



Meeting of IATI Steering Committee Members and Observers – 1-2 June 2015
The Shaw Centre, 55 Colonel By Drive, Ottawa, Ontario

Paper 6.A: Budget IATI Y3 September 2015 – August 2016

The attached documents present a work plan prepared by the IATI Secretariat for Financial Year 3, September 2015 to August 2016, together with a budget to support the achievement of the strategic objectives set out in the work plan, for review and approval by Steering Committee members.

Figures presented below and in attachment 6.B show a core budget amounting to \$1.93m (\$1.6m net of in-kind contributions). This finances a work plan which the Secretariat believes includes the minimum activities required to ensure IATI remains active and functional in Year 3 and beyond. The core budget and work plan are developed around the level of income realized in Year 2; however, carrying out additional activities of strategic value would raise the budget to a fully funded amount of \$2.62 (\$2.29m net of in-kind contributions). Additional activities are shown in Tab 3 of the detailed work plan, Paper 6. This more ambitious plan gives an accurate reflection of requirements based on strategic priorities, and is important to share for fund-raising purposes.

In addition to IATI's funding approach through cash contributions of members, the IATI Secretariat complements the cash funding through in-kind contributions of staff costs. In Y3 these amount to \$330,000.

Necessary preconditions for the Secretariat to begin undertaking activities based on a work plan and budget, apart from the Steering Committee's authorization, are the availability of cash deposited in the dedicated IATI account. The IATI Secretariat is hence seeking approval of both budget scenarios on the understanding that spending authority is only provided for the work plan activities financed from cash actually received in the IATI account. In circumstances where cash is not even meeting the requirements of the "core budget", advice will be sought from the Sub-Group on Budget and Finance. The Secretariat will continue to consult with the Sub-Group in any case on a quarterly basis to update the group on the financial status of the initiative and seek its guidance for the way forward.

Core budget - \$1.93m (net of in-kind contribution, \$1.6m)

This core budget represents a scaled back, financially responsible budget, characterized by operations at the most basic level and without flexibility to deliver beyond a minimum level of service. Planning has been carried out based upon the amount of income actually received in Year 2 (details shown in Paper 6.C, Report on Income and Implementation), and reflects the challenges faced in resource mobilization by members. With membership fees

remaining at the current level this leads to an unfunded amount of approximately \$127,000 or 5% of the budget, which the Secretariat believes can be met through concerted resource mobilization efforts, together with new memberships.

Fully funded budget - \$2.62m (net of in-kind contribution, \$2.29m)

Members' attention must be drawn to the important point that the core budget includes no funded travel for any participants for Steering Committees and TAG meetings in Year 3, which would add an estimated \$280,000. This is included in a fully funded budget. Other notable activities within a fully funded budget include travel for strategic engagement of IATI in key events, and website upgrade. A full list of deliverables in core and fully funded budgets is shown in the detailed work plan at Paper 6.B.

Risks & Mitigation in Year 3

Financial management protocols and careful project management remove any risk of IATI running a deficit, since financial rules in place in each of the Secretariat entities ensure the initiative operates on a cash-available basis. Activities are therefore prioritized in the attached work plan, and through diligent project management only funded activities can be carried out, in the order of priority shown. However, it has been seen in Years 1 and 2 that cash uncertainty has a considerable impact on the Secretariat's efficiency.

The highest cost elements relate to staffing, and recruitments in Year 2 have been placed on hold in both Development Initiatives and UNDP due to late receipts and lower than anticipated income levels. Similarly in Year 3, unless income is generated in a timely fashion the staffing will remain below approved levels, with knock-on effects on reductions in service.

IATI members are encouraged to emphasize the essential results envisaged to interested parties as a means to increasing income levels. The Secretariat stands ready to facilitate resource mobilization efforts at the request of and as directed by IATI members.

Considerations beyond Year 3

Although discussion in this paper is centred around the budget for Year 3 only, it is important to maintain a longer-term perspective in order to ensure cost efficient and effective operation of the Secretariat in the implementation of IATI's priorities. Sustainability depends on having a strong and clearly articulated business model and strategic vision for resource mobilization beyond the initial three years of hosting by the current Secretariat. Although the Secretariat has begun working on a resource mobilization package this work requires guidance around strategic priorities from members during the coming 6-12 months.

Even though membership fee contributions have risen in Year 2, anticipated voluntary contributions have fallen significantly from \$865,725 in Year 1 to \$478,512 in Year 2¹. Recognising this significant challenge to the future financial sustainability of the initiative, a dedicated workshop session is included in the Steering Committee agenda to look at the funding model and sustainable resourcing solutions. Without wanting to force nor preempt any decision on IATI's future managerial arrangement the current situation suggests that strategic planning decisions beyond annual cycles are needed for the long-term future for IATI, and these will be guided in part by the outcomes of current global discussions as well as the ongoing independent evaluation of IATI.

Approval requested

Reflecting a level of ambition considered crucial to prepare IATI for operations in post-2015, the Secretariat seeks members' conditional approval of the fully funded budget of \$2.62 (net \$2.29m), comprising a core budget amount of \$1.93 (net \$1.6m) as a minimum operating budget. As explained further above, these figures present no financial risk to IATI given its cash-based accounting, and provide the scope for the fully funded work plan to be implemented without a formal budget revision process at the next SC meeting, if resource mobilization efforts successfully increase income.

Reference papers:

- Paper 6.B, comprising:
 - Sheet 1 – Y3 Introduction and Income
 - Sheet 2 – Outline Annual work plan for core \$1.93m budget showing staff and activity costs aggregated at the output level, together with prioritization of activities.
 - Sheet 3 – Detailed work plan showing both core and fully funded budgets
 - Sheet 4 – Staff costs
- Paper 6.C, Income and implementation Year 2
- Paper 6.D, IATI Year 2 Financial update
- Paper 6.E, IATI Year 2 Income Statement
- Paper 6.F, IATI Total Income Statement
- Paper 6.G, Certified Financial Statement December 2013
- Paper 6.H, Certified Financial Statement December 2014
- Paper 6.I, Interim Financial Statement 30 April 2015

¹ Paper 6.E Year 2 Income statement