

<b>Institution: University College London</b>
<b>Unit of Assessment: 27 – Area Studies</b>
<b>Title of case study: Improving the legal and corporate understanding of informal practices in Russia</b>
<p><b>1. Summary of the impact</b> (indicative maximum 100 words)          Research conducted at UCL by Professor Alena Ledeneva on informal practices and governance networks in Russia led to the development of tools used by senior executives at international corporations working in Russia and elsewhere to evaluate and manage the risk of corruption in their organisations. The research also influenced the rulings and expert testimony provided in British courts affecting the outcomes of major commercial trials such as <i>Cherney -v- Deripaska</i> (2008) and <i>Berezovsky -v- Abramovich</i> (2011) as well as in extradition cases at the Westminster District Court in London.</p> <p><b>2. Underpinning research</b> (indicative maximum 500 words)          Professor Alena Ledeneva's research on corruption and informality has built her an international reputation in a field she has effectively defined. Professor Ledeneva began at UCL as a Lecturer in 1999, and was promoted to a Chair in 2008.</p> <p>Ledeneva's research at UCL builds on her earlier work on Russia's economy of favours which helped to solve a double puzzle in the history of authoritarian regimes: in Soviet times, reliance on informal networks allowed people to survive in an economy of shortage, just as it allowed the Soviet regime to endure despite the systemic inefficiency of its institutions. While formally supporting the regime, people engaged in multiple informal practices in order to mitigate its pressure. <i>Blat</i> – the use of personal networks for getting things done – provides just one example of the many informal practices that both made the regime more tolerable and, at the same time, helped to undermine it, thus serving both continuity and change. Her 2000 publication [a] developed Ledeneva's analysis of the ambivalent nature of informal practices that both subverted and supported institutions in both the Soviet and post-Soviet eras.</p> <p>Subsequent research has examined the informal practices that replaced <i>blat</i> during Russia's dramatic break-up with its communist past [b]. 'Democratic' and 'market' institutions, including competitive elections, free media, independent judiciary and secure property rights, to be established during the 1990s, became enveloped in informal practices that both facilitated their development and undermined it. <i>Kompromat</i>, <i>black piar</i>, <i>krugovaya poruka</i>, barter and double accounting were the most widespread in that period [b]. Arguing that such practices constitute important indicators in assessing the outcomes of reform, Ledeneva turned to analysis of the network-based system of informal governance – Putin's <i>sistema</i> – characterised by informal incentives, control and capital flows operated by power networks [c]. What it lacks in democratic graces the <i>sistema</i> appears to compensate, according to Ledeneva, with the effectiveness of its networks and relationships and their impressive capacity to mobilise [c].</p> <p>Aiming to disaggregate predominant notions of corruption, Ledeneva argues that informal practices not only can be measured, but constitute indicators that can be instrumental in policy-making. Although informal practices do not readily lend themselves to quantitative analysis, Professor Ledeneva devised a survey measuring the public perception of informal pressure on the judiciary from the executive (so-called 'telephone justice') [d]. A representative sample of 1,600 respondents was used in 2007, funded by the British Academy, followed by a repeated survey in 2010, commissioned by the EU-Russia Centre, which found that perceptions of extra-legal pressure on the judiciary remained widespread, despite multiple legal reforms undertaken by president Medvedev. Ledeneva's research identified the global implications of the weak rule of law in Russia, associated with 'telephone justice' driving litigants away from Russian courts and towards British courts, resulting in Russia's loss of sovereignty as major decisions on Russian assets are decided in High Courts in London [c, d].</p> <p>In a 2009 paper, Ledeneva argued that the post-communist experience doesn't fit the global</p>

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corruption paradigm [e]. To reveal the implications of post-communist corruption in the corporate sector, Ledeneva collaborated with Stanislav Shekshnia (Affiliate Professor of Entrepreneurship at INSEAD) to survey informal practices and mitigating strategies by 111 CEOs operating in Russia, the outcome of the pilot survey has been published in 2011 [f]. Devising alternative measurements of corruption has since become the core of the FP7 project “Anti-Corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption” (2012–2017), a large-scale research project funded by the European Commission, where Ledeneva plays a leading role.

### 3. References to the research (indicative maximum of six references)

[a] Alena V. Ledeneva, ‘Continuity and change of blat practices in Soviet and post-Soviet Russia’. In *Bribery and Blat in Russia: Negotiating Reciprocity from the Middle Ages to the 1990s*. Ed S. Lovell, A. V. Ledeneva, A. Rogachevskii (Macmillan Studies in Russia and East Europe, 2000). Available on request.

[b] Alena V. Ledeneva, *How Russia Really Works* (Cornell University Press, 2006) [rigorous peer review process prior to publication; over 250 citations, widely and positively reviewed in authoritative sources e.g. *American Journal of Sociology*; DOI: [10.1086/522397](https://doi.org/10.1086/522397)]. Available on request.

[c] Alena V. Ledeneva, *Can Russia Modernise: Sistema, Power Networks and Informal Governance* (Cambridge University Press, 2013) [rigorous peer review process prior to publication; funded Leverhulme/ Science Po, Paris Fellowship to complete the monograph; submitted to REF2]

[d] Alena V. Ledeneva, ‘Telephone justice in Russia’, *Post-Soviet Affairs*, 24, 4 (2008) [2008 publication in rigorously peer-reviewed journal; submitted to REF2]

Survey follow-up: Ledeneva A. (2010) ‘Telephone Justice in Russia: An Update’ Brussels: EU-Russia Centre Newsletter, No. XVIII. [http://www.eu-russiacentre.org/wp-content/uploads/2008/10/EURC\\_review\\_XVIII\\_ENG.pdf](http://www.eu-russiacentre.org/wp-content/uploads/2008/10/EURC_review_XVIII_ENG.pdf).

[e] Alena V. Ledeneva, ‘Corruption in Postcommunist Societies in Europe: A re-examination’, *Perspectives on European Politics and Society*, 10.1 (2009), 69–86 [submitted to REF 2].

[f] Alena V. Ledeneva and Stanislav Shekshnia (2011). “Doing Business in Russia: Informal Practices and Anti-Corruption Strategies” *Russie.Nei.Visions*, No. 58, March. Also in French and Russian, available at [http://www.ifri.org/?page=contribution-detail&id=6474&id\\_provenance=97](http://www.ifri.org/?page=contribution-detail&id=6474&id_provenance=97).

#### Relevant peer-reviewed external funding:

‘Can Russia Modernise?’ Alena Ledeneva. Leverhulme Fellowship RF/7/RFG/2010/0023 (P17376). Amount: £9036. Duration: 1-Sept-10 to 31-Dec-10. [c] emerged from this grant.

‘Anti-Corruption Policies Revisited: Global Trends And European Responses to the Challenge of Corruption (Anticorrp)’. Alena Ledeneva. Amount: £435,450. Duration: 01-Mar-12 to 28-Feb-17.

### 4. Details of the impact (indicative maximum 750 words)

The research described above has been used by businesses and provided a basis for legal rulings and expert testimony in British courts.

#### Impacts on Legal Understanding and Judicial Rulings

Professor Ledeneva’s research has been widely used in legal proceedings, informing both commercial and extradition cases in London. She has used insights garnered from her experience of research to transfer specialist knowledge and provide scholarly advice to legal experts and policy makers dealing with Russia or Russian matters. Notable examples since 2008 include: [1]

- Discussion for about 50 lawyers and businessmen at the Forum of the Russo-British Chamber of Commerce, London, on the legal environment for investment in Russia, 23-34 June 2010.
- Talk at Pushkin House for over 100 attendees on the ramifications of high-profile Russian legal battles in London courts, sponsored by Littleton Chambers (on ‘Russian Legal Battles in London’ on 6 June 2013).

Through these talks and similar activities, Ledeneva’s research has made a valuable contribution

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to major commercial and extradition cases at the High Court. An example of this is provided by one major extradition lawyer who has represented Russian individuals living in England but charged with criminal offences in Russia, leading to extradition requests. In nearly all of the cases for about 10 individuals he has been involved in, he was required to provide expert advice on issues surrounding the judicial system and related factors [2]. For these he considered Ledeneva's research 'absolutely essential' [2], and specifically cited [a], [b] and [c] in section 3 above.

Specific examples of the contribution of Ledeneva's research to recent legal cases include its use by an expert witness to argue, during a case brought in February 2010 for the extradition of the oligarch Yevgeny Chichvarkin, founder of Russia's biggest mobile phone company, Evroset, who fled Russia when police alleged that he had kidnapped a truck driver whom he believed had stolen a \$1m consignment of mobile phones. Ledeneva's research on telephone justice was used to argue (inter alia) that the accused could not receive a fair trial in Russia unless special measures were taken. The request for extradition was eventually dropped [3]. Another example was that of the expert witness report on the Russian political and legal regime in the \$5bn Berezovsky -v- Abramovich case before Justice Gloster in 2012 [4].

The research has also been quoted directly by judges in rulings on high profile commercial cases, including the £2 billion suit by Michael Cherney against his fellow oligarch, Oleg Deripaska, in which Cherney claimed that he was owed a share of Rusal, the world's largest aluminium producer. First brought in 2006, the case was notably predicated on a request that the claim be served in London, rather than Russia. In his widely cited ruling on Cherney -v- Deripaska (2008), High Court Judge Mr Justice Christopher Clarke directly cited Ledeneva's research [c, e] in support of his ruling that Cherney did indeed have the right to sue Deripaska in an English court due to 'the risks inherent in a trial in Russia'. In making this judgment, he referred particularly to 'persistent rumours of "telephone justice", where the state or a senior judge gives the judge instructions to decide the case as was the norm in the Soviet era' [5]. This decision was unanimously upheld in the Court of Appeal in 2009 [6]. In an analysis of this much-discussed decision, a lawyer at the commercial law firm Herbert Smith LLP pointed out that: 'Clarke was further persuaded by expert evidence that in Russia, in cases where the government itself is a party and which concern a direct material strategic interest of the Russian state, the courts may depart from their generally fair and impartial performance in a commercial dispute between private persons' [7].

### Impacts on Corporate Training and Consultancy

In 2012, Transparency International ranked Russia 133rd out of 174 countries on its corruption perception index, and according to some estimates, corruption accounts for 20–30% of the cost of doing business in Russia. However, the real picture on the ground is extremely complex, and businesses employ a wide range of internal and external strategies to navigate and tackle corruption. As a result, Ledeneva's expertise on informal practices was frequently solicited by business intelligence consultancies and think tanks in the UK, US and Europe; during the impact period, she received several requests for talks which led to her work being utilised for business intelligence services to a wide range of corporate clients, but particularly large banking institutions, by Alaco and GPW [8].

Ledeneva has also drawn on her research ([b] above) in work conducted between 2010 and 2013 with Professor Stanislav Shekshnia of INSEAD, one of the world's leading graduate business schools, with campuses in France, Singapore and Abu Dhabi. Here, her work was used to devise surveys on informal practices to help CEOs and other executives to reflect on the variety of informal practices in their own organisations, to monitor and assess the subsequent risk of corruption there, and to devise strategies to manage them in this unique context [f]. Informal practices identified in Ledeneva's work constitute 27 entries in the questionnaire, thus enabling executives to reflect on the variety of informal practices in their organisations. Ledeneva's expertise on informal practices and corruption therefore allowed the development of this innovative corporate tool for the identification, measurement and mitigation of corruption risks.

These surveys were disseminated to 140 senior managers through three training sessions (2010–12) on managing corruption in the INSEAD executive education programme at Fontainebleau and

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Singapore. They were subsequently used for almost 1,000 managers in the Sberbank-5000 INSEAD executive development programme [10]. In 2009–12 she also conducted executive workshops for approximately 40 executives from DTEK (Ukraine), NIS (Serbia) and Gazpromneft (Russia) [10]. The academic programme director, and Ledeneva's collaborator, cited the positive rating her sessions received (3.9 out of 5), and noted that several attendees had utilised the materials independently; one launched an internal corruption mitigation programme, while another applied the methodology to their North African operations [10]. Russia's third-largest oil company, TNK-BP, for example, incorporated the surveys into training materials for executives in Singapore (September and October 2011) and for alumni conferences in Moscow (December 2011), whilst PricewaterhouseCoopers sponsored a lecture on Russian cases in London courts at the Great Britain Russia Society, London (2 December 2009) and a PwC in-house talk on 18 March 2010 [9]. These tools thus provided a new approach to understanding and tackling corruption in the Russian context, and of developing ways to address it by drawing on tools developed on the basis of Ledeneva's research [10].

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

[1] For the transfer of specialist knowledge to legal experts (Russo-British Chamber of Commerce programme; Pushkin House): <http://www.pushkinhouse.org/single-event/events/russian-law-panel>.

[2] Statement provided by a Partner at Corker Binning on his use of Ledeneva's work in cases in which he has helped Russians living in England to fight extradition demands. Available on request.

[3] Statement provided by expert witness drawing on research during Chichvarin case, Professor of Political Science, Law and Criminology, University of Toronto. Available on request.

[4] Berezovsky -v- Abramovich, Commercial Court (Chancery Division) summary, 31 August 2012, Executive Summary of the Full Judgment of Gloster J in Berezovsky-v- Abramovich, Action 2007 Folio 942.

<http://www.judiciary.gov.uk/media/judgments/2012/berezovsky-abramovich-summary-31082012>  
Use of Ledeneva's research corroborated by expert witness: Professor of Law, Birkbeck College, available on request.

[5] For the use of Ledeneva's research by an expert witness in Cherney -v- Deripaska [Case No: 2006 FOLIO 1218, Neutral Citation Number: [2008] EWHC 1530 (Comm), Date: 03/07/2008] see paragraph 225 of <http://www.bailii.org/ew/cases/EWHC/Comm/2008/1530.html>.

[6] Appeal in the Court of Appeals [Neutral Citation Number: [2009] EWCA Civ 849] Available at: <http://www.bailii.org/ew/cases/EWCA/Civ/2009/849.html>.

[7] Discussion of Cherney -v- Deripaska in 'Shall we take this outside?' Article contributed by Herbert Smith LLP to the July 2009 newsletter of the International Law Office.  
<http://www.internationallawoffice.com/newsletters/detail.aspx?q=4d6c5841-38a9-43af-8781-777ffc3a2913&redir=0>.

[8] Claims to the impacts of Ledeneva's work on business intelligence services provided by Alaco are corroborated by the company's Director of Operations. Available on request.

[9] PricewaterhouseCoopers agenda, email invite (2010) and notice (2009) TNK-BP module-3 Programme overview, 19–24 September 2011 and 17–22 October 2011. Available on request.

[10] Factual statement from the Leadership Development Programme Director, INSEAD. Available on request.