



## **Meeting of IATI Steering Committee Members and Observers UN City, Copenhagen, Denmark 2014**

### **Paper 5 - Future funding options and fundraising strategy**

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#### **PURPOSE**

This paper outlines challenges faced in achieving a sustainable resource base for IATI using the funding model endorsed by the Steering Committee in March 2013. The paper sets out some options for making the funding model more sustainable and seeks the approval of the Steering Committee to pursue the recommended measures. This paper should be read in conjunction with the Paper 4 on membership which addresses some overlapping themes as well as the supporting Annex to Paper 5.

#### **BACKGROUND**

In September 2013, IATI moved to a new funding model intended to provide financial sustainability for the initiative. Prior to this point, under the leadership of the United Kingdom's Department for International Development, the initiative had been funded entirely by a small number of very generous donors. The new model was based on the premise of raising 70% of IATI's budget from annual membership fees from providers of development cooperation and the remaining 30% from fees from partner countries and CSOs plus additional voluntary contributions, in line with the decision made by the Steering Committee in March 2013.

This funding model is codified in IATI's Standard Operating Procedures (SOP 2.3 Membership Costs) which also confirms that the level of membership fees is to be approved by the Steering Committee on an annual basis but that efforts will be made to keep the level of fees stable. As a further step in ensuring stability, the SOP includes an undertaking that donors' membership fees would not increase beyond \$50,000 in financial year 2014/15). No clear distinction was made in the SOP between country classifications at the low income range, and those at lower and upper middle income levels.

*Current membership fees, based on the Y1 2013/14 budget, are shown on the following page:*



| Membership Category  | Annual Membership Fee Schedule<br>= (Annual budget x 70%)/Number of<br>providers of development cooperation | Worked example based on 2013/14<br>budget = (\$2.1mil x 70%)/34<br>= (\$1,4mil)/34<br>= \$43,235 |
|--|---|--|
| Provider of development cooperation                                  | 100% of membership fee  | \$43,250   |
| Provider of development cooperation (budget below USD \$250 million) | 50% of membership fee   | \$21,625   |
| Partner Country  | 2.5% of membership fee  | \$1,100  |
| CSO and other organisations  | 2.5% of membership fee  | \$1,100  |

### CHALLENGES WITH THE EXISTING FUNDING MODEL

The current membership fee for donors was set on the assumption that all 34 eligible members<sup>1</sup> from the category of ‘providers of development cooperation’ would pay their annual membership fees. In practice, only 21 members in this category paid their fees in year one. Of these, six made additional voluntary contributions and/or paid future fees in advance. The remaining 13 eligible members in this category have not paid any membership fees for Year One and, of these, only the Global Fund has responded positively to the request for payment for Year Two, while two others have officially declined the payment of their membership fee.

With regard to partner country members and CSOs and other organisations, a nominal membership fee of \$1,100 a year was included in the SOP, although these were not collected in Year One while there was an expectation of potentially funding partner country memberships from other sources. Only Bangladesh has so far confirmed its commitment to make a payment for Year Two. Four CSO members have paid their first year’s fees of \$1,100, with one of these paying fees for Year Two in advance.

Of actual contributions collected in FY13/14, more than half of the budget was raised through additional voluntary contributions, taking the model closer in reality to 50:50.

<sup>1</sup> The 36 signatories to the Framework for Implementation are considered as eligible members, joined by two new members in the donor category. UNOPS, UNDP and Sweden as members of the hosting consortium are not eligible to pay fees, and have instead provided contributions in kind. The EC is constitutionally unable to pay a membership fees, but has made a generous voluntary contribution instead.



The Secretariat has continued to collect contributions following the established funding model for a full financial year (FY 13/14). However, non-payment of membership fees has led to a significant shortfall in the IATI budget and it has become clear that the funding model, discussed at length and adopted by the Steering Committee at its March 2013 meeting, has failed to place IATI on a secure and sustainable financial footing as was intended.

A budget with minimal shortfall has been presented for FY 14/15, but this has been possible only because fees were received late in FY13/14 and a number of activities have therefore been reprogrammed for FY14/15, with corresponding budget rolled over. The Secretariat has no expectation of a similar rollover in FY 15/16 however, and a strategy must therefore be agreed and implemented urgently to address the issue of sustainability in the course of the second year of operation.

Guidance is now sought from members as to how to proceed on the matter of funding and fundraising in a way that ensures sustainability and stability for the future.

### **OPTIONS FOR CONSIDERATION**

In considering the reasons for the shortfall, the Secretariat has concluded that the 70:30 model combined with a \$50,000 cap on donor membership fees has resulted in an outcome that is not financially viable.

The Secretariat has reviewed the funding models of OGP and EITI as most similar to IATI, and has examined and discounted a number of scenarios, including applying a single flat rate to all eligible members. Based on this research it has concluded that raising 100% of IATI's budget from a limited proportion of the member base is not sustainable in the future.

There are two options set out below. Members are invited to consider the merits of each, and to offer other recommendations based on the experience of their own organisations.

#### **OPTION 1 – Increase membership fee for paying members beyond the current cap**

This option maintains the current 70:30 model but recognizes that the membership base is smaller than the original calculation of eligible members, and increases donor membership fees accordingly. In order to make up 70% of the total budget for Y2 this would mean a 62% increase in



the membership fee for the 21 paying providers of development cooperation to \$69,960, and for the four paying CSO members to \$1,782. The remaining 30% of the budget would still need to be raised through additional voluntary contributions.

By applying this model, the cap on membership fees currently stated in the SOP is removed, opening the way for likely increases in membership fees annually to meet the actual budget requirement.

This option has the negative consequence of effectively penalising those members already meeting (and in some cases generously exceeding) their membership fee commitments.

### **OPTION 2 – Set up a new fundraising strategy to increase the voluntary contributions**

This model more accurately reflects IATI's actual fundraising in Y1, when a larger proportion of the budget was in fact raised through additional voluntary contributions than through membership fees. Many of these generous voluntary contributions in FY 13/14 were made as gestures of good will in recognition of the early cashflow challenges of the new Secretariat, and it cannot be guaranteed that the same level of voluntary contributions will be received in subsequent years.

This option accepts that not all eligible members will make contributions, making a 70:30 split unrealistic at this point in time. For Year 2 this leaves the initiative with a 50/50 model, wherein membership fees (including all categories) make up 50% of the budget and the remaining 50% is generated through additional voluntary contributions. This option requires a more active and elaborate resource mobilisation strategy, including a new focus on fundraising outside of the current membership base.

### **ACTION REQUIRED**

Steering Committee members are invited to consider the options presented above and provide guidance on the way forward to achieving a sustainable funding base to ensure the continued success of IATI. Within this discussion members are encouraged to keep in mind the fast-approaching political deadline set at Busan and the need to step up activities rather than suppress the ambition to support publishers in achieving their individual and collective commitments.



Acknowledging the urgency of finding solutions to meet these funding challenges, the Secretariat has made some initial suggestions (Annex to Paper 5) outlining some possible fundraising avenues. Members should note that this Annex does not represent a complete analysis of all possible options however, and further work is underway including with the support of an expert fundraising consultant, offered as a contribution in kind by UNDP.

Regardless of the option recommended by members, a new resource mobilisation strategy will need to be developed, and UNDP will lead this work in consultation with the Standing Sub-Group on Budget & Finance.