

SOP Working Group - Proposed updates to SOP v.7 (March 2020)

Good Financial Standing - Principles and considerations	
<p>Issue</p>	<ol style="list-style-type: none"> 1. Formal membership in IATI brings exclusive benefits such as the right to participate in Board elections and governance Working Groups, and to influence the strategic direction of the initiative and the IATI Standard through members'-only votes. 2. References to good standing are contained in SOP v.7 at sections 2 (Membership in IATI) and Annexes III, IV and V (Governing Board Elections). However, the current SOP does not explicitly set out a definition or criteria for determining which members meet the good standing requirement, or what sanctions may apply when members fail to comply with these requirements. 3. Good financial standing is a particularly pressing issue for a membership initiative like IATI, as the number of members funding the operations and activities of IATI determine annual contribution levels for all categories of members. IATI needs clear criteria for determining which organisations are in good financial standing. Clarifying these criteria ensures predictable funding for the initiative.
<p>Current situation</p>	<ol style="list-style-type: none"> 1. An organisation becomes a member through an exchange of letters triggered by a request to the Secretariat, through which it agrees to honour IATI's values and principles. 2. The Secretariat then undertakes a process of due diligence with new member organisations and prepares, negotiates and signs a contribution agreement. The level of contribution is determined based on organisation type and size and is set out in 2.3.3/4 of the SOP. 3. According to SOP 2.3.1, annual contributions received from <u>existing</u> members before the end of the year ensure members are in good financial standing for the following calendar year. In other words, the membership contribution for 2024 should be paid by December 31, 2023 for the member to be in good financial standing. This is a problem for several members who can only pay after reception of the previous year's report. It also creates issues with the timing of the Members' Assembly, where membership contribution levels are approved. 4. Because of this requirement to pay in advance, <u>new</u> members have to wait a full cycle until the following year to be considered a full member. This approach is not logical and has been challenged by new members, who expect to gain membership benefits as soon as contributions are made. 5. The Secretariat records all members in the IATI website from the time they join and reports on members' contributions as part of its annual financial reporting. However, there are no criteria for removing those falling out of good standing status either temporarily (due to unforeseen delays) or permanently (based on notice to withdraw). 6. Implications of good standing are different for Board members, who commit specifically to remain in good standing throughout the period of Board membership, and may reasonably be expected to uphold the highest standards of ethics and code of conduct.
<p>Considerations / principles</p>	<ol style="list-style-type: none"> 1. The criteria for financial good standing must be clear and comprehensive, and must be applied equally to all IATI members. 2. The Secretariat is responsible for determining good standing based on agreed criteria.

	<ol style="list-style-type: none"> 3. Financial obligations and deadlines for receipt of contributions should be clear and must be applied consistently by the Secretariat. 4. The Secretariat is accountable for ensuring contributions are requested and collected from all members in a timely way. Exceptions must be documented and shared transparently. 5. The Board should retain discretion in unusual cases not covered by published criteria, but must make decisions consistently, document each decision, and publish them transparently. 6. Board members are expected to uphold the highest ethical standards and remain in good standing throughout the entire period of Board membership.
<p>Proposal</p>	<ol style="list-style-type: none"> 1. To address the timing issues related to SOP 2.3.1, all members would be required to pay their membership contributions (or otherwise obtain a waiver if appropriate) no later than Q4 (October - December) for the current calendar year of membership (rather than the following one). 2. An additional 3 months for payment may be extended to any member (i.e., during Q1, January – March) of the following year in exceptional circumstances upon a member’s request. Requests for additional time must be documented and published. 3. New members have the right to take part in governance processes including elections and members-only votes, from the time payment has been received. 4. In the case of non-payment, members would drop to Observer status until good standing is resumed. Observers cannot speak or participate in any governance activities or election votes. 5. Members remaining in breach of their financial standing commitments for more than 12 months after due date of payment are removed from the listed members in the IATI website. 6. The Secretariat would establish service standards for issuing payment requests and processing payments received, and for responding to requests for exceptions. These will be published clearly for members, with reports regularly provided to the Board on performance against these standards. 7. In respect of Board members for whom a higher standard of conduct is expected, the following addition could be considered: <ul style="list-style-type: none"> o Board members are expected to vacate their seats if unable to meet good standing criteria within a further exceptional period of 3 months (first quarter, January - March). Alternates identified through the nomination and election period may be offered the vacant seat in the order of the election result. o In the event a Board member is found not to be in good standing then the Chair of the Governing Board will be obligated to make decisions on good standing. He/she is expected to apply the same criteria as for all other members, make decisions consistently, document each decision, and publish them transparently. Where the Chair is the member that is not in good standing, this obligation falls to the Vice Chair.
<p>Questions for further consideration</p>	<ol style="list-style-type: none"> 1. Are other considerations missing? 2. Should this policy be applicable to all members or restricted to particular constituencies? 3. Should other sanctions be added - perhaps staggered reduction in benefits?

Period of Applicability	Once approved, until further review.
Out of scope	<ol style="list-style-type: none"> 1. Good financial standing needs to be considered alongside the question of waivers, although the two matters are under review simultaneously by the SOP Working Group. 2. Other factors which may call into question an organisation's membership are not considered within the scope of this note. 3. Financial contribution levels (update of 2.3.3, contribution schedule). 4. The value of members' non-financial contributions is recognised, but not considered within the scope of this document. 5. Definition of 'Observer' status.