



Executive Committee

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CURRENT STATUS OF QUOTA PAYMENTS AND PROGRESS WITH THE COLLECTION OF QUOTAS OWED TO THE INSTITUTE

San Jose, Costa Rica

I. INTRODUCTION

The annual quotas of the Member States provide the basic funding required for the Institute to operate in each of them. Given a history of recurring shortfalls in the payment of these quotas, and the resulting difficulties in carrying out its mandates and work plans, since 2003, the Inter-American Board of Agriculture (IABA) and the Executive Committee (EC), taking into consideration the reviews conducted by the Special Advisory Committee on Management Issues (SACMI) and the Audit Review Committee (ARC), have been addressing the serious financial situation IICA faces when Member States do not pay their quotas as agreed.

The measures adopted for collecting quotas as a result of these reviews were set out in Resolutions IICA/JIA/Res.392 (XII-O/03) "Proposal for the Collection of Quota Contributions Owed to the Institute," approved in Panama in November 2003, and IICA/JIA/Res.414 (XIII-O/05) "Revised Measures for Collecting Quotas Owed to the Institute," approved in Ecuador in September 2005. In order to verify the effectiveness of the measures adopted, the situation regarding quotas is reviewed at each meeting of the Governing Bodies.

This report presents the situation regarding quota collections at the close of 2009, a review of overall progress in the collection of quota arrearages, and the outlook regarding quotas. The annexes present the current situation regarding quota payments as of August 18, 2010, and Resolution IICA/JIA/Res.414. This Resolution contains the "Revised Measures for Collecting Quotas Owed to the Institute" and the definitions of the status of a Member State with regard to the payment of quotas, as approved by the Inter-American Board of Agriculture and used in this document.

II. THE SITUATION REGARDING MEMBER STATE QUOTA COLLECTIONS IN 2009

In 2009, for the sixth consecutive year, IICA achieved favorable results in the collection of quotas owed, receiving payments at the level required to fund the annual budget.

As of January 1, the total amount of quotas pending collection was US\$29.5 million, of which US\$27.2 million was quotas for 2009. During the year, the Institute received US\$27.2 million in quota contributions from thirty Member States, ending the year with total quotas outstanding in the amount of US\$2.3 million.

III. FULFILLMENT OF PAYMENT PLANS

When the Governing Bodies of the Institute reviewed the situation of fluctuation in the payment of quotas to the Institute, it was found that one third of the countries had been in arrears status in the payment of the quotas. In IABA Resolution No. 392, the Member States requested that those owing quotas from previous years commit to payment plans to reduce those quota arrearages, and set out specific guidelines for these plans.

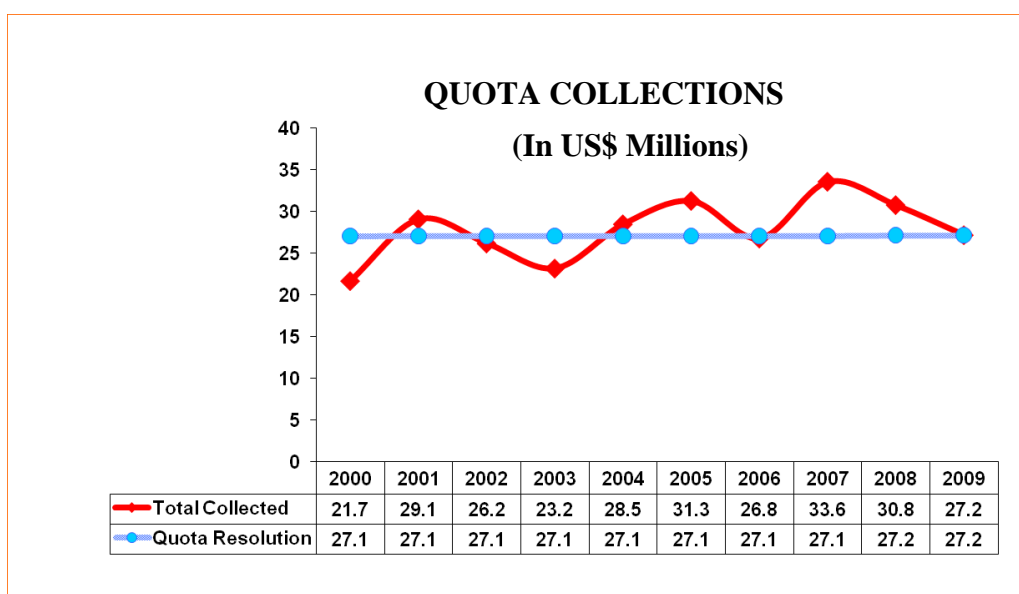
The majority of the countries are now in up-to-date or regular status, including five of the six that signed payment plans, as shown in the table below:

MEMBER STATES WITH PAYMENT PLANS					
COUNTRY	Situation at IABA 2003		Situation at 12-31-09		Year in which status was achieved
	Years Owed	Status	Years Owed	Status	
ARGENTINA	3.56	In arrears	-	Up-to-date	2008
BRAZIL	3.43	In arrears	0.52	Regular	2008
ECUADOR	1.99	Regular	-	Up-to-date	2004
NICARAGUA	11.04	In arrears	3.68	Special	2005
PERU	6.00	In arrears	-	Up-to-date	2008
URUGUAY	3.86	In arrears	-	Up-to-date	2008

During 2010, Brazil paid off its arrearages, fulfilling its payment plan, and paid most of its quota for 2010. The current situation of each Member State is shown in Annex I.

IV. PROGRESS IN THE COLLECTION OF QUOTAS OWED

A review of the figures on the collection of quotas from 2000 to 2009 shows that, for the period 2000 to 2003, the annual collection of quotas was on average US\$25 million, which is less than the annual quota budget of US\$27.1 million. Since 2004, collections have equaled and in some years surpassed the annual budget, as may be seen in the following graph:



Thanks to the effectiveness of the measures adopted and the efforts of all Member States during the last six years, the quota amounts collected have enabled the Institute to continue operating, meet its

financial obligations, execute the Program Budget approved by the IABA, improve the Institute's financial situation and begin to recover from the effects of shortfalls of previous years.

Additionally, during these years the IABA approved special budgets for the use of the resources resulting from the collection of quota arrearages, totaling US\$6.6 million. This enabled the Institute to fulfill specific mandates in fields such as the promotion of agricultural trade in its Member States, agricultural health and food safety, agricultural insurance, agro-tourism, the Center for Leadership in Agriculture, and horizontal cooperation between the Member States. However, inasmuch as almost all quota arrearages have been collected, the budget for the current biennium no longer includes a special budget.

V. OUTLOOK

Thus far, IICA has been able, albeit with some difficulty, to overcome the problems resulting from these financial limitations. The measures adopted and the aggressive campaign aimed at collecting outstanding quotas have produced results and allowed for additional actions financed by the special budgets, based on the collection of outstanding quotas.

Now that the Institute's financial base has improved and quota financing has been stabilized, thanks to the continued efforts of its Member States, it is necessary to ensure that these gains not be lost and to take steps to enable the Institute to recover the loss of purchasing power of its quotas. This will make it possible for the Institute to continue financing its priority programs, in fulfillment of the mandates of its Governing Bodies, and implement more technical cooperation actions focused on making agriculture sustainable and competitive in the Americas.

It is important to point out that total quota contributions have been frozen at US\$27.5 million since 1995, and that the purchasing power of these resources has diminished significantly. Financial constraints have hindered the Institute's ability, in some cases, to properly meet needs for technical cooperation at the hemispheric, regional, and national levels. Due to the progressive decline in the purchasing power of these resources, the value of the quotas allocated to IICA between 1995 and 2008 have declined by 27.5% in real terms, which is close to US\$8 million, and resources available for the Institute's units have been outstripped by rising costs.

As the overall budget of the Institute has decreased in real terms, the resources available from the Regular Fund for direct technical cooperation services have also decreased. Consequently, the Institute's ability to address the growing and diverse technical cooperation needs in a timely manner and to mobilize international personnel between Member States has been reduced.

The financial limitations faced by IICA have been partially offset by measures designed to trim expenditures and achieve economies of scale by improving the efficiency and effectiveness with which the Institute's available resources are used, including an emphasis on the development of effective strategic partnerships. It has also been necessary to make structural adjustments, redistributing functions, scaling back efforts to develop new institutional capabilities, and reducing resources for pre-investment.

This, however, is only a temporary solution to the loss of purchasing power caused by the freezing of Member State quotas. In the medium and long term, other measures will be required.

VI. CONCLUSION

The Institute has advanced from a financial situation which hindered its ability to carry out its work plans to a situation of equilibrium in which it is able to meet its obligations through more effective planning, based on its Member States' honoring their quota commitments. The practice of continually monitoring the status of quota payments has contributed to this improved situation, despite the fact that the quota budget, fixed at the same level since 1995, must be committed in full if the Institute is to maintain its operations in today's increasingly challenging economic environment.

The quotas due each year finance the activities and work programs for that year, which means that their payment must be monitored continually. It is necessary to continue the efforts to ensure that the Member States honor their commitment to pay their quota assessment, in order to avoid fluctuations in financing and to enable the Institute to execute its Program Budget by providing the amount of funding agreed upon.

It is essential, however, to ensure that both the 2010-2020 Strategic Plan and the 2010-2014 Medium-Term Plan include measures intended to guarantee the future financial sustainability of the Institute. The "un-freezing" of quotas, via an increase in the quota contributions of Member States, is vital to providing the Institute with resources to offset the steady decline in its funding, and stabilize and strengthen its ability to continue providing technical cooperation services in support of agriculture in the hemisphere.

VII. ANNEX I

THE CURRENT SITUATION OF MEMBER STATES' QUOTAS AS OF AUGUST 18, 2010

The quotas owed to the Institute as of August 18, 2010, total US\$6.2 million, as shown in the table below:

COUNTRY	2006	2007	2008	2009	2010	TOTAL
UP-TO-DATE STATUS						
ARGENTINA	0	0	0	0	0	0
BAHAMAS	0	0	0	0	0	0
BARBADOS	0	0	0	0	0	0
BELIZE	0	0	0	0	0	0
CANADA	0	0	0	0	0	0
COLOMBIA	0	0	0	0	0	0
DOMINICA	0	0	0	0	0	0
ECUADOR	0	0	0	0	0	0
EL SALVADOR	0	0	0	0	0	0
HONDURAS	0	0	0	0	0	0
JAMAICA	0	0	0	0	0	0
MEXICO	0	0	0	0	0	0
PARAGUAY	0	0	0	0	-1,163	-1,163
PERU	0	0	0	0	0	0
SURINAME	0	0	0	0	0	0
URUGUAY	0	0	0	0	0	0
REGULAR STATUS						
ANTIGUA & BARBUDA	0	0	0	6,104	6,052	12,156
BRAZIL	0	0	0	0	17,576	17,576
BOLIVIA	0	0	0	16,505	12,654	29,159
COSTA RICA	0	0	0	500	51,441	51,941
CHILE	0	0	0	15,130	295,168	310,298
UNITED STATES	0	0	0	0	4,089,853	4,089,853
GUATEMALA	0	0	0	0	51,441	51,441
GUYANA	0	0	0	372	6,052	6,424
GRENADA	0	0	0	0	6,052	6,052
HAITI	0	0	0	0	12,379	12,379
PANAMA	0	0	0	0	44,839	44,839
SAINT KITTS AND NEVIS	0	0	0	0	3,813	3,813
ST. VINCENT & GRENADINES	0	0	0	0	6,052	6,052
TRINIDAD & TOBAGO	0	0	0	0	41,813	41,813
SAINT LUCIA	0	0	0	6,602	6,052	12,654
VENEZUELA	0	0	0	755,663	566,679	1,322,342
SPECIAL STATUS						
NICARAGUA	8,411	19,256	16,505	16,505	12,379	73,056
IN ARREARS STATUS						
COUNTRIES OWING MORE THAN 2 QUOTAS						
DOMINICAN REPUBLIC	0	0	75	45,389	56,668	102,132
TOTAL	8,411	19,256	16,580	862,770	5,285,801	6,192,818

Note: Resolution No. 414 establishes that quotas for the current year become past due if not paid by June 30 of the year, setting the period considered reasonable to make payment of annual quotas that fall due as of January 1 of the year.

Additionally, Resolution No. 414 establishes that during the current year, a Member State shall retain the status it had as of December 31 of the prior year, provided it makes a payment equal to the current year's quota by June 30 of the current year. Failure to make that payment by June 30 will result in an adjustment of status.

VIII. ANNEX II

IICA/JIA/Res. 414 (XIII-O/05)
1 September 2005
Original: English

RESOLUTION No. 414

REVISED MEASURES FOR COLLECTING QUOTAS OWED TO THE INSTITUTE

The INTER-AMERICAN BOARD OF AGRICULTURE, at its Thirteenth Regular Meeting,

HAVING SEEN:

Resolution IICA/CE/Res.435 (XXV-O/05), adopted by the Executive Committee at its Twenty-fifth Regular Meeting, and document IICA/JIA/Doc.293 “Revised Measures for Collecting Quotas Owed to the Institute,”

CONSIDERING,

That in Resolution IICA/JIA/Res.392 (XII-0/03), the Inter-American Board of Agriculture (“IABA”) adopted “Measures for Collecting Quotas Owed to the Institute;”

That in Resolution IICA/CE/Res.417 (XXIV-O/04), the Executive Committee recommended that the IABA amend Resolution IICA/JIA/Res. 392 retroactive to January 1, 2004, to give the Director General the option of consulting first with the Executive Committee or the IABA for guidance prior to applying those measures in cases where, in the Director General’s judgment, “implementation of any or all of the measures put in place for collecting quotas owed the Institute would not be in the best interest of the Institute;”

That the Special Advisory Commission on Management Issues (SACMI), meeting in March 2005, recommended that the Director General, together with the Legal Advisor, prepare a proposal in the form of a draft resolution “that would clear up certain ambiguities” in Resolutions IICA/JIA/Res.392 and IICA/CE/Res.417 so as to facilitate application of those measures, consistent with Article 24 of the Convention on the Inter-American Institute for Cooperation on Agriculture and IICA’s other rules and regulations;

That the Executive Committee took note of the comments of the delegations regarding the proposal put forth and, in Resolution IICA/CE/Res.435 (XXV-O/05), recommended that the IABA derogate the appendix to Resolution IICA/JIA/Res.392, entitled “Measures for Collecting Quotas Owed to the Institute,” and replace it with the revised version appended hereto and bearing the same title,

RESOLVES:

To eliminate the appendix to Resolution IICA/JIA/Res.392, entitled “Measures for Collecting Quotas Owed to the Institute,” and replace it with the document entitled “Revised Measures for Collecting Quotas Owed to the Institute,” attached to this Resolution as Appendix I.

APPENDIX I

REVISED MEASURES FOR COLLECTING QUOTAS OWED THE INSTITUTE

I. DEFINITIONS

For the purposes of these measures, the following definitions shall apply:

- A. Up-to-Date status: A Member State is in “Up-to-Date Status” when it has paid all of its assessed Regular Fund quotas to IICA.
- B. Regular Status: A Member State is in “Regular Status” when it owes no more than two full years of assessed Regular Fund quotas to IICA.
- C. Special Status: A Member State is in “Special Status” when it owes more than two full years of assessed Regular Fund quotas to IICA, has agreed with the Director General to a payment plan for all its arrearages, and is in full compliance with that payment plan.
- D. In Arrears Status: A Member State is in “In Arrears Status” when it owes more than two years of assessed Regular Fund quotas to IICA and does not satisfy all the above-stated requirements for Special Status.
- E. Years in arrears: This is the number of years for which assessed Regular Fund quotas are owed as of July 1 of the current year, regardless of whether the Member State has entered into a payment plan and is in compliance with that schedule.

II. RULES FOR COMPUTING STATUS AND YEARS IN ARREARS FOR APPLICATION OF THESE MEASURES

- A. Article 86 of the Rules of Procedure of the General Directorate and Article 70 of the Rules of Procedure of the IABA provide that quotas are “due on the first day of each fiscal year.” Nonetheless, those Articles shall not apply for determining the status of a Member State under these measures.
- B. During the current year, a Member State shall retain the status it had as of December 31 of the prior year, provided it makes a payment equal to the current year’s quota by June 30 of the current year. Failure to make that payment by June 30 will result in an adjustment of status.
- C. By making additional payments during the current year, a Member State that is not already in Up-to-Date Status may improve its status at any time during that year.
- D. As provided under Article 84 of the Rules of Procedure of the General Directorate, quota payments received “shall be credited against the balance receivable pending from the earliest year for which the money is owed.”

III. RIGHTS AND PRIVILEGES OF IICA MEMBER STATES IN UP-TO-DATE STATUS

- A. The rights and privileges of IICA Membership for Member States in Up-to-Date Status include, among others, the following:
 - 1. The right to vote in the meetings of the Executive Committee and the Inter-American Board of Agriculture;
 - 2. The right to nominate candidates for the position of Director General;
 - 3. The right to have their nationals serve in the position of Director General;
 - 4. The right to nominate candidates to serve on Committees and to serve in leadership positions on those Committees;
 - 5. The right to hiring preferences for their nationals;
 - 6. The right to an Office of the Institute in their territory, funded by IICA’s Regular Fund;
 - 7. The right to serve on the Special Advisory Commission on Management Issues (SACMI);
 - 8. The right to receive an allocation from the IICA Regular Fund Budget for in-country projects.

9. The privilege of hosting IICA meetings in their territory, funded in whole or in part by IICA's, Regular Fund Budget.¹
 10. The privilege of receiving extraordinary appropriations from the Working Subfund of the Regular Fund, as approved by the Executive Committee in accordance with Article 90 of the Rules of Procedure of the General Directorate
- B. The exclusion of any right or privilege stated in Part A above does not preclude the existence of other rights and privileges IICA Member States may enjoy.

IV. RIGHTS AND PRIVILEGES OF MEMBER STATES IN REGULAR AND IN SPECIAL STATUS

- A. Member States in Regular Status shall enjoy all the rights and privileges of Up-to-Date status described in Part III(A) above, except for the privilege of receiving extraordinary appropriations from the Working Subfund of the Regular Fund, as approved by the Executive Committee in accordance with Article 90 of the Rules of Procedure of the General Directorate.
- B. Member States in Special Status shall enjoy all the rights and privileges of Up-to-Date status described in Part III(A) above, except for the privilege of receiving extraordinary appropriations from the Working Subfund of the Regular Fund, as approved by the Executive Committee in accordance with Article 90 of the Rules of Procedure of the General Directorate.

V. RIGHTS AND PRIVILEGES OF MEMBER STATES IN ARREARS

- A. Any Member State in In Arrears Status shall have its right to vote suspended unless it is determined, in accordance with Article 24 of the Convention on the Inter-American Institute for Cooperation on Agriculture, by the IABA or the Executive Committee, as the case may be, "that failure to pay is due to circumstances beyond the control of that State."
- B. Of the other rights and privileges enumerated in Part III(A) above, any Member State in arrears shall enjoy only the rights and privileges listed below, in accordance with the number of years in arrears:
 1. More than two full fiscal years in arrears, but less than three:
 - a. The right to nominate candidates for the position of Director General;
 - b. The right to have their nationals serve in the position of Director General;
 - c. The right to nominate candidates to serve on Committees and to serve in leadership positions on those Committees.
 - d. The right to hiring preferences for their nationals;
 - e. The right to an Office of the Institute in their territory, funded by IICA's Regular Fund; however, the amount authorized will be reduced by 10%;
 - f. The right to serve on the SACMI;
 - g. The right to receive an allocation from the IICA Regular Fund Budget for in-country projects.
 2. Three full fiscal years in arrears, but less than four:
 - a. The right to nominate candidates for the position of Director General;
 - b. The right to have their nationals serve in the position of Director General;
 - c. The right to nominate candidates to serve on Committees and to serve in leadership positions on those Committees.
 - d. The right to hiring preferences for their nationals;
 - e. The right to an Office of the Institute in their territory, funded by IICA's Regular Fund; however, the amount authorized will be reduced by 20%;
 - f. The right to serve on the SACMI;
 - g. The right to receive an allocation from the IICA Regular Fund Budget for in-country projects.

¹ For purposes of applying this privilege, funding from the IICA Regular Fund does not include the funds used to pay for the salaries of the staff members who must attend those meetings, regardless of where they are held.

3. Four full fiscal years in arrears, but less than five:
 - a. The right to hiring preferences for their nationals;
 - b. The right to an Office of the Institute in their territory, funded in part by IICA's Regular Fund; however, the amount authorized will be reduced by 40%;
 - c. The right to serve on the SACMI;
 - d. The right to receive an allocation from the IICA Regular Fund Budget for in-country projects.
4. Five or more full fiscal years in arrears: None of the rights and privileges set out in Part III(A) above.

VI. THE SUSPENSION OF THE RIGHT TO VOTE

- A. The decision as to whether to suspend the right to vote of a Member State with In Arrears Status lies exclusively with the IABA and the Executive Committee, as the case may be, under Article 24 of the Convention on the Inter-American Institute for Cooperation on Agriculture.
- B. Voting rights may be restored automatically when a State in In Arrears Status changes its status to Special Status, Regular Status, or Up-to-date Status. They may also be restored by either the Executive Committee or the IABA, upon the presentation of a petition by the interested State, as set out in Article 6.4 of the Regulations for Application of Article 24 of the Convention on the Inter-American Institute for Cooperation on Agriculture.

VII. SUSPENDING THE ECONOMIC IMPACT OF IN ARREARS STATUS IN THE BEST INTEREST OF THE INSTITUTE²

- A. If the Director General determines that it is not in the best interest of the Institute to implement the reduced levels of funding for projects and Office support for any Member State in "In Arrears" status, he/she may first consult with the Executive Committee or the IABA before applying them and propose the suspension or modification of the reduction prescribed. The consultation shall be by correspondence if there is no meeting of the IABA or Executive Committee scheduled within ninety days of the date the State becomes subject to those reductions.
- B. The IABA or the Executive Committee, as the case may be, may consider the Director General's proposal for not applying the reduced levels and may approve the proposal or any other lesser reduction that it deems appropriate. If the IABA or the Executive Committee rejects the proposal and provides no other relief, or they fail to respond within thirty days to the consultation by correspondence, the Director General shall apply the reductions prescribed in these measures.
- C. In the event the Director General decides to make the consultation and a proposal as provided in this Section, the interested State shall be given due notice with sufficient time to explain its position to the other Member States before the Executive Committee or Board rules on the proposal.
- D. For purposes of this provision, "the best interests of the Institute" include the "purposes" established in Article 3 of the Convention on the Inter-American Institute for Cooperation on Agriculture and the programs and policies adopted by the Institute in pursuit of those purposes.

VIII. GUIDELINES FOR PAYMENT PLANS

- A. The Payment Plan shall be in writing and signed by the Director General and the duly authorized representative of the participating Member State.
- B. The Plan shall provide for the payment of the entire amount owed over a period of no more than forty-eight months.

² This section of the measures is effective as of January 1, 2004. This section replaces the Executive Committee's recommendation in Annex B of Resolution IICA/CE/Res. 417.

- C. The Plan shall obligate the participating Member State to make a payment equal to at least the current year's assessed quota within fifteen days of its signature and a payment for each subsequent year the Plan is in force of an amount at least equal to the quota assessed for each of those years.
- D. The Director General may negotiate and accept payment terms with Member States for the payment of amounts past due in national currency, real estate, or other valuable assets, ad referendum of the Executive Committee, and only upon a determination that:
 - 1. In the case of national currency or other valuable assets, the Institute shall not be financially prejudiced by the acceptance of said currency or assets; and
 - 2. In the case of real estate, the specific conditions under Article 4.20 of the Financial Rules "Accepting Donations of Interests in Real Property" have been satisfied and over a reasonable time, the Institute will earn income or generate savings from the occupancy, use, sale, or rental of the property in an amount equal to or greater than the corresponding arrearages.

IX. NOTICE OF STATUS PRIOR TO ELECTIONS AND MEETINGS

- A. When circulating to the Member States documents presented by a Member State nominating a candidate, the General Directorate shall indicate in the transmittal notice whether the status of the nominating Member State, and if different, the state of the nationality of the candidate, is Up-to-Date, Regular, Special, or In Arrears. It shall also indicate the number of years in arrears for the relevant States.
- B. The notice of Debtor States sent prior to meetings of the IABA and Executive Committee under Article 3.1 of the Regulations for Application of Article 24 of the Convention on the Inter-American Institute for Cooperation on Agriculture shall indicate, inter alia, the status of each Member State under these measures and the number of years, if any, that it is in arrears.