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Report of the 2012 Regular Meeting of the Special Advisory Commission on Management Issues (SACMI)

**San Jose, Costa Rica
October 2012**

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I. Introduction

The Special Advisory Commission on Management Issues (SACMI) is a permanent commission whose purpose is to facilitate more regular discussion between the Director General and the Member States on administrative and strategic initiatives and issues, in order to facilitate the process of reaching consensus on those issues and initiatives in the Executive Committee and the Inter-American Board of Agriculture (IABA).

2012 Regular Meeting of the SACMI

In compliance with its Statute and Rules of Procedure, the SACMI met on July 12, 2012 at the Headquarters of the Inter-American Institute for Cooperation on Agriculture (IICA), in Coronado, San Jose, Costa Rica.

Participants in the 2012 Regular Meeting

The members of the SACMI designated by Antigua and Barbuda, Argentina, Brazil, Canada, Mexico, Nicaragua, United States of America, and Uruguay attended the meeting. A list of participants can be found in Annex 1.

The **Director General** welcomed the members of the SACMI and presented the agenda for the meeting.

II. Points of Consensus

2.1. Message of the Director General

The **Director General** began his presentation by referring to the four strategic objectives established in the 2010-2014 MTP, and the areas in which the Institute was contributing. He said that IICA had come to be regarded as a reliable partner of its Member States, and of various organizations (WFP-P4P, OAS, and FAO) and processes at the hemispheric and global levels (CGIAR, GCARD).

He pointed out that the Institute attached great importance to innovation as a key factor for agricultural development. He added that IICA had participated actively in the implementation of the INNOVAGRO network, played an important role in the process leading up to the GCARD conference, and, with the Consultative Group on International Agricultural Research (CGIAR), promoted the transfer of knowledge and technology to national innovation programs and ministries of agriculture.

He mentioned that IICA had achieved a big impact on the development of rural territories and the improvement of the well-being of the population in Central America and the Andean Region. With respect to the area of agricultural health and food safety, he said that several IICA-

USDA/APHIS projects had concluded successfully, and progress had been made with the development of the Virtual School for Food Inspectors in Central America.

He referred to the contribution that the Government of Mexico had made to human capacity development by providing at least 100 grants to enable individuals from Latin America and the Caribbean specializing in the agricultural and related sciences to study for master's degrees, doctorates and specializations in that country. He urged other governments to offer similar programs so that a grant fund could be set up.

Turning to food security, the **Director General** stated that IICA had contributed a technical document to the 42nd General Assembly of the Organization of American States (OAS), held in Cochabamba, Bolivia, entitled "Food security with sovereignty." He added that the Institute had also played an active part in the interagency group that prepared the technical documents on food and agriculture for the meeting of the G-20 held in Mexico, and had participated in Rio+20, where agriculture was positioned as a key issue in dealing with climate change.

He commented that IICA had participated in forums and other events on the regional integration processes (CAS, CAC, CARICOM), and had established strong ties with the ADC, IDB, CABEL, CDB, as well as other funding agencies. He added that a cooperation agreement had been signed with FAO, with which IICA was working on a collaboration program.

He also mentioned IICA's achievements via the Competitive Fund for Technical Cooperation, which was financing high-impact binational and multinational projects. The United States Department of Agriculture (USDA) and the Government of Mexico had contributed US\$150,000 and US\$100,000, respectively, to boost the fund's resources.

He added that the Administrative area had made major improvements to its processes and financial management, thanks to which it had become an important support for, and complement to, the Institute's technical cooperation.

Finally, he reported that IICA was working on the preparations for the ceremony to commemorate the 70th anniversary of the Institute's founding, which would be held during the next meeting of the Executive Committee. Ms. Ertharin Cousin, Executive Director of the World Food Programme (WFP), would be giving the keynote address.

2.2. The new Deputy Director General

The **Director General** introduced the new Deputy Director General of IICA, Mr. Lloyd Day, and mentioned some of his important professional achievements in the public and private sectors. The **Deputy Director General** said he was delighted to be joining the Institute, and the participants congratulated him on his appointment.

2.3. Study of the Institutional Net Rate (INR)

The **Secretary of Corporate Services, Mr. Carlos O'Farrill**, said the Director General had instructed him to carry out an analysis of the Institute's financial position in order to gauge the impact of the freezing of quota contributions on IICA's finances, take immediate action to

address the situation, and implement the recommendations proposed by the SACMI and the Executive Committee. Those recommendations included the need to implement a policy to recover the full cost involved in managing externally funded projects.

He also referred to the importance of legitimizing the institutional policy for collecting the INR, for which the Executive Committee and the IABA had instructed IICA to hire an external consulting firm to conduct a study to provide input for the INR policy, clarifying the concept and gathering useful information. He then introduced Mr. James Ebbitt, a consultant with the firm of EAM, Inc. / Mosley & Associates, who proceeded to present the INR Study, pursuant to Executive Committee Resolution N° 541.

Mr. **James Ebbitt** explained the background to the INR study carried out by his consulting firm, and aspects such as its methodology, scope, and objectives. He explained the process currently employed by the Institute to recover project management costs - a net neutral approach - and compared it with the policies and practices used by various technical cooperation organizations similar to IICA.

He stated that the main objective of the study was two-fold. First, to analyze the costs incurred by IICA in implementing externally funded projects as well as the methodology and process that the Institute had been using to recover the additional costs involved, in order to recommend to the Institute ways in which it could fairly recover the additional costs associated with the implementation of the projects in question. The second objective was to conduct a study of the international technical cooperation market in the field of agriculture, with a view to validating or suggesting modifications to IICA's internal policy for recovering costs related to the management of externally funded projects.

He mentioned that the approach used by IICA to recover the additional costs generated in implementing externally funded projects was fair, was supported by the Institute's accounting system, and was consistent with the practices of other international organizations and recognized methodologies. Based on the final data on income and expenditures for calendar year 2011, IICA's INR should be 8.1%, a percentage similar to that charged by other international organizations whose policies on the institutional net rate were studied as part of the review.

He mentioned that a key conclusion of the study was that a fair INR needed to be established and maintained; otherwise IICA's capacity to continue to provide high-quality technical and administrative support could be undermined.

He made several recommendations, one of the main ones being that, in addition to the annual study of the additional costs involved in managing externally funded projects that IICA used to calculate the INR, the Institute should employ the methodology included in the study in order to determine whether the INR needed to be adjusted to keep it up to date, taking into account inflation and other types of impact on the additional costs incurred in carrying out activities under externally funded projects in the future.

He explained that it was essential to adopt a transparent approach when setting the INR, and to review and update the rate each year. He also pointed out that charging a rate lower than the established INR was having a negative impact on the Regular Fund.

He added that IICA would be in financial danger if it continually made use of that fund to offset the indirect expenditures of externally funded projects.

He pointed out that, in some countries, legislative or policy barriers were an obstacle to the collection of the INR set by the Institute, and that IICA officials needed to have a better grasp of the method used to establish the INR and of the expenses that it was used to cover.

Following a discussion of the issue by the **members of the SACMI**, the Director General, the consultant, and IICA officials present at the meeting, consensus was reached on the following points:

- The INR policy should be based on the full recovery of the indirect costs proportional to the amount of external resources executed, avoiding the use of the Regular Fund to finance the indirect costs of externally funded projects.
- Having a clear understanding of the concept and institutional application of the INR, and of the method used to calculate it, would make it easier to negotiate with the Member States and funding agencies.
- Another fact that needs to be clearly understood is that when IICA receives less INR resources than the amount to which it is entitled as a proportion of the external funds managed, this has a negative impact on the Regular Fund.
- It is important for the Institute to recover the costs involved in managing externally funded projects, in order to lessen the impact on the Regular Fund.
- The question was raised of the scenario required to make the Institute more competitive, identifying a rate that would make it possible. An exercise would need to be carried out to establish the scenario required.
- It would be useful to explain the criteria used to define the INR, and the method employed to calculate the rate determined by the study.
- It is important that the policies for collecting the INR establish mechanisms whereby IICA is able to receive contributions in kind, and define the cases in which the Institute could waive collection of the INR or reduce the rate.
- In response to the proposal that data for several previous years be used to calculate the INR, it was stated that the most recent data should be used, since it better reflects the real costs, given the effect of inflation over time, fluctuations in exchange rates, and other factors, such as the change in the cost structure.
- The practical impossibility of collecting the INR in advance was explained. The time frame of projects and the amounts involved varied, and sometimes projects were cancelled. Moreover, some funding agencies were opposed to the idea in principle.
- The discussions highlighted the Institute's advantages over other institutions that administer projects, including the fact that it has stable officials and technical personnel, and operates with a high degree of administrative rigor and transparency.

The **Director General** thanked the consultant for the job he had done, and the delegates to the SACMI for their input. He emphasized that the Administration's aim was not to finance IICA with the INR, but to manage the resources entrusted to it by the countries for the implementation of projects with all due care, and recover the costs incurred.

Clarification of the regulations governing the INR

The **Secretariat of Corporate Services**, based on the detailed work carried out by the consultant, presented a proposal for amending the wording of subparagraphs 3.5.2 and 3.5.4 of the current rules governing the INR. The meeting was of the opinion that the proposal was in need of further work and should be presented again at a later date. The **Director General** offered to study the text again, taking into account any observations received.

2.4. Report on the collection of quota contributions

The **Secretariat of Corporate Services** presented a report on the collection of quota contributions in 2011 and up to June 7, 2012, as well as the situation of the member countries with regard to the payment of their quotas up to that date. It was announced that quota payments had been received recently from Costa Rica, Brazil, and Saint Lucia.

The **Director General** added that he had met with senior officials of the Government of Venezuela. This year the country had made a payment of US\$1.3 million to cover quota arrears.

2.5 Other business

The **Delegation of Argentina**, on behalf of Mr. Jorge Neme, presented a report on the country's work as the Representative of the Inter-American Board of Agriculture (IABA) to the Board of Directors of the Tropical Agriculture Research and Higher Education Center (CATIE).

The **Director General** expressed his satisfaction at the active participation of the IABA representative in the work of CATIE's Board of Directors. He was keen to see CATIE achieve its objectives, and IICA would assist it in every way possible.

Finally, the **Delegate of Argentina** reiterated her country's offer to host the next regular meeting of the IABA.

III. Points of Agreement

The **Director General** presented the following points of agreement:

1. Incorporate the input received at the meeting into the Study of the Institutional Net Rate (INR), and, with the consultant's assistance, prepare a revised version for presentation to the Executive Committee. The revised version would be sent to the members of the SACMI by email.
2. Analyze the desirability of revising the modification to subparagraphs 3.5.2 and 3.5.4 of the current rules governing the INR, taking into consideration the input received from the SACMI delegates at this meeting.

IV. Close of Meeting

At 13:00 hours on July 12, 2012, the agenda items having been studied and discussed at length, the Director General thanked the members of the SACMI for their valuable recommendations and input, and adjourned the meeting.