

WORKSHOP REPORT FORM

Number and title of workshop

Workshop 3.3 – Corruption in Energy Services: Finding a Focus to Fight Back

Date and time of workshop

October 31st, 2008, 14:00 – 16:00

Moderator (Name and Institution)

Francois Valerian, Transparency International Secretariat

Rapporteur (Name and Institution)

Farzana Nawaz, Transparency International Secretariat

Panellists (Name, institution, title)

Ingilab Akhmedov, Publish What You Pay Azerbaijan, Director of Public Finance Monitoring Centre

Carmin Christensen, Eurasia Partnership Foundation Georgia, Associate Country Director

Slagana Taseva, Transparency Zero Corruption

Kirill Kabanov, National Anti-Corruption Centre, Director

Main Issues Covered

- This workshop had a geographic focus – experiences of corruption and anti-corruption measures in Azerbaijan, Georgia, Russia and the former Yugoslav Republic of Macedonia. The experiences of these countries can be looked upon to deal with similar problems in energy sectors in other parts of the world.
- Energy is a global problem of immense importance for which we need to find global solutions. There is a great need for collaboration between countries, and particularly in civil society organizations.
- Capacity is the biggest problem facing civil society organizations working in this area – the problem is complicated, therefore there is a need to develop long term expertise.
- The issue of capacity relates not only to understanding the issues and the data but also to informing the public about the corruption issues, e.g. the media.
- The problem is complex and we need to pay attention to the complexities. For example, vigilance is needed in countries who are not only producers of oil / gas but also countries that help deliver them, for example, Georgia is a transit corridor for natural gas. Similarly, we should look at pipeline companies, in addition to extractive companies. Intermediaries, subcontractors, investors and financial mechanisms, all provide opportunities for corruption and they are in need of transparency and monitoring.
- Finally, energy is a global problem to which we need to find global solutions. Coordinated efforts need to be made by governments, businesses and especially civil society organizations across the world.



Workshop Highlights (including interesting quotes)

- The four countries focused on have undergone dramatic changes in recent times, such as war, transition from a state-controlled to market economy, deregulation of market etc. which raised issues of transparency and created opportunities for corruption.
- Corruption issues in this sector should not only be considered for countries which are producers of natural resources but also in countries which are part of the supply chain. For example, Georgia is not a producer of natural resources but it is a transit corridor of natural gas.
- Providing the population on good information about the energy sector is challenging because the sector is complex and there is a lack of capacity in media. Carmin Christensen from TI's chapter in Georgia has found that training journalists, publishing inserts on corruption issues in the newspapers to be effective advocacy methods, although they continue to face the challenge of attracting high quality journalists who are dedicated to the issue in the long term.
- Ingilab Akhmedov provided valuable insights into the EITI efforts from a natural resource producing country such as Azerbaijan, which is heavily dependent on oil as a source of national revenue. He mentioned that dependence on oil has led to great government control over the sector in Azerbaijan.
- Important problems in management process of oil and gas revenue include – transparency in the collection of revenues (need to know how much was paid to the government for contracts) and, perhaps most importantly, the spending of the revenues.
- Institutional reform efforts should be made so that information on revenue generation, management and spending isn't confined to the government but is also available to the public.
- Kirill Kabanov from Russia stressed that there is a great need to enlarge the current requirements of disclosure for all types of oil companies – local oil companies (such as Gazprom in Russia) and international oil companies operating in oil producing countries (such as British Petroleum's operations in Russia).
- It is vital that information on contracts signed between oil producing countries, such as Russia, and oil companies are made publicly available.
- Kirill also stressed the importance of more transparent financial mechanisms, uncovering hidden interests in the sector (such as foreign stakeholders in national oil companies) and the corrupt practices of intermediaries and subcontractors.
- Slogana Taseva described the experience of civil society in monitoring the privatization of electricity companies in the Former Yugoslav Republic of Macedonia. She found that providing information to the public on this issue was the biggest challenge. She also found that the government continues to maintain significant control over the electricity marketplace which creates issues of conflict of interest and corruption in setting the rules and regulations of the market place and in areas such as tendering when new power plants are built. Civil society organizations suffer from lack of capacity – they rely on expertise donated by volunteer experts. More sustainable expertise need to be built and retained by civil society organizations.
- In the question period it was brought up that pipeline companies, companies that transport oil and gas need to be considered in the corruption challenge, and not only the companies that deal with extraction / production. A lot of corruption can be hidden in the logistics of the provision of energy services.
- It was also brought up in the question period that we need to ensure that the civil society organizations involved in monitoring are not corrupt themselves and that they are not complicit.
- It was stressed by most of the speakers that local action is not enough to combat corruption in the energy sector. This is a global problem and a global solution is



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needed. Civil society organizations need to collaborate and coordinate internationally to raise standards of disclosure, monitoring, etc. The fight against corruption in the sector will be more effective as more countries become involved.

Signed

Farzana Nawaz, October 31st, 2008
