

# Promoting transparency and accountability



# President's Message

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Tackling corruption has become an important focus of the Open Society Institute and Soros foundations network in recent years. OSI has been particularly active in promoting transparency for the revenue that governments derive from natural resources and for government budgets.

A significant civil society movement, supported by OSI, has developed to address these issues. In addition, the British government has taken up the cause of resource revenue transparency and has helped to galvanize a process whereby a number of corporations in the extractive industries are beginning to disclose their payments to governments and some of the governments obtaining such payments are disclosing their receipts.

The Soros foundations network's entry into this field began several years ago with support for a London-based organization, Global Witness. Established in 1993, Global Witness pioneered in investigating the connections between the extraction of natural resources, environmental degradation, corruption, human rights abuses, trafficking in weapons, and armed conflict. Initially focusing on Cambodia, Global Witness has also addressed these issues in such countries as Angola, Burma, Liberia, Sierra Leone, and a number of others. It created the international concern with "conflict diamonds," and its work led to the establishment of the "Kimberley Process" to regulate the marketing of diamonds.

## **OSI'S REVENUE WATCH PROJECTS**

In addition to supporting Global Witness's investigations, OSI entered the field operationally by establishing first a project called Caspian Revenue Watch, which focused on a region where natural resources play an important role in state revenues and where OSI's network has a strong presence, and, subsequently, a Revenue Watch project without geographical boundaries to address similar issues arising in a number of other parts of the world. With the conquest of Iraq in 2003 by the United States and its coalition partners, OSI launched an Iraq Revenue Watch project to monitor the use of Iraqi oil revenues and the expenditure of coalition funds. Revenue Watch currently works in Azerbaijan, Kazakhstan, Kyrgyzstan, Mexico, Mongolia, and Peru, as well as Iraq. Projects are planned or under consideration in Algeria, Brazil, East Timor, Egypt, Indonesia, Libya, and Sudan.

In collaboration with Global Witness, OSI took the lead in 2002 in establishing the Publish What You Pay coalition, bringing together a large number of non-governmental organizations in many countries calling for stock exchanges to require resource extraction companies to disclose all their payments to governments. Global Witness's work in Angola had revealed large discrepancies between such payments and what the government purported to receive, suggesting that the balance had been diverted corruptly. The Angola exposé provided an impetus for the establishment of Publish What You Pay, which has been joined by leading international humanitarian organizations such as Oxfam and Save the Children, UK.

Also in 2002, the British government launched its own effort to address the same issues, the Extractive Industries Transparency Initiative (EITI). Announced by Prime Minister Tony Blair at a conference in Johannesburg, EITI is managed by Britain's overseas development agency, the Department for International Development. Unlike the Publish What You Pay campaign, which seeks mandatory disclosure of payments by resource extraction companies to governments, EITI promotes voluntary disclosure.

Though the two campaigns pursue different approaches, they both address a phenomenon that has come to be known as "the resource curse": that is, almost all countries that derive the major share of their wealth from natural resources suffer from authoritarian rule; many are disproportionately corrupt; and some—such as Angola—have large sectors of their population living in abject poverty despite the country's oil wealth.

## **NATURAL RESOURCES AND ARMED CONFLICT**

Aside from the obvious importance of making sure that the revenue governments derive from the exploitation of natural resources is available to meet the needs of the population and is not siphoned off into foreign bank accounts maintained by public officials, promoting transparency has a crucial role to play in helping to avoid or find solutions to internal armed conflicts. Worldwide, such conflicts have been a central factor in severe abuses of human rights in the 60 years that have elapsed since the end of World War II. Especially in the decade and a half since the end of the Cold War, the persistence of internal armed conflicts in many parts of Africa and Asia is often attributable to struggles over the riches derived from natural resources.

To cite an example, the two leading conflicts in Indonesia are the war in Irian Jaya at the eastern end of the country on the island of Papua New Guinea and the war in Aceh at the western tip of the country on the island of Sumatra. Both are territories with mineral resources where the local population has resented that the wealth derived from their exploitation is flowing to the elite of Java. The resulting conflicts have taken on an ethnic and religious dimension, but they are rooted in the failure to account transparently and ensure that the income is apportioned in a manner that is perceived as fair, addressing such needs as education and public health. Transparent accounting provides an opportunity to resolve disputes over allocation through peaceful and democratic means rather than at the point of a gun.

The Soros foundations network has also provided support over the past three years to the International Budget Project (IBP). Established by the Center on Budget and Policy Priorities, a U.S.-based think tank that the U.S. Programs of OSI has long supported, the IBP collaborates with organizations in many countries that promote budget transparency. Many of these groups are also supported by the OSI network.

## **FREEDOM OF INFORMATION**

Another way that the network has supported the transparency movement is through the work of the Open Society Justice Initiative on freedom of information. The Justice Initiative has been a source of expert advice and assistance to groups in many countries adopting laws and practices in this field. In addition, the Justice Initiative has supported organizations seeking implementation of national freedom of information laws. OSI has also provided support to a number of national chapters of Transparency International and to a newly established London-based organization, Tiri, which has collaborated with Central European University in developing a Public Integrity Education Network.

Though most of the Soros foundations network's efforts have focused on civil society initiatives, in a few cases the network has also provided direct support to governments that are implementing measures dealing with revenue transparency. An example is support for the government of Nigeria's disclosure of oil revenue and the allocation of portions of this revenue to state and local governments. Once known for having one of the world's most corrupt governments, Nigeria has made great strides in the past two years toward fiscal transparency. Other governments taking important steps in this direction include Azerbaijan, Kyrgyzstan, Ghana, Trinidad and Tobago, Sao Tome, Peru, and East Timor. A number of other governments have entered into discussions with Britain's Extractive Industries Transparency Initiative about steps they can take to improve their practices, and some leading corporations in the extractive industries are also contributing to transparency. BP and Royal Dutch/Shell have been leaders in this field and, more recently, Chevron has been among the industrial giants joining this trend.

The revenue and budget transparency work of the OSI/Soros foundations network is a prominent example of the network's increasing focus on international public policy. Another area in which the network has been a leader has been in the promotion of international justice. We have supported civil society groups working for the establishment and effective operation of the ad hoc international criminal tribunals for ex-Yugoslavia, Rwanda, and Sierra Leone; we are currently engaged in a difficult struggle to bring into being a tribunal for Cambodia where surviving leaders of the Khmer Rouge could be prosecuted; and we have been at the forefront of support for efforts to establish the International Criminal Court. As I write, the network's efforts to secure UN Security Council referral to the ICC of responsibility for prosecuting those who committed crimes against humanity in Darfur, Sudan, have just succeeded.

As in the case of our work on transparency, we are still at a fairly early stage of efforts to establish an effective system of international criminal justice. Though both are long-term efforts, there has recently been substantial headway in these endeavors. The open society cause has suffered a number of setbacks in recent times but, at least with respect to these two important parts of our work, we are making progress.

Aryeh Neier  
May 2005

## **OSI Advocacy**

**OSI and the Soros foundations advocate for policies that advance open society in countries around the world. OSI maintains policy advocacy offices in Brussels, the home of most European Union (EU) institutions, and Washington, D.C. The 2004 annual report describes many advocacy activities by OSI and the Soros foundations network. A few of the policy issues that occupied the Brussels and Washington offices are described on the following pages.**



**European Neighbourhood Policy**—The European Union’s Neighbourhood Policy (ENP) has the potential to advance democracy in the EU’s neighboring countries of Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. OSI advocates for the EU to provide clear and tangible incentives to the neighboring countries, such as access to internal EU markets, and to make incentives conditional on progress in achieving democratic reforms. In Brussels, working with relevant Soros national foundations, local NGOs, and think tanks, OSI contributed to ENP policies emphasizing commitment to the rule of law, good governance, and respect for human rights—and to the monitoring of action plans. OSI–Washington, D.C., worked to encourage U.S. government policies that reinforce these EU initiatives.

**Turkey in Europe**—The decision whether or not to open EU accession negotiations with Turkey was one of the most intense, controversial debates in the EU in recent years. OSI cosponsored the Independent Commission on Turkey (ICT), which released a balanced report on the challenges and opportunities presented by Turkey’s possible membership. The report received considerable attention from the media and policymakers. The European Council voted to start EU accession negotiations with Turkey in October 2005. In Washington, OSI presented the conclusions of the report to key policymakers.

**Roma**—OSI advocates for EU policy and action to help overcome the poverty and social exclusion of Roma in Europe and for an alignment of EU action with the Decade of Roma Inclusion. The European Commission in 2004 established a high-level Romani task force to coordinate EU initiatives and funding programs for Roma inside and outside the EU. In order for the Roma to make their own case in Brussels, OSI arranged for 10 Romani internships in the European Commission beginning in 2005. On Romani issues, OSI–D.C. works closely with the United States Helsinki Commission, which held a hearing on the situation of the Roma in 2004.

**Publish What You Pay Campaign**—OSI and the Soros foundations network support the efforts of the Publish What You Pay (PWYP) campaign to make public the payments of extractive industry companies to governments. OSI’s affiliate OSI–Brussels in 2004 played a leading role in encouraging the European Parliament and European Council to adopt

a provision calling on natural resource companies listed on European stock exchanges to publish their payments to EU governments. OSI's Washington office hosts staff members of Global Witness, a key PWYP coalition partner, and several U.S.-based staff members coordinate activities with the coalition.

**HIV/AIDS**—OSI-Brussels advocated for significantly improving the European response to the fight against HIV/AIDS by, among other activities, promoting increased funding from European governments for the Global Fund to Fight AIDS, Tuberculosis and Malaria. OSI-D.C. encouraged U.S. support for the Global Fund by educating policymakers on the most effective, scientifically proven ways to combat the co-epidemics of HIV/AIDS and tuberculosis.

**Cooperative Global Engagement**—In recent years, the United States has received criticism for rejecting such efforts at international cooperation as the International Criminal Court and the Kyoto Protocol on global warming. The Cooperative Global Engagement Project of the OSI-D.C. office works to encourage a national debate on the merits of working with other nations on critical issues like international health and justice. The Project has sponsored thousands of “town hall” debates around the nation, organized congressional briefings, published studies, and supported many grassroots organizations working on these issues through a cooperative donors pool it helped to organize.

**Defending an Open Society in the United States**—In close cooperation with U.S. Programs staff in New York, OSI-D.C. worked to defend civil liberties and educate the public and elected officials about the dangers of infringing fundamental rights in the name of fighting terrorism. OSI-D.C. conducted a sustained dialogue with the Office of Civil Liberties and the Inspector General's office of the Department of Homeland Security. It created Watching Justice, a comprehensive, nonpartisan website, to monitor the activities of the Justice Department. OSI-D.C. also worked to alert the public and policymakers to the urgent need to provide housing and job placement help for persons leaving prison (some 600,000 each year) so that they can make a successful transition back into their communities.