


Informality, social networks and corruption. What are the lessons for practitioners?

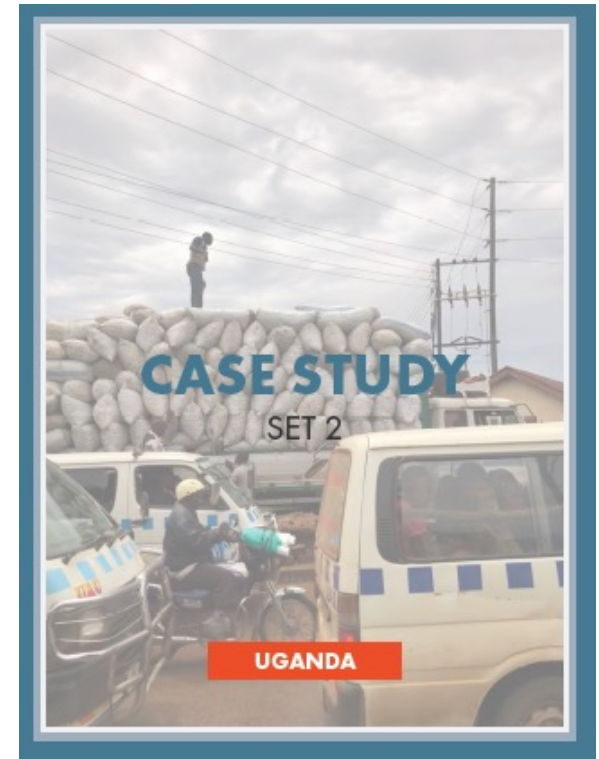
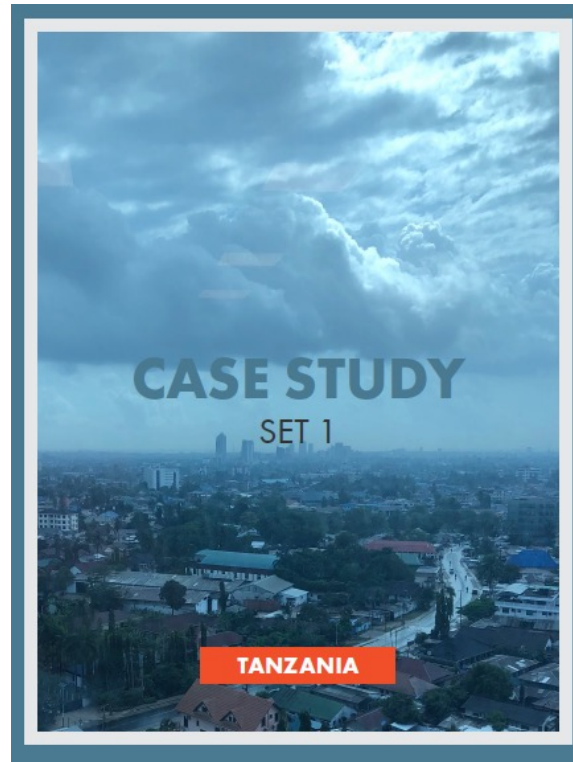
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Background and why does this matter?

- **Why study informality?**
- Goods laws and bad outcomes: the implementation gap
- **Why focus on networks?**
- Corruption more often than not is not the result of a few bad apples in otherwise well functioning systems.
- In our previous research we have found corruption is very much a “networked” phenomenon
- **What happens if we shift the anti-corruption focus from individuals to networks?**
- This is exactly what we want to find out!

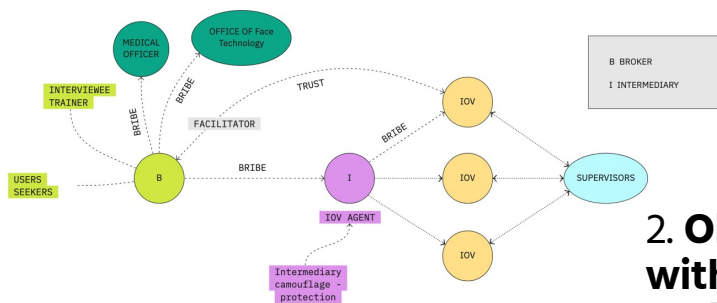
Ten case studies of informal networks



Goals of the Networks

1. Ease access to public services

(drivers licenses, land registration, business permits, connection to the electrical grid)

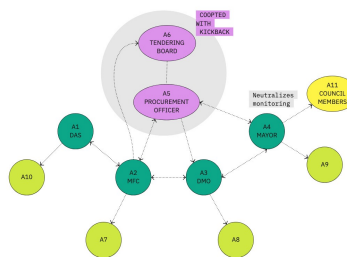
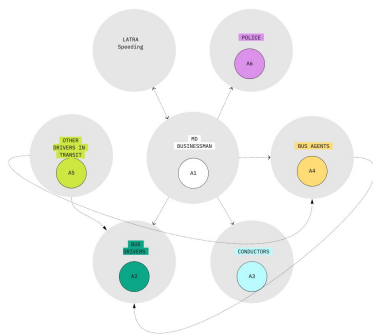


2. Obtain business opportunities with the public sector

(aimed at derailing procurement processes and committing other types of fraud)

3. Allow business to run smoothly

(bribery networks)



So what???????

- Paradoxically, where informality prevails more controls breed more corruption.
- **Focus on problem solving by tackling:**
 - Red tape
 - Ease of doing business
- **Complement formal controls with:**
 - Emphasis on outputs (contract implementation)
 - Public services scorecards
- **A value-based approach is not necessarily enough**
 - SMEs are doubly punished by a purely normative approach
 - Intertemporal dilemmas
- **Multi-stakeholder initiatives**
 - Some networks are decisively extortive
 - Work with those who feel they have no choice
 - Example: Ukraine Business Ombudsman
- **Better detection mechanisms**
 - Other networks are collusive
 - Need to invest in credible whistleblowing mechanisms
 - Example: High level reporting mechanism



The team

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Thank you