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)

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**ACE**

Anti-Corruption Evidence Research Programme
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