Session Title: Transnational Kleptocratic Networks
Date & Time: 3 December 2016, 9.00
Report prepared by: Svetlana Savitskaya, Transparency International

PLEASE INCLUDE BEST QUOTES!

Experts:
Sarah Chayes, Senior Associate, Carnegie Endowment for International Peace

Moderated by: Sarah Chayes
Session coordinated by: Sarah Chayes

Main issues raised in kick off remarks. What’s the focus of the session?

In much of the world, corruption can't be described just as a collection of bad practices perpetrated by individuals. Rather it is the operating principle of sophisticated and successful networks that weave together key government structures, businesses and criminal organizations, whose tentacles reach far beyond national borders.

Corruption is often a deliberate practice of one or several networks of interrelated individuals who are organised. Therefore, it is necessary to ascertain and depict these network structures and their modes of operation as detailed as possible.

These networks can dominate by various structures, e.g. government,
private sector, parliament, etc. In Azerbaijan, kleptocratic network is dominated and controlled by the president and his family. While in Moldova the private sector element is dominant in kleptocratic network.

Very often public sector is deliberately redirected and repurposed to serve the interests of kleptocratic network. Anti-corruption agencies are used against rivalry kleptocratic networks rather than to pursue real anti-corruption agenda. Criminal network are part of transnational kleptocratic networks, they are well integrated. Revenue streams are captured, and these networks are transnational.

Each kleptocratic network has enabling conditions, external enablers/facilitators, and government elements. Workshop participants mapped out enablers across government, private and criminal sectors.

The workshop addressed the following underlying questions: How the kleptocratic networks are structured and are functioning? What are the kleptocratic network elements?

Among institutions and conditions enabling kleptocratic networks are the following elements: government; lower officials; criminal elements; private sector elements; active facilitators; external enablers.

The workshop started with presentation of analytical framework of kleptocracy, Moldova was used as an example where corruption is the operating principle and government as a network of crime structures.

The banking scandal in Moldova in which over $1 billion – equivalent to one-eighth of Moldova’s GDP – disappeared from the state-owned Banca de Economii and two other private banks plunged the country into deep political and social turmoil. The theft resulted in massive protests, political infighting between powerful groups, and the arrest and imprisonment of Prime Minister Vlad Filat. Civil society organisations made multiple appeals to decision makers demanding a proper investigation of the theft, yet authorities made few efforts to start a transparent investigation.

Participants presented examples of countries where official structures were captured by kleptocratic networks to serve their interests rather than the interests of the government. Afghanistan: the parliament, it is using its legislative power to control the revenue streams. In Nigeria it is the Energy Ministry. In USA, it is defence contractors and their lobbying
efforts. Hence, Ministries of Defence as the government element facilitating kleptocracy.

What initiatives have been showcased? Briefly describe the Game Changing strategies/ ideas (if applicable)

Briefly describe the highlights including the thematically interesting questions and ideas that were generated from the discussion or from the floor, and session quotes.

What solutions can be proposed, since it is a transnational problem? There is no one magic bullet, each case has to be examined and analysed before coming up with the solutions.

Kleptocratic networks are interwoven, hard to disentangle, e.g. enablers from criminal sector and private sector. Ideally we should have the network diagram, to see the individual who is at the core of network. Mapping up these networks is an endless process, plus they change constantly.

Speaking about international organisations and development agencies providing assistance to kleptocratic government the question was raised: should they be disengaged or engaged in kleptocratic countries, be it Moldova or Honduras? It is hard for international organisations, for instance those working on infrastructure projects, to realise that they are enablers or facilitators of kleptocratic practices and regimes.
The question is what is the logic of staying engaged? To improve the situation? Development agencies – what should they do, stay engaged or leave?

Take such organisation as EITI, Council of Europe in Azerbaijan, where is the empirical work that shows that working with such countries improves their behaviours? Have we done the examination of presumptions?

**What are the key recommendations, follow-up Actions (200 words narrative form)**

To develop a Network Diagram, a template, and provide CSOs with for them to examine and map out kleptorctic networks in their countries and also to tack transnational networks.

**Key Insights that could be included in the IACC Declaration**

**Rapporteur’s name and date submitted**
Remember! This Short Report needs to be emailed to reports@17iacc.org within 2 hours after the session and will be uploaded instantly to the IACC website. Thanks.