

Inter-American Foundation

Meeting of the Board of Directors and Advisory Council

November 6, 2017

The board of directors and advisory council of the Inter-American Foundation (IAF) met at the offices of Baker & McKenzie LLP at 815 Connecticut Ave, NW Washington, DC 20006, on November 6, 2017. Board members present were Eddy Arriola, chair; Juan Carlos Iturregui, vice-chair; Jack Vaughn, secretary; and members Kelly Ryan, Luis A. Viada, and Roger Wallace. IAF advisory council members present were Amb. Alexander Watson, chair; and members Rafael Fernandez-MacGregor, Nicolás Mariscal, Amb. Hector Morales, George Muñoz, Juan Edgar Picado, James Polsfut, and Christopher Sabatini. Members of the IAF management team in attendance included Paloma Adams-Allen, president; Lesley Duncan, chief operating officer; Marcy Kelley, managing director for grantmaking and portfolio management; Barbara Aliño, managing director for external and government affairs; Paul Zimmerman, general counsel; and Karen Vargas, executive assistant. Additionally, IAF staff members, Mary DeLorey, Anita Isaacs, Kristie Jacobs, Rajiv Jain, and Seth Jesse were present.

I. CALL TO ORDER

Chairman Arriola provided welcome remarks and called the meeting to order at 1:12 p.m.

II. APPROVAL OF THE MINUTES

The minutes of the meetings of the IAF Board of Directors that took place on April 24, 2017, May 22, 2017, and September 6, 2017 were approved and adopted by a unanimous voice vote.

III. ADVISORY COUNCIL UPDATE

IAF President Paloma Adams-Allen thanked Ambassador Morales for agreeing to host the annual meeting and reception of the IAF Board and Advisory Council at the Law Offices of Baker and McKenzie. Adams-Allen recapped the September 6 decision of the board to graduate members of the advisory council whose terms had ended and to extend invitations for an additional three-year term to graduated members with records of exceptional participation and continued alignment with the foundation's priorities. The foundation is pleased to report that the following members decided to join for an additional three-year term: Rafael-Fernandez MacGregor; Nicolás Mariscal; Amb. Hector Morales; Juan Edgar Picado; James Polsfut; and Amb. Alexander Watson. In addition, the board and management team agreed to reach out to additional candidates with expertise in media, private sector, nonprofit sector, and academia. To date, the IAF has confirmed three new members to the advisory council. Christopher Sabatini (Columbia University) and George Muñoz (Muñoz Group and formerly at OPIC) are present at today's meeting. Matt Swift (Concordia) was unable to join due to a previous conflict. Biographies for the new members were included in the briefing materials for reference.

Sabatini stated that he was excited to join the advisory council, he noted his 2016 experience leading a delegation with the Aspen Institute to visit development projects in Central America. The site visits in Guatemala left a very positive impression of the IAF's work in the region and he is honored to join the IAF Advisory Council. Meeting participants joined in welcoming Sabatini.

Muñoz joined the meeting during the agenda overview, at which point he expressed his gratitude to the board and the management team for their invitation.

IV. MANAGEMENT REPORT

A. Overview

IAF President Paloma Adams-Allen outlined the agenda for the meeting and provided a brief update of IAF affairs in fiscal year 2017. Adams-Allen thanked the board for making the decision to hire her in May 2017 and for their confidence and support during the CEO transition. Additionally, she introduced Barbara Aliño as the IAF's new managing director for external and government affairs, and Anita Isaacs who joins the foundation as a migration specialist.

In fiscal year 2017 the IAF management team together with the board of directors advanced three key deliverables that set up the foundation for continued success in 2018. They moved ahead with updating the advisory council; approved a new five-year strategic plan; and instituted the IAF's first annual program projection. More information on the annual projection will be discussed in the last part of the meeting. Next, Adams-Allen previewed some of the major accomplishments of each of the teams - programs, operations and external and government affairs. Highlights included, launching an IAF-wide irregular migration initiative, implementing a new grants management system, and leading two successful congressional staff delegations to visit IAF grants in El Salvador, Guatemala and Colombia.

FY17 Audits. Through the exceptional work of the operations team, the IAF implemented 86 of the 94 security controls under the Federal Information Security Modernization Act in FY17; received an unmodified opinion on its FY17 financial audit; and received the highest marks on its five-year audit on ethics operations.

IAF Budget. In FY17 the IAF received a straight-line appropriation from FY16 at \$22.5 million and a \$6 million transfer from USAID to support the U.S. Strategy in Central America (CEN). To date, the IAF has obligated all of these resources and is now unlocking a FY17 CEN transfer for up to \$15 million from USAID. The FY18 budget process is also ongoing, to summarize, Congress rejected a proposal to shutter the IAF in FY18: the House mark for IAF in the State and Foreign Operations Bill is \$11.25 million and a recommendation for a CEN transfer of up to \$10 million, and the Senate mark is at the full \$22.5 million level and calls for a CEN transfer of no less than \$12 million. The IAF is operating under a continuing resolution through December 8. Moreover, the IAF is also engaged in the FY19 budget process. Most recently, the IAF responded to the Office of Management and Budget's (OMB) request that the agency consider two scenarios - one with the IAF operating at the \$11.25 million level and another in which the agency would be consolidated into USAID. Adams-Allen praised the budget team for skillfully steering the IAF through three budget processes in one year.

Adams-Allen reported that in FY17 the IAF also focused on honing key topline messages, conducted best and worst-case budget scenario planning, continued to make upgrades to our grant-making process, and laid the groundwork for the future of the office of networks and strategic initiatives in preparation for Steve Cox's retirement. Following a short question and answer session, board and advisory council members congratulated Adams-Allen on a successful six-months at the IAF and commended her on the hard work and strong leadership she has brought to the foundation.

B. Report on the Implementation of IAF's Strategic Plan

Chief Operating Officer Lesley Duncan reported on the IAF's budget and operations in FY17 compared to FY16. The total FY17 budget of \$32 million was slightly higher than the \$29 million in FY16. The IAF's congressional appropriation remained constant across both years at \$22.5 million. Of note, the FY17 budget included a \$6 million transfer for support of the U.S. Strategy in Central America. The IAF also received \$3.3 million from the Social Progress Trust Fund (SPTF), a reduction of \$2.1 million from the FY16 level. Moreover, in FY17, staffing increased slightly from 38 to 42 full time equivalents.

The IAF's 2013 – 2017 strategic plan outlines five strategic goals to guide the foundation's programmatic and operational work. Duncan summarized the principal FY17 results across the 19 metrics for progress in meeting the strategic goals, noting that the IAF exceeded or met the majority of these. The full set of metrics were presented in detail in the meeting materials and are reported publicly in the annual management report to be submitted to the OMB and Congress in January 2018. Duncan noted that because the foundation is in its first year of the 2018 – 2022 Strategic Plan (approved on May 22, 2017), the IAF will report against new metrics at the next full meeting of the board and advisory council in November 2018. The IAF 2018-2022 Strategic Plan is included in the briefing materials. Board and advisory council members offered ideas and recommendations for how the foundation might use publications, media, and relationships in academia to grow awareness of IAF's successes and to continue elevating the discourse on grassroots development in Latin America and the Caribbean (LAC). Several members also proposed ideas for how the foundation can reconfigure the fellowship program to better integrate the fellows and the development grants program, open the program beyond doctoral students and to different models (i.e. business school, capstone project focused).

Webgrants. As part of goal three of the 2013 – 2017 strategic plan, the IAF embarked on modernizing its grants management system. IAF Chief Information Officer Rajiv Jain reported on the IAF's new comprehensive and completely web based grants management system – Webgrants, launched on October 2, 2017. The transition to Webgrants provides several advantages, namely, the centralization of data; built-in reporting functionality; full compliance with government requirements; and secure integration with the Bureau of Fiscal Services (BFS) financial system. Kristie Jacobs, program specialist, discussed next steps for the product deployment, including configuration into other languages in phase two and product rollout to external contractors and grantees in phase three.

Board and advisory council members congratulated the team on this accomplishment, noting specific aspects of Webgrants that are clear improvements over the older system, including the capacity of the system to produce reports, follow the complete lifecycle of a grant, interface directly with field staff, and the integration with BFS financial systems.

C. Program Report

FY17 Development Grants Program. Managing Director Marcy Kelley reported on the IAF's development grants program in FY17. The IAF funded a total of 122 funding actions representing a \$16.9 million investment by the foundation and \$19.5 million in counterpart for a total investment of \$36.4 million this fiscal year in the region. The IAF continued to emphasize funding in Central America and Mexico, which account for over 50 percent of the total FY17 portfolio. Moreover, with the \$6 million transfer from USAID, the IAF almost tripled the number of grants funded in El Salvador, Guatemala and Honduras as compared to FY16. The higher number of grants in the Andes includes the 18 small grants associated with the foundation's Colombia peace initiative, and make up 20 percent of the FY17 portfolio. In FY17 the number of multi-country grants continued to increase, reflecting our grantee partner's interest in collaborating across borders, primarily in the areas of youth leadership and communications. The IAF's current grants portfolio remains strong, with 306 active projects representing a commitment of \$73.7 million from the IAF and \$98 million from our grantee partners.

The top three program areas funded by the foundation in FY17 were: i) education and training (over 40 percent); ii) agriculture and food production (32 percent); and iii) enterprise development (13 percent).

IAF Programming to Support Alternatives to Irregular Migration. Foundation Representative Mary DeLorey and Senior Program Specialist Anita Isaacs discussed the IAF's work to promote viable alternatives to irregular migration.

The IAF hired a Senior Program Specialist, Anita Isaacs, to review, assess and document the IAF's body of work on alternatives to migration. Isaacs highlighted the core components of her research, which include: i) how do IAF programs generate alternatives to irregular migration; ii) how does IAF's experience add to the current debate and complement programming in this arena; and iii) what are some ideas for engaging in other programs or partnerships. Meeting participants discussed these issues and the work being conducted by Isaacs and the internal migration group.

V. MEXICO EARTHQUAKE RESPONSE

A. Partnership to Support Post-Earthquake Recovery in Mexico

In September 2017, Mexico experienced devastating earthquakes that caused approximately \$2 billion worth of damage and, at the time of this meeting, the loss of 471 lives. In response to the earthquakes, there has been an outpouring of citizen mobilization, and Mexican and international actors have been responding to the more immediate humanitarian needs. The IAF has a comparative advantage in supporting long term recovery efforts because of our commitment to grassroots designed and led solutions. As such, the IAF is joining forces with the Mott Foundation and current

IAF grantee Comunalia (Alianza de Fundaciones Comunitarias de Mexico) to stand up the Partnership to Support Post-Earthquake Recovery in Mexico. The heart of the partnership will be a challenge grant fund that will build on core funds contributed by the IAF, the Mott Foundation and other partners, which will be used to attract matching contributions from U.S. community foundations and Mexican foundations and corporations. Comunalia will manage the partnership, making funds available to Mexican community foundations operating in the affected areas to support diverse community-led recovery and rebuilding initiatives. A detailed description of the partnership structure and an overview of the anticipated multiplier effect of the effort were presented at the meeting.

B. Remarks by advisory council members based in Mexico

Advisory council members Rafael Fernandez-MacGregor and Nicolás Mariscal were invited to comment on the IAF Partnership to Support Post-Earthquake Recovery in Mexico. Fernandez-MacGregor congratulated the IAF on its innovative initiative and overviewed the work of two organizations, Construyendo and Fundación Cantaro Azul, currently involved in reconstruction efforts throughout Mexico. Mariscal joined in praising the IAF's initiative and provided additional statistics on the impact of the quake and the response of the Mexican government and local partners. He also underscored the importance of working with and for the affected communities, while respecting their leadership and preserving cultural heritage wherever possible. A brief discussion ensued among meeting participants.

VI. NEW BUSINESS

A. Overview of FY18 Country Prioritization Exercise

President Adams-Allen announced that starting in fiscal year 2018 the IAF will set annual funding targets for its development grants in LAC (i.e. annual program projection). This year's programming priorities are based on the FY17 level for grants (\$17 million) and was informed by substantial analysis and contributions by foundation staff. A full copy of the FY18 projection was included in the briefing materials.

Marcy Kelley provided a brief overview of the FY18 country prioritization exercise, highlighting the political, technical, and operational criteria assessed and applied to slot LAC countries into the following prioritization categories: i) priority countries (highest scores, greatest funding allocation); ii) limited engagement countries (median scores, lesser allocation); and iii) exceptional opportunities (lowest score, limited funding).

Adams-Allen added that the process yielded eight "priority countries" (Guatemala, Honduras, El Salvador, Colombia, Mexico, Haiti, Nicaragua, and Peru) that will account for the majority of the IAF's FY18 funding; eight "limited engagement countries" (Brazil, Paraguay, Ecuador, Bolivia, Dominican Republic, Panama, Costa Rica, and Jamaica) will account for a lesser percentage of funding. A small percentage of annual funding will be allocated to opportunities in four countries (Argentina, Belize, Uruguay, Chile) and the Eastern Caribbean sub-region that are considered "exceptional opportunities." Finally, a small percentage of FY18 funding will be allocated to strategic cross-sector partnerships and multi-country grants. In addition, Adams-Allen noted that,

per the IAF's new strategic plan, funding targets in order of precedence will be those that: i) expand economic opportunity; ii) enhance peace and security; iii) strengthen governance; and iv) build partnerships for development.

Lastly, Adams-Allen proposed a way for the board to be involved in the IAF's proposal review and grant approval process. Specifically, she noted that prior to grant approval, CEO consultation with the board could be triggered by proposals or funding actions that meet one of the following: i) are greater than \$400,000; ii) significantly exceed limits set forth for geographic or thematic targets; iii) pose potential institutional risks to IAF; and iv) would move the IAF into a meaningfully different area of activity than traditional grant making.

B. Discussion of the Proposed FY18 Annual Program Projection

A brief discussion followed allowing members of the board and advisory council to comment on the FY18 country prioritization exercise and the geographic and thematic funding targets. The management team elaborated that while there are only four thematic funding targets included in the projection, there are several types of projects that naturally fold into one of those buckets. The IAF will report to the board quarterly on targets, year one will be a learning year and tweaks to the projection and process are expected and welcomed. Board members congratulated the IAF management team and President Adams-Allen for her leadership in this thoughtful and well-articulated process. Other meeting participants noted their satisfaction with the process and the FY18 program projection. Board Chair Eddy Arriola suggested setting up a conference call for members of the IAF Board of Directors to further discuss triggers for board consultation.

VII. ADJOURNMENT

Prior to closing the meeting, long standing board member, Roger Wallace, announced that after 14 years on the IAF Board of Directors, he would be turning in his resignation effective the end of the calendar year. Participants joined in thanking Wallace for his service.

Without further business, the meeting was adjourned at 5:15 p.m. by Board Chair Arriola.

DATES FOR MEETINGS IN 2018

Board trip – TBD. Tentatively, early April to Central America

Monday, May 7: meeting in Washington, DC

Monday, August 6: board call

Monday, November 19: meeting in Washington, DC (with advisory committee members)