

**Paper 4B: Funding IATI in Y4 and Y5, 2016-2018**

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Whilst the primary purpose of the paper is to convey the Board's recommendation to members on the membership fee for the next two years, the paper also reminds members of the challenges faced in achieving a sustainable resource base for IATI using the funding model endorsed by the Steering Committee in March 2013. Read in conjunction with the Annex presenting scenarios for membership fees and with the proposed work plan and budget (paper 4C), this paper puts forward options for consideration by the Members' Assembly for placing IATI on a more sustainable footing during the extension of the current hosting arrangement and explains why retaining similar levels of fees is not considered acceptable.

### **BACKGROUND AND CHALLENGES**

In March 2013, IATI members approved a funding model intended to raise 70% of IATI's budget from annual membership fees from providers of development cooperation (Tier 1) and the remaining 30% from fees from partner countries and CSOs (Tier 2) plus additional voluntary contributions. The level of the membership fee was set by the Steering Committee at \$ 43,250 for Tier 1 and \$ 1,100 for Tier 2. This level has remained unchanged since.

In the following 3 years, non-payment by a number of eligible members resulted in membership fees generating significantly less than was anticipated, especially in Y1. In addition, while IATI initially benefitted from some generous additional voluntary contributions, these have not been sufficient to raise 30% of the budget in Y2 or Y3, and have decreased year upon year (Year 1: \$ 865,725; Year 2: \$ 478,512; Year 3: \$ 356,862).

As a result, planned activities have been delayed or postponed indefinitely, with inevitable consequences in terms of delivery and impact. Some of these consequences bring significant risk to the sustainability of IATI particularly on the technical side, and examples of these are provided in the Addendum to this paper.

Taking the issues outlined in the Addendum into account, the Board has noted the recommendation of the independent evaluation of IATI that:

- **IATI should restructure its current financial arrangements to reduce the risks these present to its financial viability and sustainability.**
- **To the extent that IATI is and remains membership-fee based, the fees should cover the budget required for it to be a well-performing organisation.**

As described in paper 4C, the budget required to implement fully the proposed strategic directions for IATI in Years 4 and 5 is estimated at \$ 2.6 million annually. This budget covers all essential tasks to sustain and maintain the initiative (as based on the original hosting agreement with a budget of \$2.2 million) as well as those additional activities identified by members to further the initiative in terms of governance, technical standard and political presence, and make it fit for identified data needs, with an emphasis of data quality and data use.

With the above challenges in mind, the Board feels that the status quo in terms of funding is no longer acceptable, and presents to members a recommendation to increase the membership fee. In formulating its recommendation, the Board considered alternative funding scenarios. The voluntary contribution pledged at the December 2015 Steering Committee meeting by the Hewlett Foundation of \$200,000 for each of the two years of the extension period (Y4 and Y5) has been factored in and the amount to be raised - correspondingly lowered. Three options are presented in the Annex:

- Option 1 maintains the membership fees at current levels. This option provides just over \$1.3 million assuming the number of members remains unchanged. Under this option, fee income would yield only 50% of the income required for full adoption of the proposed work plan and budget. Unless the remaining \$1.3m could be raised by additional voluntary contributions - which past experience suggests is highly unlikely - this option would result in significant cuts to the proposed work plan and budget.
- Option 2 would increase membership fees to a flat rate of \$86,500 for Tier 1 and \$2,200 for Tier 2. This represents a doubling of the membership fee for both providers and partner countries. This option fully funds the proposed work plan, without the need for additional voluntary contributions. It assumes that the number of members remains unchanged, i.e. that all of those who currently pay a membership fee would continue to do so.
- Option 3 proposes a sliding scale for Tier 1 (providers) based on the annual expenditure of each organisation, with calculations using source data from the IATI Dashboard used to assess the coverage ratio for the Transparency Indicator. Tier 2 fees are similarly presented on a sliding scale, also using reported annual expenditure. This option covers 109% of the proposed budget and work plan.

The Board is mindful that members' budgets are limited and an increase in membership fees may be difficult to agree. Nonetheless it is more important to keep in mind the risks of failing to fund the initiative at a level that enables efficient delivery, presenting a barrier to progress and strategic positioning of IATI in the context of current global processes and opportunities. The Secretariat has prepared an Addendum to this document that presents detail on areas of the strategic direction that could not be delivered in the event that adequate funding was not received.

## RECOMMENDATIONS

Building on the recommendations of the evaluation, the consultations on the IATI mission and vision, and the work plan prepared with the Secretariat, the Board recommends that IATI members approve that the membership fee would be increased for Y4 and Y5 of the current hosting period in order to support full implementation of the proposed work plan and budget. Members are asked to discuss the recommendations in plenary and agree upon one of the two options presented below.

Recommended membership fees for 2016-2017 and 2017-2018 are presented here in brief and shown in more detail in the table overleaf:

(For option 2):

- Tier 1 (providers of development cooperation): \$86,500
- Tier 2 (partner countries, CSOs and others): \$ 2,200;

(For option 3):

- Tier 1a (providers above \$5 billion): \$120,000
- Tier 1b (providers \$3-5 billion): \$100,000
- Tier 1c (providers \$1-3 billion): \$ 80,000
- Tier 1d (providers up to \$1 billion): \$ 60,000
- Tier 2 (partner countries, CSOs over \$100m: \$ 4,000
- Tier 3a (CSOs \$50-100 million): \$ 2,000
- Tier 3b (CSOs \$10-50 million): \$ 1,000
- Tier 3d (CSOs up to \$10 million): \$ 500

The Board also recommends that it be mandated to work with the Secretariat to allocate resources that may become available beyond the approved budget (for instance through voluntary contributions), based on the strategic directions agreed by the Members Assembly (Paper 3). Information on the provision and allocation of such additional resources would be shared with members on a regular basis.

### LONG-TERM FINANCIAL SUSTAINABILITY

The membership fee proposed in this paper would be valid for two years, from September 2016 to August 2018. The funding model for IATI beyond then, including membership arrangements and fees, will form an important part of the Terms of Reference for the consultancy on the future hosting arrangements for IATI, which is covered in Paper 5.

Paper 4B.3 SCENARIOS FOR MEMBERSHIP FEES IN Y4 AND Y5

SCENARIO 1 (no fee increase)

Total budget (includes 8 percent buffer)					Comments
2,600,000					<b>In Scenario 1:</b> NOT RECOMMENDED. Retaining the current level of membership fee will not be adequate to fund the activities proposed for the upcoming financial year. The amount of voluntary contributions has been falling year-on-year and even with the VC of \$200,000 received from Hewlett Foundation for each of Y4 and Y5, the shortfall is still expected to be more than \$1.2 million. The IATI budget would therefore have to be limited to below \$1.4 million, with the corresponding reduction in delivery of the agreed workplan.
<b>New Membership Fee Scenario 3</b>	<b>Paying Members</b>	<b>Total from paying members</b>	<b>Total MF</b>	<b>VC required</b>	
Tier 1	\$43,250	30	\$1,297,500	\$1,310,700	
Tier 2	\$1,100	12	\$13,200	\$1,289,300	
			50%	50%	

SCENARIO 2 (flat rate fee, increased by 100% for all members)

Proposed budget (includes 8 percent buffer)					Comments
2,600,000					<b>In Scenario 2:</b> In this case, IATI will cover its annual budget fully through membership fees with no requirement for additional voluntary contributions. It is premised on the basis that all those currently paying a membership fee continue to do so at the new level (or that those leaving are balanced by new members joining). This model does not rely on voluntary contributions, as recommended by the 2015 Evaluation.
Actual amount to raise (reduced by \$200,000 already received in VC from Hewlett Foundation)					
2,400,000					
<b>New Membership Fee Scenario 3</b>	<b>Paying Members</b>	<b>Total from paying members</b>	<b>Total MF</b>	<b>VC required</b>	
Tier 1a	\$86,500	30	\$2,595,000	\$2,621,400	
Tier 2	\$2,200	12	\$26,400	\$0	
			109%	0%	

SCENARIO 3 (Tiered membership fees (based on last available annual expenditure (2014 for providers)

Proposed budget (includes 8 percent buffer)					Comments
2,600,000					<b>In Scenario 3:</b> This scenario presumes a sliding scale of membership fee similar to the one applied by the Open Government Partnership. It presumes that membership fees are levied at \$120,000 for countries with annual expenditure above \$5 billion (Tier 1a), \$100,000 for countries with expenditure between \$3 and \$5 billion, \$90,000 for countries with expenditure between \$1 and \$3 billion, and \$60,000 for countries with expenditure below \$1 billion. It also presumes that all those currently paying a membership fee continue to do so at the new level (or that those leaving are balanced by new members joining).
Actual amount to raise (reduced by \$200,000 already received in VC, Hewlett Foundation)					
2,400,000					
<b>New Membership Fee Scenario 3</b>	<b>Paying Members</b>	<b>Total from paying members</b>	<b>Total MF</b>	<b>VC required</b>	
Tier 1a	\$120,000	8	\$960,000	\$2,624,500	
Tier 1b	\$100,000	5	\$500,000		
Tier 1c	\$80,000	6	\$480,000		
Tier 1d	\$60,000	11	\$660,000		
Tier 2	\$4,000	4	\$16,000		
Tier 3a	\$2,000	2	\$4,000		
Tier 3b	\$1,000	3	\$3,000		
Tier 3c	\$500	3	\$1,500		
			109%	0%	

Notes:

The budget for Y4 is USD 2,398,770.35. Calculations include contingency of 8% and the figure is therefore rounded to USD 2,600,000.

The buffer is included to offer stability and continuity in cases of non-payment or delayed payment.

A voluntary contribution of \$400,000 (200,000 each for years 4 and 5) from the Hewlett Foundation. Correspondingly the amount to be raised in each scenario is reduced by \$200,000

**There are currently 30 paying members in Tier 1; Secretariat members do not pay a membership fee and instead provide service in-kind.**

Fee bands in Scenario 3 are based on annual expenditure drawn from the IATI sources used in the dashboard to calculate coverage for the GPEDC Transparency Indicator

Tier 1a (above \$5 billion): African Development Bank, European Investment Bank, Germany, Inter-American Development Bank, Korea, UK, USA, World Bank-IDA

Tier 1b (\$3-5 billion): Australia, EC, Netherlands, Sweden, UNICEF, WFP (where membership fee cannot be paid, equivalent VC is accepted in lieu)

Tier 1c (\$1-3 billion): Gates Foundation, Canada, Denmark, GAVI, Global Fund, IFAD

Tier 1d: Belgium, Finland, Ireland, Hewlett Foundation, New Zealand, UN Women, UNFPA; and pending confirmation of 2014 spend, CIFF, UNEP, FAO, UNIDO are temporarily included as Tier 1c also

**There are currently 12 paying members in the Partner Country, CSO and Other category (Tiers 2 and 3)**

Fees and tier levels have been bench-marked against Bond, Interaction, INGO Accountability Charter and Civicus membership fees

Tier 2 (\$100m+ and partner countries; this proposal assumes that partner countries currently paying a flat rate will be prepared to pay a higher fee

Tier 3a (\$50-100m): Currently no members

Tier 3b (\$10-50m): InterAction; Transparency International

Tier 3c (\$up to 10m): Bond, CPDE, Cordaid, DG, Catalpa, INGO Accountability Charter, PWYF