

For Immediate Release**Contact:****Rob Blackhurst 7401 5355****Open Society Institute Report Calls for Public Oversight
Of Oil Industries in Azerbaijan and Kazakhstan**

June 11 2003 - The Open Society Institute has released a report calling for accountability, transparency, and public oversight in the oil and natural gas industries of Azerbaijan and Kazakhstan.

The report, *Caspian Oil Windfalls: Who Will Benefit?* urges foreign oil companies, their home governments, and international financial institutions to promote good governance and democracy in Azerbaijan and Kazakhstan to ensure that petroleum revenues generate social prosperity and stable governments.

Oil booms in the Caspian Basin are expected to make Azerbaijan and Kazakhstan important new energy suppliers for Europe. But the report warns that the lack of good governance and democracy in the two countries could make them less reliable partners.

Without systemic reforms in the management of oil revenues, the report says, the money beginning to flow into the countries will not result in healthy, long-term economic growth, higher living standards, and more freedom for the countries' people. Instead, it likely risks being squandered on pet projects or domestic enterprises that do not lead to growth while the majority of citizens remain poor and powerless.

The report will be launched in London in the wake of the G8's Declaration on Fighting Corruption and Improving Transparency, which stresses the urgent need for companies to disclose the payments they make, and for the publication of revenues received by governments in the oil, mining and gas sector worldwide. This falls far short of the compulsory disclosure that the report calls for.

Tony Blair is again championing voluntary disclosure for companies and governments through the Extractive Industries Transparency Initiative, which will meet in London on the 17 June.

"There is no issue of greater importance than ensuring the long-run prosperity and stability of resource-rich countries by developing ways to use these resources and the wealth they generate well," Joseph E. Stiglitz, Nobel Prize winner in economics, writes in his foreword to the report.

Foreign oil and natural gas companies benefit from disclosing their payments to governments so that citizens can monitor the use of these revenues, it claims. Without disclosure, companies leave themselves open to accusations that they have underpaid the state and are to blame for continued poverty, as is now happening in Kazakhstan. “It is in the enlightened self-interest of these companies to ensure that their payments are not misappropriated,” says George Soros, founder of the Open Society Institute.

The governments of Azerbaijan and Kazakhstan should consider creating citizens’ advisory councils such as the ones set up in the U.S. state of Alaska after the Exxon Valdez oil spill. The councils would monitor the oil industry and the government budget, and provide information to the public, giving citizens a voice in hydrocarbon development.

Caspian Oil Windfalls analyzes the systems Azerbaijan and Kazakhstan use to manage their oil wealth. It offers recommendations to the governments of Azerbaijan and Kazakhstan, multinational oil companies, international financial institutions, and foreign governments for promoting accountability, transparency, and public oversight in the management of oil and natural gas revenues. The report includes 10 case studies on natural resource funds in other countries as well as models of citizen oversight.

The report was written by Svetlana Tsalik, director of the Caspian Revenue Watch, a program of the Open Society Institute’s Central Eurasia Project.

For copies of *Caspian Oil Windfalls: Who Will Benefit?* and more information about the Open Society Institute and the Caspian Revenue Watch project, please contact Erin Finnerty at efinnerty@sorosny.org or call 212-548-0679. The report can be downloaded at: <http://www.eurasianet.org/caspian.oil.windfalls/>

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The Open Society Institute (OSI), a private operating and grantmaking foundation based in New York City, implements a range of initiatives that aim to promote open society by shaping government policy and supporting education, media, public health and human and women’s rights, as well as social, legal and economic reform. To foster open society on a global level, OSI aims to bring together a larger Open Society Network of other nongovernmental organizations, governments and international institutions. OSI was created in 1993 by investor and philanthropist George Soros to support his foundations in Central and Eastern Europe and the former Soviet Union. Those foundations were established, starting in 1984, to help former communist countries in their transition to democracy. OSI has expanded the activities of the Soros foundations network to other areas of the world where the transition to democracy is of particular concern. The Network encompasses more than 50 countries with initiatives in Africa, Central Asia and the Caucasus, Latin America, and Southeast Asia, as well as in Haiti, Mongolia, and Turkey. OSI also supports programs in the United States and selected projects elsewhere in the world.