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Anti-Corruption Evidence
Making Anti-Corruption Real

How to guide 001

Navigating the Political Economy of Corruption: Observing and understanding actors' behaviours, to inform effective policy

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Executive Summary

In many countries around the world, public policies are poorly implemented, often because the resources invested to achieve the intended outcomes are lost through policy-distorting corruption. This corruption emerges when powerful actors divert resources from policy objectives to serve their own interests, while others lack sufficient power or incentives to challenge them.

Such corruption undermines effective policy implementation, erodes trust between citizens and the state, and hinders developmental progress. It is particularly prevalent and persistent in contexts of widespread informality and a weak rule of law, where there is often a mismatch between the ways in which actors and organisations behave and the formal framework of policies and institutions intended to govern their behaviours.

This How to Guide sets out the logic of the SOAS-ACE approach to understanding and addressing policy-distorting corruption, describes how to put it into practice, and provides two case studies of its application, in Bangladesh and Nigeria. We hope that it will encourage you to engage with the approach and perhaps to apply it in your contexts.

The SOAS-ACE approach: Power, capabilities and interests

The SOAS-ACE approach offers a distinctive framework for understanding and addressing policy-distorting corruption in contexts where formal (vertical) accountability mechanisms are blocked by the power of vested interests. Rather than simply urging more enforcement and accountability, it focuses on crafting high impact policy reforms that work with the political economy dynamics that drive actors' behaviours in particular contexts. By aligning incentives and leveraging horizontal relationships amongst peers, such policies encourage changes in behaviour that support their effective implementation.

The approach is founded on three complementary and interconnected elements:

- **Observing** the behaviour of various actors engaged around a flow of policy-related resources, looking in particular for situations where some actors are following the rules rather than engaging in corruption;
- **Analyzing and understanding** how actors' behaviours are influenced by their own interests, their relationships with other actors, and the systems they are part of; and
- **Crafting** feasible and impactful policy proposals that enhance and extend existing pockets of rule-following behaviour, or enable rule-following behaviours that were previously absent.

The conceptual foundation for the approach is provided by a political settlements framework that highlights how the contextually-embedded and historically-inherited political economy dynamics of power, capabilities and interests set the scene in which actors make decisions, shaping the prospects and pathways for social change and policy reform.

This framework considers two interrelated aspects which form a dynamic system: actors and organisations on the one hand, and institutions (formal rules and informal norms) on the other. The political settlement, or system, evolves as a result of changes in actors' behaviours or changes in the institutional arrangements which emerge from their behaviours and interactions, and which shape the context for future action.

In this framing, the characteristics that shape actors' behaviours – whether they will want to follow specific policy rules and will be able to encourage others to do the same – include whether they have: the productive **capabilities** to benefit from the enforcement of that rule; sufficient **interest** to invest their time and effort in the enforcement of that rule; and the **power** to encourage others to follow that rule, given the relative power, capabilities and interests of other actors.

By examining how these characteristics interact within specific contexts, our approach enables the identification of actors who might support or resist anti-corruption efforts. This then helps to explain why some anti-corruption policies and initiatives succeed while others fail, and can help guide the design of policies that will work because they are tailored to particular contexts and the drivers of actors' behaviours.

Spiraling in: A three-phase process of research and analysis

Putting the SOAS-ACE approach into practice involves a three-phase process of research and analysis which spirals in from the macro, to the sectoral, to the identification of specific entry points for engagement.

- **Phase 1, Understanding the national political settlement and landscape of corruption** involves examining how power is exercised and resources flow, ruling out sectors where reform is not possible, and identifying sectors where addressing corruption might be both feasible and impactful.
- **Phase 2, Analyzing sectoral political economy dynamics** begins by mapping formal policy and institutional frameworks—how resources and rents are meant to be managed within a sector. It then involves a process of "economic ethnography" to directly observe how actors behave and how resources flow in practice. This analysis helps to identify entry points (pockets of effectiveness, or sites of positive deviance) where self-interested action by actors with appropriate levels of power, might help to reduce corruption.
- **Phase 3, Specifying and testing hypotheses** uses the emerging insights about behaviours and possible entry points from Phase 2 to formulate and rigorously test

hypotheses about how rule-following behaviours might be encouraged or enabled at promising points in the system of policy resource flows. If the hypotheses are validated by testing against new evidence, they can then be used to design effective policy that will reduce corruption and improve development outcomes.

Actor-based system mapping supports this three-phase process by creating visual representations of the landscape of actors around policy resource flows, which help with understanding behaviours and relationships, identifying promising entry points, and formulating testable hypotheses.

Two case studies: Bangladesh and Nigeria

Chapters Four and Five present two case studies that illustrate the application of the SOAS-ACE approach to policy-distorting corruption. Focusing on climate adaptation projects (Bangladesh) and the electricity sector (Nigeria) these detailed case studies run through the three-phase process outlined above. They also show how the "economic ethnography" process of observation and analysis in Phase 2 led the research teams to focus on different strategies in different contexts.

In Bangladesh, the team were able to find some pockets of effective horizontal checking at the local level, which could be enhanced by feasible changes in policy design. Effective horizontal checking of corruption occurred where the capabilities and interests of small landholders and petty traders – interested in the dual-use characteristics of projects (using embankments as roads, and cyclone shelters as community centres) – incentivised them to engage in horizontal monitoring of resource flows and project quality. By putting pressure on actors with similar levels of power, they were able to encourage rule-following, which, in turn, enhanced the effectiveness of vertical accountability mechanisms. After further testing, this suggested that a policy which strengthened the dual-use characteristics of climate adaptation projects could, by incentivising horizontal monitoring, help to address corruption during the construction process.

In Nigeria, in contrast, the research team was not able to find examples of horizontal checking in an electricity sector that was rife with corruption. However, their analysis – while ruling out the possibility that large industrial consumers and residential consumers might be encouraged to adopt new rule-following behaviour – did suggest that rule-following and horizontal monitoring might emerge within clusters of Small and Medium Enterprises who already trusted each other, if they were to share an off-grid supply. If SMEs in such clusters could be provided with reliable electricity, at the level of the SME cluster, and at a reasonable cost, they would not need to break the rules, and would have a strong interest in monitoring each other to ensure they all paid their bills, to make their collective arrangement work. A mini-grid model, serving a cluster of SMEs, could it seemed, meet their needs and enable rule-following, supported by effective peer monitoring.

Collaboration, learning and impact

The SOAS-ACE approach provides a pathway for understanding how change happens and how it can be effectively supported in ways that recognize the intricate interplay of actors (with specific configurations of power, capabilities and interests shaping their behaviour) and institutions. We invite practitioners, researchers, and policymakers to engage with this approach—adapting it to their contexts, contributing to collaborative learning, and refining both the approach and its practical application.

To this end, we look forward to working together: to support the application of the approach to address corruption and associated policy implementation challenges; to create opportunities for collaborative reflection and knowledge generation; and, to contribute to policy discussions about complex social challenges, governance reform and the role of external actors.

The detailed chapters that follow provide the conceptual foundations, methodological guidance, and practical illustrations needed to apply this approach to inform the design of more effective public policy, and support progress to more inclusive and sustainable development outcomes. We look forward to being in touch.

Chapter 1: Introduction

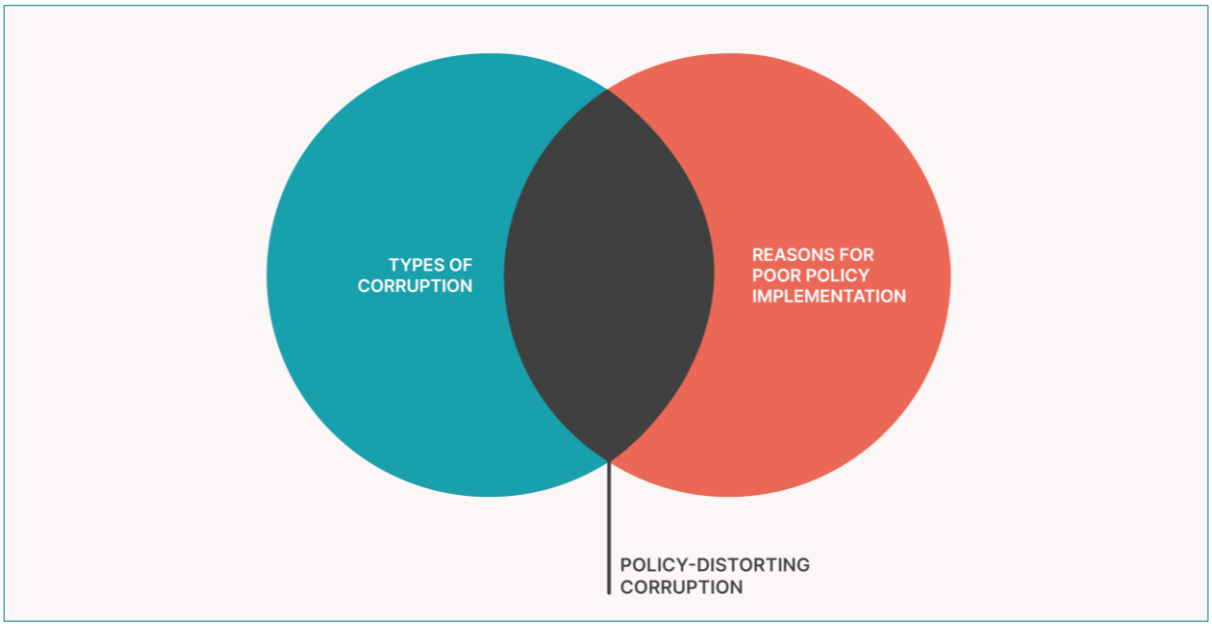
Policy-distorting corruption

1. In many countries around the world, public policies are poorly implemented, often because the resources invested to achieve the intended outcomes are diverted or wasted. This typically occurs as a result of two related corruption processes: first, the diversion of public resources into private hands, and second, low levels of bureaucratic effort which exploit ineffective governance and waste public resources.

2. An example of the first would be corruption that enables public money meant to purchase medicines to be diverted into private pockets through overpricing or theft. An example of the second would be corruption that enables public sector doctors to be absent from duty, while still being paid. Whilst this second form of corruption may not result in public money directly entering private pockets, it nonetheless amounts to an indirect diversion of public resources. Both processes undermine the effectiveness of public policy, erode trust between citizens and the state, and hinder developmental progress.

3. We describe both of these processes as policy-distorting corruption. It emerges when powerful actors divert resources from policy objectives to serve their own interests, and others lack sufficient power or incentives to challenge them. Such corruption is particularly prevalent in contexts of widespread informality where there is often a mismatch between the ways in which actors behave and the formal framework of policies and institutions that is intended to govern their behaviour.

Figure 1: Policy-distorting corruption



4. As Figure 1 shows, corruption is not always the cause of poor policy implementation, and not all types of corruption can be blamed for poor policy implementation. (For more on different types of corruption, see the SOAS-ACE Synthesis Report, figure 8, and Mushtaq Khan, 2014). Poor implementation may also result from inadequate technical training, poorly designed policies, or the absence of supporting policies. Addressing these external conditions may involve tackling policy-distorting corruption in those areas as well.

5. However, our approach focuses on corruption that directly affects the implementation of particular public policies (the overlap in Figure 1). Many external conditions will take time to address and progress will be gradual. Rather than cast our net too widely, our aim is to identify solutions that are feasible to implement soon and that address specific corruption problems that hinder effective policy implementation.

The key elements of the SOAS-ACE approach

6. The SOAS-ACE approach to understanding and addressing policy-distorting corruption has developed through years of research and practice. The methodology is founded on three complementary and interconnected elements:

   - **Observing** the behaviour of various actors engaged around a flow of policy-related resources, who may affect the allocation and use of those resources, looking in particular for situations where some actors are following the rules rather than engaging in corruption;
   - **Analyzing and understanding** how actors' behaviours are influenced by their own interests, their relationships with other actors, and the systems they are part of, with their behaviours in turn shaping the dynamics of those systems; and
   - **Crafting** feasible and impactful policy proposals that either enhance and extend rule-following by leveraging peer monitoring of rule-breakers by actors who are following the rules, or enable rule-following behaviours that were previously absent.

7. The SOAS-ACE approach offers a distinctive framework for understanding and addressing policy-distorting corruption. It focuses on crafting policy reforms that are politically feasible to implement and have high potential impact given the political economy dynamics of particular contexts. It takes a systemic and relational perspective, to understanding and influencing actors' behaviours, aiming to align incentives and leverage relationships for sustainable solutions rather than simply urging better enforcement. And, it is informed by an explicit theory about how actors' behaviors and relationships are shaped by their relative powers, capabilities, and interests, as well as their position in a landscape of incentives, relationships, and resources (see figure 2). As the SOAS-ACE Toolkit notes, "An anti-corruption strategy is only feasible if we can identify actors who have the power, capabilities and interests to play an active role in making that strategy successful." (p.5, SOAS-ACE Toolkit; see also pp.19-21 of SOAS-ACE Synthesis Report).

Figure 2: Power, capabilities and interests

What they are and why they matter in the SOAS-ACE approach	
Power	Power refers to the ability of actors to hold out in conflicts or contests over the allocation of resources. Power can be based on economic, organisational, or ideological resources, which enable actors to organise individual or collective action to impose costs on adversaries, or to hold out when others impose costs on them. Power – when its exercise is motivated by capabilities and interests – can be used to violate or enforce rules depending on the interests of the actor.
Capabilities	Capabilities refer to how actors make a living. If actors have productive capabilities (to add value not just in production, but in any activity, including sports, culture or academia) they are likely to require rules that enable disciplined collective action and are therefore likely to support the enforcement of such rules. If actors have unproductive capabilities (for instance to extract resources by threatening to impose costs on others), they are more likely to prefer an environment in which rules can easily be broken.
Interests	Interests refer to whether actors will actually support rule enforcement. Even if actors have high productive capabilities, they may not always support rule enforcement. For instance, if they are few in number, they may find it more profitable to collude with public officials to break the rules, instead of engaging in productive activities. As such, additional analysis of whether collusion is a feasible and attractive option is needed – supplementing an analysis of capabilities – to identify actors who will actually support the enforcement of specific rules.

8. The focus on these three core characteristics—power, capabilities, and interests—provides an analytical framework for understanding why actors behave as they do in corruption-prone environments. By examining how these characteristics interact within specific contexts, the SOAS-ACE approach enables the identification of actors who might support or resist anti-corruption efforts. This framework helps explain why some anti-corruption interventions succeed while others fail, and guides the design of policies that will work in particular contexts.

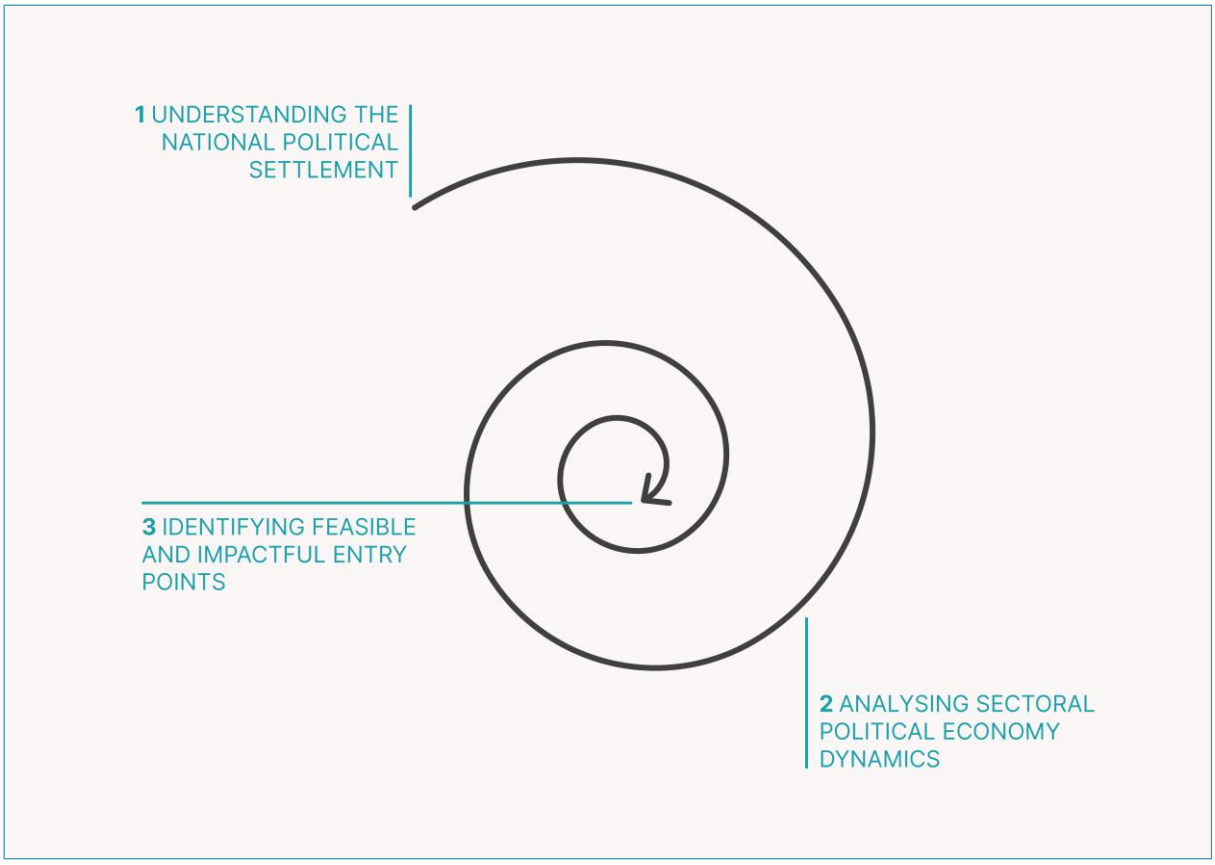
9. By informing efforts to address corruption that diverts resources and hinders effective policy, the SOAS-ACE approach aims not only to address corruption, but also to improve development outcomes. By enhancing the design of policies that help to spread the development of productive capabilities in a society, the SOAS-ACE approach can help to transform social and system dynamics in ways that will enable more ambitious reforms and more inclusive developmental outcomes over time.

Chapter 2: What approach does SOAS-ACE take and why?

What sort of approach does SOAS-ACE take?

10. The SOAS-ACE programme takes a systemic, relational and multi-level approach to understanding and addressing policy-distorting corruption, through a three-phase process of spiraling in. This process involves moving forward through three phases that narrow in from the national, to the sectoral, to specific entry points, constantly iterating between observations, analysis and insights (see Figure 3, and Chapter 3 for more detail about the three phases).

Figure 3: Spiraling in to feasible and impactful entry points



11. Phase 1 involves reviewing the national political settlement and the landscape of corruption, ruling out unrealistic ways of addressing corruption, and identifying sectors where progress might be possible. Phase 2 moves on to analysing the political economy dynamics in a particular sector. This entails observing the behaviour of various actors who are engaged in influencing a flow of resources that is subject to corruption; understanding how their behaviours are shaped by their relative

power, capabilities and interests, and the incentives that they face; and, exploring how actors' interactions and relationships lead to the emergence of patterns, norms and institutional arrangements which, in turn, shape their future behaviours (Phase 2 includes the first and second bullets of paragraph 6, above). This analysis helps to identify feasible entry points where self-interested action by sufficiently powerful actors could help constrain corrupt activities by others.

12. In Phase 3, the insights generated about the system dynamics that hold corruption in place are used to inform the design of policies which might feasibly lead to enhanced resistance to corruption at the most promising points in the flow of policy resources. This phase involves identifying the most effective evidence-based methods for validating these policy designs, designs which would, if implemented, incentivize behaviours that reduce corruption and support progress towards better developmental outcomes.

Why does SOAS-ACE take this sort of approach?

The political settlement framework

13. Conceptually, the SOAS-ACE approach is informed by a particular understanding of how social change happens, and how social change that leads to better developmental outcomes can be supported through public policy. Empirically, SOAS-ACE takes this approach because the evidence suggests that anti-corruption efforts which focus on increasing transparency and formal accountability between principals and agents, but that pay insufficient attention to political economy dynamics, are unlikely to work in contexts of widespread informality and a weak rule of law. In such contexts – where both formal policy rules and formal governance rules relating to transparency and accountability are often violated – trying to use the latter to fix the former is likely to be ineffective.

14. For SOAS-ACE, the contextually-embedded and historically-inherited political economy dynamics of power, capabilities and interests – the "political settlement" – sets the scene in which actors make decisions, and thereby plays a critical role in determining the prospects and pathways for social change and policy reform. This conceptual framing guides the overall process of identifying priority sectors and challenges, searching for suitable entry points, and designing effective policy reforms. The political settlement framework provides an analytical lens through which the complex system of corruption – a non-linear, recursive, unpredictable and emergent system made up of multiple actors, their interactions, and the institutions that emerge from these interactions (see Alan Hudson and Kathy Bain, 2023) – can be mapped to understand its dynamics and inform feasible policy interventions.

15. The political settlement, for SOAS-ACE, has two closely interrelated aspects that, taken together, shape, constrain and enable the dynamics of social change (see Figure 4):

- **Actors and organisations**: The historically inherited distribution of power and capabilities across actors and organisations in a particular sector or society, as well as their prevailing interests; and

- **Institutions**: The formal institutional arrangements (rules and policies) and informal modifications (corruption, norms and informal practices) that emerge from the behaviour and interactions of actors and organisations, and which subsequently shape and regulate their future behaviours.

Figure 4: The political settlement – a dynamic equilibrium

16. These two aspects of the political settlement form a dynamic system of mutual influence and adaptation. On the one hand, the configuration of power and productive capabilities across actors and organisations, together with their associated interests, shapes their behaviours and drives the emergence of particular institutional arrangements. On the other, these formal and informal institutional arrangements establish resource flows and incentives that shape the context for actors' decisions and behaviours. This reciprocal relationship creates relatively stable patterns of behaviour and distributions of benefits that constitute a political settlement, enabling powerful actors to reproduce their power over time.

Actors, characteristics and behaviours

17. For SOAS-ACE, the characteristics that influence actors' behaviours – whether they will be willing and able to support the implementation of a specific policy rule that is at risk of being distorted by the corruption of other actors – include whether they have: the productive **capabilities** to benefit from the enforcement of that rule; sufficient **interest** to invest their time and effort in the enforcement of that rule; and the **power** to encourage others to follow that rule, given the relative power, capabilities and interests of other actors. (See Figure 2 in Chapter 1).

18. The nature of the political settlement at the national level – the range of actors and organisations, institutions, and their dynamic inter-relationship – determines the extent to which a society has a rule of law where anyone breaking the rules is equally likely to be punished regardless of their relative power and connections. It also shapes whether a country is likely to develop a configuration of power and productive capabilities that will support the effective implementation of policies and thereby contribute towards better development outcomes. Or, whether it is set to remain mired in informality, rule-breaking and corruption which diverts resources away from the developmental objectives of public policy and leads to poor policy implementation.

19. In countries where power and productive capabilities are narrowly distributed, there is often a misalignment between the organisational configuration of power and capabilities across organisations, and the formal institutional arrangements that are in place. In such circumstances, powerful organisations are likely to violate formal rules, opting instead for informal ways of accessing the resources they need to sustain and enhance their power, with governments also preferring to reward their allies and maintain their power through informal channels of patronage and political corruption.

20. In these contexts, enforcement agencies may be co-opted through a process of collusion between powerful politicians, judges and bureaucrats. For example, in countries such as Bangladesh and Nigeria, anti-corruption agencies like the Anti-Corruption Commission (in Bangladesh) and the Economic and Financial Crimes Commission (in Nigeria) have been unable to act as independent enforcers of rules and have instead been used as political tools by governments and political parties to selectively target opposition politicians.

21. This distribution of power results in a sub-optimal equilibrium – a political settlement where powerful actors prefer a weak rule of law, productive capabilities stagnate, and formal rules are distorted to support the interests of the powerful. In such contexts, bemoaning a "lack of political will" to tackle corruption misses the point. The way forward is to better understand the context, analyse how change happens in that context, and to use that understanding to craft policy options that will be supported by enough actors' behaviours at entry points where the configuration of power and capabilities mean that those behaviours will be aligned with their own interests. This

may improve development outcomes and incrementally improve the distribution of power and capabilities in ways that make further anti-corruption feasible.

Change in challenging contexts

22. Even in challenging contexts, change can and does happen. When new economic opportunities and technologies emerge, actors with different interests may enter the system. Similarly, political mobilizations may strengthen the hand of particular actors, shifting the balance of power. With their behaviours driven by their interests, new actors – representing, in effect, a new configuration of power and capabilities – may push for changes in rules and institutions, or support the enforcement of the existing rules. Change can also happen when political leaders introduce new laws and institutions that incentivize existing actors to behave differently in their own interest and begin to check the behaviour of others. In all cases, what matters is whether changes in policies, rules and institutions generate sufficient active support to sustain and enforce these changes over time, so that developmental outcomes are improved.

23. In contexts with widespread informality and a weak rule of law, traditional anti-corruption approaches focused on enforcing laws, and leveraging transparency to change the behaviour of powerful actors, are unlikely to be effective. In these contexts, actors with enforcement responsibilities – politicians, police, judges, anti-corruption agencies, the media and civil society organisations – often lack the power to enforce rules against powerful coalitions. In addition, many powerful actors lack any interest in stopping violations, either because they lack productive capabilities and rely on violations themselves, or because they have incentives to collude with rule-breakers.

24. This poses an important policy challenge for those who are interested in addressing corruption and enhancing the implementation of public policies in adverse contexts; what can be done to support changes in behaviour when vertical enforcement of policies and associated rules is not supported by many powerful actors? The SOAS-ACE response to this challenge is based on understanding that actors are enmeshed in a complex network of relationships, all of which shape their behaviour, and therefore to widen the gaze beyond vertical accountability and enforcement, to also include the horizontal networks of actors who may have the power to indirectly enhance the effectiveness of vertical accountability relationships.

25. A key insight of the SOAS-ACE approach is that in contexts where vertical accountability and enforcement is not working, policies need to focus on how to shift the nature of horizontal relationships, building on circumstances where some actors are involved in horizontal checking of their peers, or where it seems possible that such behaviours might emerge. The network effect means that policies that incentivize or enable horizontal checking amongst peers can indirectly enhance the effectiveness of vertical checking relationships, encourage rule-following behaviour, and, as a result, limit the diversion of resources through corruption.

26. When actors affected by corruption put pressure on both violators and enforcers of rules, they create a sustainable and effective demand for enforcement. This helps to enhance the effectiveness of accountability and enforcement, and to ensure that enforcement will happen and continues over time. Self-interested activity by actors close to the sites of potential corruption is the only sustainable way of ensuring that anti-corruption will continue to be effective over time. This contrasts with occasional punishment strategies, which generally have limited lasting impact.

Designing feasible policies

27. By taking a systemic approach to understanding the formal and informal drivers of actors' behaviours, the SOAS-ACE approach enables the identification of promising entry points and feasible strategies to shift the dynamics of the system. If these strategies successfully align the incentives and behaviours of different actors, they can enhance the effectiveness of policy implementation, supported by enhanced horizontal checking, even in contexts where vertical enforcement has been lacking, and the rule of law has been weak.

28. However, given the dynamics of the political settlement, such policies will only be feasible, implemented, sustainable and effective if they build on and support behavioural changes and pockets of effectiveness that are already emerging within a landscape of actors. Policies designed in this way are more likely to be supported by a sufficient number of powerful actors whose behaviours are motivated by their own productive capabilities and interests, and as such are more likely to be reproduced over time.

29. Based on this understanding of how change happens and how actors behave in particular systems, the SOAS-ACE approach is fundamentally about designing policy reforms that will – because they take account of the distribution of organisational power and capabilities – incentivize the behaviour change needed to ensure effective policy implementation, and thereby contribute to changing the dynamics of systems of corruption. In so doing, the SOAS-ACE approach aims to inform the design of policy reforms that will help to ensure that public resources are not diverted from their policy objectives.

Contexts, scaling and implementation

30. The SOAS-ACE approach is a process of searching for entry points and identifying and testing feasible hypotheses, tailoring solutions to the contextually-embedded political economy dynamics that drive actors' behaviours. While the solutions it generates are context-specific rather than easily scalable across different settings, the approach itself can be deployed across different countries, sectors and levels to identify specific entry points where policy reform to shift the dynamics of corruption is feasible and potentially impactful.

31. The impact of targeted engagement in a specific sector or locale can also extend beyond the immediate context of engagement in three important ways:

- **Contextual adaptation**: Policies designed for specific contexts might be implemented—with the necessary adaptations—in contexts with similar causal dynamics, for instance through a national rollout;
- **Demonstration effects**: Interventions in particular contexts may build momentum for wider reform, catalysing and inspiring progress in other parts of the system, where corruption-related challenges had seemed intractable; and
- **Capacity development**: Experience in applying the approach in one context enhances the capacity of researchers to apply the approach elsewhere.

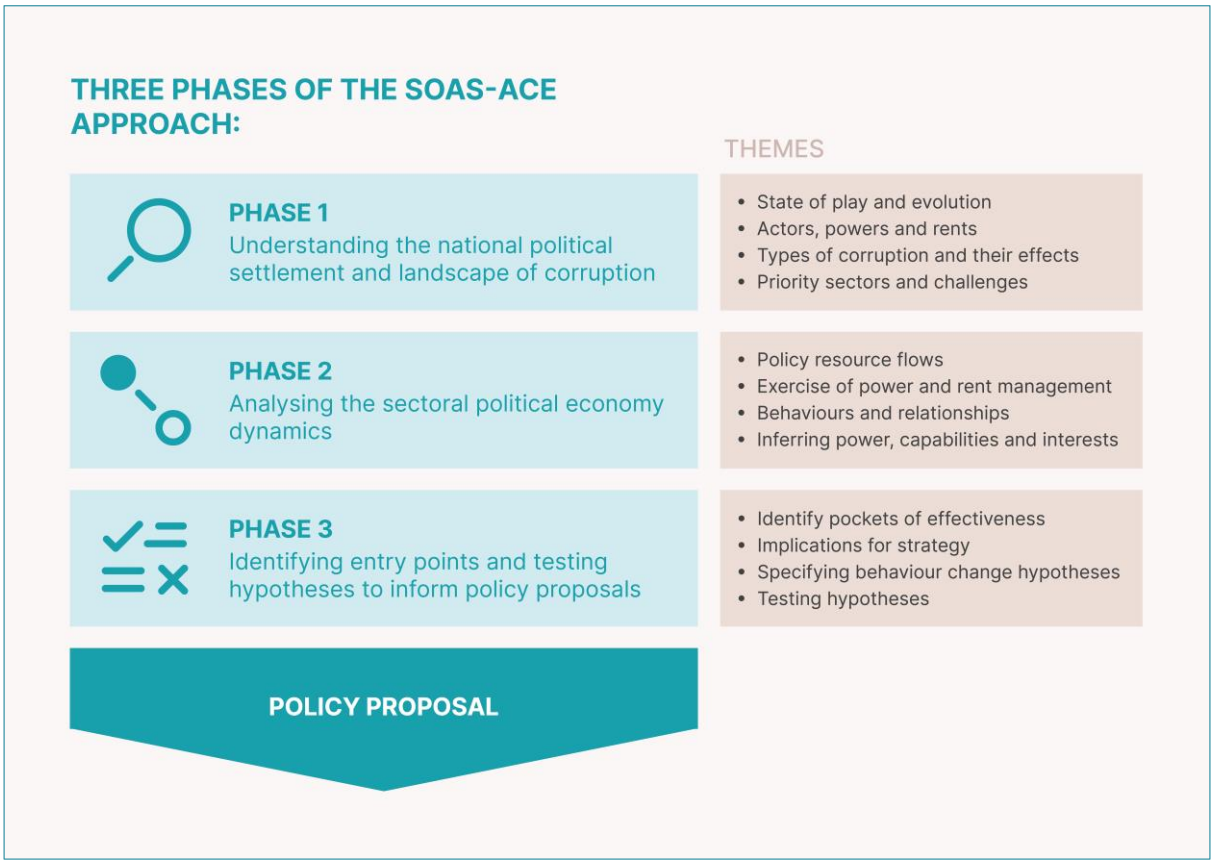
32. The SOAS-ACE approach currently focuses on research-based identification of feasible anti-corruption policies rather than extending to their actual implementation. However, we are beginning to explore how our approach might – by illuminating the political economy dynamics of policy reform processes – also inform and support implementation strategies, coalition building, and the adaptive approaches to implementation need to deliver on the potential of the policy proposals developed.

Chapter 3: Putting the SOAS-ACE approach into practice

33. The SOAS-ACE approach is a sequential and iterative (see paragraph 10) process for identifying policy interventions to address policy-distorting corruption that are both feasible and impactful given the dynamic balance between actors and organisations, and institutions, that constitutes the political settlement. This chapter provides practical guidance on implementing this approach, informed by detailed discussions, by the SOAS-ACE Synthesis Report and Toolkit (both from 2022), and years of experience implementing the approach across diverse contexts.

34. As Figure 5 illustrates, the approach consists of three integrated phases. In this chapter we take each phase in turn, explaining its purpose, clarifying how it contributes to the overall analysis, and outlining the key questions that practitioners need to address. Chapters 4 and 5 then illustrate the application of the approach in particular contexts, through case studies from Bangladesh and Nigeria.

Figure 5: The three phases of the SOAS-ACE approach



Phase 1: Understanding the national political settlement and the landscape of corruption

35. The purpose of Phase 1 is to develop a thorough understanding of the national political settlement and the existing landscape, or context, of corruption. This initial analysis helps identify sectors and corruption-related challenges where policy changes might feasibly have a significant impact on addressing policy-distorting corruption.

36. This phase begins by examining the state of play and evolution of the political settlement, including the ways in which power is exercised, and rents and resources flow, sustaining the configuration of actors, relationships and institutions at the national level. This examination reveals how actors access resources, which actors have interests in productive resource allocation, what their relative powers are, and what constraints they face. This baseline assessment helps rule out sectors with no prospect of reform, while identifying sectors – and perhaps specific challenges – where addressing corruption might be both feasible and yield significant development benefits. This analysis establishes a robust foundation for the subsequent phases, ensuring that efforts focus on areas where policy interventions are most likely to succeed in addressing corruption and improving developmental outcomes.

Questions to guide the analysis: Phase 1

Assessing the national political settlement

- State of play and evolution
  - What is the distribution of power and capabilities across formal and informal organisations and how has it evolved over time?
  - To what extent and how can higher levels of the ruling coalition control actors at lower levels?
  - To what extent is the ruling coalition threatened by challenges from actors who are not part of that coalition and the way in which it manages the flow of rents?
  - What types of informality and corruption are important for the ruling coalition, and in what ways, and what are the implications of this for policy design, implementation & enforcement?

- Actors, power and rents
  - Who are the key actors and networks, what are their relative powers, and how do they exercise power, through both formal and informal channels?
  - How are important policy rents managed, what is the formal policy process, and what role do formal accountability mechanisms play in practice?
  - Who benefits from the way rents flow, and who is excluded? Are ideologies being mobilised, for instance based on identities, to channel demands for rents such as subsidies, overpriced contacts or quotas in jobs?
  - What do recent policy changes and their track record of implementation reveal about how power is exercised and rents are managed?
  - What does this tell us about windows of opportunity? How are pushbacks against demands for change organised?
  - How are development outcomes impacted by the way these systems work? Who is included and excluded?

Understanding the landscape of corruption and identifying priority sectors

- Landscape and types of corruption, and developmental consequences
  - What is the overall landscape and prevalence of corruption? How does this vary across seectors?
  - How does corruption play out in terms of diverting public resources from policy implementation? What difference does it make? Which groups win and lose?
  - What are the vertical enforcement mechanisms for addressing corruption, how effective are they, and why?
  - What are the developmental consequences of corruption in terms of resources diverted and developmental progress foregone?

- Priority (feasible and impactful) sectors and challenges
  - Which sectors are untouchable because powerful interests are too strong and stakes too high?
  - In which sectors might policy reform be feasible and impactful, because some powerful enough actors have interest in seeing change happen?
  - Are there sectors where a coalition of actors at lower levels might take action that reduces corruption?

Phase 2: Analysing the sectoral political economy dynamics

37. The purpose of Phase 2 is to generate a detailed understanding of the political economy dynamics within a specific sector identified as a priority during Phase 1. This analysis is essential for identifying feasible and impactful entry points for policy intervention to address corruption effectively. It represents a crucial step in the spiraling in process – moving from the macro-level understanding of the political settlement, to analyzing sector-specific political economy dynamics with a view to identifying effective strategies, and begin to think about entry points for effective engagement, given the configuration of power, capabilities and interests. (Figure 6 shows the three types of strategies; for additional explanation see pp.10-20 of the SOAS-ACE Toolkit, and pp.25-36 of the SOAS-ACE Synthesis Report).

38. This phase begins by mapping the formal policy and institutional framework, identifying how resources and rents are meant to flow within a sector, or around a particular corruption-related challenge that has been identified as a priority in phase 1. It then moves to a process of "economic ethnography" – a methodological approach involving direct observation of how policy resources actually flow, how power is exercised, and how actors behave in practice. This involves fieldwork by researchers to directly observe and document actors' behaviours, conduct interviews with stakeholders at different levels and points in the system, and gather qualitative data about how formal rules are implemented or subverted in practice. In this way a rich and granular understanding of how organisational power, capabilities and interests affect policy implementation in specific contexts is created, helping to identify promising entry points for policy-supported change.

39. Unlike traditional anti-corruption research that begins with identifying the causes of corruption, or seeks to validate a pre-cooked hypothesis based on supposed "best practice", the SOAS-ACE approach uses observational data, evidence and insights about actors' behaviours, and why different actors behave as they do, to inform the design of policies that will incentivise and encourage rule-following and rule-supporting behaviours.

40. A key focus in this phase of analysis is identifying any variations or "positive deviance" – instances where similar actors behave differently, with some following rules, or encouraging rule-following, while others do not. If such positive deviance can be found, this suggests that a strategy of enhancing horizontal checking by incentivising additional actors to behave in this way may be effective (Strategy 1 in Figure 6). Understanding the drivers of such behaviour helps generate hypotheses about how it might be encouraged through well-designed policy interventions.

Figure 6: SOAS-ACE Strategies

Type of Strategy	Suitable Circumstances
Strategy 1: Enhancing horizontal checks	Some horizontal checking of corruption is already taking place at some level of the flow of policy resources, and these might be extended through appropriate incentives, leading to greater rule-following and less corruption. (Bangladesh case study)
Strategy 2: Creating effective horizontal checks	Little or no horizontal checking is taking place, but it is possible to differentiate between actors who are breaking the rules for legitimate reasons (because the rules are clearly unreasonable for them), and actors who are breaking the rules to profit from corruption. If it is possible to take actions that enable the former to follow the rules, and these actors then become allies in enforcing rules in their own interest, horizontal checks can be created. (Nigeria case study)
Strategy 3: Mitigating and transforming	Rule-violating is widespread with little or no rule-following, and there is no short-term prospect of incentivizing a sub-set of rule-breakers to change their behaviour. In this sort of case, mitigation steps have to be taken to address the negative effects of corruption and take longer-term transformative actions that can create new actors and interests who, in time, may support rule-following behaviour.

41. If corruption appears uniformly entrenched across settings where the policy is implemented, with no signs of positive deviance, it may still be possible to differentiate between actors who break rules for quite different reasons. For example, some doctors may be absent from their posts because they think they can get away with it, while other doctors – for instance, female doctors at rural clinics – may be absent because of legitimate concerns for their safety or about the quality of schools. In such circumstances a strategy addressing the legitimate concerns of the latter group may enable them to follow the rules and, in turn, create horizontal pressure on the first group of free-riding rule-violators (Strategy 2 in Figure 6).

42. In scenarios where rule-breaking is widespread, positive deviance cannot be found, and differentiating between corrupt and legitimate reasons for rule-breaking is impossible, the only option may be a strategy of mitigation and transformation, which in the long term may help to create a more favourable environment for addressing corruption (Strategy 3 in Figure 6; See here for a SOAS-ACE case study relating to artisanal oil refining in the Niger delta).

43. Phase 2 generates a nuanced, context-specific understanding of the political economy dynamics driving corruption within the chosen sector. This understanding – encompassing the formal framework, the informal realities, the motivations behind actors' behaviours, and the potential for creating or enhancing horizontal checking – is crucial for formulating feasible and impactful policy recommendations in Phase 3.

Questions to guide the analysis: Phase 2

Outlining the formal policy and institutional framework

- Policy objectives, the delivery framework, key actors involved in the delivery, the rules and resource flows
  - What is the policy and institutional framework for the sector in question?
  - What is the aim of the policy, and what rules and institutions are meant to allocate resources to achieve the desired outcome? (*see Figures 7 and 11 in the case studies*)
  - What accountability relationships and rules are, in theory, intended to support the implementation of the policy? (*see Figures 8 and 12 in the case studies*)

Observing and explaining actors' behaviours and the political economy dynamics

- Exercise of power, the management of rents, and developmental consequences
  - Who are the main actors affecting the implementation of the policy?
  - How are they exercising their power and managing policy resources and rents in practice, through both formal and informal channels?
  - Who benefits from the distribution of resources and rents? Who is adversely affected and how, and to what extent are they able to prevent corruption?
  - How does resource diversion or wastage affect developmental outcomes?

- Behaviours (rule following & horizontal checking), relationships, and differences in behaviour (*see Figures 9 and 13 in the case studies*)
  - How are actors actually behaving in terms of rule-following and horizontal checking?
  - What role does horizontal peer monitoring and checking seem to play in encouraging rule following?
  - Which actors invest their time and resources in effective horizontal checking and why?
  - Are there observable differences in actors' behaviours – instances of positive deviance – as regards horizontal checking, that might be built on?

- Understanding behaviour based on relative power, capability and interests
  - If positive deviance can be found, what can be inferred about actors' relative powers, productive capabilities and interests, and what does this suggest in terms of policy changes that might encourage more actors to behave in these ways?
  - If there are no observable differences in behaviour, does there seem to be a difference between actors who are corrupt and actors who break the rules for reasonable reasons and who might be enabled to follow the rules?

44. An actor-based system mapping approach can be a helpful tool to support the analysis of actors, relationships, behaviours and outcomes, around policy resource flows in particular sectors. As the case studies in Chapters 4 and 5 will demonstrate, creating a visual map of the landscape of actors around a flow of policy resources can help researchers, policymakers and funders to understand the complexity of the system, to identify entry-points for engagement, to spot potential alliances where incentives might be aligned, and to craft policy proposals that might be feasible and effective.

45. What distinguishes the SOAS-ACE approach to actor-based systems mapping is the clear guidance provided by the political settlements framework, which ensures that the mapping focuses on features that matter, including actors' productive capabilities. As these maps are developed, they can also be used to facilitate collaboration and support politically savvy implementation, allowing teams to track changes in behaviour and relationships in real time as the dynamics of the situation evolve.

Phase 3: Identifying entry points and testing hypotheses, to inform policy proposals

46. The purpose of Phase 3 is to use the insights from previous phases to design and test hypotheses that might lead to implementable policy proposals that can reduce policy-distorting corruption and enhance policy outcomes. The aim here is to identify feasible policy changes that will strengthen or create horizontal checks that increase rule-following behavior in sustainable ways, reducing corruption and supporting effective policy implementation.

47. This phase begins by consolidating insights about potential entry-points generated through Phase 2's economic ethnography and the understanding of actors' behaviours developed through that process. By identifying cases of positive deviance where some effective horizontal checking is already happening, or circumstances where opportunities exist to create such checking, the approach seeks to specify and test hypotheses about how a possible policy change might shift behaviour at a particular entry point in the system, to enhance accountability and reduce corruption.

48. Phase 3 involves considering and testing what sort of policy change(s) – if any – might increase the prevalence of the horizontal checking behaviour, encourage rule-following and enforcement, and sustainably shift the system's dynamics. Once hypotheses have been specified, they – and their associated assumptions – are rigorously tested using additional data generated through surveys and other means. This testing process might involve quantitative validation of qualitative insights, comparative analysis across different settings, or targeted experiments to evaluate potential intervention strategies.

49. Unlike anti-corruption programmes that adopt normative approaches based on pre-conceived notions of "Good Governance", our approach takes a pragmatic and outcome-focused view as to which policies should be adopted. We explore the landscape or system of corruption in a structured way, and with an open mind. This

allows potential policy changes that might be supported by actors with the appropriate mix of power, capabilities and interests – and thereby have the potential to shift the dynamics of the system onto a less corrupt and more developmental trajectory – to emerge from our observational analysis.

Questions to guide the analysis: Phase 3

Formulating strategies to address corruption and change behaviours

- Do the observations from Phase 2 reveal pockets of effectiveness (positive deviance) where there is more rule-following and/or horizontal checking than elsewhere, and which might be replicated by changes to a policy? (Strategy 1)
- If pockets of effectiveness cannot be found, is it possible to differentiate between corrupt and legitimate reasons for rule-breaking, and might it be possible to address the legitimate reasons for rule-breaking to increase the momentum and pressure for greater rule-following? (Strategy 3)
- If neither Strategy 1 or Strategy 2 seems feasible, what might be done to mitigate the effects of corruption and to make investments that might in the longer-term support greater rule-following? (Strategy 3).

Testing causal hypotheses, to inform policy proposals

- What hypotheses have emerged about why actors behave as they do (rule-following or not, horizontal checking or not), given their power, capabilities and interests?
- What evidence is available, or might be generated, to test these causal hypotheses?
- If validated, how might these hypotheses inform a policy change that could enhance (Strategy 1) or create (Strategy 2) horizontal checking behaviours?

50. Working through the three phases of analysis is a challenging process, which combines iterating back and forth between observations, analysis and insights, while also moving from macro analysis, to sectoral analysis, to generating policy actions that might work at particular entry points in the system. The approach requires a determined focus on feasibility and impact, and an aptitude for exploring a complex landscape with an open mind, in ways that are directed by the insights that emerge from the process of economic ethnography. If addressing corruption were easy, more progress would have been made already. Systematic searching for evidence, observing, understanding and learning from how actors actually behave, and careful crafting and testing of policy options that take power, context and complex system dynamics seriously is, we believe, the way to go.

51. We hope that our efforts to outline the process clearly, and to set out the questions that local research teams applying the SOAS-ACE approach would need to explore in various phases of analysis, give the reader a better sense of the process. The following chapters provide examples of the application of the SOAS-ACE approach to climate adaptation projects in Bangladesh and the electricity sector in Nigeria. The case studies are detailed, to illustrate the process of analysis, but include executive summaries that give a good sense of what the process was and how it generated useful insights to inform the design of promising policy proposals.

How long is a piece of string?

Idiom: "said when you cannot answer a question about the length, size, amount, etc. of something because it could be any length, size, etc." Cambridge Dictionary

This guide was produced in response to interest from a range of organisations and individuals who are keen to apply the SOAS-ACE approach in their own efforts to reduce corruption in the countries and sectors within which they work. In addition to questions about the methodologies used, the SOAS-ACE team is often asked, "how much does this cost?" and "who do I need in my team to apply this approach?"

These are of course important questions to consider but are quite tricky to give a precise and prescriptive answer to given the highly contextual nature of many corruption problems, and the importance of tailoring the approach to the particular context and case. For example, the range of researcher skills and knowledge required to conduct the research illustrated in the Bangladesh climate infrastructure and the Nigeria electricity sector case studies in this guide required a different set of research methods and analysis skills. There is no "cookie cutter" way of applying the SOAS-ACE approach and hence no way of stating definitively what it will cost.

Whilst it is tempting to attempt to provide a concrete checklist of what might be needed, this would be misleading. Instead, we have laid out some key elements and principles that should be considered when looking to apply the SOAS-ACE approach.

1. **Deep political economy analysis and openness to change of direction** – the approach requires skills for a particular type of political economy analysis at the national and sectoral levels that looks at how actors with particular power, capabilities and interests are interacting with formal and informal rules to protect their interests. Therefore, your team needs to have the skills to conduct both these political and sectoral analyses. Perhaps more importantly, you need to have the organisational and individual openness to go where the analysis takes you – many programmes and initiatives are framed and make assumptions about what is possible and what the potential solutions to problems are. Your organisation needs to be open to different opportunities for anti-corruption – including being able to say that anti-corruption is unfeasible and that it is better at this stage to develop a strategy of mitigation and transformation (Strategy 3, above). This openness is often closed off due to the framing and contractual relationships of donors and development organisations. If the analysis leads you somewhere else – you need to be able to follow.

2. **Staff with adaptive mindsets** – following on from the point above, you need to have or recruit staff with adaptive mindsets and ways of working. Many people are not used to working in adaptive ways – don't assume working adaptively comes naturally to people. USAID Learning Lab have produced a guide to hiring adaptive employees which contains lots of useful thoughts and guidance.

3. **Economic ethnography** - much of the SOAS ACE research process is observational – don't automatically reach for the participatory research toolkit. In our view, understanding the constellation of actors and their respective power, interests and capabilities and how their interactions actually play out may be more usefully assessed from observation rather than through a participatory process.

Illustrative costings

As highlighted above, estimating costs for deploying the SOAS-ACE approach to different challenges, in different sectors, and different contexts, is far from easy. The kind of research methods used with the approach depends on what you're trying to explore, and what existing/secondary data to which you have access. For example, analysis of existing procurement data or monitoring data is likely to be substantially less costly than conducting surveys at a large scale. On average, an 18-month SOAS-ACE project involving a SOAS researcher working collaboratively with one country partner in Bangladesh or Nigeria would cost in the region of £150k.

Summary table of the three phases of the SOAS-ACE approach

Phase 1: Understanding the national political settlement and the landscape of corruption

- Assessing the national political settlement to understand key organisations and networks
- Analysing how actors deploy power to influence the allocation of rents and resources, in line with their own interests
- Mapping the corruption landscape to identify priority sectors where intervention may be feasible and impactful

Phase 2: Analysing the sectoral political economy dynamics

- Outlining the formal policy and institutional framework
- Observing and understanding how actors behave and exercise power in practice – driven by their capabilities and interests - to influence resource flows
- Identifying patterns of rule-following and horizontal checking
- Looking for positive deviance or differences in motivations for rule-breaking, which might suggest hypotheses for how behaviour change might be encouraged

Phase 3: Identifying entry points and testing hypotheses, to inform policy proposals

- Formulating strategies based on observations and understandings from Phase 2
- Developing and testing hypotheses about how changes in actors' might be encouraged, using additional data
- Designing policy changes that can – by working with the drivers of actors' behaviour - create or enhance horizontal checking

Chapter 4: Bangladesh Case Study

Executive Summary

This chapter illustrates the SOAS-ACE approach in action, demonstrating how it was applied to address policy-distorting corruption in climate adaptation investments in Bangladesh. The case follows the three-phase research process outlined in Chapter 3 to identify feasible policy changes that could enhance horizontal checking behaviour, reduce corruption and improve development outcomes.

In Phase 1, analysis of Bangladesh's political settlement revealed that while traditional anti-corruption efforts aimed at enhancing enforcement by strengthening vertical accountability would face significant obstacles given the political dynamics at that time, opportunities existed at the sectoral level – including as regards climate adaptation projects – where pockets of horizontal checking might be identified and enhanced.

In Phase 2, the research team mapped out how resources for climate adaptation are supposed to flow and be monitored in theory, and then conducted an economic ethnography to understand how climate adaptation investments actually worked in practice. While this analysis revealed that formal vertical accountability mechanisms were largely ineffective on their own, it also uncovered a promising pattern of positive deviance; in localities where climate projects were better implemented with less corruption, small landholders and petty traders were actively engaged in horizontal monitoring of resource flows and the quality of construction. These individuals had both sufficient power to pressure local politicians and contractors, and self-interest in ensuring effective project implementation because they benefited from the "dual-use" aspects of projects (embankments serving as roads, cyclone shelters functioning as community centres).

In Phase 3, the team conducted a quantitative survey of over 1,900 individuals across four sites, to test the emerging hypothesis about when horizontal checking happens and what difference it makes. The data confirmed that better-built, lower-corruption projects had been subject to enhanced horizontal monitoring by influential individuals who engaged in monitoring because of their immediate self-interest in better roads and community centres. When these more powerful actors monitored projects, their horizontal checking made formal vertical accountability mechanisms more effective, as well as enabling less powerful community members to get involved.

Based on this analysis, the team identified a simple but powerful policy change: requiring climate adaptation projects to have stronger dual-use characteristics, with contractors providing multiple location options for communities to choose from. This change would incentivize greater monitoring by influential locals without triggering opposition from powerful interests at the national level.

This case illustrates how understanding actors' behaviours in terms of power, capabilities and interests can lead to feasible policy proposals that work with the political economy dynamics of a particular context, rather than against them, and have the potential to reduce corruption, support policy implementation and contribute to better development outcomes.

Bangladesh's "Monsoon Revolution"

This case study of the flow of policy resources for climate infrastructure in Bangladesh was produced in early 2024, based on our research between 2018 to 2020. Although we expect the situation in this sector to have changed to a certain degree following the Bangladesh uprising in July 2024, we believe the opportunities for anti-corruption identified through the analysis in this case study, particularly at the village level, remain valid.

Bangladesh's political settlement and the landscape of corruption

52. Bangladesh is a country with some of the worst governance and anti-corruption scores in the world. During the 1980s it made good progress on different economic and social development indicators prompting talk of the "Bangladesh paradox". During the 1990s, the country's growth was underpinned by the competitiveness of low-technology sectors like garments and textiles along with a competitive clientelistic political settlement that provided political stability at the cost of high levels of corruption.

53. This political settlement delivered a predictable longer-term political environment where investors knew with some certainty that, while parties changed power regularly, there would be no significant policy changes and no interest in harming growth as both parties expected to come back to power. As a result, high levels of corruption and weak governance co-existed alongside high levels of private investment and steady export-led growth.

54. In 2006, as a result of a failure by the two major parties to institutionalise credible electoral rules, the prevailing political settlement experienced a shock, culminating in a two-year Emergency and elections in 2008 that brought in the Awami League government. As a result of the shift from a settlement characterized as a competitive clientelism settlement towards one that was on the road to "vulnerable authoritarianism", it was clear that impunity and the growing politicization of the administration would make the pursuit of anti-corruption efforts at the national level difficult (For more on types of political settlement, see Mushtaq Khan, 2010, particularly figure 17).

55. Vertical enforcement of Bangladesh's governance and anti-corruption measures – many of which looked good on paper – was unlikely to be effective in such a context for three reasons:

    - Previous attempts to improve vertical enforcement through changes in formal policies – such as setting up an anti-corruption commission or the Emergency government's "Big Bang" attempt at eradicating corruption from 2006 to 2008 – had been largely unsuccessful. The latter arrested many politicians and entrepreneurs but failed in the courts as other actors did not come forward to give evidence and judges did not convict in most cases;

- As the political settlement evolved to a single-party regime after 2008, horizontal checks on the ruling party became even weaker and the administration became more politicized; and

- In an attempt to consolidate power, the regime was likely to use its power to systematically appoint and promote people and award contracts in ways that would reward supporters for the ruling party.

56. In such a context, attempts to address systemic anti-corruption using formal vertical accountability systems were likely to be futile and could even be dangerous as they would provoke a strong reaction from a vulnerable government, even if they were unlikely to deliver significant results. In this context, identifying pockets of effectiveness where rule-following was taking place and might be encouraged, offered a more promising way forward. Overall, the analysis of Bangladesh's political settlement revealed that while system-wide anti-corruption efforts would face significant obstacles, there might be opportunities at the sectoral level to identify and build on existing horizontal checks by actors with the capabilities and interests to support greater rule-following, and the (relative) power needed to help make that happen.

Analysing sectoral political economy dynamics

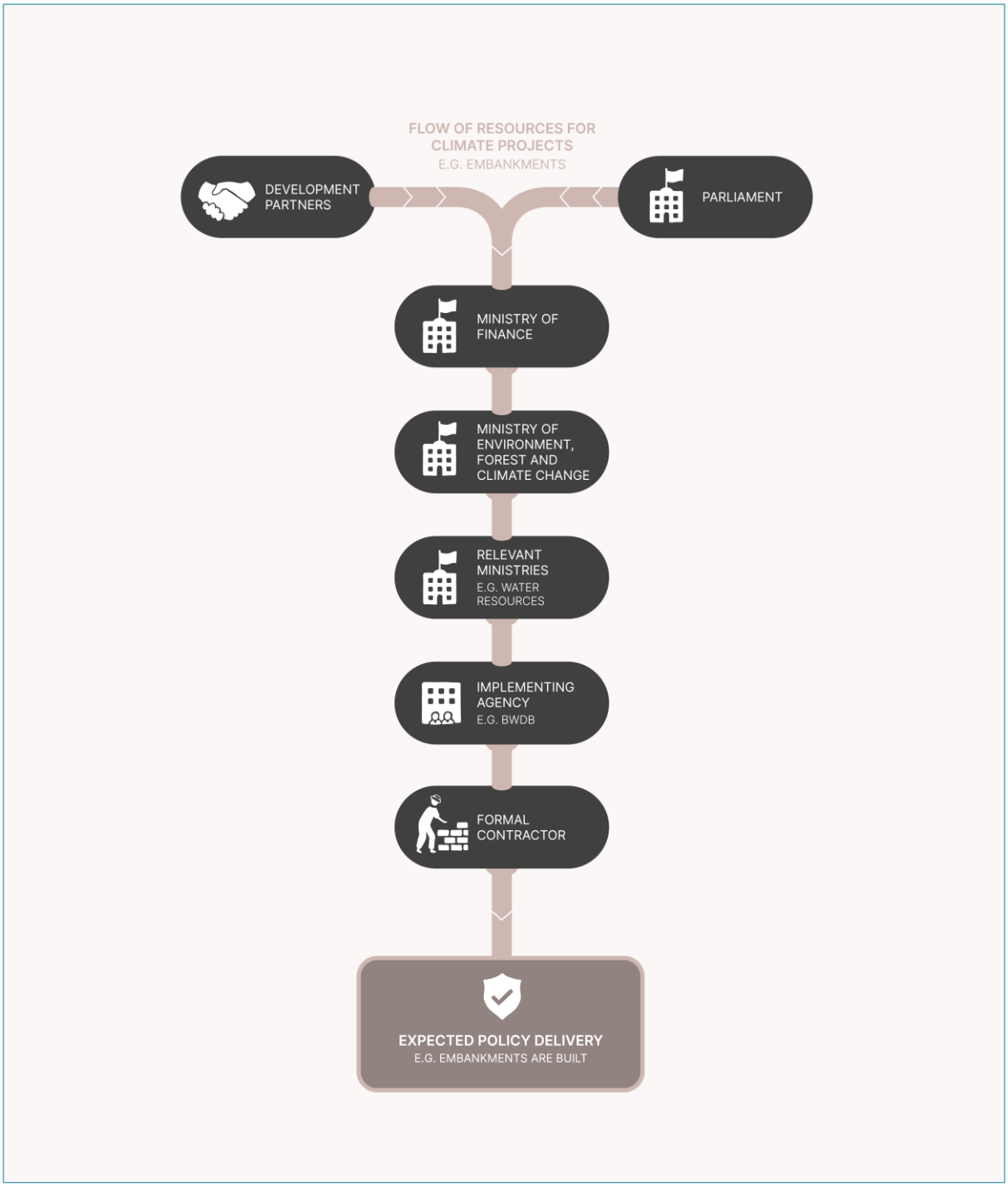
57. As the team shifted to consider priority sectors within the broader context – Phase 2 of the research process – climate investment funds came up as a possible area for consideration. This is a sector with a lot of international support but, despite climate change being a pressing priority for Bangladesh, the country is often unable to access many global funds due to high levels of corruption.

58. To better understand the nature of corruption in the area of climate funds, how widespread policy-distorting corruption is and whether there were feasible opportunities to strengthen the way such funds are implemented without causing too much of a backlash, the team began by exploring the formal and informal relationships within the sector. To do this, they mapped out how resources and rents from climate investment funds are meant to flow in theory, and how formal checks and balances are meant to operate.

Formal policy and institutional framework

59. Resources from taxation and development assistance are allocated by the Ministry of Finance to the Climate Change Trust Fund located in the Ministry of Environment, Forest and Climate Change. From there, different ministries involved in climate-related projects are allocated or claim funds. Embankments fall under the Ministry of Water Resources, and cyclone shelters come under the remit of the Ministry of Local Government. The respective implementing agencies in each case are the Bangladesh Water Development Board (BWDB) for embankments, and the Local Government Engineering Department (LGED) for cyclone shelters.

Figure 7: Formal flows of policy resources for climate adaptation projects[1]



60. Once the resources are allocated to BWDB and LGED, the next stage involves tendering of projects to contractors. This happens through a formal e-procurement process, but in practice the evaluation process allows for substantial corruption and kickbacks. Securing contracts is known to require kickbacks of up to 30 percent of

[1] Figures 7, 8, 9, 10, 11, 12, 13 and 14 were skillfully put together by Liddy Greenaway.

the contract value, with contracts normally granted to bidders with established relationships with the contracting bodies.

61. Contractors who can bid in the e-procurement system have to be licensed and, as a result many locally powerful contractors cannot directly bid as they do not have the appropriate paperwork. However, there are established informal arrangements for subcontracting to contractors who have sufficient local muscle to carry out the local construction activities, as Figure 9 will show. For now, Figure 7 illustrates how policy resources for climate adaptation, are meant to flow, from the Ministry of Finance, through relevant ministries and implementing agencies, to formal contractors, who have the task of delivering effective projects in line with the Government's policy.

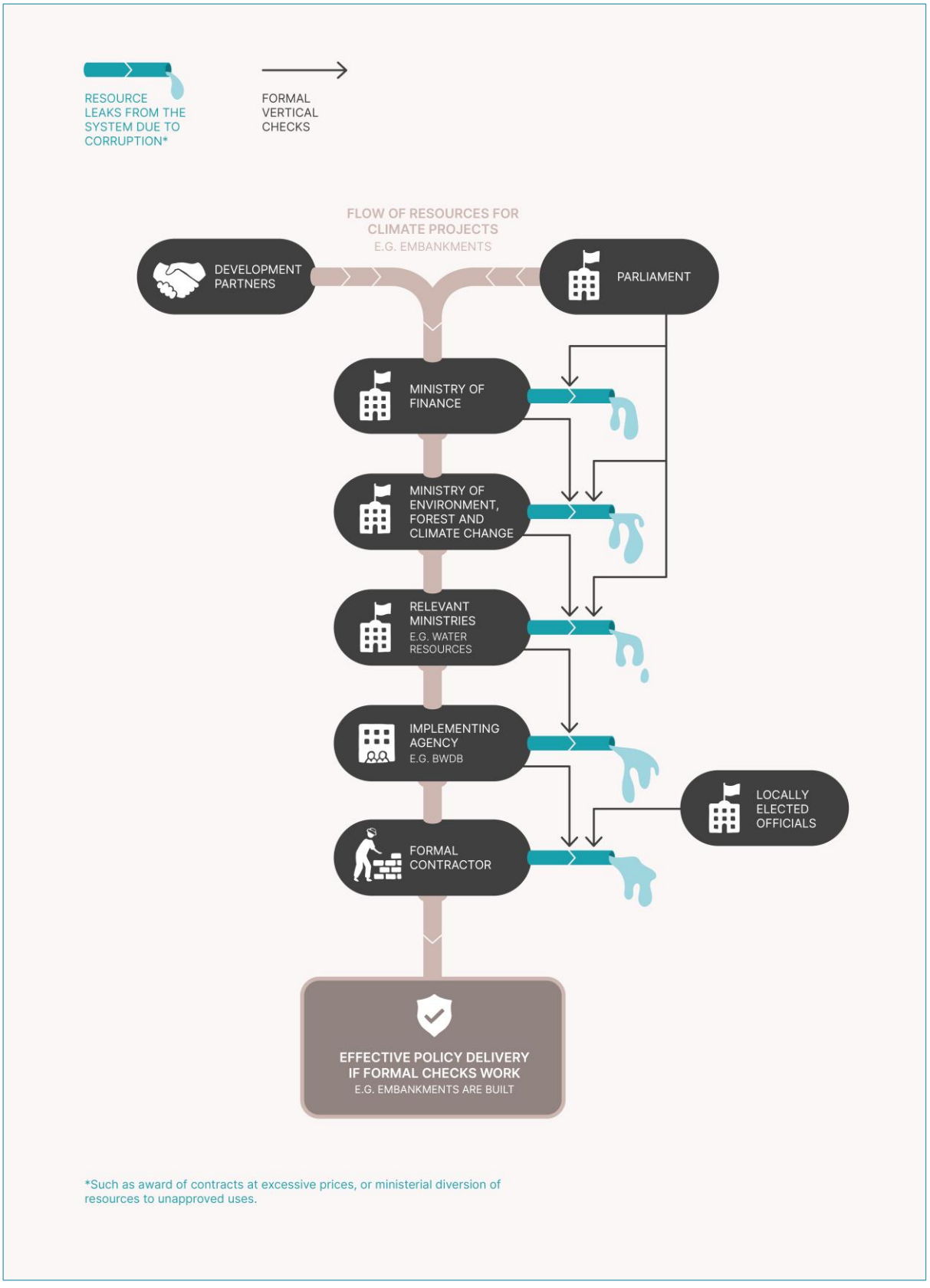
Formal checks and balances

62. The formal checks and balances for monitoring the flow of climate adaptation funds involves multiple actors and accountability relationships, as illustrated in Figure 8. Formal monitoring relationships – shown as black lines in Figure 8 – involve actors checking to see whether specific flows of policy resources are diverted from their intended use, and holding other actors to account if this is the case. These checking activities involve time and resources, which is why the self-interest of the actors involved in checking, or the pressure which other actors might put on them to play their checking roles effectively, is important.

63. The first set of formal checks comes from Parliament, which is supposed to keep track of the amounts allocated to the Finance Ministry, and the amounts subsequently allocated to different ministries. However, as can be seen from the blue pipes departing to the right, there are potential resource diversions, or "leakages'" from the system, reflecting the fact that Parliament has not been able to provide the accountability it is supposed to ensure.

64. The ministry in charge of the climate adaptation project (the Ministry of Water Resources or the Ministry of Local Government depending on the project) and the relevant implementation agency under these ministries (the BWDB or LGED) are expected to directly monitor the allocation of contracts to contractors and the subsequent implementation of the projects. If the contracts are overpriced, or if they are poorly implemented, this implies that resources are being diverted (again shown by blue pipes departing to the right). The implementation agencies (BWDB or LGED) are supposed to monitor and check these potential leakages. At the implementation point, local government authorities – "locally elected officials" on Figure 8 – also have a role in checking the delivery of projects that they approved, and which are being implemented in their area.

Figure 8: Formal monitoring and potential corruption leaks



65. However, as Figure 8 – an overlay on top of Figure 7 – shows, the formal accountability processes are largely ineffective. There are significant leakages of resources at all points, including in particular through the overpricing of projects and poor implementation. Both result in poor quality embankments and cyclone shelters. For simplicity, we do not show how the resources exiting the formal flows in blue pipes are subsequently shared between the parties. But in general, these resources are not claimed by a single actor but are shared in different ways across multiple actors including both those who delegate (principals), and those who are expected to take effective action (agents).

Economic ethnography: Observing and understanding actors' behaviours

66. With a clear sense of how resources are supposed to flow and be monitored in mind, the research team began a process of "economic ethnography"– the direct observation of actors' behaviours to understand how resources flow and are monitored in practice and to identify instances of horizontal checking, as described in Chapter 3. Working in partnership with Transparency International Bangladesh (TIB), the team made extended visits to local villages where TIB had monitored the implementation of climate projects and levels of corruption, and was supporting village committees to use information in the hope that this would improve accountability.

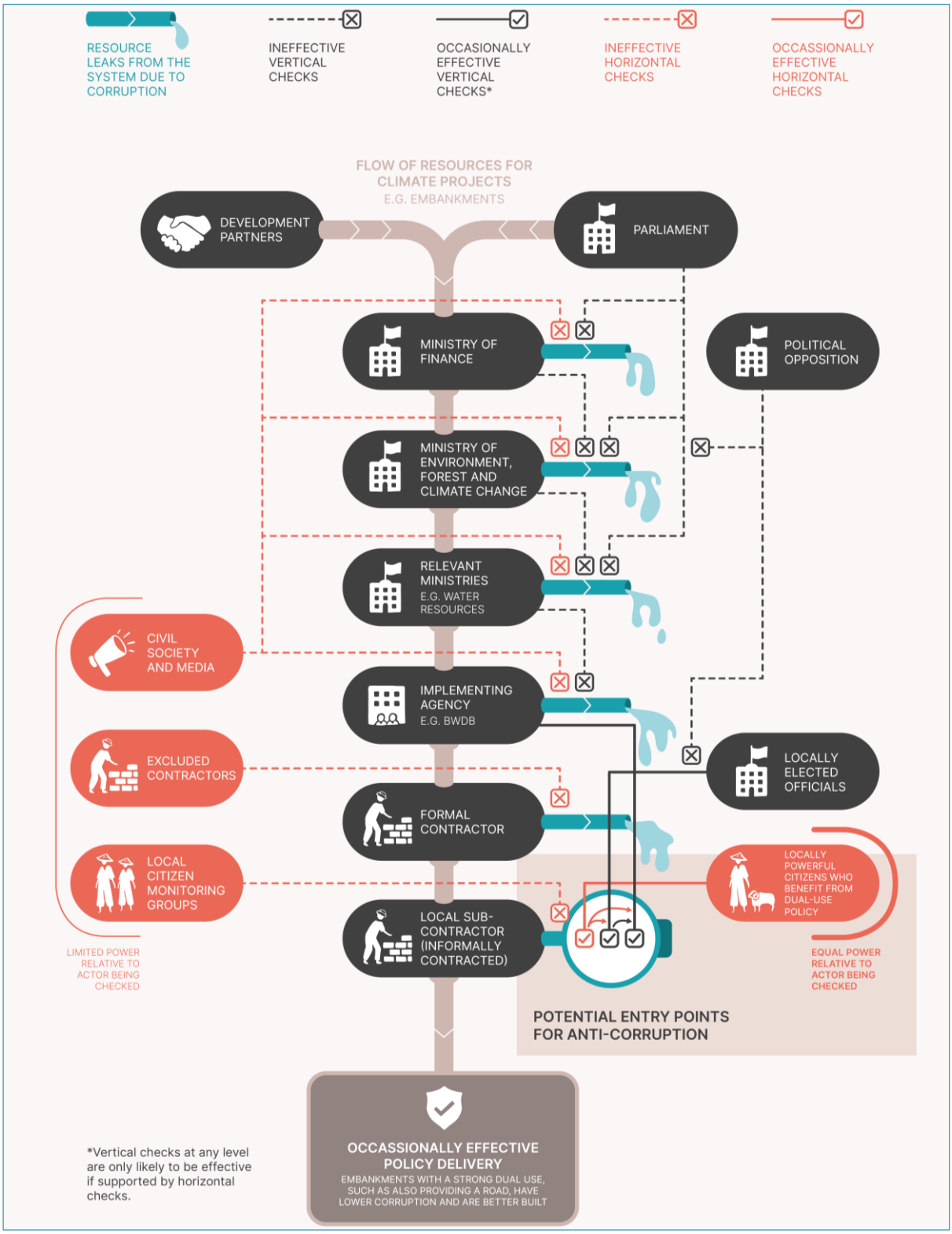
67. Over time, the team developed a map of actors involved in the climate adaptation space, noting how the dense network of informal relationships either checked or facilitated leakages, resulting in better or worse constructed climate projects. By better understanding how resources rents are managed in practice, and how actors behave and why, the research team would be better placed to suggest feasible entry points, and strategies, to support sustainable change. Figure 9 summarizes the results of this stage of analysis.

68. In addition to the black lines showing formal checking responsibilities noted above, Figure 9 – another overlay – adds informal or horizontal checking activities as red lines. As explained in Chapter 2, horizontal checks occur when actors such as civil society organisations, the media, citizens or business owners themselves assess leakages from the flow of policy resources or monitor the quality of implementation, and attempt to put pressure on principals and agents – those actors who are counterparts in the formal accountability structure – to take corrective action.

69. At the bottom right of Figure 9, we also show the informal subcontracting process at where licensed contractors who initially acquire contracts very often subcontract to local contractors, keeping a margin for themselves. This is technically illegal but is a widespread practice. It reflects the social reality that construction work can only be carried out by contractors who are locally connected. The enforcement of contracts for purchases of materials, the management of local workers and ensuring security during construction requires the support of local politicians. In many instances the local subcontractors are local politicians involved in local government. They often do

not have the registrations and licenses to bid for the contracts directly but are usually the only ones who can deliver. As we will see, the direct involvement of local politicians in local construction activities turns out to be very significant for the effectiveness of some types of horizontal checks.

Figure 9: Identifying entry points where horizontal checking is effective



70. Figure 9 shows both the effectiveness of horizontal and vertical checking relationships. As the diagram shows, when a horizontal checking relationship (shown as a red line) is ineffective – indicated by a cross at the end of the dashed red line – the corresponding formal vertical checking relationship (shown as a black line) targeting the same potential leakage is also typically ineffective or collusive, and similarly marked with a cross. This visual representation illustrates an important finding: the effectiveness of formal vertical accountability mechanisms is often dependent on the presence and effectiveness of informal horizontal checking relationships focused on the same potential points of resource diversion.

71. The qualitative observations of behaviour make it possible to infer the relative power, capabilities and interests of the actors involved – the three key characteristics that shape actors' behaviour as outlined in Chapter 1. Horizontal checking seemed to work when actors observing and trying to stop a leakage had both a real interest in doing this (usually because they had productive capabilities and benefited from enforcement) and sufficient power to impose costs on rule violators and principals who are not taking action. This enabled the team to assess the feasibility of changing incentives and rules to make checking activities more effective.

72. The research team's observations, and understanding of what drives certain behaviours, provided the beginnings of a hypothesis about what an impactful change might look like in the sector. In this case, qualitative observations revealed patterns of unexpected, but effective, horizontal checks in some localities. When a large number of locally powerful individuals (mainly small landholders and petty traders in these poor communities) were interested in the proper implementation of a project because a well-constructed embankment or cyclone shelter would have clear benefits for them, they get directly involved in monitoring themselves. Their involvement sets up effective horizontal pressures on local politicians and implementation agencies.

73. Unlike opposition parties or civil society NGOs, small peasants and traders are an organic and important part of the economic and social life of a village. Local politicians cannot rule, cannot exercise authority and cannot implement projects without their support, even if they can manipulate elections and formal political processes. So, when a large number of such individuals are involved in monitoring out of self-interest, local politicians start taking notice. They can see that the small farmers and traders, who have a similar economic and social status to themselves, are acting out of self-interest and are therefore unlikely to give up very easily. The small farmers and traders also know that if they keep applying pressure, they will be able to impose costs on local politicians and contractors over time.

74. As local politicians are closely connected with the contractors who are constructing these projects (and may even be contractors themselves), this creates effective pressure on them to reduce some of the leakages that result in poorly constructed projects. The vertical enforcement of quality control by the LGED and BWDB, and the

formal checking of contracts by local government, suddenly appear to become effective in these contexts.

75. Our explanation for this is that now the horizontal checks by individuals with the power, capabilities and interests to threaten principals and agents with serious costs are effective. When the horizontal checks are effective in putting real pressure on principals and agents, the formal vertical checks (the black lines) also become more effective – solid rather than dashed – and together the result is that the leakages of resources due to corruption decline.

76. In contrast, the village citizen monitoring committees, often organised by NGOs, usually fail to generate effective horizontal pressure on a sustained basis. This is because NGOs usually mobilize local citizens who have neither the power or sustained self-interest to exert real pressure on relevant principals and agents. This was confirmed in meeting with village monitoring committees where attendees appeared to be less powerful members of the local community, such as landless and other disadvantaged groups who attended because an NGO was incentivizing them to do so. While these efforts are important for voice and representation, such meetings did not seem to provide a long-term way to promote accountability through exerting sustained and effective horizontal pressure on relatively powerful colluding actors.

77. This case study provides an example of Strategy 1 (see Figure 6, in Chapter 3), "Enhancing horizontal checks". The research team identified pockets of effectiveness – instances of positive deviance – where horizontal checking was already taking place in some localities, and seemed to enhance the effectiveness of some aspects of vertical checking too. The key insight was that these horizontal checks were most effective when locally influential citizens with productive capabilities (small landholders and traders) had personal interests in the proper implementation of climate adaptation projects.

Crafting and validating feasible policy proposals

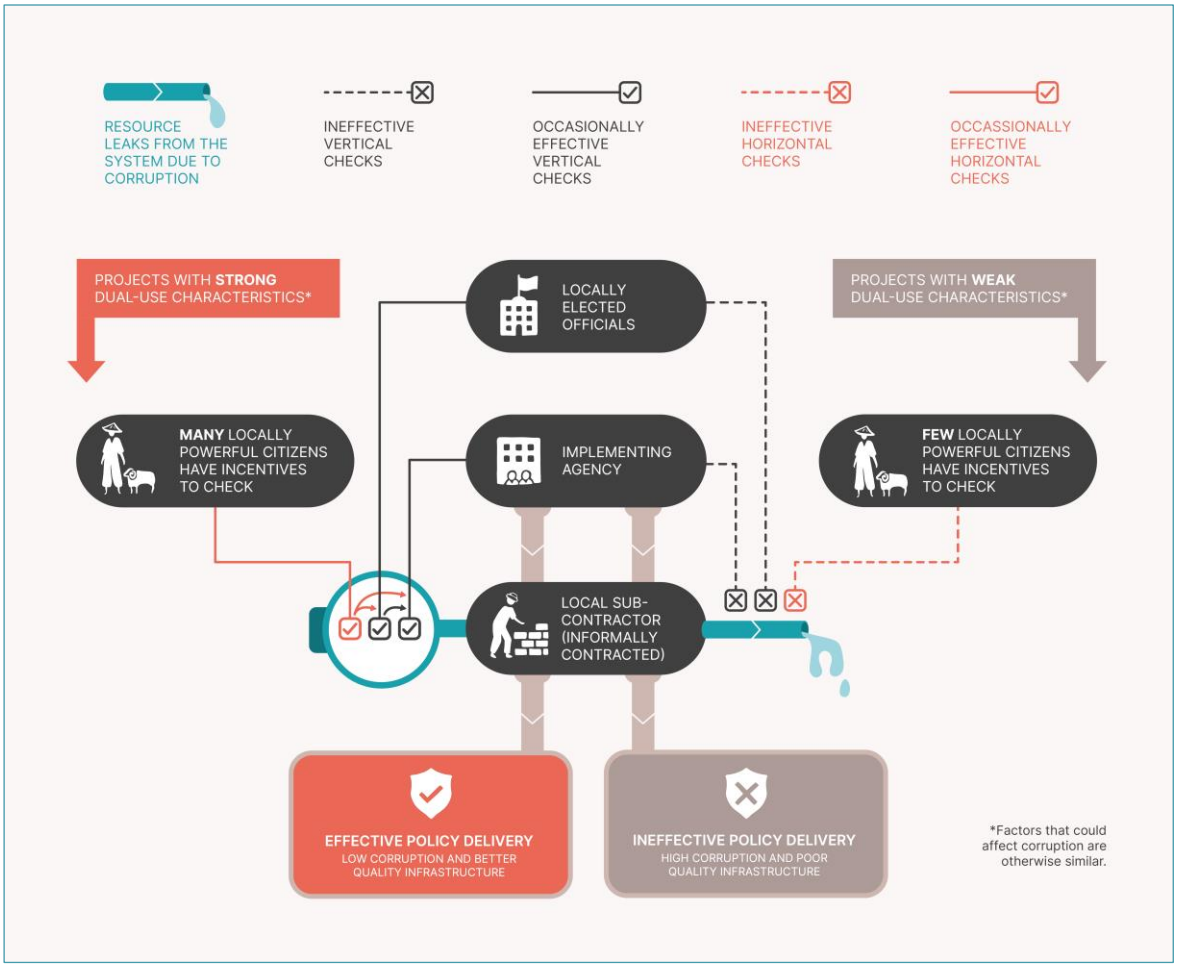
78. Moving to Phase 3 of the research process, the team spiraled in more closely, seeking to test hypotheses to inform the design of policy proposals. Now armed with a clearer idea of how the system operated in practice – who the actors were and how their relative power, as well as their capabilities and interests, influenced their capacity and willingness to engage in horizontal checking – the team aimed to validate their emerging hypotheses using quantitative data. The two nested hypotheses to be tested were:

- When more powerful villagers engage in horizontal checking, corruption is lower; and
- A larger share of powerful villagers can be incentivized to engage in horizontal checking by improving the dual use – embankments that are also roads, cyclone shelters that are also community centres – characteristics of projects.

79. Using a database of corruption and implementation quality of climate adaptation investments that had been tracked and monitored by TI Bangladesh, the team set out to confirm whether variations in corruption across these projects could, in fact, be explained by differences in horizontal monitoring by more powerful villagers, as the qualitative observations had suggested. The team selected four sites – two cyclone shelters/community centres and two embankments/roads, with virtually identical completion dates, taking care to select projects and localities to ensure that differences in project-level corruption could not be simply attributed to overall levels of corruption in the locality.

80. The hypothesis was that better constructed and lower-corruption projects would have significantly greater proportions of locally influential citizens (small farmers and traders) engaged in monitoring activities, and they would be engaged in these costly monitoring activities out of self-interest because they expected to benefit significantly from the dual-use characteristics of these projects. Using a detailed stratified sample survey of over 1900 individuals, the research team identified the numbers and types of individuals who were engaged in monitoring during the construction phase, and captured information about their motivations in each of the project sites. The results of this comparative testing are presented in Figure 10, on the left and right sides of the diagram respectively.

Figure 10: Testing the hypothesis about the effectiveness of horizontal checks



81. This quantitative analysis confirmed the hypothesis that emerged from the earlier qualitative observations. Low-corruption projects were ones in which significantly larger numbers of more influential individuals (small landholders and petty traders, rather than landless peasants) were involved, and they were involved because the design of these projects made the dual-use characteristics of the embankments and cyclone shelters immediately useful to them. The data showed that these locally influential individuals were the main beneficiaries of dual use characteristics of the projects. The dual use characteristics were of particular benefit to them, so their participation in monitoring was triggered by how strong the dual-use characteristics of the projects were.

82. The self-interest of small landholders and traders in ensuring that the embankment could be used to better transport their goods to market, for example, meant that they were prepared to engage in horizontal monitoring by putting pressure on local contractors and politicians. As they were acting out of self-interest and were usually as powerful as the contractors and local politicians engaged in the corruption, their pressure reduced resource leakage and led to better quality infrastructure that benefited the whole community. On the face of it, this looked like formal vertical enforcement working better, but it was working better because of the horizontal pressure.

83. Not surprisingly, the quantitative analysis found that dual-use benefits are disproportionately beneficial for those with above-average incomes from land and businesses. But from the perspective of anti-corruption and building better climate adaptation projects, this is not a bad thing. When climate change projects provide immediate benefits to groups with the effective capacity to monitor, they take a greater interest in monitoring progress. When such actors get more involved, other citizens do too, making anti-corruption efforts even more effective.

84. Less powerful citizens are not likely to take the risk of trying to check resource diversions by more powerful local actors like contractors and local politicians. NGOs may mobilize them in meetings, but they are unlikely to undertake activities that attempt to impose real costs on local contractors or politicians. However, when more powerful local actors get involved in monitoring, the survey evidence shows that larger numbers of less powerful actors also get involved in a sustained way because their risks decline.

85. The team looked at the data carefully to ensure that when slightly more influential village members were involved in monitoring, there was a positive overall development impact because the adaptation projects were of use in protecting the entire village and enhancing its prosperity and well-being. When those with above-average incomes engage out of immediate self-interest, they ensure that infrastructure for "future" crises such as climate change that will affect the whole community is built and built well.

86. The quantitative analysis confirmed the team's hypothesis: better-built, lower-corruption projects had significantly more participation from locally influential individuals with productive capabilities who engaged in monitoring because they had immediate self-interest in the dual-use aspects of the projects.

Finalizing feasible policy proposals

87. The combination of qualitative observation and quantitative triangulation had provided the team with enough insight to suggest a feasible policy change that, if rolled out across the country, could have significant impact. In reality, the additional steps required a simple tweak to the existing policy that requires all climate adaptation projects to have a dual-use character. The tweak is to ensure that this is taken seriously, for instance by requiring contractors to provide two or more alternative locations for the embankment or cyclone shelter and select the one that generates the strongest local support.

88. The research team then assessed the political feasibility of this policy change and concluded that given the mapping of the political settlement at the national and sectoral level, implementing a policy around dual-use, multiple options and local support is not likely to trigger strong opposition by a coalition of powerful interests. Therefore, its adoption is likely to be politically feasible if a campaigning coalition of development partners, civil society and politicians and others can be put together. Some politicians may also support such a policy tweak because it is (in political terms) a relatively low-cost way of freeing up flows of funds from development partners for adaptation projects that have been constrained by fears of corruption losses.

89. Based on this sequential and iterative process of understanding the system, actors and behaviours through qualitative and quantitative searching and analysis, the team felt confident that such a change might provoke a series of important changes at the local level that would: a) amount to significant change, if implemented across the whole country; b) be more effective than transparency-centred approaches that had failed to stop corruption since they did not engage actors with sufficient power or economic potential; and c) be more effective than, while also strengthening, vertical enforcement mechanisms and therefore overall accountability within the system.

90. This case demonstrates the application of the three-phase SOAS-ACE approach. Through analysis of the political settlement, sectoral dynamics, and actors' behaviours, the team identified a feasible policy change that would enhance existing horizontal checks by incentivizing more influential villagers to engage in monitoring climate adaptation projects. The success of this approach depended on understanding how actors' capabilities and interests, along with their relative power, shaped their behaviours and influence in the system, and then designing policy that would work with, rather than against, these dynamics.

Chapter 5: Nigeria Case Study

Executive Summary

This chapter shows how the SOAS-ACE approach was applied to address policy-distorting corruption in Nigeria's electricity sector. The case follows the three-phase research process outlined in Chapter 3 to identify feasible policy changes that could create new horizontal checking behaviour where none existed before.

In Phase 1, analysis of Nigeria's political settlement revealed a competitive clientelism characterized by short time horizons, weak implementation capabilities, and pervasive political corruption. In this context, traditional anti-corruption efforts focused on strengthening vertical accountability would face significant obstacles, necessitating a search for sectors where horizontal checks might be encouraged or created.

In Phase 2, the research team mapped how resources in the electricity sector are supposed to flow and be monitored, and then conducted an economic ethnography to understand how the system actually worked in practice. This analysis revealed that formal vertical accountability mechanisms were ineffective and no pockets of positive deviance with effective horizontal checking could be found. However, the team identified an important opportunity: Small and Medium Enterprises (SMEs) faced legitimate constraints that led them to break rules by not paying for grid electricity, yet they were already organising collectively to find solutions to their power needs, an encouraging sign that trust was emerging and it might be possible to enable new horizontal checking behaviour.

The team recognized that some clusters of SMEs had sufficient power relative to each other to enable horizontal checking, productive capabilities that would benefit from reliable electricity, and aligned interests in reducing their costs. Unlike the Bangladesh case (which followed Strategy 1 of enhancing existing horizontal checks), the Nigeria case required Strategy 2: creating new horizontal checks by addressing the legitimate reasons which a sub-set of actors had for rule-breaking.

In Phase 3, the team tested a hypothesis that providing reliable electricity through mini-grids for clusters of SMEs would incentivize peer monitoring amongst SMEs, creating effective horizontal checks outside the politically captured national grid. Surveys confirmed SMEs' willingness to pay for reliable power at a price point between grid tariffs and costly self-generation. Based on this analysis, the team designed a pilot using a solar-powered mini-grid for an SME cluster in Abuja, creating conditions where horizontal checking could emerge through mutual self-interest.

This case demonstrates how understanding actors' behaviours and influence in terms of power, capabilities, and interests can inform feasible policy solutions that work with, rather than against, existing power dynamics to reduce corruption and improve development outcomes, and that this approach can be fruitful even when pockets of positive deviance cannot be found.

Nigeria's political settlement and the landscape of corruption

91. The challenges of governance in Nigeria, and the corruption – including in the oil and gas sector – which diverts public resources into private hands and distorts the political process are well documented. Such challenges impoverish Nigeria and its people and hinder the country's potential to improve the continent's performance. Pervasive rent capture marks the country's highly opaque oil economy, and these rents lead to distributive conflicts that frequently turn violent. The existence of oil rents produced by the Delta region, but with benefits distributed across the whole country through hotly debated policies like the Derivative Principle (a process through which the federal government redistributes oil revenue), leads to ongoing contestation over the nature of federalism and constant jockeying within the political settlement to accommodate powerful regional and ethnic interests.

92. Competitive clientelism has characterized the political settlement since the elections of 2015 when the incumbent government, in power for 16 years, was voted out. Up until that point, Nigeria would have been considered a weak dominant party regime. However, by the time the SOAS-ACE research team began its work in Nigeria in 2017 the political settlement had evolved and could now be characterized as one of "competitive clientelism", with three key features:

- The ruling coalition faces opposition from strong external coalitions;
- The leadership of the ruling coalition has little control over its own mid-to-lower-levels, and sometimes even its senior levels, because members can make deals with powerful actors who are excluded from the political settlement and its associated resource flows; and
- The ruling coalition has weak implementation capabilities, especially in sectors like oil, gas and electricity generation where the opportunities for political interference and resource capture are high.

93. These characteristics of Nigeria's political settlement make traditional anti-corruption efforts particularly challenging to implement effectively. Top-down reforms that directly challenge powerful interests are likely to face significant resistance, be subverted, or fail entirely. This understanding of the political settlement informed the team's approach to looking for feasible entry points where change might be possible despite these constraints.

94. The competitive clientelism that characterizes Nigeria's political settlement tends to generate short time horizons and weak implementation capabilities, creating an environment where policy-distorting corruption thrives. Political corruption in Nigeria is pervasive. It creates economic benefits, or "rents", for those within political organisations, including their supporters, through targeted legal programmatic spending, informal modifications of legal programmes, or entirely informal transfers. "Political entrepreneurs" decide how to channel resources as a means to create and

maintain political power. The allocations are not always damaging, as they may redistribute wealth or support stability. However, they can also create tension and conflict and reduce redistribution if the benefits are captured primarily by the powerful and rich.

95. These "political entrepreneurs" also sometimes allocate resources in the form of policy support or subsidies to emerging businesses. Collusion by businessmen with the political leadership is common, and political corruption can lead to predatory corruption, which is always damaging. When the team initiated their work in Nigeria, corruption was largely policy-distorting or political in nature, constraining the development of productive sectors of the economy.

96. Given this landscape of corruption and the nature of the political settlement, the team recognized that wholesale, top-down anti-corruption reforms were unlikely to be effective. Powerful actors would resist reform that threatened their interests, making attempts to reform sectors like oil virtually impossible. Instead, the team needed to identify sectors and entry points where there was some autonomy from patronage relations, some scope for some actors with an appropriate mix of power, capabilities and interests to change their behaviours in ways that would serve their own interests, and some possibility of addressing corruption in ways that would support better development outcomes.

Analysing sectoral political economy dynamics

97. The team analysed several sectors – electricity, fertilizers, extractives, and Primary Health Care – to identify potential entry points for feasible anti-corruption efforts. Although the electricity sector initially seemed an unlikely candidate given its history of entrenched corruption, the detailed sectoral political economy analysis revealed potential opportunities for creating new horizontal checks where none had existed before (Strategy 2, as Figure 6 in Chapter 3 sets out). Given Nigeria's notoriously difficult history with oil and gas, they were also on the lookout for ways to mitigate (Strategy 3) the devastating effects of corruption around, for example, artisanal oil refining in the Delta region.

98. A sectoral political economy analysis of the electricity sector helped the team to understand how rents in the sector are captured by politically connected firms both in generation and distribution. The team's analysis illustrated how a poorly implemented privatization process that began in 2012 had solidified a distribution of power whereby only politically connected companies were confident in bidding, with Nigerian banks absorbing all the risk. Privatization gave these politically connected companies significant new rents that increased their already substantial power. The dramatic increase in rent capture in the electricity sector after privatization was a consequence of a significant change in types of informality, with a reversal of patron-client relationships as business "clients" to politicians switched to become the dominant partner in rent-capture relationships, sometimes because former politicians became businessmen.

99. A decade later, the sector continued to underperform, plagued by technical inefficiencies, financial precariousness, weak oversight of privatized operations, and legacy corruption from before privatization. Eighty percent of "operational energy capacity" came from off-grid sources like diesel or petrol generators, and 43 percent of citizens lacked access to grid-based electricity. While initial resourcing for the sector came from multilateral financing institutions like the World Bank, this subsequent underperformance has limited further investments by most development partners. Electricity theft and non-payment of bills by household consumers represented an illegal but perhaps rational decision by citizens and businesses frustrated with poor supply levels.

100. Despite these failures, successive governments considered the sector too big to fail. Frequent bailouts were often used by powerful investors to pay off loans or, in some cases, pay themselves dividends rather than increase supply through the grid. In sum, the electricity sector exemplified how policy-distorting corruption can evolve into more damaging political protection and political corruption where impunity is granted to close political clients, leading to poor development outcomes and haemorrhaging public resources.

Formal policy and institutional framework

101. To understand the dynamics of corruption in the electricity sector, the team began by mapping the formal policy and institutional framework—how resources were meant to flow and how formal checks and balances were supposed to operate. Figure 11 illustrates how policy resources for the electricity sector, primarily from domestically generated funds, were meant to flow through the system.

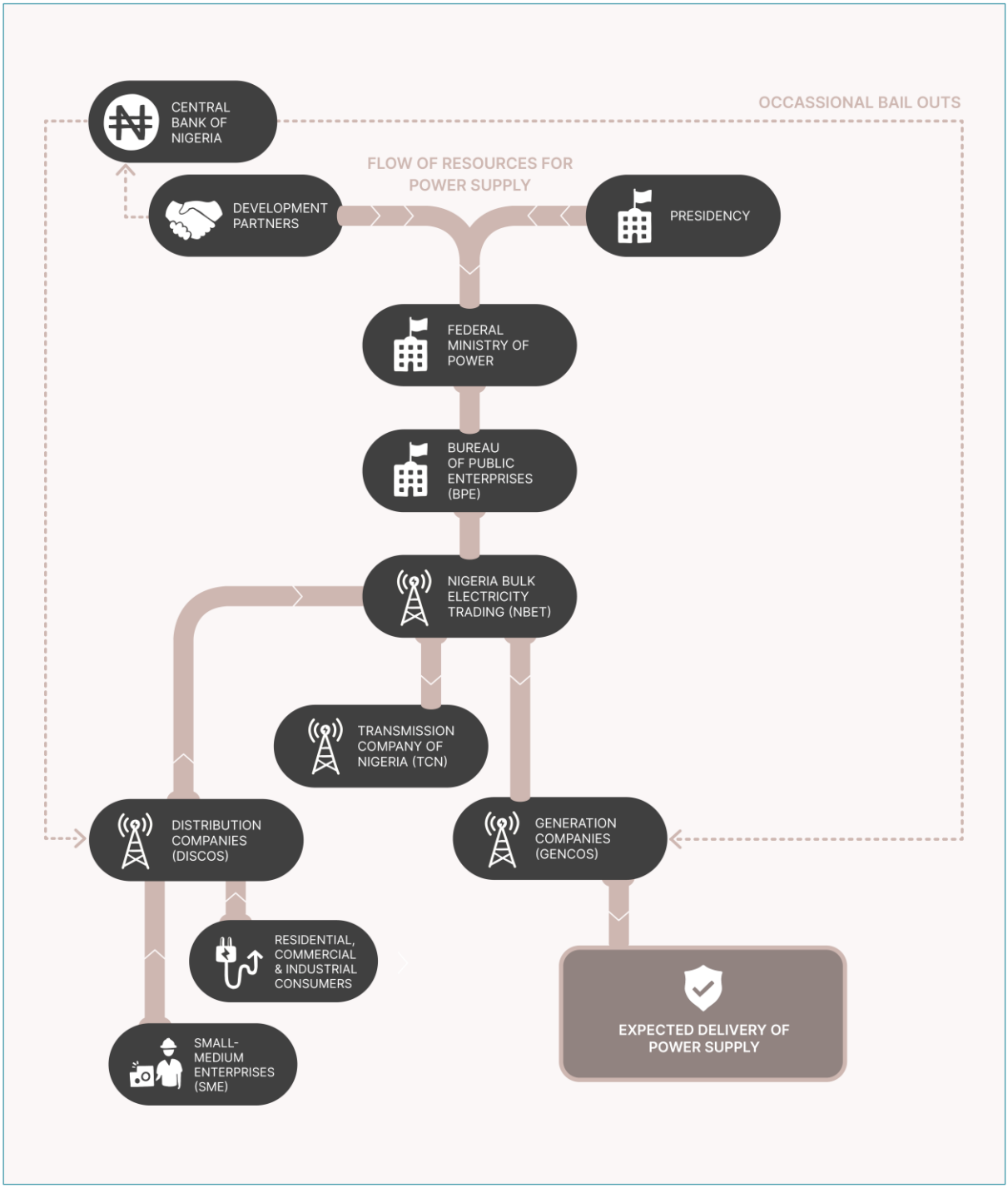
102. The Presidency plays an active role in financing the sector and devising policy, along with the Federal Ministry of Power. Together, with the Presidency in an active role, they oversee a critical agency, the Bureau of Public Enterprises (BPE), which is responsible for driving economic reform in the sector and is the major stockholder in the Nigerian Bulk Electricity Trading Plc (NBET). NBET holds a bulk purchase and reselling license from electricity producers. The Federal Ministry of Power oversees the Nigerian Electricity Regulatory Commission and the Rural Electrification Agency (The NERC and REA are not shown on Figure 11, although NERC appears on Figure 12, given its important regulatory role).

103. Funding sources include the Central Bank of Nigeria (CBN), the Power Ministry, and the Presidency. Funds flow via NBET to generation companies (GENCOs), distribution companies (DISCOs), and the Transmission Company of Nigeria (TCN), as well as to independent power producers and state-owned power producers under the National Integrated Power Project. Funding also goes to related private sector players such as companies that supply electric meters to distribution companies.

104. NBET purchases electricity from the GENCOs and transfers it to the DISCOs. The DISCOs sell electricity to various categories of consumers at differential tariffs based

on hours of supply. DISCOs are supposed to pay NBET for the power supplied, and NBET is supposed to pay the GENCOs, which then pay gas producers. The GENCOs and DISCOs also pay the Transmission Use of System (TUOS) charge to TCN. There are other strong lobby groups like the generator/inverter lobby but while they have an impact on outcomes in the sector, they do not have access to formal resources so are not part of Figure 11.

Figure 11: Formal flows of policy resources in the electricity sector



Formal checks and balances

105. The unbundling and privatization of the power sector created a regulatory architecture that was meant to provide strong oversight through vertical checks, including an independent regulator, the Nigeria Electricity Regulatory Commission (NERC). The Presidency, across various administrations, has also been active in devising policy for the sector. The Federal Government has oversight over the BPE, NBET, and TCN, which form the central frame of the sector, given that NBET has been the sole licensee for trading electricity and mediating contracts between the DISCOs and GENCOs (this changed in February 2024 when DISCOs were allowed to purchase directly from GENCOs). (See Figure 12 for a representation of these formal checks and balances, as well as the potential leakages of resources from the system.)

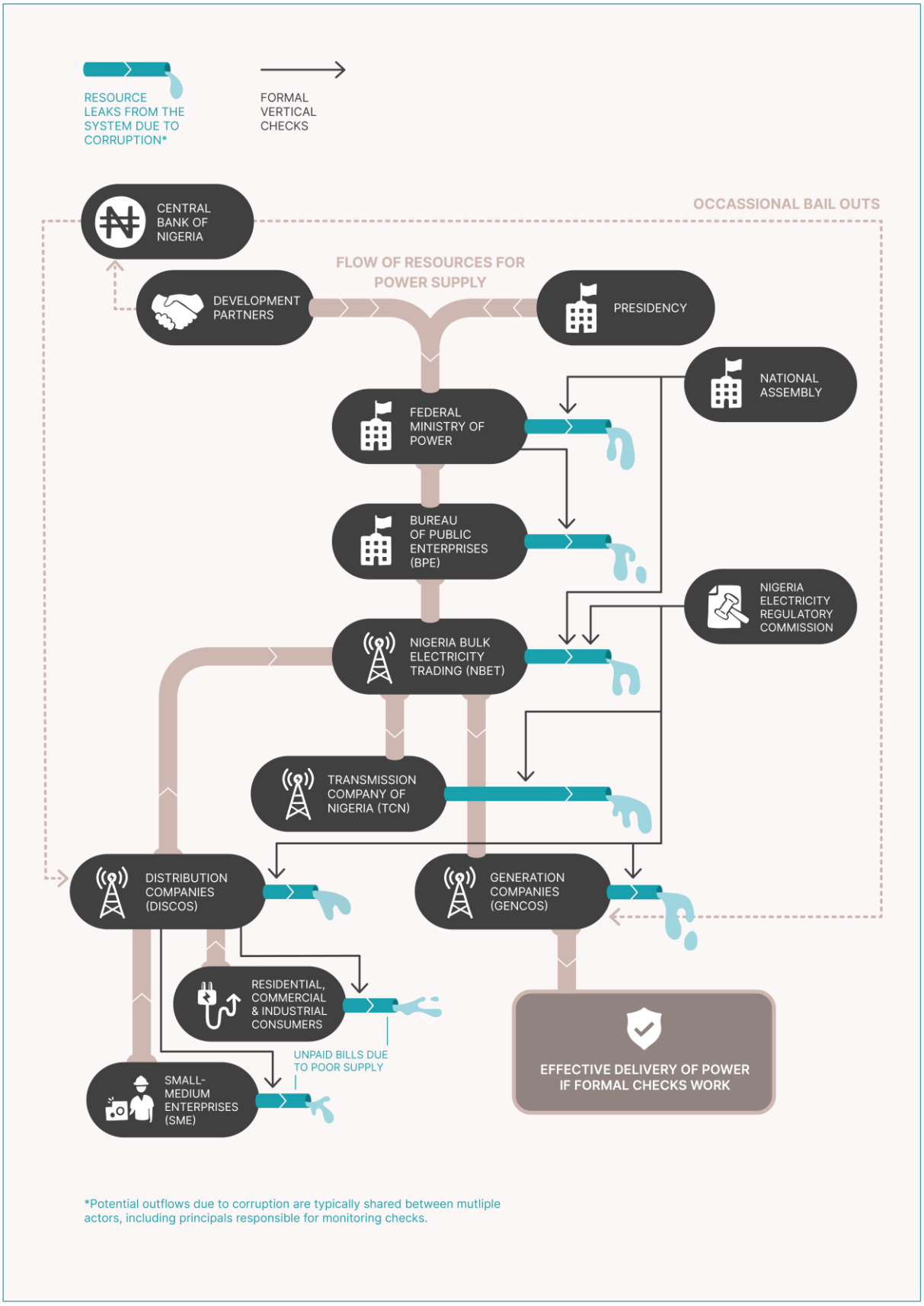
106. However, despite these designs being good on paper, the privatization process attracted politically connected and therefore powerful players without the technical and financial capacity to become efficient generators or invest in upgrading. While the transmission sector remained under Federal Government ownership (which is not uncommon in developing countries), legacy underinvestment combined with the inability of GENCOs and DISCOs to meet electricity demand created significant challenges.

107. A particular governance challenge which compounded the problem of legacy underinvestment has been the DISCOs' failure to pay the full amount invoiced by NBET, leading to liquidity problems throughout the sector. Additionally, many of the funds meant for the transmission sector were often unaccounted for, and TCN consistently failed to transmit to distributors the electricity that they even when GENCOs performed well.

108. The result was erratic and low-quality electricity supply for all consumers—residential, commercial, industrial, as well as SMEs. This prompted high levels of self-generation, increasing electricity theft, and non-payment of bills. Consumers rationalized this behaviour on the grounds that they had little choice given steadily increasing tariffs without improvements in electricity supply. Most large industrial customers disconnected from the grid entirely, building their own electricity-generating plants or buying power directly from the grid.

109. Given these distortions in the national grid and consumer behaviour, there was little opportunity for effective monitoring. The large number of customers stealing electricity or not paying bills led to huge revenue shortfalls, and distribution companies were unable to effectively monitor these widespread violations. Large industrial customers, who might have pressured the regulator to improve compliance and supply, had no incentive to do so as they no longer depended on the grid.

Figure 12: Formal monitoring and potential corruption leaks



110. The politically connected nature of the generation and distribution sectors meant that regulators like the Nigeria Electricity Regulatory Commission lacked true independence, rendering vertical enforcement mechanisms ineffective. The Federal Government, including the Ministry of Power, was not able to compel DISCOs to improve governance despite owning sizable minority shares. The National Assembly was similarly unable to rein in powerful lobby groups like the generator lobby, which benefited from selling generators to make up for the absence of reliable electricity through the grid. As a result of these failures in formal vertical processes – a profound regulatory mess – significant leakages occurred throughout the sector, especially in bailout funds, opaque power purchase agreements, unfulfilled contracts, misutilization of funds, and consumer non-payment or electricity theft.

Economic ethnography: Observing and understanding actors' behaviours

111. As the team overlaid the complex network of informal interactions onto the formal structures within the sector, they sought to understand how capabilities and interests motivated their behaviour, and relative power shaped their influence, looking for pockets of positive deviance where horizontal checking might be enhanced or replicated elsewhere. Unlike in the Bangladesh case, in the Nigerian electricity sector no examples of positive deviance or effective horizontal checking could be found. In terms of Figure 13, all potential horizontal checks (shown as red lines) on the use of public resources terminated in crosses, indicating they were ineffective and therefore could not enhance the effectiveness of vertical checking (shown as black lines).

112. However, as the systems map of actors developed, the team noticed an important pattern: while less powerful residential users lacked the necessary power and cohesion to act collectively, and large industrial consumers had effectively exited the grid, SMEs emerged as a group that might be capable of horizontal checking if that would guarantee better quality supply for a similar price (see bottom left of Figure 13). SMEs were already organising collectively to find solutions and were a constituency with strong incentives to address their power challenges.

113. SMEs faced a particularly difficult situation: they needed reliable electricity to operate their businesses but could not afford to depend solely on the unreliable grid. Most resorted to expensive self-generation using diesel generators, which significantly increased their operating costs. This economic pressure made them unlikely to pay for grid electricity that failed to meet their needs, making them a source of leakage from the system through non-payment or illegal connections.

114. However, the team recognized that this wasn't simply corruption for corruption's sake—there were legitimate reasons behind SMEs' rule-breaking behaviour. If these legitimate reasons could be addressed through a feasible alternative that provided reliable electricity at reasonable cost, SMEs' capacities and interests might lead them engage in horizontal checking of their peers' behaviour, with their relatively equal levels of power making such checking effective in terms of ensuring collective compliance.

115. The mapping of actors and behaviours—complemented by focus groups and in-depth interviews with SME owners—revealed that SMEs possessed the necessary attributes for potentially effective horizontal checking: their economic capabilities meant they would benefit from a rule-following environment with reliable electricity supplies; they shared common interests in reducing costs by eliminating payments for unreliable grid power while minimizing expensive self-generation; and they existed in clusters where relatively equal power relations could support mutual monitoring. In this sense, the Nigeria case exemplifies Strategy 2 from the SOAS-ACE approach framework (Figure 6 in Chapter 3): creating effective horizontal checks by differentiating between corrupt and legitimate reasons for rule-breaking, and addressing the legitimate reasons for non-compliance.

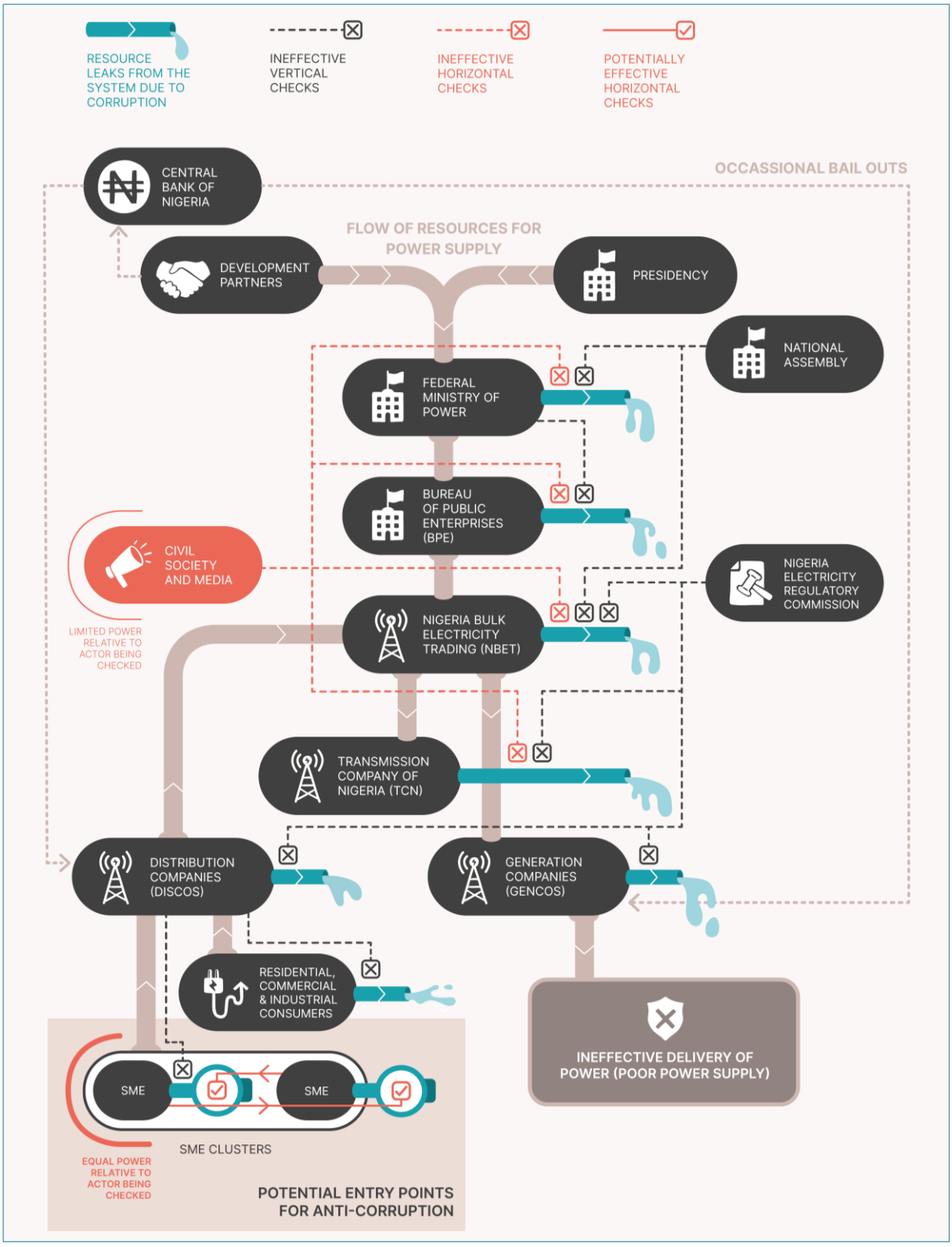
116. Indeed, the team's economic ethnography revealed that SMEs had already experimented with collective solutions, such as creating "pay-as-you-go" arrangements where a group would jointly hire a large generator. This demonstrated both their capacity for collective action and their willingness to invest in solutions outside the formal grid. These nascent peer-monitoring mechanisms suggested that SMEs might be able to establish self-reinforcing cycles of compliance if provided with a viable alternative to both the unreliable grid and expensive individual generators.

117. Such horizontal checking would reduce the level of policy-distorting corruption and enhance SMEs' access to reliable supplies of electricity and in turn their productivity. Beyond the particular entry point, this could have a significant demonstration effect in other localities and sectors, encouraging the financers and suppliers of electricity – key actors in the formal flow of resources and accountability – to reconsider their business models in similar contexts.

118. Unlike the Bangladesh case where pockets of effective horizontal checking already existed and could be enhanced (Strategy 1), in the Nigeria case it was necessary to create conditions in which horizontal peer checking could emerge (Strategy 2). The team hypothesized that a mini-grid model serving SME clusters could create these conditions by:

- Providing reliable power at a price point between grid tariffs and self-generation costs;
- Enabling horizontal peer monitoring among SMEs with similar levels of power, outside of the formal grid where politically powerful actors could not be effectively monitored;
- Creating aligned incentives between SMEs and electricity providers; and
- Delinking the solution from the politically captured national grid.

Figure 13: Identifying entry points where horizontal checking might be enabled



Crafting and validating feasible policy proposals

119. Based on the insights from the economic ethnography, the team formulated a hypothesis: "In order to improve productivity, SMEs are likely to monitor each other against free riding, allowing them to pay the embedded generation cost and ensure supply. This horizontal checking creates a self-sustaining virtuous cycle which enables sustainable rule-following behaviour, allowing for losses incurred by distributors to the national grid to decline."

120. To test this hypothesis, the team conducted quantitative research on SMEs' willingness to pay for reliable power. Quantitative surveys confirmed that SME owners would be willing to pay a tariff between the current distribution company rate and their total self-generation costs (including diesel, operations, maintenance, and often bribes to access electricity informally from the grid). This provided a sufficient price window within which mini-grid technology could profitably operate while supplying cheaper and more reliable power to SME clusters.

121. The research also suggested that new investors, operating outside the politically captured national grid, might be attracted to supply local SMEs through mini-grids. Since horizontal checks between SMEs and local electricity providers would be more effective due to their relative equality of power, problems of theft and non-payment would likely be reduced, creating a more sustainable business model.

122. Figure 14 illustrates how this approach could limit policy-distorting corruption while improving SME productivity through autonomous mini-grid systems outside the control of powerful players. The model leverages peer pressure among actors (SMEs) with similar levels of power, who would monitor each other to prevent free-riding, ensure payment of embedded generation costs, and maintain reliable supply. This creates a self-sustaining virtuous cycle of rule-following behaviour as resources remain within the system rather than leaking out.

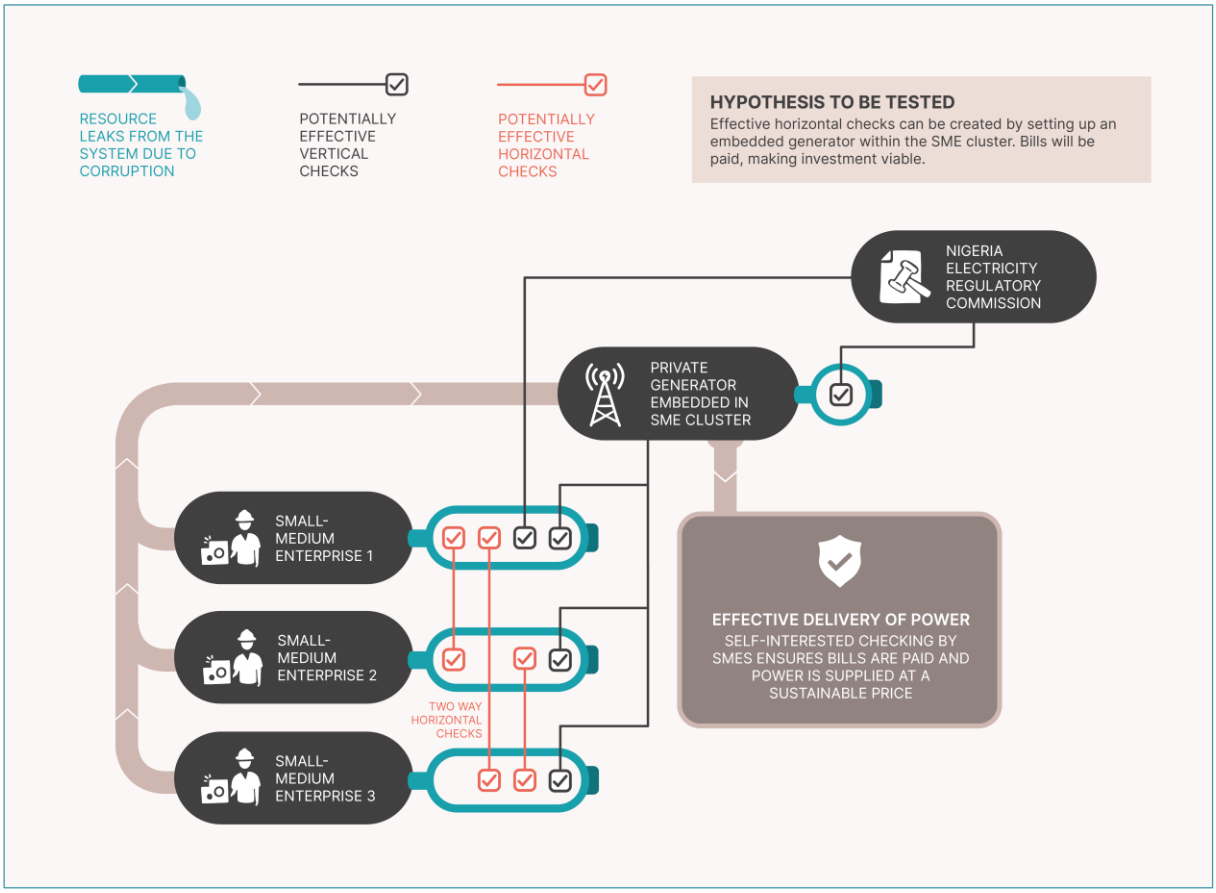
123. The team is now moving forward with plans to test this hypothesis through a pilot mini-grid for an SME cluster in Abuja, replacing a diesel generator that approximately 30 SMEs currently share through a cooperative arrangement with a solar power plant. Preparations for the pilot have focused on building trust among the collective to ensure that SMEs design and own the governance processes, creating confidence that the arrangement will solve their energy problems and make horizontal checking worthwhile.

124. This case study demonstrates the application of Strategy 2 from the SOAS-ACE approach: creating effective horizontal checks where none existed before, by addressing legitimate reasons for rule-breaking. By observing and understanding the behaviour and influence of various actors, in terms of their capabilities, interests and relative power, the team identified an opportunity – a potential pocket of effectiveness – to create conditions where horizontal checking amongst SMEs could emerge organically through mutual self-interest. Rather than attempting to reform the

politically captured national grid directly, the approach works within the constraints of Nigeria's political settlement by creating an alternative system where power relationships are more balanced and incentives for rule-following behaviour are stronger.

125. The Nigeria electricity case shows how the SOAS-ACE approach can identify feasible entry points for addressing corruption even in sectors that appear hopelessly captured by powerful interests. By focusing on creating the conditions for horizontal checking rather than strengthening vertical enforcement mechanisms that are bound to fail, the approach offers a pragmatic pathway to reducing corruption and improving development outcomes in challenging contexts.

Figure 14: Testing the hypothesis to promote new horizontal checking



Chapter 6: Action, learning and impact

126. The SOAS-ACE approach represents a distinctive analytical framework for understanding and addressing policy-distorting corruption. Through the preceding chapters, we have articulated the conceptual foundations of this approach (Chapter 2), outlined a three-phase process for its application (Chapter 3), and demonstrated its practical utility through case studies from Bangladesh and Nigeria (Chapters 4 and 5). In this concluding chapter, our focus turns to what we can do, together, to further enhance our collective impact on addressing corruption and supporting the design and implementation of effective public policies.

127. The impact of the SOAS-ACE approach can be enhanced through action in relation to three interconnected strands:

- **Supporting practice**: Enabling practitioners and organisations to apply the approach to address corruption, and associated policy implementation challenges;
- **Facilitating learning**: Creating opportunities for collaborative reflection and knowledge generation about our approach, and related approaches, to enhance and inform their application; and
- **Informing discussions**: Contributing to broader discussions about addressing complex social challenges and associated power asymmetries, supporting governance reforms that are tailored to particular contexts, and the role of external actors in supporting locally-led solutions.

Supporting practice

128. The primary objective of this guide is to support the practical application of the SOAS-ACE approach to understand and address challenges where corruption and dysfunctional governance distort resource flows, hinder effective policy implementation, and undermine developmental outcomes. We envision a number of concentric circles of potential users and applications.

129. The core application of the SOAS-ACE approach involves organisations specifically focused on addressing corruption-related policy implementation challenges which are described in Chapter 1 (the overlap in Figure 1's Venn diagram). This includes: government agencies seeking to enhance policy implementation effectiveness; civil society organizations working on anti-corruption initiatives; research institutions analyzing corruption dynamics; and, development partners supporting governance reforms. For these users, the three-phase process outlined in Chapter 3 provides a

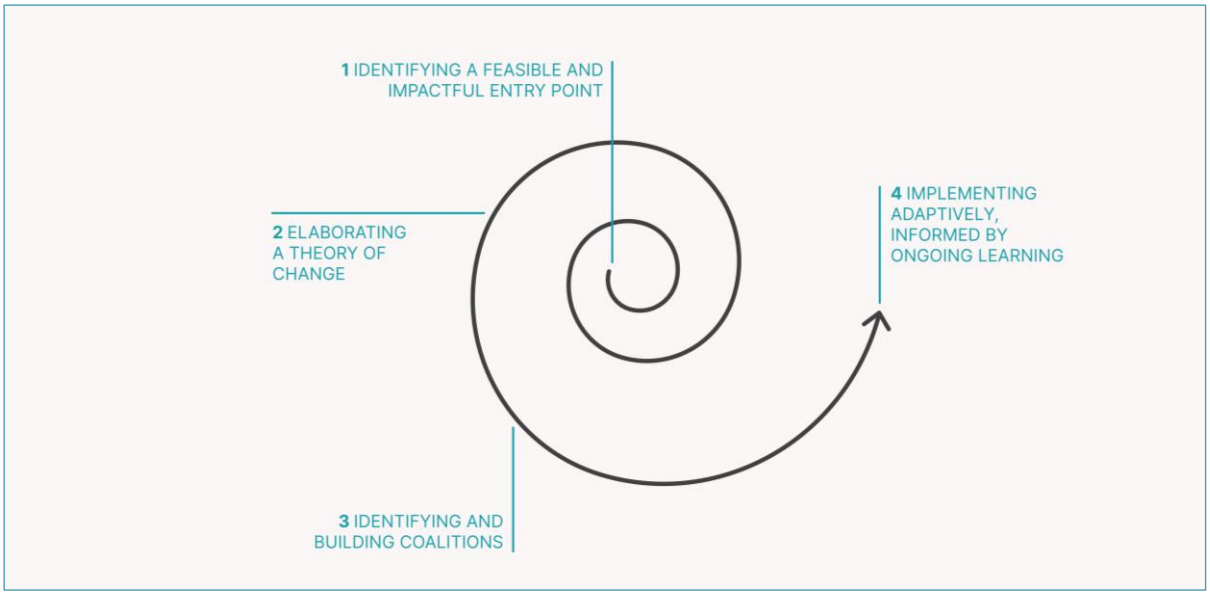
structured methodology for identifying feasible entry points for engagement based on a sound understanding of the political economy dynamics around a flow of policy resources.

130. A second circle of application extends to addressing policy implementation gaps that persist because of dysfunctional governance dynamics (the second type of policy-distorting corruption referred to in paragraph 2; doctors who can be absent while still being paid, for instance). Such challenges may not always be framed in terms of corruption, but can nevertheless benefit from the approach's emphasis on understanding actors' behaviours as part of an evolving system of power and incentives. We have for example been pleased to see how the SOAS-ACE approach has, through Kathy Bain's involvement, informed the recent work of the Governance Action Hub on the energy transition in Colombia.

131. A third circle of application extends the use of the SOAS-ACE approach further still, beyond the policy-distorting corruption that the methodology was primarily designed to address. As recent experience in Bangladesh has shown, the approach can also generate useful policy insights in contexts where political corruption dominates. (See references in paragraph 4 on types of corruption). This is particularly so when windows of opportunity open, and established power structures are in flux, as has been the case after the July 2024 Uprising (the "Monsoon Revolution").

132. Last but not least, a fourth application would be to use the actor-based systems mapping methodology, alongside appropriate approaches to monitoring, evaluation and learning, to support the adaptive and effective implementation of public policy (see also paragraphs 32 and 45). This could apply to policy-distorting corruption, dysfunctional governance dynamics, or political corruption. In effect, this would represent a "spiraling out" from the entry points identified through the three-phase process, (see Figure 15), using the approach to elaborate a theory of change that is consistent with the political economy dynamics around a particular policy, and to inform efforts to build coalitions that will support the effective implementation of that policy. (See also paragraph 23 of Alan Hudson and Kathy Bain's piece on systems of corruption).

Figure 15: Spiraling out to effective, adaptive, policy implementation



Facilitating learning

133. A second strand of action concerns learning. Here, we see three areas where collaborative learning about the use of the approach, and the use of other approaches to address complex social challenges, might be valuable.

134. One area where we would be interested to see and support collaborative learning relates to the practical application of the SOAS-ACE approach, including across different contexts. While a practitioner learning network might initially be established as an informal mechanism for sharing experience and insights, if there were demand it could involve into a more structured community of practice that: documents diverse applications of the approach; identifies common challenges and solutions; refines methodological tools and techniques; and captures emerging insights about the application of the approach. Such a network would not only support practitioners directly but also generate valuable knowledge about how the approach can be applied across a diversity of contexts.

135. A second area would involve collaborative learning about the use of the SOAS-ACE approach to support the adaptive implementation of public policies. This would leverage the learning opportunities that will emerge as the approach is extended from policy design to actual policy implementation and adaptive programming. Informed by the wealth of recent experience as regards adaptive management, as well as the increased focus on complexity-aware monitoring, evaluation and learning, a community focused on adaptive implementation might explore issues including: developing and using appropriate monitoring frameworks to track system dynamics and inform course corrections; crafting coalitions that can support effective policy implementation; and, designing governance structures that enable adaptive management, while also enabling accountability.

136. A third area of learning would extend beyond the SOAS-ACE approach and situate it within a wider landscape of approaches and initiatives to understand and address complex social challenges such as corruption and associated policy implementation gaps. We see considerable value in sharing and comparing with a wider group approaches and initiatives. We are keen to share our experience, particularly as regards identifying sites of positive deviance and crafting effective policies, and we are always keen to learn from the experience of others.

137. Finding the time and resources needed for collaborative learning is never easy and the incentives are not always there. But we believe it could be very useful, helping all participants to sharpen the effectiveness of their approaches, identify potential complementarities, and generate insights about when and how different methodological approaches might be most appropriately applied. We have been pleased, in this regard, to be able to contribute to, and benefit from, discussions about identifying entry points in UNDP's Action On Transnational Corruption initiative.

Informing discussions

138. A final strand of action relates to broader theoretical and policy discussions. There are, we suggest, three overlapping conversations where our approach, with its focus on observing and understanding actors' behaviours, in a landscape or system of power and incentives, can make valuable contributions.

139. One conversation, or set of conversations, relates to complexity, efforts to change the dynamics of complex social systems, and ways of addressing the power asymmetries that characterize all social systems. Our sense is that many of those conversations – many of which helpfully emphasize actors, interactions, relationships, learning and emergence, and note the centrality of power – might benefit from two interrelated aspects of the SOAS-ACE approach:

- The way in which it brings together a focus on actors' behaviours, and the dynamics of the system they are part of, in an integrated and mutually interdependent manner;
- The way in which it not only understands behaviour as being shaped by incentives, but also explores how policy – applied at points where it is able to leverage the power, capabilities and interests of specific groups of actors – can encourage behaviours that contribute to incrementally shifting the dynamics of the system.

140. We look forward to engaging more closely with other organizations and initiatives seeking to find effective ways of sustainably shifting the dynamics of complex social systems – particularly public policy systems – that are too often riddled with extreme power asymmetries. The state of the world in early 2025 demonstrates all too clearly the urgent need.

141. A second set of conversations relates to corruption, governance and public policies. In this sphere, policy discussions have often been dominated by normative frameworks that emphasize formal institutions, enforcement and legal compliance. There has been encouraging change over the last 10-15 years, with the emergence of a diversity of approaches that seek to do things differently, engaging more seriously with contextually-embedded causalities, the iterative nature of problem-solving, and the messy politics of change. But while there has undoubtedly been progress, too many discussions, particularly as regards corruption, continue to default to a normative stance, perhaps in part because finding constructive ways forward is not easy.

142. The SOAS-ACE approach can help, offering: a politically-informed perspective on why conventional anti-corruption approaches often fail and what might be done differently; a framework for understanding how informal behaviours and relationships reflect the underlying political economy dynamics, and in turn shape governance processes and outcomes; a methodology for identifying promising entry points for reform; and, a focus on pragmatic and politically feasible ways forward.

143. We also believe the SOAS-ACE approach can provide some useful perspective on the role that external actors can play in supporting change processes that are tailored to local realities and led by local actors. The SOAS-ACE approach offers: a methodology for understanding the dynamics of local systems (for a review of USAID's pioneering work on Local Systems, see Alan Hudson, 2024); an emphasis on working with the grain of existing configurations of actors, behaviours, relationships and their political economy drivers; and an orientation toward identifying promising points for engagement that will lead to sustainable reform, rather than toward comprehensive, ideologically-driven, externally-imposed, and therefore unsustainable reform.

144. By investing in this sort of approach, development partners can support the emergence of local solutions, and then – if their counterparts find it useful – support their adaptive implementation. Such an approach provides a clear path to reduced reliance on aid, as more effective policies put countries on a path of sustainable transformation.

An invitation to engage

145. The SOAS-ACE approach represents a significant methodological innovation in addressing policy-distorting corruption, by combining careful political economy analysis that focuses on the drivers of actors' behaviours, with an orientation to policies that are feasible in particular contexts. We hope that this guide has made the approach more accessible, will enhance support for its application, facilitate collaborative learning and inform wider discussions.

146. The approach's fundamental insight – that sustainable change requires working with, rather than against, existing configurations of power, capabilities and interests –

offers a powerful corrective to idealized reform models. At the same time, its focus on identifying and strengthening emerging pockets of effectiveness or positive deviance provides concrete pathways for meaningful change even in challenging contexts.

147. Grateful for the generous support that the UK Government has provided to SOAS-ACE since 2017, we invite FCDO colleagues, as well as other practitioners, researchers, and policymakers to engage with this approach—adapting it to their contexts, contributing to collaborative learning, and refining both the approach and its practical application.

148. Together, we can build better understandings of how change happens and how it can be effectively supported in ways that recognize the intricate interplay of actors and institutions which shapes the development trajectories of sectors, countries and people. Through these collaborative efforts, we can enhance our collective capacity to address corruption, improve policy implementation, and ultimately contribute to more equitable and sustainable development outcomes.

ACE SOAS Consortium **Anti-Corruption Evidence**
Making Anti-Corruption Real

About the Anti-Corruption Evidence (ACE) Research Consortium:

ACE takes an innovative approach to anti-corruption policy and practice. Funded by UK aid, ACE is responding to the serious challenges facing people and economies affected by corruption by generating evidence that makes anti-corruption real, and using those findings to help policymakers, business and civil society adopt new, feasible, high-impact strategies to tackle corruption.

ACE is a partnership of highly experienced research and policy institutes based in Bangladesh, Nigeria, Tanzania, the United Kingdom and the USA. The lead institution is SOAS University of London. Other consortium partners are:

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- BRAC Institute of Governance and Development (BIGD)
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