

## **Open Society Foundations Fiscal Governance Program 2018-2021 Executive Strategy**

**Mission:** The mission of the Fiscal Governance program (FGP) is to promote greater openness, accountability, and equity in the fiscal and economic systems of countries where OSF works. Specifically, we work to address the ways in which corruption, plutocracy and populism can undermine public finance management and economic policy-making in ways that hurt society's poorest and most vulnerable.

To address these three challenges, FGP supports partners that work to:

- Increase the transparency of government finances and economic policy-making;
- Promote poverty-reducing and equity-enhancing policies on government taxation, expenditure and investment;
- Identify and seek accountability for instances of financial corruption, waste, and mismanagement, as well as support legal and institutional reforms that aim to reduce corruption;

**The Landscape:** The rise of nationalist agendas in the U.S. and Europe has coincided with a retrenchment in commitments to global governance norms and institutions that are central to achieving progress on financial transparency, accountability and anti-corruption. As its first legislative act, the new U.S. Administration scrapped a long-fought for anti-corruption measure in the extractive industries (the implementing rule for Dodd Frank Section 1504) and recently halted domestic implementation of the Extractive Industries Transparency Initiative (EITI).

Globally we have seen a growing intolerance for grand corruption—including in the U.S.—and a related surge in anti-corruption social movements, which offers new sources of hope for countries long plagued by unaccountable governance. At the same time, this new attention to corruption risks undermining faith in democratic institutions unless governments respond to this civic discontent more transformational reforms. Recent extractive commodity price crashes have dramatically affected the finances of resource rich countries in a variety of ways—new austerity measures across the board, in some cases more repressive government tactics to quell dissent, and elsewhere, more openness to external pressure for reform. More open, participatory and inclusive economic governance is increasingly recognized as a global norm, however, major outliers remain, with trade governance being one of the most prominent. Negotiations of several recent major plurilateral agreements in the U.S. and Europe have raised significant concerns about excessive secrecy and outsized corporate influence in negotiating and enforcing agreements with huge consequences for democracy and social policy.

Technology continues to represent a double-edged sword. On the one hand, it offers new opportunities for real time civic oversight, the ability crowdsource more inclusive voices in public policy and the potential for public scandals to rapidly gain momentum and reach political tipping points. On the other, it provides new avenues for abuse and misuse of personal information, bringing the importance of privacy protections and civil liberties in an age of big data and automated decision-making into sharp relief. More broadly, the global trend towards closing civic space is posing new and growing challenges for partners in the field in more historically open contexts.

**Our Place in the Field:** Given our small U.S.-based team, our approach will continue to rely heavily on large grants to international NGOs with the capacity to work globally and locally at scale in our respective fields of work. We will also place greater emphasis on strengthening collaboration with OSF foundations to implement local programs in strategic countries, while keeping a strong focus on transnational governance concerns that our global nature and bird's eye view position us well to address.

## Fields of Work

***I. Natural Resource Governance:*** Natural Resource Governance will continue to be FGP’s largest portfolio, and our work will remain focused on the problems of finite natural resources being poorly managed by political elites; secrecy enabling corruption of an exceptional size and scale; corporations not paying their “fair share” for these resources and people in resource-rich countries not benefiting from and often being harmed by resource extraction. Our **three medium term goals** for work in this field are to (1) Mainstream norms of transparent generation and management of extractive industry revenues to reduce opportunities for corruption and increase opportunities for public oversight and policy influence; (2) Hold government officials and corporations more regularly accountable for instances of grand corruption and financial abuse and (3) Improve more low income governments’ ability to maximize natural resource wealth and translate it into public goods.

Ninety percent of our budget in this field will continue to go to five core anchor grantees: the Natural Resource Governance Institute (NRGI), Publish What You Pay (PWYP), Oxfam America, Global Witness, and the ONE Campaign. Following the U.S. Congress’s decision in early 2017 to void the implementing regulation of Dodd-Frank Section 1504 (which mandated that all publicly traded oil, gas and mining companies disclose payments they make to governments), we will continue to support grantees weighing various options for moving forward. We will also continue efforts to defend and possibly improve the European Union Accounting Directive as it undergoes review in 2018. Given the drop in commodity prices, we will seek to exploit new political openings for extractive governance improvements in partnership with local foundations. Lastly, we will continue to support the Columbia Center for Sustainable Investment (CCSI) in running an Executive Sessions project on the Political Economy of the Extractive Industries, with which we hope will stimulate new strategic innovation and thought leadership in the field.

***II. Equitable and Accountable Fiscal Systems:*** For this new strategy cycle, we have combined our tax and budget portfolios into one larger body of work focused on promoting more equitable and accountable fiscal systems, with a special focus on low and middle income countries. Our **two medium-term goals** for this portfolio of work are to (1) Expand the reach and impact of civil society organizations in Africa, Asia and Latin America that are promoting more open, accountable and equity enhancing approaches to public taxation and spending and; (2) Support the development and implementation of global rules and norms that enable more responsible and accountable corporate tax practices, improve low income countries’ ability to mobilize domestic resources and incentivize them to spend them accountably

Under objective one, we will continue to support the International Budget Partnership (IBP) as an anchor partner, while also continuing to explore other international NGOs as potential additional partners to scale our support for local civil society work on fiscal systems. Building on recent grants in Brazil, South Africa and Kenya, we will also provide direct support field-leading country-level organizations that excel at technical analysis of tax and budget issues, and that also work to build the capacity of non-expert actors to engage on fiscal equity and accountability issues related to reducing poverty and inequality. We will focus our efforts on places where OSF’s foundations and thematic programs are investing more broadly on issues of economic advancement and government accountability. For groups working on tax related issues, we will continue to seek partners that balance an interest in transnational tax governance with a focus on domestic reforms to outdated/inequitable tax systems.

Under objective two, we will continue trying to influence global norms and regulations around tax governance and fiscal transparency, participation and oversight. This work includes continued support for advocates promoting more comprehensive public tax reporting by multinational companies on a country by country basis, with an initial focus on Europe. Building on the recent OECD Base Erosion and Profit

Shifting (BEPS) process, FGP will also explore ways to support low income countries and regional groupings seeking to develop their own coordinated solutions to issues such as strengthening anti-avoidance rules, enhanced information exchange, and reducing destructive tax competition. The norms work may also include support for innovative corporate efforts to develop new voluntary norms around responsible tax practices. We will likewise continue to support efforts to strengthen global norms around open, accountable and inclusive budgeting and service delivery, for example through the Open Government Partnership.

**III. Anti-Corruption:** To date, FGP, along with the broader fiscal governance field, have relied too heavily on proactive transparency alone as a bulwark against corruption, at the expense of more targeted accountability and enforcement efforts. In this strategy cycle, we will sharpen our focus on anti-corruption with a new portfolio that specifically targets individual and corporate accountability for grand corruption at the national and transnational levels. We have an ambitious strategy that we hope to devote additional resources in the years to come.

In close partnership with other relevant OSF programs and foundations, FGP's work in this field will focus on the **four medium term goals**: (1) Strengthening Global Anti-Corruption Rules, Norms and Implementation; (2) Strengthening Civil Society's Ability to Combat the Transnational Dimensions of Grand Corruption; (3) Seizing National Level Opportunities for Anti-Corruption Reforms and; (4) Enhancing Peer Learning and Exchange on Corruption Reform to Accelerate Progress in Countries at a Cross-roads.

First, we will promote the disclosure, uptake, and use of corruption-relevant information, beginning with a focus on procurement and shell-company ownership information, by civil society and journalists undertaking corruption related investigations and policy analysis. With respect to the ultimate, "beneficial" owners (BO) of companies, trusts, and other legal vehicles, we will continue to support reform advocacy in G7 countries where political traction is substantial and/or the impact of reform would be significant for the field. We will complement this work with targeted support to civil society in resource-rich countries that are required to implement BO reforms by 2020 under the new EITI standard and/or via OGP commitments. We will continue supporting the Open Contracting Partnership and its work to spread open-contracting norms, secure new commitments, and support reform implementation.

Second, we will pursue new work to combat the transnational dimensions of corruption by strengthening linkages among key accountability actors. This will include providing field support to organizations pursuing legal remedies for grand corruption, building on the Open Society Justice Initiative's longstanding work and FGP's own recent forays into this space. We will also support regional civil society networking around anti-corruption issues, including potential work with OSF's Latin America Program to support accountability groups in countries beyond Brazil affected by the *Lava Jato* scandal.

Third, FGP will work closely with OSF geographic entities—incorporating available evidence about conditions for success in anti-corruption reform—to identify and support emerging opportunities for potentially impactful national level anti-corruption reform efforts. Depending on the context, such reforms could take various forms, including institutional or rule-of-law strengthening efforts, preventive transparency requirements, or efforts to improve enforcement of existing laws/regulations, among others. Initially we will seek to identify one to two countries in which to invest in this work in 2018, working closely with an interested local OSF foundation/regional program to seize opportunities for anti-corruption mobilization and reform, and hopefully expand this work to additional countries in 2019-2021.

Fourth and finally, we will devote a small amount of resources to supporting cross-country learning about how best to harness public support for reforms to combat corruption.

**IV. Trade Governance:** FGP’s field support to groups working on trade governance is nascent and we have chosen to approach this large and complex issue through the relatively narrow lens of outsized corporate influence in the negotiation and implementation of trade agreements. We believe that if a broader set of stakeholders can access and inform the core principles that guide trade negotiations, the resulting agreements will have more equitable impacts and stronger public ownership.

The first step in this long-term process is advocating for more open and participatory negotiation processes. We will support groups in the U.S. and Europe that are exploring different models of more democratic negotiations processes, while still being mindful of necessary privacy concerns of the negotiating parties.

Concurrently, we will support groups promoting alternatives to the current Investor State Dispute Settlement (ISDS) mechanism, which heavily favors corporate interests, often at the expense of the public interest. This issue was a flashpoint in both the Trans-Pacific Partnership (TPP) and the TransAtlantic Trade and Investment Partnership (TTIP) agreements, with unprecedented public outcry over this deeply entrenched practice. We will support partners looking to seize political openings to push for alternatives that allow non-corporate actors to also seek redress for harms they have suffered, particularly marginalized communities. We will also push for more explicit and effective public policy exceptions that allow sovereign governments to establish their own economic, social, environmental, labor, and human rights policies without fear of costly arbitration. Finally, we will support groups exploring what it would mean to do away with ISDS altogether, to further inform global policy debates.

We will also support new trade voices in the United States, which will be essential in order to formulate the progressive policies that we hope to see in the next generation of bilateral and multilateral trade agreements. We aim to further build out a constituency of those who value the positive potential impacts of trade liberalization, while seeking to mitigate the negative impacts on human rights and economic equality that these agreements can often have.

## Concepts

**I. People Centered Data Use for Accountability:** FGP will launch a new multi-country, multi-year partnership with other Transparency and Accountability Initiative (TAI) donor partners (Omidyar, Hewlett, Ford, DFID) with the **two goals** of (1) increasing our understanding of what financial information local oversight actors and policy influencers really need to effectively address problems of fiscal equity and accountability, and (2) working with existing and new grantees to adjust global and local transparency advocacy efforts, as well as capacity-building strategies, to better meet local accountability actors’ demand. In partnership with TAI, FGP will support user-centered design workshops in at least two countries with a wide range of stakeholders—government, civil society, private sector, journalists, parliamentarians, independent oversight authorities and prosecutors, affected communities—and share the results with the field to help partners refine their strategies going forward.

**II. Revitalizing the Extractive Industries Transparency Initiative (EITI):** Paradoxically, at a time when mandatory regulation is in flux and when the EITI’s new voluntary transparency standard is stronger than ever, we see decreased emphasis on the initiative within the field. This concept will focus on trying to enhance EITI’s impact and make it more meaningful for a wide range of local stakeholders. **Our five goals** are to (1) Accelerate priority country implementation; (2) Ensure a strong independent validation mechanism; (3) Increase emphasis on civic space issues, including an independent grievance mechanism; (4) Strengthen access for civil society organizations to implementation support and; (5) Promote a resilient and well-governed initiative.

**III. Civil Society Resilience in a Context of Closing Space:** Efforts to address closing civic space within the fiscal governance field have been largely reactive to date. Over the first two years of the coming strategy period, FGP will work with some of our donor peers with the **two goals of** (1) better understanding the specific challenges our partners in this field face related to their work in a context of closing civic space, and (2) equipping grantees with new tools and approaches to help adapt and retain some measure of effectiveness under new forms of pressure.

**IV. Enhancing FGP's impact through research, evaluation, and learning:** Lack of evidence, well-tested models, and widespread dissemination of lessons learned are three central challenges that cut across all of FGP's portfolios and grantees. While new policy platforms, foundational research and well-tested interventions have, of course, appeared on the fiscal governance landscape, complex technical and methodological questions remain and robust evidence is fairly limited. This portfolio has **three major goals:** (1) strengthen field capacity for monitoring, learning and evaluation work, dissemination and use of findings, (2) increase our team's capacity to evaluate and learn from our work, especially through the lens of an explicit Learning Agenda, and (3) invest in research and evidence questions and partners related to FGP's work, especially those that respond to demand-driven and action-oriented needs.