



# Fund Fiscal Analysis, Options & Recommendations

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For the Fund Fiscal Project of the Trust, Accountability, and Inclusion (TAI) Collaborative

Scoping undertaken in Q2 of 2024

## Introduction:

Most stakeholders believe that international funding for fiscal governance (especially around transparency, participation, inclusion, and accountability) is declining. This is particularly true among civil society and advocates in the field. This paper provides some analysis of the perceived causes and implications of this trend and offers recommendations for strategy and short-term ideas for a program of work to address the problems.

## Context and about the Fund Fiscal project:

The world is facing a global fiscal crunch exacerbated by the COVID-19 pandemic, war, economic stress, and the climate emergency. Many countries are scrambling to raise revenues, not least to service fast rising debt burdens. At the same time, there are signs that budget cuts and other austerity measures could have damaging impacts on poor and vulnerable populations and increase overall regressivity in public policy. Public funding for development priorities from health to education to the environment is under pressure and will undermine progress toward achieving the Sustainable Development Goals (SDGs).

High quality fiscal policy, governance, and citizen accountability is valuable in any case, but becomes even more important in the current context. To further assess the situation and develop ideas for action, TAI has undertaken a “Fund Fiscal project” to raise the profile of fiscal issues, support the fiscal policy accountability and transparency ecosystem, and bring additional attention and resources to the ecosystem.

The Fund Fiscal project has gathered evidence through an online survey, key informant interviews and other informal consultations, and a light literature review. The online survey recruited 94 responses, with a fair spread among regions and sectors. See Appendix one for respondent regions and organizational makeup. Approximately a dozen key informant interviews (KIIs) were conducted, and an additional dozen informal consultations were concluded by TAI staff. TAI’s analyses of funding trends, including several recent public reports, were used for the analysis. Note that quotes from interviews and survey comments are included here in italics.

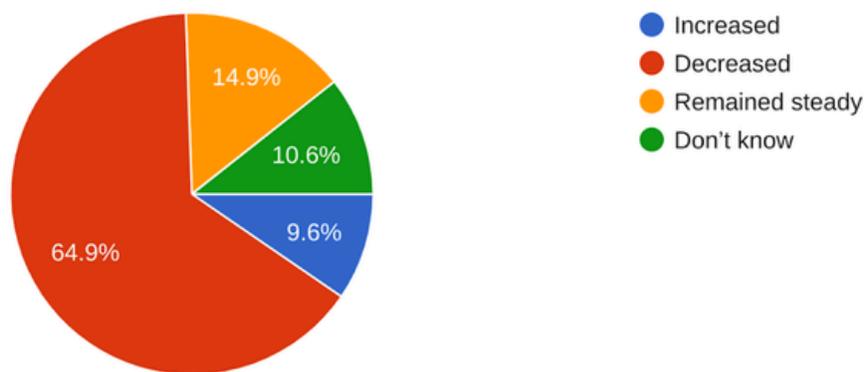
The goal of the project is to create an actionable strategy to address the need for funding for transparency, participation, inclusion, and accountability (TPIA) in fiscal policy and governance that can be implemented in 2024 and potentially through the fourth Financing for Development (FfD) conference in 2025. For a sketch of our plans, see our blog.

## Problem analysis:

Some funders and civil society have observed flagging interest in funding support to TPIA in tax and public spending ecosystems. This is set against a background of large, but uneven, fiscal flows in response to the COVID-19 pandemic and the subsequent fiscal crunch and emerging sovereign debt crises.

Over the last 5 years, do you think donor support for fiscal governance and accountability overall has:

94 responses



However, a minority of key stakeholders view resources as stable or increasing. This view is held by independent experts and respondents at bilateral and multilateral donor institutions.

Scanning funding flow data confirms that funding from multilateral and bilateral donors is generally stable in recent years, although some have made cuts in previous years. The most significant funders of public finance management (PFM) are the United States (US), European Union institutions (EU), United Kingdom (UK), and Germany. These public funders usually give to other governments, multilaterals, or other technical service providers.

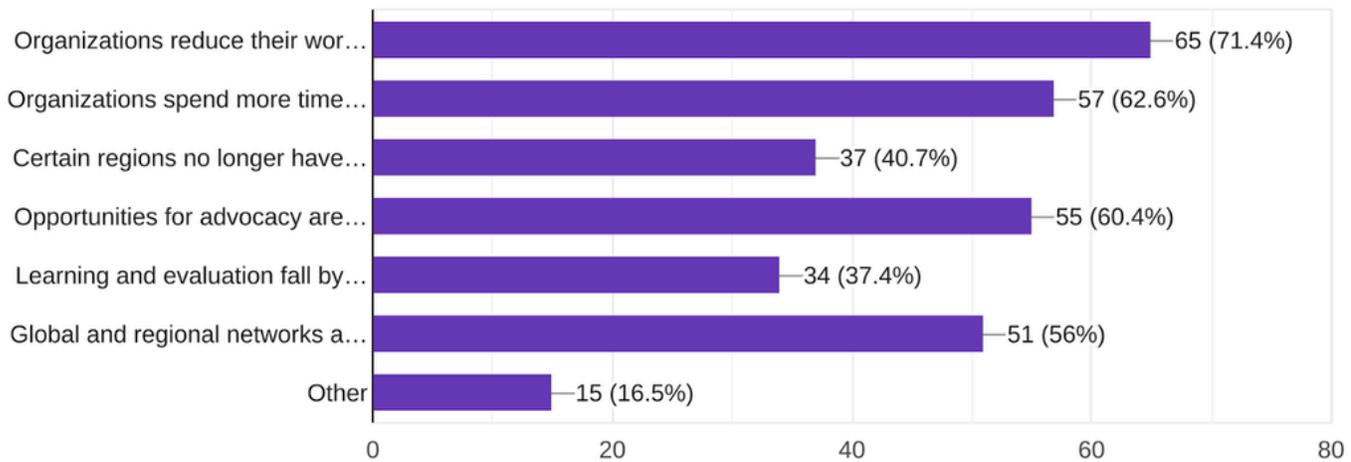
In addition, Norway is significant, especially in tax, and is somewhat unique in giving substantially to civil society on this issue.

The perception, or reality, of funding reductions seems to be acute among civil society in particular. Based on the strength of funding for other institutions compared to civil society, we propose to focus on the latter. Results from the survey highlight the belief that less funding leads to reduced

work in this area, organizations spending more on fundraising, and reducing capacity to seize opportunities for advocacy. They believe networks and social infrastructure would suffer.

### What are the implications of the shifts in funding?

91 responses



Why are resources and funding declining? There are several overlapping factors offered by informants. One noted, *"A myriad of reasons: 1. Lack of a long-term commitment to issues, allowing donors to jump onto the next big thing. 2. Fatigued by the lack of impactful progress in the field (transparency is achieved, but where is the accountability?) 3. Transformative change would also lay bare the need for philanthropy to change (practice what you preach)."* Other responses included:

- **Shifting priorities:** *"...new priorities, such as the climate crisis, are crowding out other issues."* Other competing concerns include the pandemic, refugees, Russia/Ukraine conflict, international financial institution (IFI) reform, sovereign debt, rising authoritarianism, and global economic crisis.
- **Donor fatigue:** *"These investments take many years, decades sometimes, to deliver transformative changes - and other interventions in development cooperation, such as infrastructure projects, are much quicker in comparison."* This indicated that donors may continue to support the core endeavor but face institutional or political pressure to show results, innovate, and reanimate the case.
- **Declining overall donor budgets,** including funder exits. Official development assistance (ODA) is enduring significant cuts from many donors, bringing pressure on existing budgets and investments. In addition, some philanthropies have withdrawn from the fiscal governance and accountability space in recent years, leaving funding gaps.
- **Questioning theory of change** plus a narrative about lack of impact: *"Donors have started to question the value of these efforts."* The complexity and non-linearity of achieving results in fiscal governance and accountability are hard to communicate and prove.
- Increased **projectized funding** rather than core support and longer-term investments. This is accompanied by shorter-term funding, e.g., annual rather than multi-year.
- **Political sensitivity:** *"some funders shy away from what are essentially small 'p' political efforts inherent in successful fiscal accountability work"* and may be less interested in domestic

accountability. At the same time, civic space is shrinking in many contexts, closing off opportunities for funding and information and accountability channels.

These causes are presented in order of their salience among stakeholders. It's important to recognize that these different "problems" imply different solutions, including differing strategies, targets, and activities (see below).

## Looking forward:

Respondents described successful strategies to re-energize the sector including:

- **Demonstrate impact:** positive results from governments with more public involvement in fiscal decisions.
- **Highlight sectoral outcomes:** "e.g. greater investment in agriculture or health - rather than the process of fiscal accountability itself." Relatedly, finding areas of intersection with new priorities such as climate and AI.
- **Better story-telling:** "fiscal governance in particular can be too technical".
- **Stronger joint ventures and collaboration with South-based partners.**
- **Involve donors** in accountability of movements.
- **Reframing fiscal responsibility** as a quality of life improvement.
- **Networking with donors:** seek out champions among governments, donors and embassies.
- Finding entry points at **key events** (eg OGP summits etc).
- **Recruiting trade unions**, with significant resources and membership, into the struggle for tax reform and better funding of public services.

For TAI's Fund Fiscal project in particular, respondents had suggestions:

- **Convenings** were a common suggestion but with various purposes:
  - to "connect the dots" between fiscal governance sub-components (tax, corruption, budgets, etc). *"bring champions from the anti-corruption / transparency; tax, budget monitoring, and debt communities together. They tend to work in silos and don't really know much about other leading CSO actors, but often advocate in parallel for similar goals (eg beneficial ownership transparency)";*
  - in, and for, Global South to support stakeholders for learning and to build agendas "bottom up";
  - to better integrate Global North and Global South stakeholders. *"The ability of developing countries to finance their own development needs are very often constrained by issues such as illicit financial flows, tax, or debt which must be addressed at many levels, including power centers in the Global North";*
  - to engage with "intersecting" communities (climate, gender, health)
  - to introduce practitioners and experts to donors and to build consensus,
  - *"On funder awareness: i) TAI is a lifesaver- pushing through donor collabs is fantastic; ii) Mapping where overlap can begin to make sense for donors- ie understanding which are slowly moving towards these issues; iii) Finding entry points at key events (eg OGP summits etc); iv) Governments speaking to donors (rather than just civil soc or other philanthropies) to indicate this is really what they need."*
- **Communications and story-telling** were a frequent suggestion; to create positive case studies. *"Paying an independent journalist to write short and long-form stories related to fiscal accountability and to broaden the reach of existing work in this space, connecting it with the news"*

cycle, and bringing awareness to multiple audiences (public, policymakers, fellow-traveler organizations, etc.).”

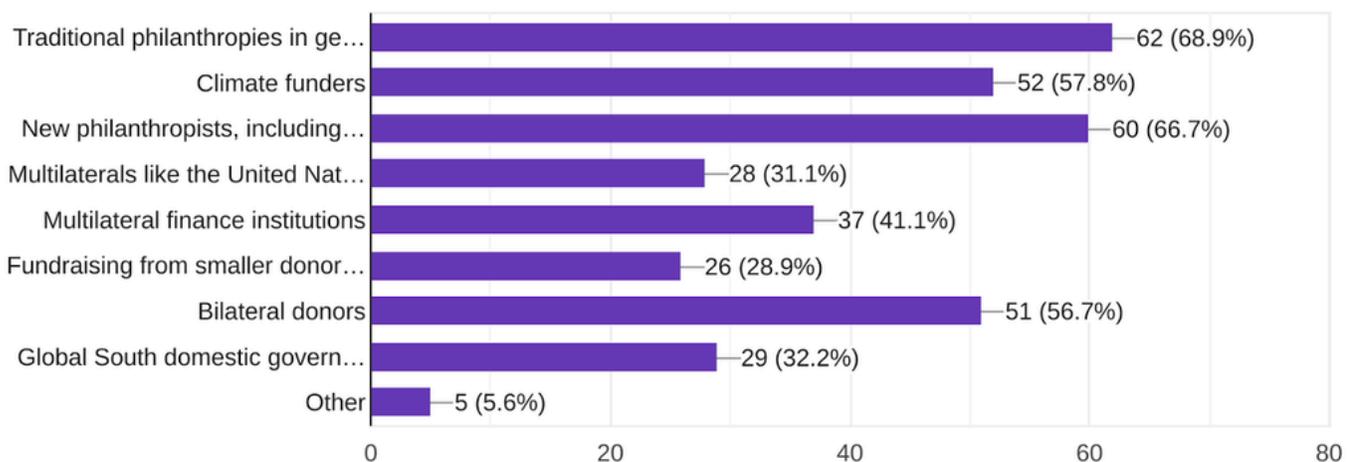
- **Engage with other sectoral communities and donors**, especially in climate change. Build a case for fiscal governance and accountability as a shared interest.
- **Create investment cases**: “e.g. greater investment in agriculture or health - rather than the process of fiscal accountability itself.” This should highlight the experience and learning of those on the “frontline” as much as Northern-based experts.
- **Document fiscal governance failures and corruption**. Climate change mitigation is a good candidate.
- **Leverage World Bank influence** as government finances to improve fiscal transparency and create incentives in their projects for CSO work.
- Demonstrating **connectivity of issues**.
- Focus on the **UN tax convention process**.
- Mobilization towards **Financing for Development conference in 2025**.
- **Small grants** to collect innovative ideas and approaches that demonstrate the potential impact in this area and could help convince donors that more funding in this area would be value for money.
- Prioritize high profile advocacy, linking to emerging climate funds (loss+damage, etc.)
- Value-for-money assessment.
- Create an innovative (digital) tool. Possibly pilot new technologies like AI in Fiscal Governance work.
- Be creative. *“In the African context it should invest in integrating art, poetry, spoken work, archiving, and storytelling as additional tools for advocacy in the age of information overload.”*

#### Areas for focus:

For donor recruitment, respondents prioritized traditional philanthropies, closely followed by recruiting new philanthropists, including high net-worth individuals (HNWIs).

Which donors should “Fund Fiscal” focus on for pursuing broader funding commitments or awareness raising?

90 responses

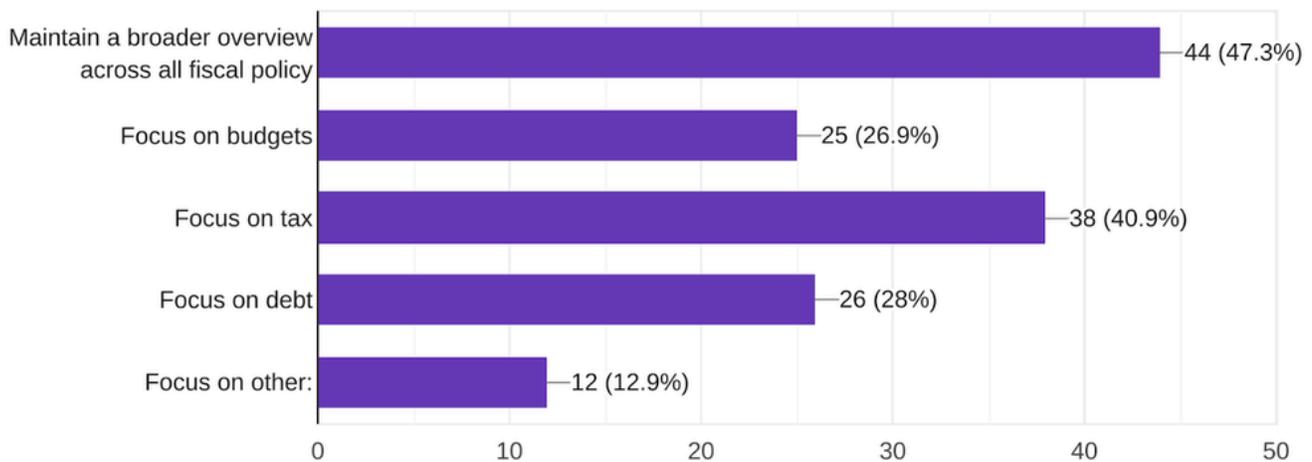


There was a range of views on where to focus within fiscal governance accountability, with a plurality believing Fund Fiscal should maintain a broad overview. But an interest in tax emerged above other sub-categories.

Although not listed in the question, several respondents supported a focus on corruption and illicit financial flows (4), and others supported a focus on public procurement (3).

Given the level of resources available, “Fund Fiscal” could focus on one or two fiscal policy areas rather than attempt to cover all. What do you think?

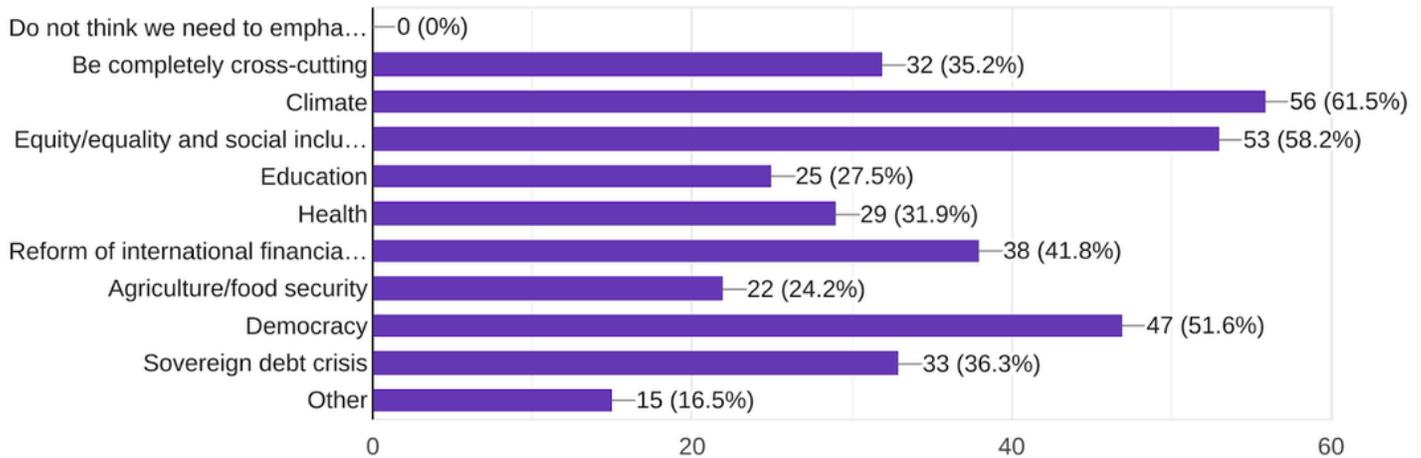
93 responses



Connecting with “intersectional” issues was a common recommendation. The most frequent suggestion was to connect fiscal governance and accountability with climate change and to seek entree to the climate change community and funders. Gender (20) and social inclusion was another common suggestion.

Some have suggested connecting fiscal accountability to other issues, including for funding reasons. What do you think?

91 responses



## Recommendation:

Based on the criteria discussed above and using best judgment, the Fund Fiscal project team recommends prioritizing the problem/solutions of “Shifting donor priorities” and “Aid cuts/donor exit”. We recognize that a value-for-money analysis could also yield useful results, but that does not fit well with the timeline and resources for this project.

For **shifting donor priorities**, Fund Fiscal could focus on creating access and engagement with other sectors that have emerged as top areas for funding with some relationship to fiscal governance and accountability. The intersecting issues that appear most promising are climate, gender equity and social inclusion, and democracy, although fiscal management amid conflict may be another intersection point. TAI’s convening power and ability to access funders is highly valued among stakeholders and frequently mentioned.

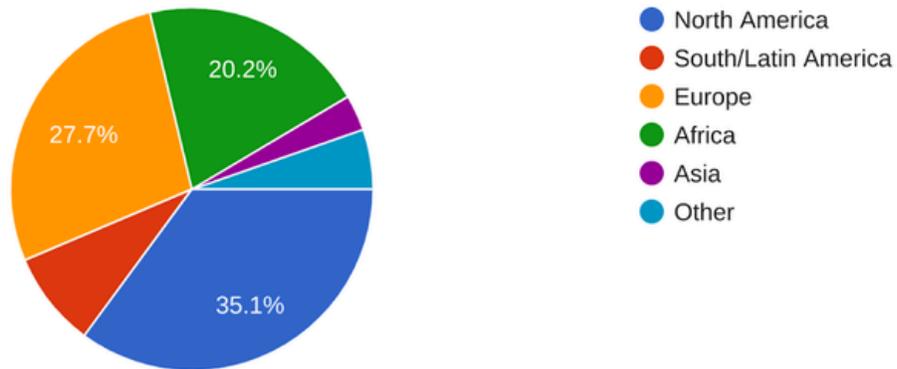
For **“Aid cuts/donor exit,”** Fund Fiscal could focus on identifying new potential donors and seeking access to promote fiscal governance and accountability. Although recruiting “new philanthropists” and HNWI individuals was identified as the second highest priority, this may not be feasible. However, engaging more with traditional philanthropy as well as climate funders would be a valuable service on behalf of the fiscal governance and accountability sector.

## Appendix 1: Survey Demographics Based on Survey Responses

Regions:

Please indicate where your organization is headquartered (or, if that is not applicable, where you are based).

94 responses



About the respondent: Please check the box that best describes you or your organization:

94 responses

