimbursed to the projects themselves or to government treasuries.

The Miscellaneous Income Fund has made it possible to complement the Institute's quota budget. The following figure shows the performance of this fund, which is expected to be totally depleted by 2018, unless additional funds are secured.



10. The allocation of Regular Fund resources has been reduced by USD 800,000 (2.33%) for each year of the biennium, given that only the miscellaneous income generated each year, estimated at USD 3,500,000.00 per year, can be allocated.



## II. STRATEGIC OBJECTIVES AND THEIR IMPLEMENTATION

The implementation of the 2014-2018 MTP will be based on the Institute’s four strategic objectives, eleven contributions and four instruments for action, which are described below:

Strategic Objectives	Overall allocation of resources (%) 2018 - 2019
1. Improve the productivity and competitiveness of the agricultural sector	31.6
2. Strengthen agriculture’s contribution to the development of rural areas and the well-being of the rural population	21.1
3. Improve agriculture’s capacity to mitigate and adapt to climate change and make better use of natural resources	20.9
4. Improve agriculture’s contribution to food security	20.4

Note: the percentages are estimates that take into account all institutional costs for each of the strategic objectives and could vary in the course of implementation.

The eleven contributions on which the Institute focuses its technical cooperation services are:

1. Strengthen the capabilities of the Member States at the national, regional, multinational and hemispheric levels to establish public policies and institutional frameworks in order to make agriculture more productive and competitive, improve the management of rural territories, adapt to and mitigate the impact of climate change, and promote food and nutritional security.
2. Implement, through public and private institutions, processes of technological, institutional and business innovation aimed at boosting the productivity and competitiveness of agriculture and the production of basic foodstuffs of high nutritional quality.
3. Increase the capabilities of the public and private sectors to ensure agricultural health and food safety and thereby improve productivity, competitiveness and food security.
4. Strengthen the business and associative capacities of the different stakeholders in the agricultural production chains.
5. Increase the capacity for area-based social management among stakeholders in rural areas, especially those involved in family agriculture, in order to improve food security and rural well-being.
6. Enhance the capacities of the stakeholders of the agricultural chains and rural areas in the integrated management of water and the sustainable use of soil for agriculture.
7. Increase the capabilities of public and private institutions to promote and implement measures for adapting agriculture to climate change and mitigating its effects, as well as promoting integrated risk management in agriculture.
8. Improve the efficacy and efficiency of the food and nutritional security programs in the Member States.
9. Ensure that producers and consumers benefit from greater use of native species, promising crops and native genetic resources with food potential.
10. Improve institutional capacity to reduce losses of food and raw materials throughout the agricultural chains.
11. Strengthen the Member States’ capacity for consensus and participation in international forums and other mechanisms for the exchange of knowledge and the mobilization of relevant resources for inter-American agriculture.

Technical Cooperation Instruments	
1.	Flagship Projects
2.	Rapid Response Actions
3.	Pre-investment initiatives through the Technical Cooperation Fund (FonTC)
4.	Projects financed with external resources

The overall purpose and relationship between the four objectives of the 2010-2020 Strategic Plan, the eleven contributions and the four technical cooperation instruments described in the 2014-2018 MTP, as well as the allocation of the resources contemplated in the 2018 budget, are shown in the figure below. It should be noted that the Agricultural Health and Food Safety (AHFS) projects are implemented through the four technical cooperation instruments and are financed with resources both from the Regular Fund and external resources.

**The 2018 Program Budget and its relationship with the 2014-2018 Medium Term Plan**

Strategic Objectives	Contributions											INSTRUMENTS FOR TECHNICAL COOPERATION			External Resources (estimate) <sup>1</sup>		
	1	2	3	4	5	6	7	8	9	10	11	Flagship Projects	Rapid Response Actions	FonTC	Flagship Project	Resources (thousands of USD)	
	Project											Resources (thousands of USD)			Resources (thousands of USD)		
1. Improve the productivity and competitiveness of the agricultural sector	✓	✓	✓						✓	✓	✓	- Agricultural Chains - Family Agriculture	USD 12,141.3	USD 600	USD 620	- Agricultural Chains 33%	2018 USD 130,317.6
2. Strengthen agriculture's contributions to the development of rural areas and the well-being of the rural population	✓		✓	✓					✓	✓	- Inclusion in Agriculture and Rural Territories	- Inclusion in Agriculture and Rural Territories 31%					
3. Improve agriculture's capacity to mitigate and adapt to climate change and make better use of natural resources	✓		✓			✓	✓	✓	✓	✓	- Resilience and Comprehensive Risk Management	- Resilience and Comprehensive Risk Management 14%					
4. Improve agriculture's contribution to food security	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	- Agricultural Chains - Inclusion in Agriculture and Rural Territories - Resilience and Comprehensive Risk Management - Family Agriculture	- Family Agriculture 22%					
<b>Basic Budget to support the Instruments of Technical Cooperation</b>											<b>Recovery of Proportional Indirect Costs INR</b>						
Basic Cooperation Structures Member States			Other Technical Support Services and Activities				Management Units		Corporate Activities			Recovery of Proportional Indirect Costs - INR (estimate)					
2018 USD 11,843.3			2018 USD 5,193.7				2018 USD 1,690.2		2018 USD 1,476.4			2018 USD 10,401.9					

The Institute's technical cooperation model has been conceived as an integrating, flexible, practical, austere and efficient system that enables IICA to advance more rapidly toward the achievement of the strategic objectives and the contributions, producing transformations in the Member States and providing greater value and social returns.

From 2018, a new Administration will define the strategic guidelines for the 2018-2022 Medium Term Plan.

<sup>1</sup> The amount of external resources generated depends on the legal instruments that IICA signs for the implementation of projects related to the strategic areas of the MTP. The amounts budgeted were determined based on estimates prepared by the Institute's Offices and technical management units.

### III. BUDGET FOR THE 2018-2019 BIENNIUM

The Institute finances its technical cooperation activities and operations, as mandated by its Governing Bodies, with resources from the Regular Fund, which is made up of Member States' quotas and miscellaneous income.

In addition, the Institute expands its cooperation actions by implementing externally funded programs and projects under agreements signed with partners and counterparts.

For the Institute, the management of external resources requires technical and administrative personnel for the execution of the projects, which results in additional costs. These additional costs are recovered through a mechanism previously known as the Institutional Net Rate (INR) which counterparts have agreed to pay to IICA, and now termed Indirect Costs Recovery of (ICR).

#### Income Budget of the Regular Fund

The income budget of resources from the Regular Fund is USD 33,564,900 for each year of the 2018-2019 biennium, made up of USD 30,064,900 from Member State quotas, considering some over-quotas and USD 3,500,000 from miscellaneous income. **Table A** provides a breakdown of the income budget of resources from the Regular Fund.

The Kingdom of Spain contributes an annual quota of USD 60,000 as an Associate Member, under an agreement adopted at the First Plenary Session of the Eleventh Regular Meeting of the Inter-American Board of Agriculture, held on November 26, 2001 in Bávaro, Dominican Republic.

Income Budget 2016-2017 and 2018-2019 Program Budgets (Thousands of USD)					
SOURCE	2016	2017	2018	2019	Variation 2018-2019 vrs 2016-2017
Member State Quotas	30,064.9	30,064.9	30,064.9	30,064.9	-
Miscellaneous Income	4,300.0	4,300.0	3,500.0	3,500.0	(1,600.0)
<b>TOTAL REGULAR FUND</b>	<b>34,364.9</b>	<b>34,364.9</b>	<b>33,564.9</b>	<b>33,564.9</b>	<b>(1,600.0)</b>

TABLE A

The allocation of Regular Fund resources shows a decrease of USD 1,600,000.00 for the 2018-2019 biennium (USD 800,000.00 per year), given that with the depletion of the Miscellaneous Income Fund, only the miscellaneous resources generated each year may be allocated. In order to address the decline in Regular Fund resources, the following measures have been taken:

- In 2018, five (5) International Professional Personnel (IPP) posts will be cut and one (1) Local Professional Personnel (LPP) post.
- In 2019 additional measures must be adopted to absorb increased operating and personnel costs due to inflation.

Annex 1 shows the amounts of the Member States' quotas for the 2018-2019 biennium, together with the contribution of over-quotas.

Annex 2 summarizes the evolution of the Regular Fund budget since 1994 and the proposal for the 2018-2019 biennium, with the amounts indicated previously.

## Expenditure Budget of the Regular Fund

### a. Allocation of resources to Technical Cooperation Instruments

The allocation of resources of the Regular Fund's expenditure budget will be presented in detail for the year 2018 in order to grant the new Administration the necessary flexibility to propose the allocation of resources for 2019, in accordance with the strategic guidelines established in the 2018-2022 MTP.

With the allocation of the expenditure budget, the Institute will continue to provide technical cooperation, perform its corporate functions and deliver its products, services and results through three instruments of action financed with Regular Fund resources: Flagship Projects, Rapid Response Actions and pre-investment initiatives of the Technical Cooperation Fund-FonTC, plus a fourth instrument, technical cooperation projects financed with external resources.

Similarly, the expenditure budget covers the costs of basic office structures in the member countries, together with other services and technical support actions, such as cooperative programs, integration projects and technical support services, including the contributions to CATIE and CARDI, as well as the management units and corporate activities. **Table B** shows the Expenditure Budget of the Regular Fund by technical cooperation instrument.

**TABLE B**

Expenditure Budget of Resources from the Regular Fund by Programming Center - 2018 (USD)			
PROGRAMMING CENTERS	2018		
	PERSONNEL COSTS	OPERATING COSTS	TOTAL
Flagship Projets <sup>/a</sup>	9,841,317	2,300,000	12,141,317
Rapid Response Actions	0	600,000	600,000
FonTC	0	620,000	620,000
Basic structures in Member States <sup>/b</sup>	8,144,531	3,698,777	11,843,308
Other technical support services and actions <sup>/c</sup>	2,669,493	2,524,244	5,193,737
Management Units <sup>/d</sup>	1,551,906	138,278	1,690,184
Corporate Activities <sup>/e</sup>	325,000	1,151,355	1,476,355
<b>TOTAL</b>	<b>22,532,247</b>	<b>11,032,654</b>	<b>33,564,900</b>

**Notes:**

- Considers the personnel costs directly related to the flagship projects assigned to the Offices in the Member States and Headquarters, as well as operating costs.
- The basic structures of the Offices in the Member States, including costs of the representative and administrative personnel, as well as operating costs.
- Other technical support services and actions include resources allocated to cooperative programs, integration projects and technical support services. This item includes contributions to CATIE for USD 1,000,000 and to CARDI for USD 200,000.
- The Management Units are comprised of the Offices of the Director General, the Deputy Director General and the Secretariat of Corporate Services.
- Corporate activities include resources for meetings of the Governing Bodies; institutional insurance; pensions of former Directors General; contribution to the administration of the OAS Retirement and Pension Fund; contribution to the OAS administrative tribunal, External Audit; and the Emergency Assistance Fund for Institute Personnel.

**Annex 3** presents the Program Budget by Chapter of Expenditure.

## Allocation of resources by Major Object of Expenditure

Programming by Major Object of Expenditure (MOE) allows for a better estimate of expenditures and facilitates the follow-up and monitoring of implementation.

The Institute has nine major objects of expenditure, namely: 1. International Professional Personnel, 2. Local Professional and General Services Personnel, 3. Training and technical events, 4. Official travel, 5. Documents, materials and supplies, 6. Plant, equipment and furniture, 7. General services, 8. Performance contracts and transfers and, 9. Other costs.

**Table C** shows the distribution of the Regular Fund for 2018 by Major Object of Expenditure (MOE) and shows the distribution approved in the 2017 Program Budget, for comparative purposes.

**Table C**  
**Relative Weight and Evolution of the Major Objects of Expenditure of the Regular Fund**  
**2017 and 2018 Program Budgets**  
**(USD x 000 and %)**

Major Object of Expenditure	2017		2018		VARIATION	
					2018-2017	
	USD x 000	%	USD x 000	%	USD x 000	%
1 International Professional Personnel	11,554.9	33.6%	10,970.9	32.7%	-584.0	-5.1%
2 Local Professional and General Services Personnel	11,777.4	34.3%	11,561.4	34.4%	-216.0	-1.8%
<b>SUBTOTAL PERSONNEL COSTS</b>	<b>23,332.3</b>	<b>67.9%</b>	<b>22,532.2</b>	<b>67.1%</b>	<b>-800.0</b>	<b>-3.4%</b>
3 Training and Technical Events	2,030.2	5.9%	2,032.9	6.1%	2.7	0.1%
4 Official Travel	1,156.8	3.4%	1,098.4	3.3%	-58.4	-5.0%
5 Documents and Materials and Supplies	709.3	2.1%	709.0	2.1%	-0.3	0.0%
6 Plant, Equipment and Furniture	335.0	1.0%	306.7	0.9%	-28.3	-8.5%
7 General Services	2,737.1	8.0%	2,749.7	8.2%	12.6	0.5%
8 Performance Contracts and Transfers	3,187.0	9.3%	3,195.8	9.5%	8.8	0.3%
9 Other Costs	877.3	2.6%	940.2	2.8%	62.9	7.2%
<b>SUBTOTAL OPERATING COSTS</b>	<b>11,032.6</b>	<b>32.1%</b>	<b>11,032.6</b>	<b>32.9%</b>	<b>0.0</b>	<b>0.0%</b>
<b>GRAND TOTAL</b>	<b>34,364.9</b>	<b>100.0%</b>	<b>33,564.9</b>	<b>100.0%</b>	<b>-800.0</b>	<b>-2.3%</b>

Annex 4 shows the personnel positions financed with resources from the Regular Fund between 1992 and 2019. The international professional positions will be reduced by five (5) with respect to 2017, and local professional positions will be reduced by one (1), while the number of General Services positions will remain unchanged.

International Professional Personnel positions have been reduced from 77 to 72 (5 positions eliminated to mitigate the impact of the reduction of the Regular Fund). The amount was reduced from USD 11,554.9 thousand in 2017 to USD 10,970.9 thousand in 2018, taking into account the effect of adjustments in the percentages set aside for reserves, modifications to restore the salary structure, and an annual salary increase of 3.5 %.

Local Professional Personnel positions have been reduced from 147 to 146 (one position was eliminated to mitigate the impact of the decrease in Regular Fund resources on operating costs), costing USD 7,627.3 thousand in 2017 and USD 7,528.9 thousand in 2018.

General Services Personnel positions (remain unchanged at 195 positions) with costs reduced from USD 4,150.2 thousand in 2017 to USD 4,052.4 thousand in 2018.

For local personnel, a conservative salary increase has been estimated which complies with national regulations and aims to prevent IICA's major loss of competitiveness in the labor markets.

Total operating costs are USD 11,032.6 thousand, remaining at the same level as in 2017 (adjustments were made only to major objects of expenditure according to current levels of execution).

## External Resources and Recovery of Proportional Indirect Costs – ICR/INR

The projects financed with external resources are aimed at expanding and complementing IICA's technical cooperation services and creating added value by promoting projects with greater geographic coverage (regional and hemispheric) and with a major impact on society. The tasks that IICA performs in these projects, whether of national, multinational, regional or hemispheric scope, are:

- Comprehensive project management: IICA assumes technical and administrative responsibility.
- Administrative management: IICA assumes responsibility for providing administrative, financial and accounting services to the project, ensuring that the expenditures are in line with the project's objectives, outputs, activities and results.
- Provision of specific technical cooperation: in accordance with the established terms of reference, where the Institute is responsible for providing total or partial cooperation for the agreed project.

External resources will reach an estimated USD 130.7 million in 2018, given that the direct costs and resources obtained through the recovery of proportional indirect costs could be approximately USD 10.4 million for 2018, achieving an estimated average of 8.0% of ICR/INR for that period.

### Strategic objectives and external resources

Based on the proportion of the strategic objectives addressed by externally funded projects in 2017 and applying a similar proportion for 2018, it is estimated that the projects financed with external resources during the coming year would have an approximate contribution to each objective as shown below:

Strategic Objective	2018	
	% amount	million USD in direct costs
1. Improve the productivity and competitiveness of the agricultural sector	33%	USD 43.0
2. Strengthen agriculture's contribution to the development of rural areas and the well-being of the rural population	31%	USD 40.4
3. Improve agriculture's capacity to mitigate and adapt to climate change and make better use of natural resources	14%	USD 18.2
4. Improve agriculture's contribution to food security	22%	USD 28.7

**Note:** The linear presentation is for demonstration purposes only and considers the strategic objectives and contributions based on the amount of resources assigned to each project. This situation does not necessarily arise in the course of implementing technical cooperation, since a project may contribute to one or several strategic objectives, to a greater or lesser extent.

### Projection of external resources and indirect costs

**Table D** shows the projections for securing external resources during 2018 and the Indirect Costs Recovery ICR/INR, for each implementing office. This recovery of indirect costs during the implementation of projects financed with external resources implies a reduction in the use of Regular Fund resources.

The amount of indirect costs recovered is subject to the signing and effective execution of agreements for the implementation of projects financed with external resources.

It is important to note that the recovery of Proportional Indirect Costs enables IICA to preserve the financial base for the management of externally funded projects.

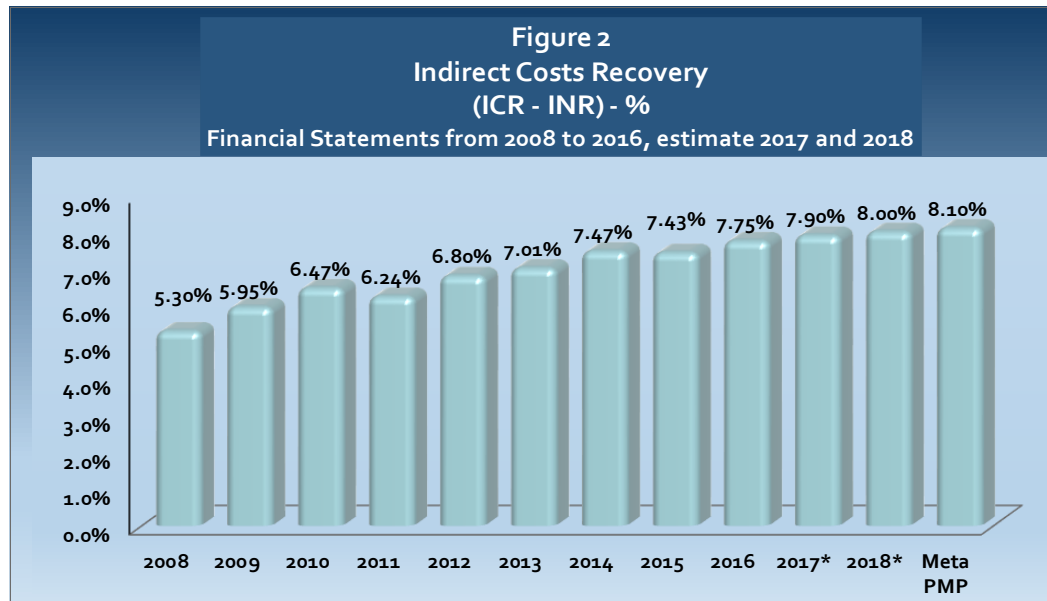
**TABLE D**

Projection of External Resources and Indirect Costs Recovery (ICR - INR) 2018 (USD and %)				
OFICE	2018			
	USD			%
	DIRECT COSTS	ICR/INR	TOTAL EXTERNAL	ICR/INR
Costa Rica	716,133	57,867	774,000	8.1%
Guatemala	2,456,400	213,600	2,670,000	8.7%
Honduras	4,884,625	452,402	5,337,027	9.3%
Panama	15,800,457	1,411,661	17,212,118	8.9%
Haiti	920,000	80,000	1,000,000	8.7%
Dominican Republic	647,000	53,000	700,000	8.2%
Suriname	33,350	2,900	36,250	8.7%
Bolivia	462,535	37,465	500,000	8.1%
Colombia	185,000	15,000	200,000	8.1%
Ecuador	565,800	49,200	615,000	8.7%
Peru	1,012,695	88,000	1,100,695	8.7%
Argentina	8,752,000	600,000	9,352,000	6.9%
Brazil	13,255,000	770,000	14,025,000	5.8%
Chile	19,616	1,580	21,196	8.1%
Paraguay	1,009,817	81,426	1,091,243	8.1%
Uruguay	1,380,000	120,000	1,500,000	8.7%
Mexico	69,060,172	5,524,812	74,584,984	8.0%
Headquarters	5,025,000	475,000	5,500,000	9.5%
<b>SUB-TOTAL</b>	<b>126,185,600</b>	<b>10,033,913</b>	<b>136,219,513</b>	<b>8.0%</b>
Regional & other countries	4,132,000	368,000	4,500,000	8.9%
<b>TOTAL</b>	<b>130,317,600</b>	<b>10,401,913</b>	<b>140,719,513</b>	<b>8.0%</b>

**Note:** Estimated figures, given that this is subject to agreements on projects and their implementation.

**Evolution of the Indirect Costs Recovery (ICR – INR)**

Through the application of the policy established by this Administration from 2010, the average ICR/INR moved from 5.30% in 2008 to 7.75% in 2016 (Figure 2). A rate of 7.9% is estimated for 2017 and a rate of 8.0% for 2018.



\* Estimated rate for 2017 and 2018

The increase in the rate of recovery of indirect costs has been achieved thanks to the special efforts of certain countries with legal or political restrictions that have shown a clear willingness to support the Institute in this important task of covering indirect costs. IICA will continue to promote the recovery of indirect costs as a strategic factor of the institutional finances.

## IV. FINANCIAL STRENGTHENING

The Institute has implemented a strict plan to reengineer its processes and improve its operations, applying rigorous measures of rationality and austerity to mitigate the effects of price increases, take full advantage of its capabilities and achieve economies of scale. The aim is to ensure the Institute's financial viability and promote the multiplier effects of expenditure and of the technical cooperation in the target populations of the countries and become an efficient, low-cost and high-impact institution.

The generation of annual miscellaneous income has shown a downward trend, explained by the following external changes that are beyond the control of the Institute: governmental provisions that eliminated tax refunds; restrictions on retaining interest from the administration of external resources; and the fall in interest rates.

From 2017, the Inter-American Board of Agriculture (IABA) approved an increase of 6.57% to compensate for the loss of Regular Fund resources equivalent to USD 1.8 million for each year of the 2017 -2018 biennium. It also approved voluntary contributions of over-quotas to mitigate the inflationary effect on personnel and operating costs.

A further reduction of 2.33% in Regular Fund resources is estimated for the 2018–2019 biennium, representing USD 800,000.00 annually, which will have an impact on the reduction of personnel, as noted previously. Faced with these circumstances, the Institute's technical, administrative and support staff may eventually be insufficient to effectively address the growing cooperation needs of its Member States, generated by the natural pressures such as demand for food, the development of rural areas, the variability of markets, environmental challenges and the timely adoption of technology and innovation systems, as well as some emerging issues of importance to the agricultural sector. This will require the Institute to strengthen its structure of specialist and experienced personnel and become the best partner of the member countries, offering the highest value and returns possible.

### **Impact of the reduction of technical and support positions on IICA's technical cooperation**

Since 1992, IICA has been forced to reduce its professional personnel and support staff for technical cooperation, primarily for budgetary reasons. From a total of 562 staff members in that year (of whom 134 were classified as IPP) IICA's staff will number 413 in 2018.

According to the Budget Programs for the period between 2010 and 2018, IICA has been forced to reduce the number of international professionals from 95 in 2010, to 72 in 2018. Less dramatic but no less important has been the reduction in local professional personnel (LPP) who perform important functions and responsibilities in the Institute, and whose number has declined from 152 in 2010, to 146 contemplated in 2018<sup>2</sup>, equivalent to -4%.

The impact of the reduction in Regular Fund resources would be reflected in the following aspects, among others:<sup>3</sup>

- Countries would receive less support and fewer consultancies for the design and implementation of development projects, such as IICA's participation in the design and implementation of the "Central American Strategy for Rural Area-based Development (ECADERT)".

---

<sup>2</sup> For example, in the Flagship Projects alone, the position of Leader of the Family Agriculture FP is held by LPP. Eight of the 16 Component Coordinators of the Flagship Projects are LPP.

<sup>3</sup> Notwithstanding the effects mentioned previously in the document "2016-2017 Program Budget", pages 14 and 15.



- Institutional support for topics related to integrated environmental risk management for production would be affected. The growing importance of risk management for the future should be emphasized.
- A gradual reduction in capacity to attract external resources to complement the Institute's finances. This would weaken its potential to provide more and better technical cooperation through external financing.
- The FonTC would cease to operate as "seed capital" to secure funds from international financial organizations.

Given this situation, it is clear that IICA faces enormous challenges in the short and medium term, during which time it will be crucial to prevent the risk of a decline in standards of quality, opportunity and coverage in IICA's institutional management and technical cooperation. Similarly, it must work to progressively address the countries' growing demands within shorter time frames and with larger contributions. In addition, the need to restore the competitiveness of its salaries to strengthen the Institute's intellectual reservoir and provide technical cooperation of greater scope, depth and impact, will constitute a growing challenge.

All the above factors must be taken into account to ensure the successful implementation of the 2018-2022 Medium Term Plan. This will require comprehensive financial strengthening that can no longer be based on the strategy of generating miscellaneous income, which has been declining and cannot be recovered due to changes in the countries' fiscal and financial policies.

However, the Miscellaneous Income Fund can be strengthened with special contributions from the countries, which would help complement the quota budget. It is important to emphasize that IICA's technical cooperation and institutional operations require financial guarantees to ensure its organizational stability, maintain its operational strategy and the robust quality and continuity of the projects implemented at the national, regional or hemispheric level. They must also be results-oriented and must continue to generate greater value and positive returns on the investments of its Member States.

**T**he 2018-2019 Program Budget will be implemented in close coordination with the strategic management model and the thematic orientation established in the 2014-2018 Medium Term Plan, as well as the guidelines of the new 2018-2022 MTP, thereby improving its response capacity, flexibility and contributions to the member countries.

In the context of the Regular Fund budget approved by the Member States, emphasis will be placed on addressing IICA's technical cooperation priorities, based on a results-oriented approach, on the criteria of quality, effectiveness, rationality, equity, transparency and accountability, and on the strengthening of strategic partnerships, as part of a policy of continuous improvement to benefit the agriculture of the Americas.

## V. ANNEXES

<b>Annex 1</b>	Quota scale of the Member States, Contributions of Over-Quotas and Miscellaneous Income 2018-2019 (USD)
<b>Annex 2</b>	Evolution of the Regular Fund in Nominal Values. 1994-2017 and 2018-2019 (in thousands of USD)
<b>Annex 3</b>	Allocation of the Regular Fund by Chapter 2018 (USD)
<b>Annex 4</b>	Personnel Positions Financed with Resources from the Regular Fund. Program Budgets 1992 to 2018

**Annex 1**  
**Scale of Quotas and Contributions of Over-quotas of Member State**  
**and Miscellaneous Income 2018-2019**

MEMBER STATES	2018				2019			
	IICA				IICA			
	OEA <sup>1</sup>	ASSESSED QUOTA	OVER-QUOTA	TOTAL QUOTAS	OEA <sup>1</sup>	ASSESSED QUOTA	OVER-QUOTA	TOTAL QUOTAS
	%	USD <sup>2</sup>	USD <sup>2</sup>	USD <sup>2</sup>	%	USD <sup>2</sup>	USD <sup>2</sup>	USD <sup>2</sup>
Antigua and Barbuda	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Argentina	2.400	703,600	247,000	950,600	2.400	703,600	247,000	950,600
Bahamas	0.049	14,400	7,000	21,400	0.049	14,400	7,000	21,400
Barbados	0.034	10,000	5,500	15,500	0.034	10,000	5,500	15,500
Belize	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Bolivia	0.056	16,400	600	17,000	0.056	16,400	600	17,000
Brazil	12.427	3,643,200		3,643,200	12.427	3,643,200		3,643,200
Canada	10.583	3,102,600		3,102,600	10.583	3,102,600		3,102,600
Chile	1.347	394,900	14,600	409,500	1.347	394,900	14,600	409,500
Colombia	1.311	384,400		384,400	1.311	384,400		384,400
Costa Rica	0.230	67,400	2,500	69,900	0.230	67,400	2,500	69,900
Dominica	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Dominican Republic	0.317	92,900	3,500	96,400	0.317	92,900	3,500	96,400
Ecuador	0.322	94,400	3,500	97,900	0.322	94,400	3,500	97,900
El Salvador	0.086	25,200	12,500	37,700	0.086	25,200	12,500	37,700
Grenada	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Guatemala	0.145	42,500	13,800	56,300	0.145	42,500	13,800	56,300
Guyana	0.022	6,500	1,700	8,200	0.022	6,500	1,700	8,200
Haiti	0.026	7,600	4,200	11,800	0.026	7,600	4,200	11,800
Honduras	0.042	12,300	3,200	15,500	0.042	12,300	3,200	15,500
Jamaica	0.070	20,500	5,100	25,600	0.070	20,500	5,100	25,600
Mexico	6.788	1,990,000	487,300	2,477,300	6.788	1,990,000	487,300	2,477,300
Nicaragua	0.026	7,600	2,800	10,400	0.026	7,600	2,800	10,400
Panama	0.176	51,600	6,000	57,600	0.176	51,600	6,000	57,600
Paraguay	0.075	22,000	8,800	30,800	0.075	22,000	8,800	30,800
Peru	0.860	252,100	9,400	261,500	0.860	252,100	9,400	261,500
Saint Lucia	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Saint Kitts and Nevis	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Saint Vincent and the Grenadines	0.022	6,500	1,100	7,600	0.022	6,500	1,100	7,600
Suriname	0.026	7,600	4,200	11,800	0.026	7,600	4,200	11,800
Trinidad and Tobago	0.135	39,600	15,000	54,600	0.135	39,600	15,000	54,600
United States of America	59.470	17,435,300		17,435,300	59.470	17,435,300		17,435,300
Uruguay	0.247	72,400	7,900	80,300	0.247	72,400	7,900	80,300
Venezuela	2.144	628,600		628,600	2.144	628,600		628,600
<b>SUB TOTAL</b>	<b>99.568</b>	<b>29,191,100</b>	<b>873,800</b>	<b>30,064,900</b>	<b>99.568</b>	<b>29,191,100</b>	<b>873,800</b>	<b>30,064,900</b>
Cuba	0.431	126,400		126,400	0.431	126,400		126,400
<b>TOTAL QUOTAS</b>	<b>99.999</b>	<b>29,317,500</b>	<b>873,800</b>	<b>30,191,300</b>	<b>99.999</b>	<b>29,317,500</b>	<b>873,800</b>	<b>30,191,300</b>
<b>MISCELLANEOUS INCOME</b>		<b>3,500,000</b>		<b>3,500,000</b>		<b>3,500,000</b>		<b>3,500,000</b>
<b>TOTAL REGULAR FUND<sup>3</sup></b>		<b>32,691,100</b>		<b>33,564,900</b>		<b>32,691,100</b>		<b>33,564,900</b>

Note: The Kingdom of Spain contributes an annual quota of USD60,000 as an Associate Member, pursuant to the agreement adopted in the First Plenary Session of the Eleventh Regular Meeting of the Inter-American Board of Agriculture, held on November 26, 2001, in Bávaro, Dominican Republic.

1/ As per Resolution AG/RES. 2895 (XLVI-O/16) of the General Assembly of the OAS.

2/ In USD rounded out to the nearest hundred.

3/ The total of the Regular Fund does not include Cuba.

**Evolution of the Regular Fund in Nominal Values  
1994 to 2019 (USD x 000)**

PERIOD	QUOTAS	MISCELLANEOUS	REGULAR FUND
1994	26,707.5	2,297.3	29,004.8
1995	27,508.7	2,127.5	29,636.2
1996	27,508.7	2,527.2	30,035.9
1997	27,508.7	3,258.1	30,766.8
1998	27,508.7	2,491.3	30,000.0
1999	27,508.7	2,491.3	30,000.0
2000	27,508.7	2,491.3	30,000.0
2001	27,508.7	2,491.3	30,000.0
2002	27,508.7	2,491.3	30,000.0
2003	27,167.6	2,832.4	30,000.0
2004	27,167.6	2,832.4	30,000.0
2005	27,167.6	2,832.4	30,000.0
2006	27,167.6	2,832.4	30,000.0
2007	27,167.6	2,832.4	30,000.0
2008	27,227.8	4,100.0	31,327.8
2009	27,227.8	4,100.0	31,327.8
2010	27,298.2	6,100.0	33,398.2
2011	27,298.2	6,100.0	33,398.2
2012	27,689.6	6,100.0	33,789.6
2013	27,810.0	6,100.0	33,910.0
2014	27,810.0	6,100.0	33,910.0
2015	27,810.0	6,100.0	33,910.0
2016	30,064.9	4,300.0	34,364.9
2017	30,064.9	4,300.0	34,364.9
2018	30,064.9	3,500.0	33,564.9
2019	30,064.9	3,500.0	33,564.9

Note: The Cuban quota was excluded from the quota resources as of 2003.

## Allocation of the Regular Fund by Chapter - 2018

(USD)

CHAPTER	2018			
	QUOTAS	MISC.	REGULAR FUND	
			USD	%
CHAPTER I: Direct Technical Cooperation Services	26,899,852	3,299,320	30,199,173	90.0%
CHAPTER II: Management Costs	1,662,434	25,600	1,688,034	5.0%
CHAPTER III: General Cost and Provisions	1,351,040	20,000	1,371,040	4.1%
CHAPTER IV: Renewal of Infrastructure and Equipment	151,574	155,080	306,654	0.9%
<b>TOTAL</b>	<b>30,064,900</b>	<b>3,500,000</b>	<b>33,564,900</b>	<b>100.0%</b>

**Notes:**

The Institute's budget is divided into four Chapters:

**CHAPTER I: DIRECT TECHNICAL COOPERATION SERVICES**

This chapter includes the costs of the Institute's technical cooperation actions at the national, multinational, regional, and hemispheric levels required to achieve the objectives established in the Medium-term Plan. It includes IICA's contribution to the Tropical Agriculture Research and Higher Education Center (CATIE) and the Caribbean Agricultural Research and Development Institute (CARDI), and the financing of the flagship projects, rapid response actions, and initiatives of the Competitive Fund for Technical Cooperation, the Offices in the Member States, and the Technical Support Units.

**CHAPTER II: MANAGEMENT COSTS**

Management Costs include the resources of the units responsible for managing the Institute and providing support services. Those units, which are located at Headquarters, are the Office of the Director General, Deputy Director General and the Secretariat of Corporate Services.

**CHAPTER III: GENERAL COSTS AND PROVISIONS**

General costs and provisions are general commitments not directly related to the preceding chapters, or to a specific unit. They include funding for the governing bodies; institutional insurance; contribution to the administration of the OAS Administrative Tribunal and the OAS Retirement and Pension Fund; External Audit; pensions of former Directors General; and the Emergency Assistance Fund for Institute Personnel.

**CHAPTER IV: RENEWAL OF INFRASTRUCTURE AND EQUIPMENT**

The budget items included in this Chapter are the conservation and maintenance of IICA-owned buildings and properties, and the renewal of vehicles, equipment, and software licenses, both at Headquarters and in the 34 Offices in the Member States.

**Personnel Positions Financed with the Regular Fund  
1992 to 2018 Program Budgets**

<b>YEAR</b>	<b>IPP</b>	<b>LPP</b>	<b>GSP</b>	<b>TOTAL</b>
1992	134	82	346	562
1993	134	79	344	557
1994	132	80	349	561
1995	132	81	312	525
1996	121	87	289	497
1997	117	95	285	497
1998	110	98	249	457
1999	103	101	247	451
2000	99	97	251	447
2001	99	97	251	447
2002	96	101	238	435
2003	93	120	221	434
2004	94	126	230	450
2005	94	126	230	450
2006	94	131	237	462
2007	94	131	227	452
2008	94	135	227	456
2009	94	135	227	456
2010	95	152	213	460
2011	93	157	213	463
2012	88	151	208	447
2013	88	151	208	447
2014	82	151	194	427
2015	79	149	201	429
2016	77	147	195	419
2017	77	147	195	419
2018	72	146	195	413

*Note: Does not include positions financed with external resources and INR resources*

*IPP: International Professional Personnel*

*LPP: Local Professional Personnel*

*GSP: General Services Personnel*