



PRESIDENT'S MESSAGE

Global Expansion, Advocacy, and a New Movement



The Open Society Institute and the Soros foundations network in 2002 pushed forward with geographic diversification and intensified efforts in public policy advocacy. Increased diversification and advocacy were accompanied by significant funding cutbacks in certain regions, namely, the Central European countries that are candidates for accession to the European Union (EU) in 2004 and Russia, and certain program areas, such as lower-school education. Cutbacks in these regions and programs were made because we believe that our efforts have largely found fertile ground.

In Central Europe, we have reduced our expenditures because the accession process itself addresses many of our concerns. For example, the accession countries are required to improve the protection of minority rights in accordance with EU legal standards. In the case of Russia, where the Open Society Institute has expended about \$1 billion since George Soros established a foundation there in 1987—far more than anywhere else—the reasons are quite different. Open society issues in Russia are beginning to attract support from other donors, including a few of the country's "oligarchs," who became rich through the privatization process. Seeking to legitimate themselves, they are establishing their own philanthropies, including one called the Open Russia Foundation.

To the extent that others, particularly Russians, are ready to address areas of concern to open society, we are happy to leave the funding to them. OSI will remain engaged in Russia, focusing on issues, such as promoting a harm reduction approach to injecting drug use, that are too controversial for other donors. The British aid agency DFID has provided OSI with a substantial grant to administer harm reduction programs in Russia, freeing our funds to address policy issues in this field.

The cutbacks in Central Europe and Russia have laid the ground for the Open Society Institute and the foundations network to extend its reach. We now operate in varying degrees in most regions of the world: Europe; the Caucasus and Central Asia; the Middle East; Southeast Asia; Africa; Latin America and the Caribbean; and the United States. Our new foundation in Turkey and our funding program in Afghanistan are proceeding very well. In addition, OSI is exploring the possibility of launching

programs in China, where George Soros established a foundation in 1986, only to close it during the tumultuous events of 1989. If we go forward, this would be our first effort to operate in China since then.

It should also be noted that the Open Society Institute engages in limited discreet activities in several of the most closed countries on earth. We do not provide information about these activities because to do so would jeopardize the safety of individuals with whom we work. Although there is not much one can do in such countries, we view this as a long-term effort. If and when a transition takes place, there will be people with training, contacts, and familiarity with open society values ready to play a part in successor governments.

Direct engagement in policy advocacy was especially marked in 2002. A prime example was the Publish What You Pay campaign, which originated with the work of Global Witness, a London-based grantee of the Open Society Institute. Global Witness has documented the connection between extractive industries operating in a number of African and Asian countries and damage to the environment, arms purchases, human rights abuses, and, most of all, corruption. A recent report focused on Angola where large sums, reportedly paid by the oil companies for concessions and in fees and taxes, cannot be accounted for. When a major oil company, BP, indicated that it would disclose what it paid to the government, it was threatened with revocation of its concessions. Yet despite the immense wealth generated by the oil industry in Angola, many of its citizens suffer from extreme poverty and the country depends on international assistance.

Convinced that action by the oil companies could change the paradigm that resource-rich countries have the poorest populations, OSI and George Soros in particular have taken up the Publish What You Pay campaign. As part of the campaign, we advocate that oil companies should have to disclose their payments to governments in order to be listed on securities exchanges. If disclosure were mandatory, it would not be possible for governments to put pressure on particular companies, as happened in the case of BP in Angola, forcing them to back away from plans for voluntary disclosure. Those who refused to disclose would not enjoy a competitive advantage.

To date the campaign in Europe has gained more ground than in the United States. In Europe, it is supported by a broad-based coalition of nongovernmental organizations; it has attracted the support of Prime Minister Tony Blair; and it faces less resistance from European-based oil companies such as BP and Royal Dutch/Shell than from American oil giants such as ExxonMobil and ChevronTexaco.

Quite a few of our advocacy efforts address the issue of corruption: We launched an in-house research project known as the Caspian Revenue Watch, which is expanding upon the Publish What You Pay criteria to establish accountability, transparency, and public oversight in the oil industries of Azerbaijan and Kazakhstan. We seek to secure compliance with provisions of the New Partnership for Africa's Development (NEPAD), including its provisions on transparency and good governance. In the United States, we endorsed the creation of the Millennium Challenge Account, which is intended to reward countries that meet certain criteria, including democracy, respect for human rights, and good governance.

OSI has also become a leading donor in the worldwide struggle against corruption, supporting the efforts of two Washington-based think tanks that are attempting to globalize their work. The Center on Budget and Policy Priorities has established the International Budget Project, a network of organizations in all parts of the world promoting budget transparency. The Center for Public Integrity, an association of investigative journalists, is attempting to develop a worldwide compendium of the policies and practices of governments to promote transparency and accountability. In addition, we support many local organizations that focus on these issues, including country chapters of Transparency International.

Operationally, the Open Society Justice Initiative, a legal program with global reach that replaces the regional legal reform programs of the Constitutional and Legal Policy Institute, has made adoption and implementation of freedom of information laws one of its top priorities. Through such efforts, our hope is to assist in the growth of an international civil society movement in the anticorruption field comparable in scope to the two principal movements that have influenced global public policymak-

ing during the past three decades: the human rights movement and the environmental movement.

Though the Open Society Institute and the Soros foundations network is intent on maintaining budget flexibility to enable us to pursue initiatives such as those described here, our overall expenditures are shrinking. In 2002, we expended \$474 million globally, about the same as in the previous year. Our plan is to reduce expenses to about \$400 million in 2003, and then to make gradual cuts in subsequent years, leveling off in the vicinity of \$300 million in 2006. Two factors require this budget reduction. First, we are no longer intent on terminating the network in 2010. Since the network will last longer, the funds contributed by George Soros and the charitable foundations of the Soros family must last longer. The second factor is the general economic climate.

As noted, some savings are coming from Central Europe and Russia, but these savings are matched by increases in expenditures in other regions, especially Africa. Programmatically, we have realized savings in the area of lower-school education, traditionally the main focus of our spending. OSI funded a number of initiatives such as Step by Step, the early childhood education program, for five-year periods to give the programs time to establish themselves in the educational systems of various countries. Over the years, OSI and the Soros network expended more than \$100 million on Step by Step. To a significant degree, the effort to sustain this program at public expense is succeeding. Hence, while our funding has declined radically, the purposes of the program are being achieved. OSI is largely continuing its work in higher education, but our expenditures on lower-school education are a fraction of what they were—which contributes to our flexibility to take on new issues and new regions.

These developments in the work of OSI and the Soros foundations reflect our commitment to establishing a larger Open Society Network of like-minded organizations and individuals as a major influence on world affairs. OSI will play a leading role in building open societies for many years to come, but starting an open society movement that flourishes on its own will be part of our legacy.

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