**Portfolio Review - Tax and Illicit Financial Flows**

Fiscal Governance Program (FGP)

*October 27, 2014*

**Participants**

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**Summary**

This portfolio review generated a rich discussion regarding the Fiscal Governance Program’s work on tax and illicit financial flows. During the review, FGP assessed its grant making decisions and considered the positive and negative outcomes that have resulted so far—both programmatically and in terms of organizational health—from its initial forays into a relatively nascent field. The Program received valuable feedback from participants on how we might have gone about our grant making differently in hindsight, what areas of the field require more attention than they have received to date, and how we might think about introducing different approaches (e.g. individual grant making, greater emphasis on research, leveraging stronger connections with OSF programs like SEDF and major partners like INET) going forward.

Below is a summary of the major insights FGP drew from the conversation that it will be integrating into its next round of strategic planning for work around tax and illicit flows, followed by a more comprehensive recap of the discussion (*more detailed notes are available upon request*).

* When engaging in nascent and controversial fields/issue areas, it is important for FGP to be aware of and appreciate any **negative consequences/perverse effects of its work on a broad array of constituencies**. For example, FGP supported work around the negative unintended human rights consequences of anti-money laundering work, and the field could benefit from similar work around the negative unintended consequences for business that interrogates the costs of compliance and works to build mutual understanding between activists and the private sector in a more sophisticated way.
* It is important to **continue to assess whether funding individual members of a coalition vs. supporting the coalition itself is the best way forward**. For example, when considering supporting individual organizations and/or coalitions, FGP chose to support greater networking and collective action amongst several leaders in the field that we were already funding—e.g. Global Witness and ONE—through the FTC and FACT coalitions, vs sticking with support to a few core members. By supporting these two coalitions, we also expected to create bridges between northern and southern partners, and introduce ourselves to new organizations in Africa, Latin America and Asia in the process. An important point came out that funding coalitions can be a valuable grant making strategy to identify strong actors for further stand-alone funding.
* When looking at work around domestic resource mobilization, **there is a tension between *creating* new revenue streams/enhancing government income and achieving our desired *use* of that revenue**. It is important for us to think about our work to support the generation of new revenue (as a result of reduced revenue leakages through tax evasion, for example) and to anticipate/address how this new revenue might be used to support goals around poverty reduction and economic advancement.
* It is important to consider the various tools at FGP’s disposal when working on an issue, including **exploring making grants to individuals (as opposed to the organization with which the individual is affiliated), especially when our confidence rests with the abilities of a specific individual**, and particularly when we’re thinking about discrete areas of work, such as a piece of research. An example of this would be FGP’s grant to CGD Europe specifically to support Alex Cobham’s work on building the evidence base around illicit financial flows, where Alex recently decided to leave the organization and move over to the Tax Justice Network in early 2015, but FGP’s funding still remains with CGD Europe.
* When undertaking research, consider who FGP is supporting to design/implement the research, especially when the “loudest” or “strongest” voices are not necessarily speaking from a rigorous, evidence-based perspective – OSF often supports organizations that do research specifically in order to advocate on a set of issues, and that have fairly established opinions about the solutions they believe will address the problem, that can influence their research approach and findings. Instead and especially in nascent fields, **where there is not enough of an established evidence base, it will be important to consider supporting more “independent” research groups that do not have an advocacy stake in the outcome, and insulating that work from the broader advocacy agenda**. For example, right now the majority of groups working in the “illicit financial flows” space might have difficulty stepping back and objectively questioning the scale and nature of these flows, if the conclusions meant that the problem is not at a scale, or in the form that they are currently focused on in their policy campaigning. Illicit financial flows are a great example of where the definition of the problem we’re trying to solve is part of the problem we’re trying to solve. In these instances, we may find it helpful to simultaneously fund research that comes from both independent sources as well as from particular advocacy positions.
* **“Failed grants” and FGP’s subsequent response can be valuable not only for internal learning, but also for the organization and the field more broadly.** For example, FGP’s decision to provide general support for “The Rules” and then to cut off funding when the work went completely off track can be considered “money well spent” if they and others in the field draw appropriate lessons from the experience.
* The role of George Soros in this field has enabled the program to lead on issues where traditional fiduciary boards aren’t often able to work. **It will be important to brainstorm further on how to take advantage of his unique role and potential influence in this field.** One idea for taking advantage of this going forward might be to have an annual competition where we award prizes or individual grants to several field leaders, and use it as an occasion for George to make a keynote speech about the importance of tax governance concerns.