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REPORT OF THE 2007 MEETING OF THE SPECIAL ADVISORY COMMISSION ON MANAGEMENT ISSUES

San Jose, Costa Rica

INTRODUCTION

The members of the Special Advisory Commission on Management Issues (SACMI), hereinafter “the Advisory Commission,” meeting at the Headquarters of the Inter-American Institute for Cooperation on Agriculture (IICA) on March 13 and 14, 2007, present this report to the Director General, which summarizes the matters addressed and the recommendations made on each of the items on the agenda.

Election of the Chair

The Plenary elected Mr. Eugene Waight, Chief Agricultural Officer of the Ministry of Agriculture and Fisheries of Belize, as chair of the meeting.

I. PROCEEDINGS

The Director General of IICA welcomed the members of the Advisory Commission and thanked them for their continued support to the management of the Institute.

Approval of the work program

The Delegate from Argentina proposed postponing discussion of the Program Budget until the second day of the meeting, given the importance of the topic and the need to consult with IICA authorities. The Director General suggested making the presentation, initiating the discussion, but including an item on the agenda to continue the discussion the following day, should this be necessary. The Delegate from the United States of America supported the Director General’s proposal, which was approved, as was the work program.

With regard to the working procedures, the Technical Secretary noted that the recommendations submitted by the delegation of the United States of America regarding the process for conducting the meetings of the governing bodies had been accepted. Next, the Director General informed those present that a guideline on the conduct of meetings was being prepared and would soon be made available to the Member States. The Delegate of the United States of America expressed satisfaction with the proactive role assumed by the Institute in introducing improvements in the process for organizing and holding meetings.

2.1 Financial situation of the Institute: progress with and results of the application of measures to collect quotas in arrears

The Director of Finance started her presentation by referring to the resolutions adopted since 2003 by the Executive Committee and the Inter-American Board of Agriculture (IABA) encouraging Member States to pay quotas owed to the Institute. She went on to explain the status of quota collections from Member States as of March 2007, indicating those that were up to date, in regular status (owed less than two quotas), in arrears status (owed more than two quotas) and those in special status (with a payment plan agreed upon with the General Directorate).

She also referred to the use of the resources allocated under the special budgets approved by the IABA, which had made it possible to pay off the line of credit and reinforce the allocation of resources in the following areas: (i) agricultural health and food safety, in particular, participation in the SPS Committee meetings of the WTO; (ii) biotechnology and biosafety; (iii) modernization of IICA’s management information system; and (iv) repairs to and maintenance of the Institute’s buildings.

In concluding her presentation, she acknowledged that significant progress had been made in collecting quotas owed to the Institute. Arrear had dropped from US\$17,575,823 at the end of 2003 to US\$8,063,555 by the close of 2006. This had made it possible to finance the Program Budget approved by the IABA for three consecutive years, and alleviate restrictions in the availability of funds. This was particularly important in that it had enabled the Institute to respond to mandates from its Governing Bodies and address topics that were a top priority for Member States.

The members of the Advisory Commission expressed their satisfaction with the results achieved in the collection of quotas in arrears and indicated the importance for Member States and the Administration to continue efforts to collect both the quotas programmed for 2007 and the amount still owed by several Member States for previous years. The Delegate from Argentina suggested forming a working group to study and propose a compensation mechanism (anti-cyclical fund). That suggestion was supported by the Delegates from Brazil and Chile. The United States and Canada did not support the formation of a Working Group. The Legal Advisor clarified that the Working Subfund of the Regular Fund already served the purpose of an anticyclical fund, and that the concerns raised by the Delegate from Argentina could be accommodated by amending Articles 89.b and 90 of the Rules of Procedure of the General Directorate to include a provision similar to that contained in Article 72(b) of the OAS General Standards for the Operation of the OAS General Secretariat.

The Director General underscored the importance of alleviating the negative impact of periods during which there were shortfalls in quota payments to the Institute based on a review of the existing mechanism (Working Subfund of the Regular Fund). He also referred to the importance of activating other funds and providing them with resources, since he considered that, even though such funds were provided for in the Institute's rules and regulations, as in the case of the Patrimonial and Special Funds, they did not in fact have the resources, nor were there mechanisms and policies to encourage individuals, institutions and governments to make contributions to reinforce IICA's cooperation programs. Finally, he thanked Member States for their efforts to meet their financial obligations to the Institute and emphasized that such support was fundamental, in that it gave the Administration a sense of security in implementing work programs and complying with the mandates of the Governing Bodies.

Recommendation

The Special Advisory Commission on Management Issues recommended to the General Directorate that it continue its efforts to encourage Member States to pay quotas in arrears within the framework of the policies and procedures established by the Executive Committee and the IABA for that purpose.

1.2 Proposed 2008-2009 Program Budget

The Director of Administration and Finance, presented the proposed 2008-2009 Program Budget, which included the allocation of Regular Resources. That proposal was based on the following priorities for strategic action: (i) to contribute to the repositioning of agriculture and rural life and to the renewal of their institutional framework; (ii) to generate and disseminate information for decision-making; (iii) to promote the development of a new institutional framework; (iv) to promote trade and the competitiveness of agribusiness; (v) to develop rural communities; (vi) to promote agricultural health and food safety; (vii) to promote the sustainable management of natural resources and the environment; and (viii) to promote technology and innovation.

With regard to upgrading management, the proposal was to consolidate the institutional structure, strengthen the process of knowledge management, continue to place emphasis on greater transparency and accountability and develop human capital.

He said that the basis for the proposal was to focus on Regular Fund resources on the priorities established in the 2006-2010 Medium-Term Plan and the 2006-2010 Technical Cooperation Agendas. He went on to explain the allocation of resources to: (i) direct technical cooperation services by priority areas of action; (ii) management costs; (iii) general costs and provisions; and (iv) renewal of infrastructure and equipment.

The members of the Advisory Commission analyzed the proposal and requested additional information from the Directorate of Administration and Finance regarding the generation of miscellaneous income and Institutional Net Rate (INR) Resources. The Delegate from Saint Lucia noted that, in accordance with the quota scale considered in the proposed 2008-2009 Program Budget, his country's quota had been reduced. He said that his country wished to continue to pay the same amount established in the current scale and asked if there was an institutional mechanism at IICA whereby voluntary contributions might be accepted from Member States for amounts above their mandatory quotas. The Legal Advisor explained that the quota scale was the same one that had been approved by the OAS General Assembly in June of 2006 on a transitional basis for 2007. He added that 18 countries whose quotas had been reduced under the new scale had opted to continue to pay the same amount that applied in 2006. He further clarified that there was no prohibition on countries paying a higher amount than that established for their quotas, noting that IICA had various ways of accepting voluntary donations from Member States and other countries. This is why the Trust Fund, Special Funds and Patrimonial Funds, established under Article 88 of the Rules of Procedure of the General Directorate, existed. Lastly, he added that the Director General was authorized to receive donations subject to approval by the Executive Committee, in accordance with the provisions of Article 92 of the Rules of Procedure of the General Directorate.

The Technical Secretary made note of the contributions made by the Associate Country and Permanent Observers to IICA. Can IICA provide further clarification on what these contributions included? He then mentioned the important role that the SACMI was called upon to play in proposing to the Institute's Governing Bodies policies and mechanisms to access new sources of financing. In this regard, he highlighted the importance that the Governing Bodies have always given to the multilateral character of IICA. Any external resources obtained by the Institute therefore produced benefits at the level of the regions and hemisphere. He closed by recognizing that the broad-based dialogue at the SACMI level was essential for building consensus on proposals and this facilitated the work of the General Directorate and went a long way towards discharging the responsibilities of IICA's Governing Bodies.

Conclusions and Recommendations

The Director General asked the members of the Advisory Commission for its recommendations, so that the concerning proposed 2008-2009 Program Budget and funding of that Budget be endorsed by the Executive Committee and presented to the Fourteenth Regular Meeting of the IABA for its approval.

In response to that request, the members of the SACMI, bearing in mind existing restrictions with regard to increases in Member State quotas recommended the following to the Director General:

1. That the General Directorate make available to Member States, as soon as possible, a working document explaining the process followed by the Organization of American States for determining its transitional quota scale in force and the anticipated process for setting a final scale for 2009; the General Directorate should also explain the regulatory aspects that govern establishment of the quota scale in the specific case of IICA and the relationship to the OAS quota scale.

2. That the Director General submit to the Twenty-seventh Regular Meeting of the Executive Committee a proposed 2008-2009 Program Budget financed by quotas at the current level (US\$27,167,000), and an amount of miscellaneous income of US\$3.6 million per year in 2008 and 2009, and US\$500,000 per year from the Miscellaneous Income Fund.
3. That the Director General provide the members of the Executive Committee, as soon as possible, with the following additional information related to the budget:
 - The goals, expected results and IICA's role for each activity under the strategic areas prioritized;
 - An additional column on tables 18 and 19 showing the budget amount for 2007 for each indicated project or program;
 - Itemization of the budget by object of expenditure for each project or program on tables 18 and 19;
 - An explanation of the impact of the rationale for the proposed changes for each project or program in tables 18 and 19 proposed in the 2008 budget that reflects an increase or decrease of 5% or more with respect to the amount budgeted in 2007)
4. That the Director General, no later than 45 days prior to the date of the Executive Committee meeting, send the proposed Program Budget to all IICA Member States for their observations, and instruct the country representatives to meet with the corresponding national authorities to explain to them the proposed 2008-2009 Program Budget, and to communicate to the Director General any concerns and observations those authorities may have.
5. That the Director General, with support from the General Directorate, form a Working Group comprising members of the Advisory Commission who show an interest in participating and Delegates from Member States, to identify and propose new sources of funding for IICA for the consideration of the Executive Committee.
6. That the Director General urge those countries whose quotas are reduced as a result of the adoption of the transitional OAS quota scale in force to agree voluntarily to maintain their quota contributions to the 2008-2009 Program Budget at the same level as the scale in effect for 2006 and 2007.

1.3 2008-2009 actions under the Hemispheric Program on Agro-energy and Bio-fuels

The Assistant Deputy Director General made a presentation on progress with the **Hemispheric Program on Agro-energy and Bio-fuels**.

He noted that Resolution 446 of the Executive Committee provided for (i) the establishment of a working group comprising delegates of Member States to present recommendations for implementing the Program; (ii) the presentation of a proposal for funding the program for the period 2008-2010; and (iii) a request to Member States to make voluntary contributions of financial resources and qualified personnel to support implementation of the program.

The objectives of the proposal are: (i) to facilitate horizontal cooperation; (ii) to create a platform for the dissemination of knowledge; and (iii) to create a forum for discussion.

Among the strategies were: (i) the sponsorship of programs and horizontal cooperation actions between countries with a view to promoting private initiative and agribusinesses; and (ii) support to the countries for the development of policies, regulatory frameworks, new technologies, better practices and business opportunities.

He noted that actions for implementation in 2007 included (i) support for the countries with regard to national strategies under way; (ii) an analysis of the availability of land and water resources; (iii) waste management; (iv) energy policies; (v) existing regulatory and legal frameworks; and (vi) other environmental and social issues.

Among the actions he recommended for implementation as of 2008 were: (i) assessing and classifying national and regional initiatives; (ii) engaging in dialogue with national and regional institutions; (iii) supporting the countries with the preparation and discussion of regulatory frameworks; (iv) initiating coordination with producer associations, universities, etc.; (v) promoting and organizing forums, seminars and workshops; (vi) developing an information system; and (vii) identifying and mobilizing funding sources. He then explained resource needed for funding the basic program as well as the expanded program.

The Director General noted that IICA's role in developing this initiative should not only be considered from the standpoint of the production of energy, but should also be analyzed comprehensively so as to take into account aspects such as the implications for rural development, food security and employment, as well as the need to ensure a balance between food production and environmental protection. He cautioned that the production of agro-energy and bio-fuels might become a new source of subsidy. The Institute intended to become a platform for facilitating dialogue, an exchange of experiences and consensus-building among Member States. Finally, he recommended working with the ministers of agriculture and their counterparts responsible for the energy sector. He said it was important to share the same vision of this subject and recalled that agro-energy would be an item for discussion at the Fourth Ministerial Meeting on Agriculture and Rural Life in the Americas.

The Delegate from Argentina proposed that in the implementation of the IICA program it should rely on existing technical expertise in the countries that have experience in agro-energy and bio-fuels. Professionals could be assigned to IICA or be involved as associate personnel. He went on to say that the relationship with other organizations was not clear in the proposal. The Assistant Deputy Director General clarified progress achieved in the area of relations with the FAO, ECLAC and the IDB as well as the Inter-American Commission on Bio-fuels.

The Delegate from Canada said he agreed with the proposal that IICA act as a platform for analysis and discussion and accordingly proposed that the word "dialogue" be used instead of "program" for this work area. He recognized that the Institute did not have staff with experience in this field and that it was not easy to find experts. He considered the role of IICA as being very useful in putting national authorities with decision-making power in contact with experts.

He therefore recommended that IICA support the Ministers of Agriculture to sensitize them to the importance of this topic and to encourage them to engage in dialogue accordingly with the Ministers of Energy, instead of seeking to forge ties with the Ministers of Energy. He also viewed as being very important the dialogue among Ministers of Agriculture, and involving the experts, on the implementations and impact of agro-energy and bio-fuels policies on both the sector and the population as well as the opportunities they afforded.

The Assistant Deputy Director General clarified that the technical cooperation to be provided by the Institute would be based essentially on the capabilities of national public and private institutions in which

IICA would be a strategic partner in facilitating horizontal cooperation between and among countries and an exchange of expertise and experiences. He called attention to the fact that the Institute had contacted FAO, ECLAC, IDB and the OAS to find ways of addressing the topic and mechanisms for working together. IICA had also been in contact with the Inter-American Commission on Ethanol, in Miami and the Institute had been officially invited to be one of its founding members and a participant on all its technical committees. The Institute's possible participation as Technical Secretariat of the Commission had also been proposed.

The Director General mentioned the importance to the countries of a comprehensive approach that took into account the energy, food security, job creation and environmental protection perspectives. This is why it was important to help the countries so that they could define policies that struck a balance between energy production and food production and that ensured that bio-fuels production contributed to job creation and rural welfare. In this regard, IICA could play an important role in facilitating an analysis, so as to have a better grasp of the challenges and opportunities as well as the implications of new policies, disseminating information, and facilitating horizontal cooperation.

The Delegate from the United States of America supported the idea of disseminating information on the topics through international conferences. She also noted that the report on the assessment of technical expertise at IICA would provide valuable information for making decisions in the future regarding IICA's actions in these fields. Finally, she reported that the United States would appoint a representative to the Bio-fuels Group.

Recommendation

The Special Advisory Commission on Management Issues recommended that the Director General present the proposed 2008-2009 actions under the Hemispheric Program on Agro-energy and Bio-fuels, taking into consideration the results of the technical assessment to help identify an appropriate roll for IICA, to the Executive Committee for consideration and approval at its Twenty-seventh Regular Meeting.

2.4. Assessment of IICA's Technical Expertise

The Director of Technical Leadership and Knowledge Management gave a presentation on progress made in assessing technical expertise at IICA, pursuant to Resolution 447, adopted by the Executive Committee at its Twenty-sixth Regular Meeting.

He reported that the evaluators had been conducting interviews with professional staff at the Institute, representatives of strategic partners and senior officials from 10 of the Member States, in particular, from institutions with which IICA cooperates. The exercise also included an analysis of competencies (level of education, experience and field of specialization, ability to respond to needs established in the 2006-2010 Medium-Term Plan and to adapt to a changing environment). The external evaluation was underway and was being carried out under the terms of reference established in the corresponding Resolution. It was being conducted by the consulting firm "Servicios Internacionales para el Desarrollo Empresarial S.A." (SIDE), headed by Dr. Carlos Pomareda. The team consisted of four professionals from different regions in which the Institute operated.

In his presentation, he showed the information on professional personnel at IICA which had been prepared to facilitate the work of the evaluators. That information was classified according to fields of specialty, personnel category (international and local) and their geographical distribution. He further clarified that the methodology for the assessment included an analysis of the data, interviews with those receiving cooperation from the Institute in order to determine the types of needs and demands and the aforementioned interviews.

He went on to say that on February 23, a conference call had been held with the members of the Steering Committee, who chose Mr. Victor Villalobos to serve as the coordinator of the Committee. The date for the meeting between the Committee and the evaluators, which should be as soon as possible, had yet to be set. He concluded by saying that he expected to have the findings of the assessment by the time the Executive Committee meeting was held.

The Delegate from Argentina reported that he had participated in the conference call, held on February 23, as a member of the Steering Committee. With regard to the process followed, he expressed concern about the following: (i) observance of the deadlines set in Resolution No. 447 of the Executive Committee for the assessment; (ii) the substance of the information sent by the General Directorate which had been limited to an overview of the professional staff, which did not include an analysis of the expertise of that staff or of unmet demand; (iii) the possibility for the countries to propose evaluators. Finally, he voiced concern that the level of detail of the MTP did not make it possible to determine with any precision needs for technical expertise at IICA, which he considered a problem for the evaluation. He concluded by saying that during the conference call the decision had been for Mr. Victor Villalobos to coordinate the Steering Committee. The Delegate from Canada clarified that he had not been able to participate in the conference call. He added that Mr. Villalobos and IICA shared the responsibility for organizing that evaluation. He asked whether Belize represented the Caribbean Region on the Steering Committee. The Delegate from Mexico indicated Mr. Victor Villalobos' utmost willingness to coordinate the work of the Steering Committee and, in particular, that Committee's meeting with the team of evaluators.

The Director of Technical Leadership and Knowledge Management reported the difficulties encountered in getting the regions to designate their representatives on the Steering Committee. He said that the countries in the Caribbean Region had yet to designate their representative and that he would continue to take the necessary action. He further clarified that the team of evaluators were looking into the Institute's ability to meet needs at the hemispheric, regional and national levels.

The Director General stressed the importance of the exercise for the Institute's performance and thanked the members of the Steering Committee for their support to the process. He also offered to provide whatever technical and logistical support might be required.

Recommendation

The Advisory Commission recommended that the Director General provide technical and logistical support to ensure that the meeting of the Steering Committee takes place as soon as possible. At that meeting, the evaluators will give details of the status of the evaluation process and the Committee will provide additional guidelines for completing the evaluation process.

2.5 The IICA Leadership Forum: a program for new Ministers and Senior Executives of the agricultural and rural development sector of the Americas

The Director General presented the initiative entitled "Forum for Leaders of Agriculture". The purpose of this forum is to bring IICA into closer contact with new Ministers of Agriculture and other leaders in that sector. The program is modular. In the first module, information on the challenges and opportunities that lie ahead for agriculture in the 21st century, viewed from a global perspective, is shared. Subjects such as the following are discussed: the importance of agribusinesses in economic development; poverty alleviation; the opening of markets; the strengthening of health and food safety; as well as new issues such as biotechnology; agro-energy; and bio-fuels. It also addresses the impact of climate change on agriculture and the multisectoral role that agriculture is called upon to play in a world in constant change.

The second module covers the dissemination of information about what IICA is and the role of the ministers and senior officers in IICA's governing bodies (the Executive Committee and the IABA) and in the ministerial meetings on agriculture and rural life in the context of the Summit of the Americas process. The Institute's role as a platform for hemispheric cooperation is also discussed.

The third module, which will be carried out with support from INCAE, considers the dominant role that agriculture will play in the 21st century. The fourth module focuses on IICA's cooperation agenda in the respective countries. The fifth module involves the discussion of specific issues of interest to the ministers and the other leaders in light of the respective agricultural and rural development policies.

Finally, the General Directorate will evaluate the program continually so as to fine-tune the mechanism and provide follow-up to the agreements reached and the commitments that the Institute assumes with each leader. Thus, the exercise familiarizes the ministers and other leaders with the Institute's capabilities and possible areas in which cooperation with the individual countries might be expanded or modified. At the same time, it enables the institution's senior administrative and technical officials to obtain first-hand knowledge of the new minister's priorities and needs.

The Delegate from Canada recorded his support for the initiative and appreciated the General Directorate's efforts to promote it. He felt that this initiative contributed to fulfilling the Institute's mandate at several levels and indicated his delegation's willingness to help improve the program's modules and structure. The Minister of Saint Lucia in turn noted that he had been called upon to participate in the first experience with the program, which he valued highly, not only because of the opportunity it afforded to discuss with the staff of IICA the challenges and opportunities facing agriculture in the global text, but also because of the opportunity to learn about the process of transformation that IICA was undergoing and to review and modify the cooperation that the Institute provided to his country. He recommended the continuation of the program of which the content and importance of which he had the opportunity to discuss with his counterparts from the Ministers of Foreign Affairs and Finance.

The Delegate from the United States said she was pleased that the Institute was proposing and developing this initiative and said it was important to discuss the challenges and opportunities facing agriculture with the leaders in the countries. The Delegate from Belize recommended including in the initiative leaders from other sectors so that the actual input would not be limited to purely financial and budgetary criteria. Rather, it would also reflect recognition of the importance of the sector, which was of interest to countries like Belize which basically had an agricultural economy. The Delegate from Mexico joined her colleagues in commending the Administration on the initiative, which her delegation supported, and offered to contribute to the implementation and development of the program.

Recommendation

The members of the Special Advisory Commission on Management Issues congratulated the Director General on promoting this important initiative and urged him to expand and strengthen the program, which they considered very useful for newly appointed officials who were responsible for agriculture and rural development in the Member States.

2.6 Progress with the organization of the Fourteenth Regular Meeting of the IABA and the Fourth Ministerial Meeting in the context of the Summit of the Americas process

The Director of the Office of Follow-up to the Summit of the Americas Process explained the overall program for holding the Fourth Ministerial Meeting in the context of the Summit of the Americas, which had been prepared jointly with the Government of Guatemala.

The principal actions were: (i) to implement the Hemispheric Ministerial Agreement Guayaquil 2005; (ii) to prepare the National Report on activities accomplished and challenges faced; (iii) to hold the GRICA meeting; and (iv) to prepare the Hemispheric Ministerial Agreement Guatemala 2007, which defined strategic actions for the 2008-2009 biennium, and which had to be approved by consensus by the 34 Member States.

Lastly, he presented the schedule for the Week of Agriculture and Rural Life Guatemala 2007, which included: (i) the GRICA meeting; (ii) the fora for social players in agriculture and rural life; (iii) the Fourth Ministerial Meeting in the context of the Summit of the Americas; and (iv) the Fourteenth Regular Meeting of the IABA.

The Delegate from the United States underscored the importance of the Ministerial Meeting and of the topics slated for discussion at same. In this regard, she noted that those topics were being reviewed with a view to making a proposal. The Delegate from Argentina expressed appreciation for the guidance the Secretariat had been providing to the Ministerial Delegates, and endorsed the suggestion made by the Director of the Office of Follow-up of the Summit of the Americas to differentiate on the agenda those items related to the Ministerial Meeting and those in the purview of the Inter-American Board of Agriculture.

The Director of the Office of Follow-up to the Summit of the Americas Process clarified that the report of each country should be prepared on the basis of what each had done to implement the 2003-2015 Agro Plan. He went on to say that efforts were under way with the Chair of the GRICA to prepare the document which would be made available to the Ministerial Delegates.

The Director General added that, in view of the fact that the Ministerial Meeting would take place in July, any proposals emanating from that meeting would be input for the Fifth Summit of the Americas which would take place in Trinidad and Tobago at the beginning of 2009.

ANNEX 1¹***Section 1 Questions on key issues to be taken into account for approval of IICA's proposed Program Budget and financing of that budget with Member State quotas***

During the course of the SACMI meeting, the following questions came up and were discussed:

a) Who is responsible for approving the Program Budget and the Quota Scale for financing it?

The Delegate from Mexico said that Article 2 of the Rules of Procedure of the Inter-American Board of Agriculture (IABA) stipulates that it is the responsibility of the Board to approve the biennial Program Budget and determine the annual quotas of Member States by the affirmative vote of two thirds of its members. It is further stated in that article that the IABA is responsible for adopting measures related to the policies and actions of the Institute, taking into account the proposals of Member States and the recommendations of the General Assembly of the Organization of American States (OAS).

The OAS Legal Advisor explained that in accordance with the rules in effect at the Institute the quota assessments of Member States must be established on the basis of the system for determining quotas determined by the OAS.

b) Which quota scale is the basis for the quota scale for IICA?

The Delegate from Argentina said that the provisional quota scale of the OAS was the one now in effect and that the Ministers of the Southern Agricultural Council (CAS) had recommended applying that scale immediately in order to define IICA's quota scale until such time that a definitive scale was adopted by the OAS.

The Director General clarified that the quota scale included in the Program Budget was based on the distribution system for Member State payments to the OAS and did not include voluntary contributions from the countries.

The Legal Advisor from the OAS explained that that scale had been adjusted at the OAS in January of 2006 so that it would reflect the Member States' ability to pay and preserve a principle of equity in the contributions. He went on to explain that the quotas for IICA were established on the basis of the quota system at the OAS and that the fact of the matter was that over the past 45 years, IICA had been adopting the same percentage contributions for the quota scale as those at the OAS. When IICA adopted the new transitory OAS scale, some countries would therefore have to increase their quota contributions for the 2008-2009 biennium, whereas others would reduce their quota contributions.

With regard to the transitory quota scale at the OAS, the Legal Advisor said that this was the one approved in January 2006 at a special session of the OAS General Assembly following a lengthy

¹ This Appendix was prepared at the request of the delegate from the United States who, in his observations on the final report of SACMI, underscored the importance of letting the record show the very productive discussion on the 2008-2009 Program Budget of IICA and the financing of that Budget with quota contributions from Member States.

N.B. In the document, use of the term "delegate of x country" is equivalent to "member of the SACMI for x country" which is a more correct reference, in accordance with the rules governing SACMI.

discussion and meetings, especially two weeks before the Assembly when several alternatives were discussed. Finally, the Assembly had adopted a quota scale based on a political decision.

In that very resolution approving the transitory scale, the General Assembly had mandated preparation of a new scale, which should enter into effect in 2009. In the absence of that new scale, the Assembly could extend the transitory scale or establish another new transitory scale. It was difficult to predict at this time what decision the General Assembly would adopt at its June 2007 General Assembly session with respect to the OAS quota scale.

c) Comments on the 3% budget increase

The Delegate from Mexico said that her country did not support the 3% increase proposed in the 2008-2009 Program Budget, given the recent adoption of an austerity policy in her country.

The Delegate from Chile congratulated the Director of Administration and Finance on his presentation of the Program Budget. He said that in the case of his country, the quota decision came at a special since his country had made a voluntary contribution last year, which had more than doubled its quota at the OAS and that this had been done without any intention of extending that increase (110%) to other institutions in the Inter-American System. His government was therefore looking into financial commitments to international institutions, including IICA. He recommended analyzing definite sources of financing for IICA, apart from the quotas paid by Member States, considering the fact that the Institute was slated to branch out significantly.

The Delegate from the United States said that his country was reviewing the system for quota payments to the Pan American Health Organization (PAHO) and other organizations in the Inter-American System.

The Delegate from Canada said it would be prudent to await the final decision of the OAS on the adoption of the quota scale. He reiterated that he had to consult government authorities in his country

The Delegate from Argentina said that the 3% budget increase at the OAS was not binding for IICA. He added that the budget increase could well be based on new topics being addressed and that what was important was that the determination of quotas reflect the actual ability of Member States to pay in order to ensure timely payment.

With regard to the budget level, the Director General explained the rationale for the 3% increase in the budget and clarified that there was no obligation to apply the increase decided upon by the OAS. The basis for the OAS' adoption of the 3% increase was the fact that its budget had been frozen since 1995. It all depended on what the Member States wanted IICA to do in the biennium. He said that the Institute would take action to offset the purchasing power of the US dollar which was the currency used to finance the Institute's budget.

The Director General said that while the 3% increase in the OAS budget was not mandatory for IICA, he wished to recall that IICA's quota budget had been frozen since 1995 and that the Administration had approached Member States to increase their quota contributions without success.

In his view, if the OAS had received a 3% increase, it was only logical that IICA at least submit for the consideration of Member States a budget proposal that provided for an increase in quotas,

bearing in mind the fact that the Institute belonged to the Member States and, like the OAS, had had its budget frozen since 1995.

The Delegate from Chile said that Chile's contributions to the OAS were made in two parts. There was the quota it paid based on the quota scale and there was its payment of voluntary contributions. He said that the table in the budget presented by IICA, which has been prepared on the basis of the OAS percentages, included both the voluntary contribution plus the quota derived from application of the formula. It would therefore be useful to have a table with quota contributions using the quota scale formula approved by the OAS General Assembly since it reflected the base line.

The Director General clarified that table 2 did not include any voluntary contributions from Member States, only the distribution of contributions in keeping with the same percentages as the OAS quota scale. The Director of Administration and Finance explained that in the scale in the proposed Program Budget, the quota scale formulas of the OAS had been used and only the 3% increase in quota contributions of Member States had been considered.

d) Additional contributions in the form of voluntary contributions from the Member States to IICA

The Delegate from the United States wanted to know if any of the Member States were in a position to offer to make an additional contribution to the established quota.

The Delegates of Saint Lucia and Belize reported that with the new quota scale that IICA would apply for the 2008-2009 biennium, their contribution would be reduced. However, their countries had taken the decision to maintain their contributions at the same level as in 2007.

The Director General thanked the Delegates from Saint Lucia and Belize for their decision to continue to contribute the same amount for the next two years and said that that decision was a demonstration of their satisfaction with the work that Institute had been doing.

The Legal Advisor said that the General Directorate's Rules of Procedure (articles 88 and 92) provided the legal framework and some of the options that Member States had at their disposal to make additional contributions to the Institute over and beyond their annual quotas. He said that the Administration should publicize those alternatives. When the OAS quota scale was changed, 18 countries whose quotas were reduced had opted not to modify their contribution and to maintain it at the previous levels

The Delegate from Saint Lucia asked whether in the event quota contributions of Member States were increased through voluntary contributions there were limitations in the rules and regulations governing the Institute on receiving these additional contributions for financing it. She further indicated that the Institute should make use of opportunities to raise funds from other sources and use any reserve funds available to offset the financial shortfall.

e) With respect to the dates on which the IICA and OAS quota scales are expected to be approved

The members of the SACMI expressed concern at the timeframe for approving the quota scales of the OAS and IICA. If the OAS Working Group, the representatives of the countries and the experts met in March and the General Assembly was held in June, the IICA Executive Committee would not have an approved OAS quota scale on which to base a decision.

The observations regarding this point were as follows:

If the OAS held a special meeting to discuss the new quota scale in March, how should IICA proceed, bearing in mind that the meeting of the Executive Committee was scheduled for May (15-17) and the IABA meeting for July (23-27).

The Delegate of the United States of America said that the special meeting of the OAS to discuss the methodology for the new OAS scale would be held in March. Furthermore, if the meeting of the Executive Committee was in May (15-17) and the IABA met in July (23-27), he was concerned about what might emerge from the OAS meeting. He also said it was important to decide who would be on the working group to analyze the future financing of the Institute and how the members would communicate with one another in order to acquit themselves of the task entrusted to them.

The Director General explained that if that OAS meeting to study the quota scale was held in March, the new OAS quota scale could only be approved by the OAS General Assembly at its meeting in June - i.e., after the meeting of the Executive Committee but before the IABA. Moreover, the General Directorate of IICA could not submit a proposed Program Budget to the Executive Committee for the 2008-2009 biennium based on an OAS quota scale that had not been approved.

The Representative of Argentina reiterated the concern raised on other occasions, namely the timing of the decisions adopted by the OAS that were binding for IICA. It was important that corrective mechanisms be established so that new scales could be applied automatically. To that end, he proposed that the Institute's governing bodies be given the power to apply automatic mechanisms. He recommended that the matter be placed on the agenda of the working group.

The Director of Administration and Finance said another option would be to use the transitory scale adopted by the OAS as the transitory scale of IICA, subject to whatever the OAS eventually approved. This would make it possible to proceed with the analysis and approval of the proposed 2008-2009 Program Budget as presented and to have a concrete proposal for the IABA.

The Technical Secretary said that if the resolution approving the 2008-2009 Program Budget were to include the term the "quota scale currently in effect at the OAS," the scale that IICA would have to apply would be the one approved by the OAS.

The Representative of Canada pointed out that the discussion on the changes in the contributions of the countries did not really affect the budget, because the source of the funds was not at issue. Nor did the scale affect the content of the proposed budget, since the budget had nothing to do with how the funds were distributed among the Member States. If the OAS were to adopt a definitive scale in June, then that would be the scale that IICA would have to use. Consequently, he supported the proposal made by the Director of Administration and Finance.

f) Membership of the Working Group on the strengthening of IICA's finances

The Director General underscored the importance of discussing the Institute's financial needs, since a 3% increase in quotas was very useful for the organization but was not the only way of financing it. He stressed that IICA required much larger budgetary resources than those currently available if it was to provide the services that the countries needed now and in the future. He also said that, unfortunately, the assessment of the Institute's technical capabilities was not yet ready.

The preliminary information available was highly important and, undoubtedly, that assessment would be a useful factor in any decisions adopted by the Governing Bodies of the Institute for future financing and for the consolidation of its financial structure.

The Director General said that IICA could not survive, much less grow, with a frozen budget of US\$27 million in quota resources. He also believed that the working group should take into account the results of the analysis of the Institute's technical capabilities, and any measures for strengthening them that the Executive Committee might decide to adopt.

The Director General endorsed the idea of setting up a working group to draft a proposal for the future financing of the Institute, bearing in mind that the Member States were requesting increasing amounts of cooperation from IICA that it could not provide if it had to rely mainly for its financing on the quota contributions of its Member States.

The group should consider innovative forms and new sources of financing for IICA. Furthermore, mechanisms were needed to take advantage of voluntary contributions from individuals, companies, institutions and governments, and to secure resources for the funds already established in the Institute's rules, such as the Patrimonial Fund and the Special Funds.

The Representative of Argentina supported the creation of the working group to assist the Administration in developing a strategy aimed at securing new income.

The Representative of Mexico felt that the observer countries should make a financial contribution to the Institute.

The Representative of the United States endorsed the creation of the working group to consider new sources of income for the Institute. He emphasized the importance of the Administration disseminating information about the mechanisms available whereby the Member States could support the Institute financially with contributions other than their annual quota contributions.

In his capacity as the Representative of Belize, the Chairman said that working with the Member States and other institutions on the new global issues would afford IICA access to new sources of financing. He cited agro-energy and bio-fuels as two cases in point. He agreed that IICA should inform the Member States of the mechanisms available for making special contributions.

The Director General said the Administration would provide the Member States with more information about the mechanisms available so they could make additional contributions to IICA's budget, since a 3% increase in the quota scale was not sufficient. He pointed out that the Institute had begun identifying new sources of financing with a view to forging partnerships and achieving its objective of reducing rural poverty. The Gates Foundation was a case in point.

Section 2. Recommendation

The Director General asked the members of the Advisory Commission for their recommendations so that the proposed 2008-2009 Program Budget and the way it would be financed could be endorsed by the Executive Committee and presented to the Fourteenth Regular Meeting of the IABA for approval.

In response, and bearing in mind the difficulties involved in increasing the quota scale of the Member States, the members of the Advisory Commission made the following recommendations:

- That the General Directorate make available to the Member States a document explaining the process that the OAS followed to determine the quota scale for financing the General Secretariat of the OAS and the proposed process for fixing a final scale for 2009. The General Directorate should also explain the regulatory aspects that govern the establishment of the quota scale in the specific case of IICA, and the relationship between the OAS and IICA quota scales.
- That, at both the Twenty-seventh Regular Meeting of the Executive Committee and the Fourteenth Regular Meeting of the IABA, the Director General propose that topics relating to the IICA budget and how it is to be financed (quota scale for Member States) should be presented and discussed separately.
- That the Director General submit to the Twenty-seventh Regular Meeting of the Executive Committee a proposed budget of US\$27,167,000 for 2008-2009, that is to say, a budget that would maintain the current level of quotas, and an amount for miscellaneous income, which would take into account estimated income for those years.
- That Member States' quota contributions to IICA's budget for 2008 and 2009 should be based on the quota scale approved by the OAS General Assembly for those years.
- That the Director General form a Working Group, comprising members of the Advisory Commission who express interest in taking part and representatives of the Member States, with the support of the General Directorate, to identify and propose new sources of funding for IICA for the consideration of the Executive Committee.
- That the Director General encourage the countries whose quota contributions would be reduced if the current provisional quota scale of the OAS were to be adopted for the 2008-2009 Program Budget to agree voluntarily to maintain their quota contributions at the same level as the current scale for 2006 and 2007.

ANNEX 2**WORK PROGRAM**

Monday 12 Participants welcomed at airport and transported to hotel

Tuesday 13

- 08:30 – 09:00 • Welcome remarks by the Director General.
- 09:00 – 09:15 • Adoption of the Work Program
- 09:15 – 10:00 • The financial situation of the Institute. Progress with and results of the application of measures for the collection of quotas in arrears
- 10:00 – 10:30 *Refreshments*
- 10:30 – 11:00 • Analysis of and recommendations on the financial situation
- 11:00 – 12:00 • 2008-2009 proposed Program-Budget
- 12:00 – 14:00 *Lunch*
- 14:00 – 15:30 • Analysis of and recommendations on the 2008-2009 proposed Program-Budget
- 15:30 – 16:00 • 2008-2009 activities under the Hemispheric Program on Agro-Energy and Bio-Fuels
- 16:00 – 16:30 *Refreshments*
- 16:30 – 17:00 ▪ Analysis of and recommendations on the Hemispheric Program on Agro-Energy and Biofuels
- 18:00 • Participants are transported to the hotel

Wednesday 14

- 08:30 – 10:00 • Continuation of the analysis of and recommendations on the 2008-2009 proposed Program-Budget
- 10:00 – 10:30 *Refreshments*
- 10:30 – 11:30 • Continuation of the analysis of and recommendations on the proposed 2008-2009 Program Budget
- 11:30 – 12:00 • The IICA Leadership Forum: a program for new Ministers and Senior Executives of the agricultural and rural development sector of the Americas
- 12:00 – 14:00 *Lunch*
- 14:00 – 14:30 • Closed session of the SACMI to prepare, by consensus, its recommendations on the 2008-2009 Program Budget
- 14:30 – 15:00 • Progress with the organization of the Fourteenth Regular Meeting of the IABA and the Fourth Ministerial Meeting in the context of the Summit of the Americas Process
- 15:00 – 15:30 • Closed meeting of the Cabinet to review the proposed recommendations of the SACMI on the 2008-2009 Program Budget
- 15:30 – 16:00 *Refreshments*
- 16:00 – 18:00 • Final discussion of the proposed 2008-2009 Program Budget and final phase of preparation of the Report of the Meeting
- 18:00 – 20:00 • Cocktails
- 20:00 – 21:00 • Reading of the Report
- Close of the Meeting
- Address by the Chair of the Meeting
- Address by the Director General
- 21:00 • Participants are transported to the hotel

ANNEX 3**LIST OF PARTICIPANTS****ARGENTINA**

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