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**IFAD HQ, Via Paolo di Dono, 44, 00142 Roma RM, Italy**

## **Paper 8: IATI Governing Board paper on Long-term Institutional Arrangements**

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### **1. INTRODUCTION**

The current hosting arrangements for the IATI Secretariat come to an end in August 2018. The IATI Governing Board has been mandated to bring recommendations and a transition plan for future hosting arrangements to the Members' Assembly.

To support the Board's work on these issues, Canada commissioned consultants (Powered by Data) on behalf of IATI members to develop options for hosting arrangements and the range of issues potentially affected by them (e.g. governance, funding model). These options were informed by members' views gathered with support from the Board and the Secretariat. The consultants' report was distributed to members on August 30<sup>th</sup> and will be presented to the Members' Assembly in October.

The Board has undertaken consultations with members on the consultants' recommendations, with a particular focus on those most intertwined with the hosting and governance arrangements, including:

- The creation of an Executive Director position (recommendation 11);
- The hosting model and location of the IATI Secretariat (recommendations 13 and 14);
- The size and voting procedure for the Governing Board (recommendations 9 and 10);
- The structure of the membership fee (recommendation 7);
- The creation of a separate constituency for private sector members (recommendation 4).

The above list of recommendations must be considered as a group, as decisions on one question can have an impact on another, and their implementation should follow a logical sequence.

This paper:

- Informs the Members' Assembly of the Board's decisions on some aspects of the consultants' report that are within the Board's purview;
- Seeks the Members' Assembly approval on a number of Board recommendations;
- Presents a way forward on a number of consultants' recommendations for guidance by the Members' Assembly.

## 2. CONTEXT

Since 2013, the IATI Secretariat has been hosted by a multi-stakeholder consortium that includes UNDP, UNOPS, Development Initiatives and the governments of Ghana and Sweden. This arrangement was set to expire in 2016, but in December 2015 the IATI Steering Committee extended its duration for two years, ending on August 31<sup>st</sup>, 2018. The membership fee schedule approved at the Members' Assembly in June 2016 also sunsets in August 2018.

The 2015 independent evaluation of IATI recommended a review of long-term institutional arrangements for IATI to support its renewed vision and strengthen its sustainability. In December 2015, the IATI Steering Committee requested the Governing Board to guide the work towards ensuring long-term sustainable arrangements for hosting of IATI and that transition to such arrangements should take place during the extension of the current arrangements, no later than August 2018.

Hosting arrangements are part of broader institutional arrangements including governance, funding and membership. Therefore, in their review and consultations the Board and the consultants considered a range of inter-related issues that can influence IATI's effectiveness and sustainability. For the purposes of the consultancy, the Terms of Reference approved by the Members' Assembly required the consultants to examine both hosting of the IATI Secretariat and other relevant elements of institutional arrangements, including the funding model, membership criteria and governance structures, based in part on a comparative analysis of other multi-stakeholder initiatives or organizations.

The consultants' final report includes 14 recommendations, including a new hosting model, and an overview of the transition process to the recommended hosting model. The Board has divided these 14 recommendations into two categories:

- Category A includes those that can be implemented immediately as they do not prejudice the future hosting arrangement;
- Category B includes those that would affect or be affected by a new hosting arrangement and should therefore be considered at the same time as the hosting arrangement.

The next sections of this paper deal with each category in turn, whereas Annex 1 provides the full list of recommendations contained in the consultants' report and the Board's action on each of them (in a "Management's Response" approach).

## 3. RECOMMENDATIONS – CATEGORY A

The consultants identified several aspects of institutional arrangements where small improvements could be made to IATI's governance. Given that several of these improvements could be implemented within the current institutional arrangements, the Board decided to handle these recommendations separately, under the authority provided by the Standard Operating Procedure where relevant.

**Table 1** - The table below presents, for information, a list of recommendations that the Board either accepted or rejected in accordance with the Standard Operating Procedures (SOP).

#	Consultants' Recommendation	Board Decision	Rationale	Follow-up Action
1	The IATI technical team should assess the feasibility of prioritizing technical support for members over non-members, subject to a consideration of all other factors, as a way of providing a modest incentive for non-members to join the initiative.	Accepted	This only requires the Secretariat to assess the <b>feasibility</b> of prioritizing support to members. A decision to grant priority to members would have to be approved by the MA on the basis of the Secretariat's assessment and proposed approach.	IATI Secretariat to perform the assessment and report back to Board, which will determine future actions.
2	The Members' Assembly should approve a clear value proposition statement for the website. This statement should be amended if the incentives are changed.	Accepted	This will help explain to existing and potential IATI members the benefits of membership and of IATI more broadly.	Prepare statement based on IATI's mission and theory of change.
8	To ensure predictability in the annual budget, partner country travel should be a separate budget line that is funded at a set amount per annum. Partner countries as a group should manage this budget and determine the best way to allocate it to maximize partner country travel.	Rejected	This would be difficult to implement in any hosting arrangement, as it would require more formalised governance arrangements in the partner country constituency. However, the constituency may wish to put a proposal to the Members' Assembly at a future point.	None
12	The current model of chair selection via election of a board member should be retained in the short-term. We recommend that the Members' Assembly revisit the question of an external chair in the medium to long-term, for example, in five years' time, particularly if it decides to implement a completely independent, standalone secretariat. At that point, a determination could be made as to whether the potential benefits of an external chair would likely outweigh any risks.	Accepted	The Board agrees that the current model is working well.	None at present. The Members' Assembly could decide to revisit the issue in the future.

**Table 2** - The table below presents the Board's recommended decision for approval by the Members' Assembly on consultants' recommendations related to the Board's Code of Conduct and to partner country membership fees.

#	Consultants' Recommendation	Decision recommended by Board	Rationale	Follow-up Action
3	IATI should amend the current Code of Conduct for Members of the IATI Governing Board in the Conflict of Interest section to specifically require that Board Members recuse themselves from any Board discussion in which an actual, potential or apparent conflict of interest arises. The IATI Governing Board should make a strong collective commitment to upholding the recusal practices.	Accept	This recommendation is in line with the spirit of the Board's Code of Conduct. Clarifying rules related to conflict of interest can only be beneficial.	Prepare draft rules for approval by the MA.
5	Each partner country should be provided with the option to either pay for its own travel or pay the annual fee. Payment of EITHER an annual fee or travel to one meeting in a year would deem that country in good standing.	Accept	This change would help address repeated requests from partner countries over the years to provide greater flexibility on the form of their contribution, with a very limited impact on IATI's overall budget.	Prepare the required amendment to the SOP for approval by the MA.
6	A partner country experiencing financial difficulties may write to the Chair of IATI and request that the Board waive its annual fee for that year, providing an explanation of the financial difficulties it is encountering. The Board should in all cases waive the fee if it is reasonable to do so under the circumstances.	Accept	This change would help maintain partner countries facing financial difficulties in good standing on their IATI membership, with a very limited impact on IATI's overall budget.	Prepare the required amendment to the SOP for approval by the MA.

If the Members' Assembly approves the Board's recommended course of action on the above, the required changes to the Code of Conduct and Standard Operating Procedures will be presented to the MA for approval in session 14 at the end of Day 3.

#### 4. RECOMMENDATIONS – CATEGORY B

Category B includes the recommendations more closely tied to the future hosting arrangements, such as the working methods and structure of the Board, IATI's funding model, and the structure and location of the secretariat. These recommendations are addressed below in a sequence starting with the central question of the hosting arrangement (rather than in the order in which they appear in the consultants' paper) with some considerations related to the transition process (outlined in more details in section 5).

## 4.1 Secretariat structure and hosting (recommendations 13, 11 and 14)

From the consultants' report, two broad models emerge for the future IATI secretariat, depending on the hosting situation. They differ in important ways regarding some of the dimensions highlighted in the report, for instance the creation of an Executive Director position, the need for a legal entity, the size of the Board. Whether members have strong views on a given element may influence the hosting option they favour.

These differences can be summarized as follows:

- Secretariat hosted within a bigger institution, most likely multilateral (as per options 1 and 2 in the consultants' report):
  - Executive Director: may have more limited authority, as the host organization's internal rules and policies would likely prevail
  - Legal entity: not necessary (perhaps not possible)
  - Location: determined by the host organization, thus outside the power of IATI members
  - Board size: can remain unchanged
- Secretariat as independent entity (as per options 3 and 4 in the consultants' report):
  - Executive Director: necessary and feasible
  - Legal entity: necessary for option 3 (but not for option 4)
  - Location: must be decided by members, and will have an impact on other aspects (eg legal regime, recruitment of staff), and therefore on transition timelines
  - Board size: would be beneficial to enlarge

### 4.1.1 Hosting and Executive Director

The consultants recommend that the IATI secretariat become an independent legal entity headed by an Executive Director, in order to enable the organization to be more streamlined and effective and to provide clearer lines of accountability than a secretariat hosted by either a consortium as is currently the case, or by a single organization.

Important factors must be taken into consideration in making a decision on the hosting model:

- Costs: the consultants' general assessment is that implementing their recommendations would not increase the overall secretariat budget, as some additional costs would be offset by savings on other aspects. However, they were not asked to assess the costs associated with each hosting model in detail.
- Predictability and stability of funding: while predictable funding is important in either scenario, it would be crucial for a newly created independent entity to have a stable and predictable budget. On the other hand, a big organization acting as host could potentially offer a greater capacity to manage uncertainty and be more resilient to reduced funding or cash-flow variations, or may even provide part of the funding.

- Financial management: some members may have difficulty providing grants to a new organization with no track records. As highlighted by the consultants, this risk may be mitigated by associating the secretariat, at least for the first few years, with a platform providing financial management and other back-office services.
- Legal status: creating a legal entity for IATI may affect the legal relationship between IATI, its members and the Board. The legal implications of each hosting model will have to be fully explored.
- Role of IATI: most members see IATI as a political and technical initiative- combining an advocacy role for transparency with the maintenance of the standard and technical infrastructure for publishing and using data. The hosting arrangement could impact IATI's ability to perform effectively on both dimensions.
- Agility and innovation: greater agility and capacity to innovate would help IATI achieve its mission more effectively, being more responsive to challenges, opportunities and evolving needs. The decision-making processes, accountability lines, internal policies and so on of a host organization can support or stifle innovation, whereas IATI members could define what they deem appropriate in an independent secretariat.

Members who participated in Board consultations about the consultants' report were generally supportive of the recommended hosting option (i.e. independent entity). Members' feedback was also mostly supportive of creating an Executive Director position as a way to ensure clear roles and accountabilities. Several members also expressed support for the IATI secretariat to have greater independence from any organization, seeing this as being likely more responsive to the needs and priorities of members.

On the other hand, several members asked for more information about the pros and cons of each option, including potential costs. Some also expressed concern about the impact on IATI's standing, profile and legitimacy of losing its formal link to UNDP.

In light of the above, the Board does not believe that it can recommend a specific hosting option to members yet. Rather, the Board takes note of members' general preference for an independent secretariat supported by a suitable platform and headed by an Executive Director, but believes that additional work is required to reach a final decision on the matter.

Following the MA, **the Board will create a working group to explore the issues more fully and provide members with the additional information requested and recommendations** so members can make the final decision (potentially via written procedure). The Board invites members to comment further on these issues and to support this additional work. A notional transition process is outlined in section 5 of this paper and will serve as a framework for these next steps.

#### 4.1.2 Location

The legal regime under which an independent secretariat would operate would depend on its location. This legal regime would have an impact on early transition steps, including the

recruitment of an Executive Director and the selection of a support platform. Therefore, the location of the future secretariat should follow the decision on the hosting model as closely as possible.

The consultants highlight important factors to be considered in selecting a country and city to host an organization devoted to increasing the transparency of development resources. Members who participated in recent Board consultations indicated agreement with the selection criteria suggested by the consultants. Those who provided suggestions for location tended to favour Europe for a combination of policy (legitimacy, legal regimes) and logistical (e.g. transport) reasons.

The consultants also recommend against selecting a location based mostly on government offers. The Board agrees that this may not lead to the decision most likely to ensure the effectiveness and sustainability of IATI. However, consideration of governments' interest in hosting can be part of the overall assessment of potential locations.

Finally, the consultants suggested that as part of the transition plan, a working group be mandated to examine potential locations and make recommendations to the Board and Members' Assembly. The Board agrees with this idea **and recommends that the location of the future secretariat be part of the mandate of the future working group mentioned in 4.1.1, using the criteria outlined in the consultants' report.**

#### **4.2 Review of Fee Structure (recommendation 7)**

The current fee structure was approved at the 2016 Members' Assembly for two years, thus coming to an end in August 2018. The consultants recommend making the fee structure more progressive to reduce barriers to entry and transaction costs. The multilateral development banks have also suggested changes to the fee structure.

The Board wishes to highlight again the importance of predictable funding as IATI transitions to new institutional arrangements. The Board is also concerned about the amount of change facing the initiative in moving to new institutional arrangements. As such, while recognizing the potential merits of the consultants' proposal, the Board **recommends that the current fee structure be extended for 1 year (from September 2018 to August 2019)**, which corresponds to Y1 of the new hosting arrangements. This would help both simplify the transition process and financial stability for the first year of the new secretariat, guaranteeing that essential services, like the registry and website, will be maintained.

**The Board further recommends replacing the term "membership fee" with "membership contribution"** in all relevant documents (e.g. SOP, funding agreements), which would better reflect the nature of the financial support that members provide to the IATI secretariat's work. The required changes to the SoP will be presented to the MA in session 14.

In the longer term, members should consider making changes to the funding model that allow for more stable, predictable funding, whether this is through membership fees or other means.

### 4.3 Membership Categories (recommendation 4)

The consultants recommend creating a constituency for private sector members (distinct from CSOs) to enhance their number, participation and contribution in the initiative, rather than participating mostly through the Technical Advisory Board as is currently the case.

Members participating in the consultations had divergent views on this topic. Those opposed to the proposal wish to maintain the tri-partite nature of IATI, while others believe that creating a separate category for private sector members would be in line with recent multilateral initiatives and discussions where the role of the private sector in achieving sustainable development results is increasingly recognized. The Board could not reach a consensus on a recommendation to the Members' Assembly regarding **the creation of a separate constituency for the private sector**<sup>1</sup>. The Members' Assembly is invited to discuss and attempt to reach a consensus on this proposal.

Should the creation of the new constituency be approved, outreach efforts by the Secretariat should include targeting potential new members from the private sector, including both publishers and service providers. Changes to the SoP, if required, will be presented to the MA in session 14.

### 4.4 Board Structure and Working Methods (recommendations 9 and 10)

The hosting model recommended by the consultants is meant to ensure clearer roles and accountability between the Executive Director and the IATI Governing Board. The consultants highlight that a stronger Board, drawing from the diverse skills of the IATI community, would in turn ensure proper oversight of the new structure. They therefore recommend enlarging the Board from seven to ten members, with three seats each for the donor and partner country constituencies, two seats for CSOs and one seat for private sector members. They also recommend establishing a voting procedure for Board decisions.

The Board agrees that an enlarged Board would be better able to provide the leadership and support needed by the new independent secretariat. However, this decision should be deferred until members decide on the secretariat hosting model. A recommendation on the size and composition of the Board may be presented with the final recommendation on hosting, should the Board consider it relevant.

A larger and more diversified Board is more likely to face divergence of views on key topics. Thus the recommendation to agree on a voting procedure is a sensible one that the Board would support if the Board was enlarged. This decision should be deferred until then. A recommendation regarding a Board voting procedure may be presented along with recommendations on hosting and on Board size should the Board consider it relevant.

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<sup>1</sup> For the purpose of IATI constituencies, "civil society organizations" and "private sector organizations" should not be defined based on their role in the IATI community (e.g. as service providers) but based on their legal status. "Civil society organization" are non-government, non-profit organizations whereas "private sector organizations" are non-government, for-profit organizations. To simplify, a non-profit organization cannot distribute profits to members or investors, while a for-profit one can. As cooperatives can be registered as non-profit or for-profit, the constituency they belong to would have to be determined on a case-by-case basis.

## 5 WAY FORWARD

The more in-depth assessment of hosting options and other issues related to the future hosting arrangements must start as quickly as possible for the transition to new arrangements to be completed by August 2018.

The consultants' terms of reference included the preparation of "a high-level plan for implementing the recommended options, for the transitional process from the current arrangement to the long-term institutional arrangements."

The Board took the consultants' implementation plan in consideration in developing the notional transition framework outlined below. This framework presents potential steps and milestones based on the assumption that members lean towards an independent secretariat led by an Executive Director and supported by a platform, as presented in section 4 of this paper. Should a different model be decided upon, some elements of this framework would have to be revised accordingly.

Key milestones of this transition framework include:

- Creation of a working group (Board + members) to study hosting and location options and present final recommendations to members - Oct 2017;
- Detailed costing assessment of the hosting options - Nov 2017
- Assessment of potential locations – Dec 2017
- Recommendations to members for final decision on hosting and location - Dec 2017;
- Members decision on hosting and location – Jan 2018;
- Creation of an Executive Director recruitment committee and process - Jan 2018;
- Appointment of a transition lead - Jan 2018;
- Terms of reference for the new hosting arrangement (secretariat and support platform) - Feb 2018;
- Invitation to tender for the support platform - March 2018;
- Hiring of an Executive Director - May 2018;
- Selection of the support platform - May 2018;

These are very tight timelines. A lot of work will be required to complete the transition process before the end of the current hosting arrangements.

The Board is asking members to support this work in any way they can, especially with in-kind contributions including participation in the working group and/or funding of technical work (e.g. legal analysis, costing study of hosting options, etc.).

## ANNEX 1 – FULL LIST OF CONSULTANTS’ RECOMMENDATIONS AND GOVERNING BOARD ACTION

#	Recommendation	Board Action
1	The IATI technical team should assess the feasibility of prioritizing technical support for members over non-members, subject to a consideration of all other factors, as a way of providing a modest incentive for non-members to join the initiative.	Accepted (Table 1) IATI Secretariat to perform the assessment and report back to Board, which will determine future actions.
2	The Members’ Assembly should approve a clear value proposition statement for the website. This statement should be amended if the incentives are changed.	Accepted (Table 1) Prepare statement based on IATI’s mission and theory of change.
3	IATI should amend the current Code of Conduct for Members of the IATI Governing Board in the Conflict of Interest section to specifically require that Board Members recuse themselves from any board discussion in which an actual, potential or apparent conflict of interest arises. The IATI Governing Board should make a strong collective commitment to upholding the recusal practices.	Recommended that MA accept (Table 2) Prepare draft rules for approval by the MA.
4	A separate category of private sector membership should be spun out from the “CSO and other” category in the short to medium-term. Relevant private sector actors should be encouraged to join the initiative as members and to serve on the board. A decision by IATI to follow this recommendation would generate governance consequences, namely a need to represent the private sector on the Governing Board.	Addressed in section 4.3 No Board consensus, defer to MA for discussion and decision.
5	Each partner country should be provided with the option to either pay for its own travel or pay the annual fee. Payment of EITHER an annual fee or travel to one meeting in a year would deem that country in good standing.	Recommended that MA accept (Table 2) Prepare the required amendment to the SOP for approval by the MA.
6	A partner country experiencing financial difficulties may write to the Chair of IATI and request that the board waive its annual fee for that year, providing an explanation of the financial difficulties it is encountering. The board should in all cases waive the fee if it is reasonable to do so under the circumstances.	Recommended that MA accept (Table 2) Prepare the required amendment to the SOP for approval by the MA.
7	The IATI Governing Board and Members’ Assembly should review the fee structure with a view of making it more progressive; raising or reducing the lowest fees to reduce barriers to entry and/or transaction costs, but also respecting the principle of ability to pay. The consultation phase of the review should be long enough to ensure that all constituencies have ample opportunity to voice their views about the fee structure.	Addressed in section 4.2 Recommended that current fee structure be extended for 1 year (Sept 2018-August 2019).
8	To ensure predictability in the annual budget, partner country travel should be a separate budget line that is funded at a set amount per annum. Partner countries as a group should manage this budget and determine the best way to allocate it to maximize partner country travel.	Rejected (Table 1). No follow-up action

9	IATI's SOPs should be amended to include the principle that for Governing Board decisions taken by vote, a certain level of support by each of the three key constituencies (partner countries, assistance providers, and civil society) is required. This could be effectuated by requiring at least one vote from each constituency.	Addressed in section 4.4 Defer until a decision is made on hosting model.
10	In the short to medium-term, the Governing Board should be enlarged from seven members to ten members, composed of three providers, three partner countries, two civil society organizations, and one private sector member, plus the Chair of the TAG. The quorum should be set at five or six participants, in accordance with what is determined to be the most workable and appropriate by the Members' Assembly.	Addressed in section 4.4 Defer until a decision is made on hosting model.
11	The position of Executive Director should be created. The position's precise responsibilities and lines of accountability should be determined in accordance with the institutional arrangements decided by the Members' Assembly, but generally, they should set out toward a strong level of accountability to the Governing Board. A competitive salary and generous benefits should be offered to help attract the most qualified candidates.	Addressed in section 4.1.1 Create a working group to explore the issues more fully and provide members with the additional information requested and recommendations for a final decision.
12	The current model of chair selection via election of a board member should be retained in the short-term. We recommend that the Members' Assembly revisit the question of an external chair in the medium to long-term, for example, in five years' time, particularly if it decides to implement a completely independent, standalone secretariat. At that point, a determination could be made as to whether the potential benefits of an external chair would likely outweigh any risks.	Accepted (Table 1) No follow-up action at present. The Members' Assembly could decide to revisit the issue in the future.
13	All things considered, we recommend Option 3 or 4, which we believe represent the options most likely to help IATI succeed in meeting its medium and long-term goals. IATI has an important mission, a challenging agenda, but a very strong and committed community. A streamlined secretariat with capable and entrepreneurial staff, a governance system which consolidates authority, clarifies accountability, and facilitates action, and a dependable revenue flow for years to come will help IATI move from vision to action with greater speed and clarity.	Addressed in section 4.1.1 Create a working group to explore the issues more fully and provide members with the additional information requested and recommendations for a final decision.
14	We do not recommend that IATI solicit expressions of interest from governments. We recommend instead that IATI select a city which most likely favours a successful secretariat, taking into account all factors.	Addressed in section 4.1.2 Recommend that the location of the future secretariat be part of the mandate of the future working group mentioned in 4.1.1, using the criteria outlined in the consultants' report.