Captured Societies in Southeast Europe

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Captured Societies in Southeast Europe

Networks of Trust and Control

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INFORM

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1. The INFORM project, informality, and societal capture

Chapter coordinator: Eric Gordy

Abstract: The INFORM project examined informal practices in Southeast European societies, studying the ways in which people accomplish the necessary tasks of life in an environment where formal institutions fail to meet their needs. The analysis problematises Europeanisation as an instance of superficial and incomplete implementation of imported systems of legal organisation. It notes the ambivalent character of informal practices, which can temporarily address immediate problems while simultaneously consolidating the control of political powerholders over informal networks and consequently over public and private life, expanding the capture of state institutions to the capture of societies. The text discusses the INFORM project's theory and methodology, its approach to interdisciplinarity, and the collaborative character of the authorship of the present work.

Keywords: Southeast Europe, Europeanisation, state capture, networks, methodology

Setting the scene

What's wrong with the Balkans, again? We have several decades worth of literature pointing to a few conventional answers that are repeated frequently. There is a camp that points to backwardness and division constraining people as a legacy of some empire, possibly the Roman or Byzantine Empire, maybe the Ottoman or Habsburg one, maybe the post-World War II empire of state socialism, or it could be badly digested neoliberalism. For over a century a whole cottage industry, profitable in some of its iterations,

developed to assert that people of different ethnicities and religions cannot live together, or that they can but they do not want to. Or could it be underdevelopment? Possibly corruption? A "mindset" that is held back by feelings of egalitarianism, or exclusivity, or disrespect for authority?

There is something to each of these conventional answers (undoubtedly more to some than to others), but taken together they do not offer a full account of the stresses and contradictions that people in the region feel. In many ways, they appear to be caricatures or at least to miss the point. It could be argued that all of them suffer from a similar set of limitations: an excessive *prescriptivity* that is grounded in positions of global power, a *focus on elites and their ideologies*, and *inattention to life as it lived.* Suppose, for a moment, that we turn down the volume on the claims that states make about themselves, their goals, and their identities, and look a bit more closely at how people try to solve concrete problems that they face in their lives. Looking at the everyday will give us a sense of a system, not as it is explained for public consumption, but as it is generated through lived experience.

The basic problem that citizens in the region face is not a transcendent one derived from history or ideology or uncertain relationships to modernity (although all of these factors play a role). It is the simple fact that *systems do not work.* Or they work astoundingly well for a small group of people with access to a network that controls resources and procedures, and distressingly poorly for people outside these networks. This basic problem is made worse, not better, by well-meaning interventions from outside the region proposing that legal reform will resolve the issue. Rather, legal reform creates new systems layered on top of old systems that also do not work. This is where history and ideology come in: the citizens of the region know that changing the laws will not change their lives, because they have been here before.

The complex of informal practices that grows up around systems that do not work comprise part of the everyday lived experience of people throughout the region. Ask them how they get basic things done—how do they get access to education or medical care for their family, how do they get property or businesses registered, how do they gain entry into opportunities for employment—and you will hear stories. Some of these stories will be told with cynical hilarity, some of them with weary disbelief, and some with exhausted bitterness. All of them will resonate with the experience of the people who are hearing them, and all of them will revolve around resolving one central challenge: *how to get access to resources that the institutional system fails to provide.* The solutions that are developed are sometimes circuitous, frequently creative, and often compromising. Herein lies the dilemma that constitutes the main thesis of this study: *reliance on*

informal networks very often resolves the immediate problems that citizens face, but it does it in a way that deepens the institutional dysfunction that is the principal cause of these problems. In particular, it consolidates the inequality that is one of the chief consequences of dysfunctional systems. A system in which I can leverage my connections to make things work for me is a system that does not work for you.

Coping with ambitious, failed interventions from outside and above

Two of the states that we examined in our research are European Union members. Slovenia became a member in 2004, and Croatia joined in 2013. The rest are either candidate states or are at various stages in the process leading up to candidate status. European Union membership is a declared goal of every government in the region, regardless of how much the actual prospects of membership appear to be receding. And the EU promises a great deal in terms of the benefits of membership. Early iterations of the process held out the hope that the process of integration could "strengthen the integration capacity of new members, current and potential candidates as well as its Eastern neighbours by helping them to make their domestic institutions and policies conform to the EU's norms and values and by building their capacity to provide collective goods and services" (Börzel 2016: 77). In this vision, the exhortative power of conditionality is supplemented by desires for "competition and emulation" (ibid.) and for "normative emulation" and "mimicry" (ibid.: 82) that harness the desire of domestic political elites to achieve the promises they have made and thereby to enhance their legitimacy, enabling them to work towards the goal of substantive reform.

Although rhetoric affirming the positive character of EU integration framed the Union as a "community of values" (Börzel 2016: 86), for political elites in particular the main attraction afforded by the EU was the opportunity to participate in the greater prosperity of the Western portion of Europe. This source of attraction has diminished considerably since 2008, when the drawn-out European financial crisis confronted elites with the possibility of significantly fewer economic gains from integration, which would not be enough to compensate for the political costs of carrying out the kinds of reforms that were being demanded (Belloni 2016). This unease was compounded by the realisation that those states that had integrated most with European structures were more exposed to the risk of economic instability in Europe and consequently suffered more from

the economic crisis than the states that had integrated the least (Pula 2014). For citizens in the states of the former Yugoslavia in particular, there remained considerable doubt as to whether joining the European liberal order represented progress or an achievement: for many citizens, the change in which they were invited to participate was embodied by the violence committed in the wars of succession in the 1990s and the loss of opportunity (Štiks 2010) as well as the loss of autonomy, rights, and equality (Zaharijević 2015).

Beyond this, as far as citizens of the states in question were concerned, well, they have heard promises of this type before. The last century in the Balkans saw several attempts by modernisation-oriented elites to induce transformational changes in all segments of social life. The modern history of Southeast Europe is, in fact, marked by the bombastic introduction of new systems promising to change everything and resolve everything, a series of what might be thought of as missionary projects of modernisation (Gagnon 2014). This was the case when the first independent states in the region began to be formed in the wake of retreating empires, first in the nineteenth century and then in the aftermath of the First World War. The emerging states came into being with progressive constitutions that emulated the best features of established democracies in other parts of Europe—and quickly descended into internecine power struggles, suffered from the consequences of economic and political marginality, and wrestled interminably with the problem of state capacity wholly unequal to the needs of a diverse and changing society. When these emergent states fell under occupation in 1941, the occupiers found local collaborators willing to try to implement what appeared to be the ascendent ideology of fascist totalitarianism. These regimes, too, despite the enormous number of lives they damaged, never succeeded in consolidating or legitimating their power, and can hardly be thought of as having constituted governments at all. They left behind them, in addition to enormous destruction, a discredited ideology and societies suspicious of bombastic claims of transforming the world.

Failed or partially implemented modernising projects ranged from the creation of liberal constitutional states, then fascist orders, then top-managed and self-managed socialisms, followed by eliminationist ethnonational utopias on through modern European states incorporating a Charter of Fundamental Rights. All of these instances involved local elites importing formal institutions that were created in other environments, which they regarded as models of advanced development. The goals of these transformations were often not achieved and were instead, with every social

breakdown, replaced by other goals, as one failed "transition" flowed into a subsequent "transition" that was on its way to failure.

We can probably take the most ambitious and most durable of these projects, the establishment of state (or if you prefer "self-managed") socialism, as a prime example. The regimes established in the eastern parts of Europe after 1945 derived much of their legitimacy from a philosopher who claimed that the system he proposed was "the riddle of history solved" (Marx 1844), and would point the way toward a liberated human future free of inequality, alienation, and contradiction. Let's neither belabour the point that the regimes in Europe in the latter half of the twentieth century bore little relation to Marx, nor the fact that "socialism on Earth" (Nuti 1981) delivered on few of its world-historical promises, to say nothing of the more modest ones. These historical facts are well enough established that they can be regarded as commonplace. A copious literature from the heyday of Yugoslav state socialism documents the partial character of rapid modernisation and the discomfort and contradictory attitudes with which the modernising project was received (Hodžić 1988; Saveljić 1988; Simić 1973; Županov 1969, 1983)

The incomplete and contested record of ambitious programmes of rebuilding and modernising societies has given rise to a scepticism among citizens of Southeast European societies toward projects of change. The experience of the failure of multiple attempts at fundamental social change forms a part of both the collective memory and personal experience, and it has generated a *buffer culture* that, paradoxically, enables people to survive under unfavourable conditions, while at the same time blocking many desirable social innovations, especially those promoted by formal institutions, together with undesirable ones. In the resulting "almost parallel society," practical norms and unwritten rules are sometimes recognised as more reliable than ones sustained by the official structures (Cvetičanin et al. 2015; Olivier de Sardan 1995; Ledeneva 2001).

In every cycle of important changes in these societies, there comes about a specific intertwining of the formal rules, imposed top-down and enforced by formal organisations, and informal practices, emerging bottom-up and enforced by social practice. Our study engages with the most recent processes of institutional change in the European integration of Balkan societies in which the resonances of reforms are influenced by contradictions between the top-down "EU-like" formal rules and bottom-up informal norms shaped in part by cultural tradition, in part by experiences from the socialist period, and mostly by adjusting to, confronting, and evading the formal rules of the emerging game.

Looking for the answers

Informal practices are difficult to study. The hidden character of informal practices makes measurement problematic, and presents barriers to quantitative research. Relying predominantly upon qualitative methods creates conditions under which data collection depends on participants' willingness and ability to articulate what they do, some of which may involve activity that approaches or crosses legal barriers. Making comparisons between informal practices is also tricky, as similar activities can have different meanings and functions in different contexts. A gift of food or drink made to a medical practitioner might be regarded socially as a simple instance of tradition or good manners, while a cash gift or restaurant meal provided to a regulatory official or judge looks a lot more like bribery.

An interdisciplinary approach is essential for understanding the workings of informality. The phenomena discussed here involve informal networks spreading influence across institutions and in some cases generating parallel para-institutions. They involve the exchange of goods, services, and labour through an informal economy, and people working their way around dysfunctional or weakly functioning institutions through informal practices. In turn, the phenomena discussed in this research intersect with social capital, consumption, labour markets, entrepreneurship, trust, mobility and migration, shortages, barter, survival strategies, alternative currencies, redistribution and remittance economies, informal politics, political competition, and democracy. Taking a holistic approach to understanding the informal networks and practices that occupy the institutional field means integrating social dynamics into studies of politics and economy.

The hidden nature of informal practices can make them difficult and sometimes even dangerous to research. In studying sensitive subjects associated with informal institutions, networks and practices, researchers encounter not only unwelcoming attitudes from respondents, but also methodological challenges associated with measurability and comparability, as well as pressures to move beyond disciplinary borders. And yet research into various informal practices is a growing field (Giordano and Hayoz 2013; Henig and Makovicky 2017; Kubik and Lynch 2013; Morris and Polese 2015; Polese and Rodgers 2011).

The research project "Closing the Gap Between Formal and Informal Institutions in the Balkans"—abbreviated as INFORM (supported by the European Research Council's Horizon 2020 programme through grant number 693537)—was realised from April 2016 through March 2019. The project was carried out by a consortium headed by the UCL School for

Slavonic and Eastern European Studies. The other members of the consortium, with the exception of Rigas Stradina Universitate from Latvia, were all from the region where empirical research was conducted: the Center for Intradisciplinary Social Applied Research from Bosnia and Herzegovina; the Center for Empirical Cultural Studies of South-East Europe from Serbia; the Institute for Democracy Societas Civilis from Macedonia; Social Research Kosova; the Centre for Historical and Anthropological Studies from Albania; the Institute of Ethnology and Folklore Research from Croatia; and the University of Maribor from Slovenia.

The principal research instruments used in the INFORM project sought to combine the perspectives and techniques of the diverse disciplines from which the project participants came. Historians and political scientists surveyed the documentary record: laws, public statements, legal cases, and media representations related to informal practices. Economists led the effort to measure the costs and economic consequences of such activities as maintaining connections and informal business and employment, while sociologists coordinated the administration of an F2F survey on a multi-stage, national, proportional, probabilistic sample of 6,040 respondents carried out between May and June 2017 by the IPSOS ADRIA group in Albania (919 respondents), Bosnia-Herzegovina (1,246 respondents), Kosovo (930 respondents), Macedonia (1,015 respondents), Montenegro (803 respondents), and Serbia (1,127 respondents). The surveys were supplemented by 120 semi-structured follow-up interviews with survey respondents (20 in each state) and 100 "insiders" well versed in the informal practices in certain areas (15 in each accession state, with the exception of Montenegro where 5 interviews were carried out, and another 10 interviews in Croatia and Slovenia), 30 interviews with policymakers (six from the EU and four from each of the six states where research was conducted). All project participants contributed to secondary data analysis on relationships between formal and informal constraints in different Southeast European countries in the spheres of politics, economy, and everyday life.

The multidimensional approach to research methodology reflected the insight of the project participants that the dominant macro-level (legal, economic, political) research in this field—concentrating on analysis of the passage of laws, the adoption of strategies, and the development of plans—is necessary but fails to take into account experiences encountered in the everyday lives of citizens. In trying to right this imbalance, INFORM developed a unique and complex approach using a large variety of quantitative and qualitative methods and techniques. There was no main method in our research design next to which the other methods would play an auxiliary role.

Instead, the methodological approach was like a puzzle in which resolutions
and insights emerged through the piecing together of diverse insights into
complex phenomena. We think that the result allows us to offer new perspec-
tives and understandings on the processes and challenges involved in the
interplay between formal rules and informal practices in Southeast Europe; on
the role played by informal practices in blocking, enabling, and transforming
new legal resolutions; and on the costs and benefits of informality.

The "INFORM mandala"

As a part of building our effort to understand how informal practices and
structures shape political and social relations, we created a heuristic device
that included all the factors we needed to take into account, the sequence of
steps, as well as an overview of the gaps that impede institutional change in
the societies of Southeast Europe. In the group, we fondly called this device
the "INFORM mandala." The model tries to account for forms of capital and
habitus of the actors on the one hand, and on the other formal and informal
constraints that limit and enable practices.

Our research focused on informal practices—ones that are from the
standpoint of formal institutions regarded as illegitimate and/or treated as
illegal. In the field of economy, we studied the constellations of integrative
practices that make up the informal economy and the practices of economic
networking; in the political field, we studied the practices that are at the core
of political clientelism (such as voting practices, business practices, media
practices, governance practices) as well as governance practices related
to the phenomenon of neopatrimonial rule. In the sphere of everyday life,
we monitored practices of employment, of obtaining medical treatment,
of education, of resolving cases in the courts, as well as of citizens in their
dealings with public offices, along with the use of gifts or other inducements
as a means for realising goals in these fields.

If the initial step in our research was always the detailed description of
informal practices, then the next step was the identification of the motiva-
tions standing behind the use of informal practices. We classified motives
into four groups: perceptions of the state, value orientations and ideology,
the inability to satisfy needs, and material and symbolic interests. We
attempted to correlate these motives with gender, age, place of residence,
educational groups, and social classes.

The final step was identifying structural factors that encouraged these
types of practices. Most structural causes revolved around: 1) the resources

Figure 1.1. The INFORM mandala
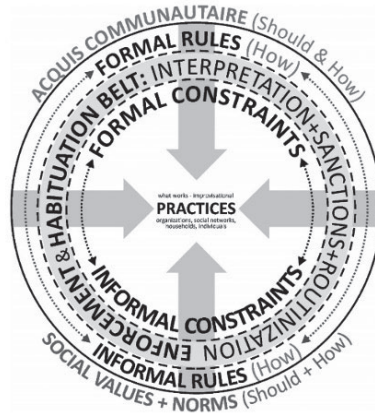
(economic, political, social, cultural, and symbolic capital) that the carriers of practices (individuals, households, networks, organisations) have access to, and 2) influences from other fields (primarily the political and economic fields).

One question we wanted to explore is how it is that rules (both formal and informal) do not automatically become constraints. In order for them to become effective in practice, they must pass through what we have called an "enforcement belt"—the process of interpretation, of designing mechanisms of implementation, and of positive and negative sanctions that enable their effectiveness. The salience of rules depends not only on people's willingness or unwillingness to comply, but also on resources people have available to them and influences from other fields. At some level, despite these social influences, social practices can be seen as essentially improvisational, making room for agency—the respect for or avoidance of formal rules, following informal rules, combining formal and informal rules, using resources that are not typical/acceptable in certain fields—in the attempt of social agents to achieve their goals. This improvisational character of social practices is enabled to a great extent by a set of gaps between social factors that affect the practices:

– Gap 1: Between rules and constraints (formal rules and formal constraints, and informal rules and informal constraints)
– Gap 2: Between constraints and practices (formal constraints and everyday practices, and informal constraints and everyday practices)
– Gap 3: Between formal constraints and informal constraints

– Gap 4: Between pressures that formal constraints and informal con-
   straints put on social agents and the resources social agents have at
   their disposal
– Gap 5: Between social values that are imposed top-down and popular
   norms in Southeast European societies

Putting it together

The research begins with the observation that there appears to exist a
widening gap between formal rules and informal practices in Southeast
European societies—that is to say, between the ways in which the law
describes how basic everyday work is accomplished and what actually
happens on the ground.

   This space of informal practice tends to be viewed either critically, as a
space for favouritism and corruption, or celebratorily, as a space of creative
problem-solving. We wanted to take into account the benefits of both of
these perspectives.

   Fundamentally, the dilemma is this: citizens engage in informal practices
as a way of meeting needs that are unmet by institutions that, for a variety
of reasons, are not functional. Very often the immediate problem for which
people seek relief can be addressed this way. But the more that meeting
one's needs through extra-institutional means, or by manipulating the
formal practices of institutions, becomes the normal way of doing things,
the more the power of informal networks over the public institutions of
state becomes consolidated.

   It is true that this way of doing work outside of institutions, or parallel
to institutions, or in a manner that intersects with institutions by altering
their course, can have some benefits. Our research points toward some of
these: informal business seems to accommodate ethnic difference in divided
societies better than formal business, informal employment addresses
some issues related to gender inequality more successfully than formal
employment, and political clientelism can sometimes solve, for individuals,
practical problems that remain unaddressed by law. But similar to what
Diego Gambetta (1992) shows about the enforcement of contracts by the
Mafia, it does so in a way that is inconsistent, unpredictable, lacking in
accountability, and costly.

   One final introductory observation: the dominance of informal networks
is not an instance of "backsliding," and the practices described in these
chapters are not (primarily) "legacies of state socialism." They are responses

to the specific structures and conditions that arose out of the way that states in the region responded to contemporary conditions, including the marketisation of all aspects of life and the pressure for integration with practices that are dominant in the European Union.

A note on authorship

The research project was not the astounding brainchild of a lone talented individual, and neither is the text you are reading now. Although the image of the scholar as a solitary genius continues to characterise practices of academic citation and attribution (as well as burdensome exercises in state policing of the academy, such as the United Kingdom's notorious Research Excellence Framework), such an image belongs in the nineteenth century when it was generated and may have described the way in which some scholarship (but more often art) was carried out. The current text corresponds to the way in which the research that informs it was produced: as the collaborative effort of a large and diverse team of equals. It is neither a single-author monograph nor an edited collection of texts authored by individuals or small groups, but rather represents a collective statement of the research by all of the people who participated in its conception, development, implementation, and analysis. It might be useful to think of it as a multiple-author monograph. Our little revolution in authorship may not be so new. Some time has passed, for example, since Michel Foucault (1969) dissected the transcendental connection between authorship and individuals, and it is nearly a century since a group of mathematicians began preparing an ambitious set of textbooks under the pseudonym "Nicholas Bourbaki" (Guedj 1985). But we think it is an accurate reflection, if not of the way that knowledge is produced in the contemporary world, then at least of how the material in this book was produced.

Concretely, the way that the collaboration came to be refined into this text worked as follows. The book project was conceived and overseen by the people whose names you see identified as the editors on the cover of the book. Each chapter of the book was coordinated by one or two people, who brought together field research and texts that had been produced over the lifetime of the research project. The names of these coordinators appear at the top of the first page of the chapter. The people who contributed material that is used in the chapter are also credited as authors, with their names appearing at the ends of the chapters.

We adopted this approach to authorship for several reasons. First of all, we wanted to ensure that all of the people who contributed to the project—including early career scholars and scholars from institutions that are often poorly recognised in the international academic system—receive credit for their work. Second, we believe that is an accurate reflection of how the project was carried out, with a high level of collaboration and in a spirit of equality.

About the chapter coordinator

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2. Social closure in captured societies

Chapter coordinators: Predrag Cvetičanin and Alena Ledeneva

Abstract: In this chapter, we define three key concepts that are used throughout the study: captured society, informal networks, and social closure. We outline the necessary preconditions and processes of societal capture, the social phenomena it affects, and its consequences. Next, we explore the various meanings of "informality," examining how different disciplines interpret the term, and present a typology of informal networks founded on the insights from *The Global Encyclopaedia of Informality.* Finally, we argue that the functioning of captured societies and networks of trust and control is based on mechanisms of social closure: most informal practices in the public sphere in Southeast European societies are attempts to either monopolise resources and services (exclusionary closure) or find a way around it (usurpatory closure).

Keywords: informality, networks, trust and control, Southeast Europe, theory

Southeast European societies are captured societies. The concept of state capture is already broadly familiar to most readers. Societal capture encompasses a much wider reach of constraint, involving an enormous network that begins in organisations controlling the state but permeates throughout the society, coopting social practices and ground-level institutions of social organisation.

In state capture, political and economic elites seize control over the legislative, executive, and judicial branches of government in order to extract public resources (World Bank 2020; Karklins 2002; Hellman et al. 2003; Grzymala-Busse 2008; Innes 2014; Trantidis & Tsagkroni 2017; Perry & Keil 2018; Richter & Wunsch 2020). The concept of societal capture (Cvetičanin

et al. 2024) denotes a mechanism of domination of political elites over agents of civil society—such as citizens, trade unions, NGOs, and religious institutions—as well as economic agents like private companies and media outlets. It represents an attempt to involve all members of a society in corruptive networks that are dominated by one or more political parties. Political power hides behind social practices in a camouflaging mechanism, the purpose of which is to perpetuate the political rule of an elite while creating a facade of legitimacy. The core mechanisms of societal capture include:

> 1) The closure of access to various types of resources and services (employment, career advancement, public procurement contracts, expensive medical services, scholarships) for citizens, civil society organisations, and economic actors;
> 2) The enforcement of the necessity of using political parties as mediators and brokers in order to gain access to resources and services; and
> 3) The imposition of obligations to return "favours" to political parties by providing political, financial, or media support, crucially during election periods and beyond.

These mechanisms represent an ideal type of example of informal social closure. They involve the informal monopolisation of social and economic opportunities by interest group members who exclude outsiders from these opportunities. These mechanisms are not backed by law. They are invisible and yet known to everyone, with obvious consequences for both individuals and society.

Employment is a key resource that political parties control in Southeast European societies. The economies in these states are fragile, offering few avenues for gaining employment or advancing in a career. Managerial positions are in particular largely inaccessible other than through the ruling political parties. This is evident not only in state-owned enterprises and public institutions but also in private companies, which are dominated by political influences due to political control over public contracts and licensing (Bliznakovski 2020, 2024; see also Chapters 3 to 5 in this volume).

While informal employment practices were common during the socialist era, they were primarily based on kinship, with children often inheriting their parents' jobs. Also during the socialist period, mechanisms of closure were limited. One needed to be a party member to obtain some positions, but these were managerial positions in public service or publicly owned companies involving high levels of responsibility. Since the introduction of

a multi-party political system, employment now occurs almost exclusively through political parties and is necessary for almost every job (from cleaner to CEO).

Beyond employment control, other filters used to extort and reward citizens include social welfare programmes for vulnerable groups, incentives to improve agricultural production, and international aid. The control of employment by political parties is only the most extensive and obvious means of establishing control over the public through control of resources. Just as widespread is the involvement of businesses—public and private, large and small—in the corrupt networks of political parties, a phenomenon that is sometimes referred to as "business capture" (Bartlett 2021; Szanyi 2022; Yakovlev 2006).

In the case of publicly owned companies, business capture refers to the established practice of appointing managers solely based on party affiliation and post-election coalition agreements. This is followed by the mass hiring of political party activists who, according to informal agreements, acquire control over these companies. Additionally, it involves employing the personal connections of the companies' managers—family members, relatives, friends, and romantic partners—in companies controlled by their coalition partners so that the power of the network is enforced while remaining partly hidden.

For private companies, capture results from a range of positive and negative sanctions ("carrots" and "sticks"). Those under ruling-party protection may participate in bid rigging in almost all public tender procedures. Politically distributed contracts can significantly increase the cost of contracted work due to the addition of numerous annexes to the original contract. The favoured status of private companies can also be embodied in exemptions from tax liabilities or leniency concerning tax payments, and in exemptions from government inspections. Various forms of business support can also be distributed selectively, such as approval for bank loans, timely access to information, and help in establishing connections with foreign partners.

Private companies that are not part of the ruling party's scheme—especially ones that support opposition parties—face significant barriers. These companies often find tendering processes for public procurement completely inaccessible. They are subjected to constant legal actions, ongoing government inspections, and the absence of the forms of business support discussed above (see Chapter 3 in this volume; Bartlett 2021; Frey et al. 2024).

Political elites also attempt to ensnare other societal actors—such as the media, trade unions, NGOs, and religious institutions—into their corrupt networks. Practices of capturing public media involve appointing party members

as executives in media institutions (managers and editors) and employing journalists based on party affiliation. Additional measures include awarding a portion of state budget resources, particularly in the form of revenue from state-controlled advertising (the largest source of advertising revenue in the states of the region), preferentially to media outlets that are responsive to the demands of the ruling political elite (Savet za borbu protiv korupcije 2011; Apostolov 2020). At the same time, the capture of privately owned media consists in making them dependent on politically connected advertising agencies, which function as the extended arm of incumbent political parties. Independent media critical of the groups in power, especially those from smaller towns, find themselves cut off from sponsorship and access (Milićević 2015). Several dimensions of media capture are discussed in Chapter 7.

The capture of trade unions, NGOs, and the church occurs through somewhat different mechanisms. For trade unions, capture involves several measures that meaningfully influence their operations and effectiveness. One critical measure is the power of the (captured) state to grant or deny representative status to unions, which determines whether a union is empowered to represent its members in negotiations with employers. Participating in party schemes also improves unions' chances of meeting their members' demands. Finally, involvement in informal relationships with political parties allows union executives to accumulate personal wealth (Janković 2016; Taleska 2017).

In the case of non-governmental organisations (NGOs), "capture" refers to the accessibility of financial resources and the employment of NGO personnel within state institutions. Specifically, it encompasses the ability of NGOs to secure budgetary funds and grants through competitive applications, which can significantly affect their operational capabilities and sustainability. Additionally, it pertains to recruiting NGO activists into public sector positions, which provide a source of stable careers and income (Živadinović 2008; Jordanovska 2013). In the case of churches and religious institutions, capture consists of strategically deploying access to the restitution of church property,[1] the distribution of tax exemptions to religious institutions, and enormous donations from the state to (mostly

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1   Large and valuable property holdings belonging to religious institutions were brought into state ownership following World War II. Different states in the region have followed different practices regarding when, how, and to whom property is returned, mostly designed to favour majority religions or religions with institutional leaderships that display loyalty to the governing political parties.

majority) religions (Beta 2020; Stupar 2020). Capture of religious institutions is discussed in Chapter 3.

Expectations of reciprocity: captured institutions capture citizens

Everybody who has gained access to scarce resources through political parties remains under the obligation to return the "favours" that were provided to them by offering political, financial, or media support, crucially during election periods and beyond. This is a sphere where networks controlled by political parties move beyond familiar practices like vote buying (although this phenomenon is certainly known in the region) into long-term practices more akin to purchasing a multiyear lease on votes.

Citizens who have received employment or other benefits from political parties for themselves, their children, or their relatives are obligated to provide numerous services to these parties. These include free labour in numerous party-related jobs between elections, defending party interests in the public sphere and on social media, and participating in public rallies all around the country. Their main task, however, is to procure "secured" or "guaranteed" votes from family members, relatives, colleagues, and neighbours (Bliznakovski 2020). The particular form of "relational clientelism" (Nichter 2018) that has developed in Southeast Europe is discussed in Chapter 3.

According to the information obtained through our research, electoral victory is created through a combination of four different groups of votes: "secured" or "guaranteed" votes,[2] "capillary" votes,[3] "bought" votes,[4] and

2   The first and by far largest group comprises "secured" or "guaranteed" votes. These are votes collected by party activists (of family members, relatives, neighbours, co-workers) who pledged to vote for a party. Party coordinators utilise these lists, which contain detailed information such as first and last names, addresses, ID numbers, unique personal identification numbers, and telephone numbers. They organise the individuals who promised to vote into specific time slots. On election day, if a person does not arrive at their scheduled time, party members will go to their homes to remind them of their commitment to vote.

3   "Capillary votes" refer to votes of people who are not members or sympathisers of political parties but who take advantage of some of the benefits awarded by state institutions (such as agricultural subsidies, start-up loans, or welfare). Thus, contacting them and "inquiring" whether they would vote for the ruling parties contains the implicit threat that, if they do not, they will be denied these forms of government aid (Milenković 2017).

4   According to our interviewees who belong to the group of former political officials, between 4 and 5 percent of votes are amenable to buying.

"trade" votes.[5] This illustrates ways in which newly incumbent political parties, once they achieve a hold on power,[6] actively fabricate electoral support from that moment onwards (Komarčević 2017; Đošić 2020). It also indicates that very few people outside of networks of exchange vote for the ruling parties willingly. Rather, the parties continually re-elect themselves, which undermines the legitimacy of their rule.

The main purpose of capturing public companies and institutions is to enable the parties to control the employment and career advancement of individuals. But public companies may also compel their employees to attend ruling party rallies and to influence voting behaviour, using the threat of job loss. It is also often the case that large public companies finance electoral campaigns for ruling parties or that state-owned banks are forced to give non-commercial loans to companies aligned with political parties. Sometimes, this is done at the risk of jeopardising their business operations (Radojević and Vučić 2018; Radojević 2020). At the same time, captured private companies secure funding sources for election campaigns and enormous party "slush" funds. Sometimes they return favours by simply bringing cash to party operatives (see, for instance, the study on Albania done by Kera and Hysa 2020).

The media return the "favours" by glorifying the key political leader(s), criticising the opposition, covering up problems that exist in society, and, in the case of private media, publishing compromising and false information about all regime opponents.

Captured non-governmental organisations and trade unions return favours through explicit support for the ruling political parties or, more often, by not acting in the ways their members expect them to act in times of political crisis to (e.g., not protesting against the violation of laws, not demanding the protection of human rights, or not organising strikes). Finally, religious organisations return favours by supporting ruling political parties in domestic political struggles and, in particular, in international disputes (Jovanovska 2020).

Figure 2.1 compares characteristics of state capture to societal capture. While the aim of state capture is the extraction of state and public resources performed through the collusion of political and economic elites, the aim

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5   "Trade" votes are mostly Roma votes. In these cases, votes are exchanged for material goods (flour, oil, meat, and so on).

6   As a rule, this is a consequence of the inability of the previous regime to retain its control over the captured citizens, companies, and other "captured" actors—usually since their numbers swell over time, eventually resulting in insufficient resources available to meet their demands.

Figure 2.1. Characteristics of state capture and societal capture

	State capture	Societal capture
The aim	State capture is a mechanism of exploitation of the state and of public resources by political and economic elites	Societal capture represents a mechanism of domination over society whose aim is to provide continued rule of the incumbent political elite and the fabrication of democratic legitimisation
Mechanisms: How it is performed	Control of state institutions in all branches of government (executive, legislative, judiciary)	Control of societal actors (citizens-voters, economic agents, the media, civil society organisations—trade unions, the church)
Mechanisms: How it is operational-ised	Patronage appointments across all branches of government	Distribution of material and symbolic benefits to societal actors and threats to cut access to benefits if return favour is not performed
Which outcomes it affects	Political, policy, legislative, regulatory, and judicial outcomes	Electoral outcomes, public opinion, social mobilisation
Preconditions for functioning	(1) One political party or party coalition acquires formal power at elections and establishes, through patronage, full control over all instances of power (2) Weak opposition	(1) State capture (2) Dysfunctional official channels through which resources are distributed (3) Elites can credibly provide benefits (there is a belief among social actors—citizens, entrepreneurs, the media, civic sector organisations—that the elite has a firm grip on power and that it can deliver the benefits it promises) (4) Weak civil society organisations
Level of secrecy	Hidden from the public eye	An "open secret," whereby everybody knows the mechanisms and can predict the effects for themselves
Effects	(1) Problems in economic development: state actions in the economy are planned and implemented with private or party benefits in mind (2) Problems in political development: division of power is only formally followed, but all decisions are made by the ruling political elites (3) Ineffective state apparatus due to de-professionalisation (4) Low quality of public services	(1) Unused valuable human resources (reduced capacity for technological progress, innovation, the development of culture) (2) Brain drain (3) Weakening of the democratic culture among the population and/ or weakening of the trust in democratic institutions (4) Socialisation of the population in a matrix of corrupt culture: co-optation, control, and camouflage

of societal capture is to ensure the continued rule of the political elite. In other words, while state capture refers to a *mechanism of exploitation* of state and public resources by political and economic elites, societal capture denotes a *mechanism of domination* of political elites over civil society actors (citizens, trade unions, NGOs, religious institutions), economic actors (private companies and private media), and society as a whole.

The mechanism used to achieve state capture goals involves controlling all branches of government, which is mainly accomplished through patronage appointments in state institutions. In contrast, societal capture is achieved by controlling societal actors through the provision of material or symbolic benefits or through the threat of sanctions—such as the denial of access to benefits—unless they provide reciprocal favours, especially during election periods.

State capture and societal capture result in different outcomes. State capture primarily impacts formal institutional outcomes, including political, policy, legislative, and judicial decisions. When the ruling political elite dominates the executive and legislative branches of government, they can easily influence key political choices and specific state policies. In contrast, societal capture directly influences electoral outcomes, public opinion (often through informal media control), and the nature of political and social mobilisation within society, which tends to lean toward clientelistic approaches rather than programmatic ones.

There are different preconditions for the functioning of state and societal capture. To establish state capture, a political party or coalition must gain formal power through elections and achieve complete control over all levels of power through patronage. A weak political opposition also facilitates state capture. Meanwhile the primary precondition for the establishment of societal capture is state capture. Several other conditions also contribute to the establishment of societal capture, including: 1) dysfunctional official channels for resource distribution; 2) a belief among social actors—citizens, entrepreneurs, the media, and civil society organisations—that the elite has a firm grip on power and can deliver the benefits it promises; and 3) weak civil society organisations that are unable to act as a check on the ruling elite.

It is also worth noting that state capture and societal capture differ in the degree of secrecy involved. Activities leading to state capture are usually hidden from public view, whereas societal capture often functions as an "open secret" (Ledeneva 2011). In other words, everyone in these societies is aware of the mechanisms behind societal capture and can anticipate its effects on themselves.

Finally, state capture and societal capture have different harmful effects. State capture hinders both economic and political development. Specifically, state interventions in the economy are primarily designed to benefit private interests or political parties. In the political sphere, while the separation of powers between the various branches of government is officially maintained, in reality all decisions are made by the ruling elite. In addition, state capture leads to an inefficient state apparatus through patronage appointments, which can lead to a decline in the quality of public services.

If the effects of state capture are primarily reflected in the performance of institutions, the consequences of societal capture are felt by individuals and communities. First, it promotes a weakening of democratic culture among the general population, leading to a decline in trust in democratic institutions. As citizens become disillusioned with the political system, they may become apathetic or cynical, further eroding the foundations of democratic engagement.

Second, societal capture often results in the socialisation of citizens into a corrupt culture. In environments where unethical behaviour is normalised, individuals may adopt these practices as standard, perpetuating a cycle of corruption that negatively affects social norms and values.

Third, valuable human resources are often underutilised in a situation of societal capture. When individuals are denied the opportunity to contribute fully because of systemic corruption or bureaucratic obstacles, the potential for technological advancement, innovation, and cultural development is severely limited. This not only limits personal growth but also hinders collective progress in society.

Finally, societal capture can lead to brain drain, whereby talented and skilled individuals leave their home countries in search of opportunities elsewhere. This migration reduces the local talent pool, hampers economic development, and reduces the overall capacity for growth and innovation in the society left behind. Taken together, these consequences illustrate the profound and far-reaching impact of societal capture on the democratic and cultural fabric of a nation.

Captured societies are distinct from totalitarian societies. The crucial difference between them is that in a totalitarian society there is no possibility that the ruling elites will lose power in an election, while in a captured society this is still possible. In fact, the whole complex mechanism of society capture is designed precisely to minimise the chances of this happening—to make it (almost) impossible for a ruling party to be ousted from power in an election.

The dissolution of the formal institutions of socialist societies did not leave a vacuum but rather a legacy of informal governance and a branching system

of "institutionalised" informal practices. Adapted to the new post-socialist context, the instruments of co-optation, control, and camouflage exert a stronger influence on citizens' behaviour than the new formal democratic institutions (Baez-Camargo and Ledeneva 2017). Let us illustrate these points by integrating the concept of informality into the argument and focusing on the networks of trust and control that both limit and channel societal capture.

Unpacking informality

States are captured by establishing control over formal institutions. Societies are captured by transforming networks of trust into networks of control. In order to understand the process, we need to unpack several complex terms: "informality," "networks," "trust," and "control." We will begin by tracing the development and multiple meanings of "informality."

The term "informality" is used in different ways by different disciplines, due to the diversity and complexity of the phenomena referred to as "informal." We use the word as an umbrella term for the "ways of getting things done" in different social and cultural contexts, drawing on insights offered by all of these disciplines. The varying interpretations of informality existing across the universe of the people who analyse it amplify the complexity and ambivalence of the phenomenon, a point that we regard not as a distraction but as a key to understanding. Figure 2.2 provides an overview of this variety.

In political science, informality is understood as operating through informal institutions.[7] O'Donnell, for example, distinguishes between formal and informal patterns, and consequently between formal and informal institutions that are equally publicly known and recognisable, thus distinguishing between different types of "games" that include both rules and players.

> By an institution I mean a regularized pattern of interaction that is known, practiced, and accepted (even if not approved) by actors who expect to continue interacting under the rules sanctioned and backed by that pattern (1996: 36).

7   Much of the existing literature, particularly in political science and economics, makes reference to "informal institutions." The present volume does not use the term, referring instead to "informal practices." We reached the conclusion that the practices and networks that we explore are not institutions in the sense that political sociology understands them, that is, as permanent or semi-permanent bodies established by law, with rules that are codified in writing. One of the keys to understanding the difference is that enforcement of the (unwritten and changing) rules of informal practices is itself informal.

Figure 2.2. Disciplines and concepts used to describe informality
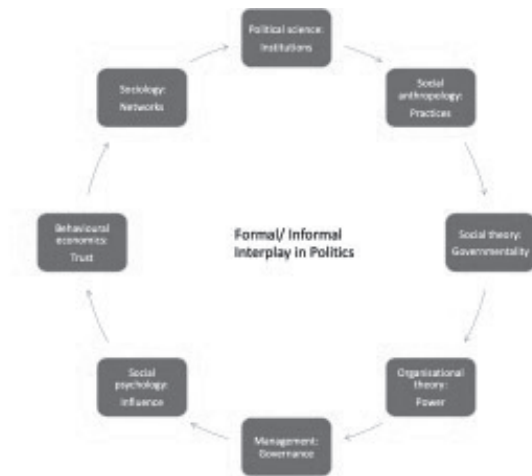
Similarly, Hans-Joachim Lauth (2000) points to the importance of informal institutions and emphasises that it is particularly visible when

> a discrepancy arises between the behavioural norms of formal institutions and the actual behaviour of individuals. Interest in this discrepancy grows especially when empirically observed behaviour proceeds in an ordered fashion as opposed to an anomic one. From this, the task arises of identifying these "new" or "different" order patterns, which hereinafter should be understood as informal institutions (22).

According to Lauth, there are three types of relationships between formal and informal institutions:

– Complementary, where both formal and informal institutions coexist harmoniously, supporting and reinforcing each other. This means that the rules and norms established by formal institutions—such as laws and regulations—are reinforced by the social norms and cultural practices of informal institutions.
– Substitutive, where formal or informal institutions can functionally replace one another. In this case, one system can take the place of the other without losing its effectiveness.
– Conflicting, where the two systems are incompatible, leading to a conflict between their respective rules and norms. This conflict can lead to confusion and inefficiency, as individuals may feel torn between following the formal rules and following the informal rules of their community.

Inspired by Lauth, Gretchen Helmke and Steven Levitsky (2004) distinguish four types of informal institutions, depending on the extent to which formal and informal institutions converge or diverge (independent variable 1) and the extent to which formal rules and procedures that exist on paper are enforced and followed in practice, that is, whether they are effective or not effective (independent variable 2). They subsequently come up with four forms of interaction, which are widely used as a typology of informal institutions.

The first is *complementary* interaction, which occurs when formal institutions function effectively and informal institutions play a complementary role in making formal rules more effective. In the second mode of interaction, *accommodating* interaction, formal institutions are effective but their interaction with informal institutions leads to divergent outcomes. Here, informal institutions lead to behaviour that contradicts the spirit of, but does not violate, the formally established norms. In the third mode, informal institutions *compete* with formal ones, mainly because formal institutions are ineffective and formal rules and procedures are not sufficiently implemented. Finally, in the fourth mode, informal institutions are *substitutive* because formal institutions are ineffective, and informal institutions tend to "achieve what formal institutions were designed to do but failed to do" (Helmke and Levitsky 2004: 727). This typology is normative, as it places the performance of formal institutions as an independent variable; and it is state-centric, as informal institutions are presumed residual to the effectiveness of formal institutions.

In neo-institutionalist and subsequently behaviourist economics, influenced by the work of Douglass North, the forms of relationships between formal and informal are more complex. In his revolutionary definition of institutions as the "rules of the game in a society or, more formally, humanly devised constraints that shape human interaction" (1990: 3), North distinguishes between formal and informal types of constraints as components of institutions.

> They [institutions] are perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules, such as not deliberately injuring a key player on the opposing team. And as this analogy would imply, the rules and informal codes are sometimes violated, and punishment is enacted. Taken together, the formal and informal rules and the type and effectiveness of enforcement shape the whole character of the game (ibid.: 4).

North's emphasis is on the interaction between institutions (that are the underlying rules of the game) and organisations (the interaction between rules and players): "Separating the analysis of the underlying rules from the strategy of the players is a necessary prerequisite to building a theory of institutions" (ibid.: 5). It could be added that separating the analysis of the underlying rules from the strategy of the players and placing the emphasis on players' strategies is also essential for building the theory of practices.

North's understanding of the institutional framework is based on the idea of a continuum that grants equal status to formal and informal constraints:

> Formal rules are an important part of the institutional framework but only a part. To work effectively they must be complemented by informal constraints (convictions, norms of behaviour) that supplement them and reduce enforcement costs (1993: 20).

From a neo-institutionalist perspective, all institutions are shaped by both formal and informal constraints, which constitute a continuum rather than a dichotomy. The ideal types of formal rules include juridical or quasi-juridical rules that are deliberately produced, legally processed, and enforced by mechanisms created for this purpose. The ideal types of informal norms include customs, codes, and ethics that are by-products of various forms of social organisation (e.g. families, small groups, peer networks, neighbourhoods, communities, club memberships).

In economics, the informal economy is distinguished from the formal economy. Keith Hart's typology of informal activities in Africa (1973) reframed informality as a sector in urban labour markets. The conceptualisation of self-employment, multiple employment, and casual work in so-called Third World cities opened up "informality" for measurement and assistance. Studies of the informal sector in the "Third World" generated interest in the informal sector in "First World" countries such as the United Kingdom: cheating at work, stealing from the docks, fiddling, and other forms of part-time crime and occupational deviance (Mars 1974, 1983; Ditton 1977).

Since the collapse of the Soviet Union, issues of the informal economy have been associated with post-socialism and continue in the vein of Gregory Grossman's work and other classic research on the so-called "second" or unofficial, underground, black, undercover, illegal, shadow economy (Schneider and Enste 2003). Since the 1990s, new terms have been used to capture the shades of grey in the phenomenon of informality: semi-legal, extra-legal, quasi-legal, supra-legal, or non-legal, somewhat similar to an earlier effort by Katsenelinboigen (1977) to conceptualise types of markets in terms of

the colour spectrum. An important conclusion of studies of the informal economy is that it can be as much a solution as a problem. Hernando de Soto's analysis of the informal sector in Latin America (2001) suggests that not only research but also policy should incorporate the perspective of informality. For example, he argues for the legalisation of the outcomes of the informal economy where possible.

In urban studies, informality refers to informal settlements, favelas, shanty towns, and slums, which are characterised by the absence of at least three elements of infrastructure: sewerage, electricity, running water, rainwater drainage, waste disposal, house numbering, and access to public transport. Given the visibility of such problems and the impossibility of eradicating the homes of so many, urban studies have led to a dual policy of tackling informality: preserving informal housing but also providing infrastructure where possible. The role of the state is thus seen as both enabling and constraining informality.

In ethnography, informality is studied from the perspective of practices. This perspective originates in ethnographic research and does not readily lend itself to quantitative analysis (Bourdieu 1990). Ethnographies provide contextual and non-normative analyses of social practices. The literature on informal practices is often grounded in geographical, socio-cultural, and political-economic spheres (Lomnitz 1988; Mandel and Humphrey 2002; Pardo 2004; Olivier de Sardan 2015), with its recent peak in post-socialist societies (Ledeneva 1998, 2006, 2013; Perry et al. 2007; Packard et al. 2022; Morris and Polese 2014; Williams et al. 2013; Gatti et al. 2014; Polese et al. 2014, 2016; Knudsen and Frederiksen 2015; Polese 2015).

In social theory, informality is conceptualised as the opposite of formality. Historians are likely to see informality as preceding formality, with modernisation processes associated with formalisation, order, and the development of formal institutions. Social and political theorists see formal institutions as bodies that determine the life of modern societies (Coleman 1988) and colonise the everyday worlds of individuals (Habermas 1984, 1987).

In sociology, informality is studied through the concept of networks. The origins of network research in sociology can be traced back to Park (1924), Simmel (1950), Homans (1950), Cooley (1956), and Blau (1964). In conventional sociological discussions, the term "network" refers to the social ties between individuals and encompasses "sociability," which includes relationships between friends, acquaintances, and colleagues. Networks connect individuals differently than formal organisations: they infiltrate structures and thus act as bridges between the individual and social structures. Interpersonal networks are often seen as alternatives to impersonal systems of trust,

especially in high-risk social environments, and they play a dominant role in the literature on trust and distrust (Rose 2001; Rose and Mishler 2007).

Our interest in informality takes as its principal points of departure the emphasis in political science on the relationship between informality and the functionality of institutions, and the insights of sociology regarding the integrative (and also the discriminatory) functions of networks. To develop the connection further, it is necessary to turn to networks and their ambivalent character.

Networks: trust, control, and ambivalence

Under certain conditions, networking becomes more than just a means of sociability and it takes on more pragmatic meanings related both to meeting human needs and constituting social power (see Chapter 6 in this book, for example). In addition to fostering social connections, personal networks can provide unregulated access to institutional resources, creating specific patterns of mediation between state and society and between the public and private sectors.

Informal networking can be seen as a positive activity that leads to beneficial outcomes for individuals, firms, and society. But it can also lead to negative consequences associated with collusion, cliques, nepotism, and other forms of unethical or corrupt behaviour. Informal networks often infiltrate formal institutions, changing the way they operate, while the effectiveness of these formal institutions becomes increasingly dependent on the channels and influences established by informal networks.

In Southeast Europe, social networks operate both in the "access" mode (channelling network/social capital to the macro level in order to maintain existing formal institutions) and in the "sociability" mode (serving the social relationships at the micro level that maintain trust and channel informal exchanges). The substantive ambivalence of networks, enabled by both sociability and instrumentality, means that they are effectively context-bound. Their functional ambivalence means that the positive implications of networks—inclusion, trust, psychological support, flexibility, reduced risks, and transaction costs—can at the same time have negative implications—exclusion, lock-in effect, peer pressure, and control—for individuals, for the networks themselves, and for the economy as a whole (Ledeneva 2006a).

Among their positive characteristics, social networks channel cooperation and mutual assistance, meet individual and community needs, provide

emotional support, and act as a safety net. They also form the basis of survival strategies for the most vulnerable groups because they are cheaper and more effective than other alternatives, such as obtaining goods and services from the market or expecting assistance from the state. Networks are also an enabling structure, providing a competitive advantage and helping to achieve desired goals. Finally, social networks compensate for the failures of formal systems where impersonal systems of trust do not work as expected. In such cases, they enable transactions, make formal systems work, and at the same time contribute to their reproduction.

However, for every positive aspect of being part of a network, there is a downside to being locked in. While a network can provide a safety net, building or inheriting a network requires ongoing maintenance and investment. Being part of a network creates obligations to other members, which means that network members are expected to reciprocate the services they receive. This can lead to overexploitation of the resources or access to resources of some network members by other network members. While networks serve as the basis for survival strategies, providing access to goods and services that would otherwise be unavailable, they can also constrain individual action, defining what can and cannot be done. People who do not respect the informal rules of the network may lose their reputations as reliable network members or even be expelled from the network. The key point is that networks are functionally ambivalent.

Conceptually, ambivalence—as defined by Robert Merton—refers to the coexistence of incompatible normative expectations regarding attitudes, beliefs, and behaviours (Merton 1976: 67). Empirically, the proof of the concept of ambivalence is based on the unique collection of informal practices assembled from around the world in the Global Informality Project (www.in-formality.com). Coming from more than 100 countries and regions, the evidence of the centrality of informality in societies across the spectrum of political and economic regimes allows us to analyse informal practices in a comparative yet context-sensitive way, and to identify more specifically the types of ambivalence (Ledeneva et al. 2018). In the case of informal networks, ambivalence can take several forms:

1) *substantive ambivalence* occurs when transactions are perceived as significantly different by participants and observers
2) *normative ambivalence* occurs when behaviour is considered wrong when done by others but acceptable when done by oneself

3) *functional ambivalence* arises from the dual role that informal shortcuts
can play—they can be seen as problematic (subversive) while at the same
time supporting actors and systems (supportive)
4) *motivational ambivalence* refers to the idea that public or private motives
can be disguised, or camouflaged, as their opposites

Based on these insights and findings from *The Global Encyclopaedia of Informality* (2018), the authors of "Explaining the persistence of informal institutions: The role of informal networks" develop a typology of informal networks that elaborates on the substantive ambivalence of networks (Minbaeva et al. 2023). The four types of informal networks are distinguished based on two overlapping continua: one would be a continuum from networks that are "relatively closed" to those that are "relatively open," and the other from "relatively instrumental" to "relatively affective."

"Relatively closed" informal networks are tightly woven, with little diversification. Examples of such networks are kinship-based networks and elite alumni networks. Expanding these networks to include members outside the circle of the chosen elite is difficult unless they are linked by blood, or consanguinity. However, in many societies, kinship also includes fictive or symbolic kinship ties with people who are considered to be related even though they are not related by blood or marriage.

"Relatively open" networks are characterised by a flexible structure that allows for a wider range of connections and greater diversity among members. Unlike relatively closed networks, which tend to be more insular and homogeneous, open networks can expand by integrating individuals from different social circles and backgrounds. These networks are formed through a variety of connections that individuals make throughout their lives, including family relationships, educational institutions such as schools and universities, shared interests in hobbies, professional affiliations at work, and other social ties.

The second continuum concerns the nature of ties and can range from "relatively instrumental" to "relatively affective." Networks never have only one of these characteristics; both instrumentality and affect coexist in varying degrees in all types of networks. However, in "relatively affective" networks, emotional attachments take priority over instrumental uses, while "relatively instrumental" networks involve ties that are more task-oriented than emotion-oriented.

Based on these distinctions, a fourfold typology of informal networks was created, expressing the modes of exchange postulated by Karatani (cited in Ledeneva et al. 2018). It distinguishes between networks that are

"relatively affective" and "relatively closed" (expressing solidarity), those that are "relatively instrumental" and "relatively closed" (exemplifying domination), those that are "relatively affective" and "relatively open" (leading to redistribution), and finally those that are "relatively instrumental" and "relatively open" (suitable for market exchange).

Kinship-based networks are examples of "relatively affective" and "relatively closed" networks. In these networks, members experience a strong sense of belonging that fosters feelings of mutual responsibility and solidarity. However, belonging to such networks can impose restrictive constraints on individuals and limit their actions. The ties within these networks are strong and enduring, leading to continuity and a slower rate of change due to their closeness and emotional nature. In Southeast European societies, membership in these networks can be used to achieve exclusionary social closure and/or usurpatory attempts to combat it.

Elite alumni networks, characterised by a strong sense of belonging, serve as examples of "relatively closed" and "relatively instrumental" networks. The elite nature of higher education is an important aspect of the societies in which these networks are found. Informal networks based on dominance are likely to be more open to change than those rooted in solidarity. Such changes may only occur if the social connection is perceived as either not beneficial or too costly. Given the lack of elite universities in Southeastern European societies compared to those in the UK or France, this type of networking is closest to that of powerful professions such as lawyers or doctors. It can be used to establish a formal type of social closure linked to membership of professional associations. However, its clearest approximation in Southeast European societies is the power networks of political leaders at national, regional, and local levels.

Networks that are "relatively affective" and "relatively open" are similar to kin networks in terms of the role of sentimentality. However, they are more open to outsiders with affective ties. They often arise from quasi- (or pseudo-) family ties, such as *kumstvo*,[8] but can also arise from links developed at school or university, or through shared hobbies or social events. Because of their openness, they tend to show higher levels of change. In Southeast European societies, this type of network is closest to networks of people of the same ethnicity, religion, or geographical origin. Network activity is seen as expressing an obligation to help those who belong to the same ethnic or religious group, especially in the case of minorities, even if they

8   See Klavs Sedlenieks, "Kumstvo (Montenegro)," at
https://www.in-formality.com/wiki/index.php?title=Kumstvo_(Montenegro).

have never met. Along the same lines, managers in public enterprises and institutions are obliged to hire people from the same part of the country, especially from the same village (*zemljaci*), even if they do not know them, which creates a strong informal closure mechanism that monopolises employment opportunities.

Market exchange networks are both highly instrumental and highly open. They exemplify the complex nature of informality, which can be both supportive to participants and perceived as subversive by outside observers. These networks both challenge and support formal constraints as they navigate between bending and following the rules, essentially reinforcing the very structures they appear to undermine. On the one hand, informal networks of the capital-poor classes in Southeast European societies, who use them to secure goods and services in their household survival strategies, appear to undermine the system (Cvetičanin and Lavrič 2017). On the other hand, by finding ways around the system, such networks inadvertently support the predominant order and serve as the core mechanisms of societal capture. Similarly, party membership enables people to benefit and gain some competitive advantages but at the same time obliges them to comply with the party line and provide services to political parties.

One way of understanding the ambivalence of networks is to consider motivations that network members have for participating in them. Many of the affirmative celebrations of informal networks (popular in anthropology, for example) take into account the ways in which networks help to address unmet needs, and ways in which the provision of mutual assistance consolidates interpersonal relationships of obligation and care. We can think of networks accomplishing these functions as *networks of trust.* Much of the condemnation of informal networks (coming most often from political science and administration) points to their consequences in undermining the legal order or exacerbating the strength and reach of illegitimate power. We can think of these as *networks of control.* These two types are not, of course, mutually exclusive. Empirical features of both types of networks are discussed in Chapter 5.

We now turn to the mechanisms by which networks of control enforce the dominance of party elites over not just political but also social institutions.

Social closure

The functioning of captured societies and networks of trust and control is based on mechanisms of social closure. The theory of social closure builds

on scattered comments in Max Weber's masterpiece *Economy and Society* (1922). Weber defined closure as the monopolisation of social and economic opportunities by interest group members, who exclude outsiders from these opportunities. In one of his comments, he explains that social closure occurs when non-economic factors intervene in the work of the market:

> When the number of competitors increases in relation to the profit span, the participants become interested in curbing competition. Usually, one group of competitors takes some externally identifiable characteristic of another group of (actual or potential) competitors—race, language, religion, local or social origin, descent, residence, etc.—as a pretext for attempting their exclusion. It does not matter which characteristic is chosen in the individual case: whatever suggests itself most easily is seized upon ... This monopolization is directed against competitors who share some positive or negative characteristics; its purpose is always the closure of social and economic opportunities to outsiders (Weber (1922] 1978: 341–342).

Social closure thus refers to the mobilisation of power to enhance or protect a group's access to rewards or resources (see also Weber 1978: 43–46, 302–307, 635–640, 926–955). Exclusionary closure involves exerting power downwards through a process of subordination, where one group secures its advantages by limiting the opportunities of another group it considers inferior and unentitled.

Based on Weber's fragments, Frank Parkin conceived a general theory of social closure, which was further developed by Raymond Murphy. They tried to construct a general, nonreductive theory of social inequalities, which provides a unified approach for theorising about the diversity of the foundations of domination. These would include class divisions based on legal title to private property and communal divisions based on the monopolisation of power and opportunities by racial, ethnic, linguistic, religious, sexual, and other status groups.[9]

In his book *Marxism and Class Theory: A Bourgeois Critique* (1979), Parkin distinguishes between two modes of closure: exclusion and usurpation. Both are strategies for mobilising power to enhance or protect a group's share of rewards or resources. The key difference between these two modes lies in the direction in which power is exercised. Exclusionary closure operates downward, where one group secures its advantages by limiting

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9   Other closure theorists include Randall Collins (1975, 1979), M.S. Larson (1977), Rogers Brubaker (1990, 2015), while elements of closure theory can be found in works of Bourdieu and Passeron (1977), Pierre Bourdieu (1984), Lamont and Laraau (1988), and Charles Tilly (1998).

the opportunities available to a subordinate group. In contrast, usurpatory closure operates upward, as it seeks to undermine the advantages of higher-status groups.

The main division in society occurs at the line where power shifts its organising principles and direction. Reacting against structuralist Marxism, Parkin developed a non-structuralist collective-action conception of class. According to him, there are two major classes in societies—the class based primarily on principles of exclusion (power being directed downward) and the one based primarily on principles of usurpation (power being directed upward).

He also introduced the concept of "dual closure." Some groups, particularly those occupying intermediate positions in social structure, adopt dual closure strategies. This means they primarily rely on one type of closure practice but supplement it with the opposite type. For example, semi-professions often utilise exclusionary strategies based on credentials while at the same time employing usurpation strategies typical of organised labour. However, the main benefit of this concept lies in that it can explain exclusionary closure by groups that are themselves excluded from opportunities by property laws and credentialist practices, which lead to fragmentation of the middle class and, in particular, the working class along the lines of communal groups (ethnic, religious, racial, and linguistic divisions).[10]

In a series of articles (Murphy 1983, 1984, 1985, 1986a, 1986b) and in his book *Social Closure* (1988), Murphy analysed and popularised the theory. He also highlighted some fundamental weaknesses in Weber's and Parkin's approaches. Murphy's main objection to the work of all closure theorists is their neglect of the relationships among the different rules of closure and, hence, their failure to analyse how rules of closure are structured. Trying to overcome this shortcoming, he differentiates between the principal, derivative, and contingent forms of social exclusion. According to him, the principal form of exclusion refers to the set of rules backed by the state's legal apparatus that is the primary determinant of access to or exclusion from power, resources, and social opportunities. In capitalist market societies, the principal form of exclusion is the legal title to private property, while in socialist societies it was membership in the Communist Party *nomenklatura.*

The difference between derivative and contingent forms of closure is how they are related to the principal form of exclusion. Derivative forms

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10   Examples include white workers against blacks in South Africa, the USA and England; Protestant workers against Catholics in Northern Ireland; or English-speaking workers against Francophones in Canada; or in our region Serbian workers against Albanians or Bosniaks, Croatian workers against Serbs, etc.

include a requirement of specific credentials for job positions or employment mechanisms that tend to exclude certain racial, ethnic, or religious groups. These forms derive their force from the state-backed legal structure of private property. Contingent forms of exclusion, according to Murphy, are not derived from a principal form of exclusion, and examples include professional license requirements (e.g., of doctors or lawyers) and gender exclusion in contemporary society.

In the article "Classes, Status Groups, and Social Closure: A Critique of Neo-Weberian Social Theory," Jeff Manza (1992) argues that the major deficiencies of closure theory are: 1) the failure of closure theory to take "informal closure" into account, 2) the lack of an explanatory agenda in closure theory, 3) the difficulty in understanding the diverse types of politics adopted by intellectuals, 4) confusion over the concepts of "domination" and "exploitation," and 5) the eclecticism of contemporary closure models and weakly developed efforts to provide a structure of closure processes.

Our most significant objection to closure theory is that it does not identify or theorise informality—both top-down "informal closure" and those hidden, unorganised, and difficult-to-capture practices that infringe on the formal closure models from the bottom-up. According to Manza, informal practices are important because when formal closure barriers break down, new informal closure practices may erect new restrictions that are just as effective as the displaced formal barriers.

Out of the four types of mechanisms of social closure at work in contemporary Southeast European societies, we identified: 1) membership of political parties, 2) affiliation with social networks that revolve around informal interest groups, family and symbolic kinship ties, as well as shared geographic origins, 3) belonging to identity-based networks (gender, ethnicity, religion), and 4) possession of credentials and membership of professional associations. The three most important mechanisms are informal, while only the fourth type is an example of formal closure. With this in mind, we argue in this book that most informal practices in the public sphere in Southeast European societies are either attempts to create social closure (exclusionary closure) or to find a way around it (usurpatory closure).

What Southeast Europe shows about capture, networks, and control

Our research team has examined the functioning of networks in Southeast European societies, including power networks in politics,

business networks in the economy, and grassroots networks that deal with everyday issues. We have analysed both the micro dimensions of these networks—such as the nature of the connections that make them up, their degree of openness or closeness, and the norms and ideas they channel—and the implications and impacts they have for society, politics, and the economy.

We have enhanced the modelling of the relationship between formal and informal constraints; examined the sources and functioning of social closure mechanisms; analysed the goals, conditions of functioning, outcomes, and social effects of state and societal capture in Southeast European societies; and recommended measures that can downplay their harmful effects. We have unpacked the "black box" of informality in Southeast Europe by focusing on networks that channel both more regular patterns of citizens' and organisations' practices that are shaped by the informal constraints, and more context-bound practices that are "in-formal," navigating between formal rules and informal norms, violating and exploiting both to the actors' advantage.

By analysing "regular strategies to manipulate or exploit formal rules by enforcing informal norms and personal obligations in formal contexts" that "involve bending both formal rules and informal norms or navigating between these constraints by following some and breaking others" (Ledeneva 2008: 119), we have been able to conceive of informal practices as indicators of both the loopholes in formal constraints and the potential of informal ones.

We argue that to understand how things work, it is not enough to understand the workings of formal structures, or even to gain insights into the informal networks within them. Like all social networks, informal networks are ambivalent. They are both inclusive, helping to counter the pressures of the system on network insiders, and exclusive, providing preferential treatment and diverting resources to the near and dear. They both subvert and support the existing order, thus enabling the system to reproduce to the advantage of the ruling elites. We conclude that policy formulation based on context-sensitive analysis, informed by the concepts of captured societies, social closure, societal capture, and ambivalence provides a basis for future efforts to integrate the relationship or symbiosis between formal and informal constraints into policymaking, to overcome the problems of coherence between legal norms and social norms, and to address the double standards that propagate "us versus them" divisions in Southeast European societies.

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3. Politics in Southeast Europe: State and societal capture behind a liberal-democratic facade

Chapter coordinators: Jovan Bliznakovski and Misha Popovikj

Abstract: This chapter examines the persistence of informality in Southeast European politics, highlighting the dual phenomena of state and societal capture. While formal democratic institutions exist, political dynamics are often dictated by informal networks and practices. State capture enables elites to exploit public resources by overriding formal institutions, while societal capture ensures political legitimacy through clientelistic exchanges between parties, citizens, businesses, and the media. Through empirical findings from the INFORM project, the chapter details mechanisms such as patronage-based employment, selective law enforcement, and political clientelism. By distinguishing state capture from societal capture, the chapter offers a nuanced framework for understanding governance failures and the entrenchment of informal power structures in the region.

Keywords: political clientelism, informality, governance, informal networks, patronage

Tonight, we invited all the people who received something from the party—specifically, a job. All of you got your job through the party, and thanks to [NAME OF PARTY], you work where you work [you have employment]. We have a complete record of how active or inactive you are [in party activities]. The party comes first—never forget that. The party reached out to you, helped you, and, first of all, made you happy; it made your family happy.

Therefore, it's only fair that you don't forget the party. We shouldn't always be the ones to call you out and invite you here; you need to work in your local committees.
I won't read out individual performances here—we have [records of] all your performances. Of course, there's a large number with zero [activities]. I will deal with that later with the coordinators or the local committee presidents and assign them tasks to determine the problem. What is your problem? I'm not saying all of you, but certain individuals—you haven't 'played a single minute on the field' [an expression in Serbian referring to individual contributions] since the elections. The elections were nearly a year ago.

– Excerpt from an allegedly leaked recording from a local party branch meeting in a Serbian town, which appeared on social media during 2024.[1]

The above excerpt embodies contemporary political life in the societies of Southeast Europe pretty well. The words are said to be those of a party official, spoken during a meeting of a local party branch in a Serbian town. The party official vividly describes how engagement in party organisations is orchestrated. Party activists are recruited from a pool of individuals who have previously received party-sponsored material benefits—most crucially, employment. These activists are expected to contribute to party activities. Their performance is monitored, and underperformers are "disciplined." Political engagement, in this context, becomes a matter of economic necessity, carried out under relentless pressure to deliver rather than an endeavour driven by political beliefs, interests, good faith, or free will. For a significant portion of the population, this reality is an inescapable feature of daily life.

The scenario described above represents just one aspect of what we can loosely describe as "informality in politics," referring to the role of informal practices, norms, and networks in shaping political life. Since transitioning from state socialism in the early 1990s, Southeast European societies quickly established formally democratic institutions and regulations, spending subsequent decades gradually improving their formal frameworks. Yet in practice, political and social dynamics often diverge significantly from what formal prescriptions dictate. For instance, despite regulations ensuring equal treatment in public employment, it is frequently impossible to secure a job without membership in a political party. Procurement contracts are awarded to companies that finance certain parties, and media outlets

1   Source known to author; unpublished.

receive advertising funds from public sources in exchange for favourable reporting. Judges issue rulings based on instructions from political actors, and prosecutors act according to cues from political elites. Public servants, owing their positions to the governing parties, often follow party directives rather than adhering to the impersonal mandates of the law. State institutions themselves frequently operate in alignment with particularistic party agendas rather than universalistic principles. These outcomes are sustained by informal networks, underscoring the importance of studying informality to understand contemporary political life in Southeast Europe.

The INFORM project generated a wealth of findings and data on how informality functions within the political sphere and its broader effects. The goal of this chapter is, therefore, to describe political life in the region, with a particular focus on its informal dimensions, exploring both practices and outcomes. We rely primarily on data collected by INFORM, supplemented by secondary sources where available. While providing a general overview of informality in the region, we also offer several short case studies, presented in textboxes, offering detailed insights into specific themes.

The main finding from our study of political informality in Southeast Europe is that informal practices and relationships contribute to two distinct dynamics that can best be described as regimes of "capture." First, informal practices and networks serve as the foundation for capturing state institutions to exploit public resources for private gain—what Grzymala-Busse (2008) has termed *state capture*. In captured regimes, informal practices often operate parallel to formal institutional structures, frequently overriding them and resulting in state actions that prioritise particularistic private interests. Second, informal practices facilitate a clientelist web of exchanges between political parties, citizens, private companies, and civil society organisations, serving primarily to legitimise political power, whether through elections or other mechanisms. We refer to this dynamic as *societal capture*. In this context, political parties act as socio-economic providers, offering benefits and support in exchange for political allegiance.

The phenomena we have been examining are commonly treated, both in jargon and the scholarly literature—and particularly within the context of the region—under the umbrella term of state capture (e.g., Perry and Keil 2018; Richter and Wunsch 2020; Pavlović 2021). We argue, however, that state capture and societal capture should be understood as two distinct phenomena. The former primarily aims to extract and seize public resources by dominating state institutions, whereas the latter seeks to legitimise rule during elections and beyond by exerting control over society. In the sections

that follow, we present data and findings that illustrate these two distinct forms of capture across Southeast Europe.

State capture

We conceptualise state capture as a regime designed to establish dominance over state institutions, with the ultimate goal of securing privileges for private interests, particularly in the allocation of public resources (World Bank 2020; Karklins 2002; Hellman et al. 2003; Grzymala-Busse 2008; Innes 2014). In its most extreme form, state capture entails comprehensive control of all three branches of government. This allows power holders to strategically manipulate outcomes across governance levels, sectors, and branches as necessary.

At its core, state capture operates through two primary mechanisms: (1) controlling decision-making processes in legislative, executive, and judicial institutions to ensure that regulations and policies are tailored to serve particularistic interests, and (2) controlling the enforcement of legislation and policies in executive and judicial bodies to guarantee favourable treatment by law enforcement, oversight institutions, and judicial processes. These two dimensions of capture—targeting formal decision-making and the implementation phase of the policy cycle—operate in concert to secure comprehensive control over political and institutional outcomes. Together, they provide power holders with multiple access points to manipulate formal processes, bending them toward particularistic goals and consolidating their influence over the state.

Several Southeast European countries have been identified as experiencing state capture. The most notable recognition of this came in 2018, when the European Commission stated that the so-called "Western Balkan"[2] polities (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) "show clear elements of state capture, including links with organized crime and corruption at all levels of government and administration, as well as a strong entanglement of public and private

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2   Many political and some academic texts use the term "Western Balkans" to refer (usually) to the portion of Southeast Europe where states are not members of the European Union. We have made the decision to avoid this term, as: 1) it lacks geographic specificity and precision, 2) its origin in an administrative distinction suggests that it is not likely to be in use for long, and 3) some of its implications can be understood as pejorative. Our overall preference is for the term "Southeast Europe," although we are aware that the countries in our sample do not comprise the entirety of Southeast Europe.

interests" (European Commission 2018: 3). This state of affairs contrasts starkly with the ideal of the separation of powers and the redistribution of resources through a transparent, legally certain, and universalist-oriented framework.

Two primary mechanisms account for the achievement of state capture across the region. Both mechanisms rely on informal relationships between various actors, including people holding formal positions within political systems or state institutions. Formal outcomes are thus facilitated through informal means, creating a dual-track system. The first track involves binding formal outcomes, while the second, operating in the background, is driven by particularistic considerations relevant to the informal participants. The primary objective of "meddling" with formal processes is the extraction of resources, with a secondary goal of establishing favourable conditions (through the control of state resources) for societal capture.

We proceed by examining, first, the capture of decision-making processes in political systems and state institutions, and second, the capture of the enforcement of formal rules.

The capture of decision-making

The first mechanism of state capture involves manipulating formal rules to benefit power holders. Ruler-friendly legal resolutions can range from setting unclear regulations, introducing discretionary powers, and omitting sanctions for rule violations, to providing benefits directly to specific economic actors in a given sector (Transparency International 2020). This is facilitated through the placement of party and elite loyalists in ministries and parliaments—ministries being responsible for drafting regulations and parliaments for their adoption. These loyalists are tasked with ensuring favourable decisions during both the drafting and adoption processes.

Across the region, parties and elites that prioritise issuing tailored legislation for particularistic needs maintain a strong grip on parliaments, which act as key "bottlenecks" determining the outcomes of legislative proposals. While parliaments formally serve as endpoints for legislation, they often function superficially as forums for substantive debate. A prevalent trend across the region is the restriction of information dissemination and public discussion of proposed legislation, exemplified by inconsistent implementation of the regulatory impact assessment (RIA) process (see Radulović and Alimehmeti 2018). When properly conducted, RIA offers early access to legislative proposals (drafted by the executive) to the public and relevant

stakeholders and provides members of parliament with critical information on the costs and benefits of proposals. However, ruling parties across the region frequently circumvent the RIA process, despite its formal inclusion in reforms supported by external donors aimed at improving regulatory quality (Radulović and Alimehmeti 2018: 215–217).

Parties holding a majority also strategically exploit procedural rules to expedite the adoption of favourable regulations. A prominent example is the frequent use of "European-flagged" legislation in North Macedonia. Initially introduced for fast-track legislative proposals stemming from European Union accession, this mechanism has been used by governments to avoid scrutiny and parliamentary discussion of unrelated proposals. For instance, amendments to the Criminal Code in 2023 significantly reduced penalties for corruption-related crimes (Treneska 2023). Another example includes the special law on strategic investments for constructing the Corridors 8 and 10 highways, which bypassed public procurement laws to directly contract a company (Maričić 2023). This *lex specialis* bypasses control mechanisms in public procurement legislation, enabling government members to avoid criminal liability for directly negotiating and crafting the deal.

The informal nature of decision-making is further highlighted by the phenomenon of unofficial "leaders' meetings," which are convened to resolve parliamentary deadlocks. These meetings illustrate the intent to bypass parliaments in substantive decision-making, relegating them to mere rubber-stamp institutions with little to no formal deliberation. Recent examples of leadership meetings serving this purpose in Albania, Bosnia and Herzegovina, and North Macedonia are detailed in Text Box 1.

Leaders' meetings—informal negotiations for resolving political conflicts (based on Krasniqi et al. 2019)

"Leaders' meetings" are negotiations among the major political party leaders occurring outside formal institutions in a state that seeks a consensual resolution of highly contentious issues. Most commonly, they take place at a neutral location such as public, commercial, or diplomatic premises. Formal parliamentary political institutions and processes in the region are often incapacitated by boycotts and obstruction from political actors, which turn political competition into political conflict. In turn, political conflict creates and intensifies political crises, rendering formal institutions dysfunctional and opening space for intervention by external actors. Deadlocks in political decision-making and the fragility of formal political institutions lead to a reliance on "leaders' meetings" as an informal mechanism. These include both meetings of leaders themselves and "leadership

meetings," at which talks are held among delegated party representatives. In most cases, external, often international, actors are also involved. The purpose of this informal practice is to resolve political disputes that exceed the capacity of formal political institutions.

Since the political actors involved lack mutual trust and have little confidence in the implementation of what has been agreed, it is often the case that external/international actors facilitate, mediate, and guarantee the leadership negotiation process so as to ensure that what is agreed on at the meetings will be honoured. The ability of outside actors to facilitate and guarantee the negotiation process depends on their political power and ability to provide positive and negative incentives as stimuli. Most commonly, this role has been performed by the president of the country or representatives of the European Union (EU) and the United States (US) as strategic foreign partners.

Some of the most well-known cases of political conflicts in Southeast Europe that have been resolved through leaders' meetings include the judicial reform in Albania in 2016, the adoption of the EU coordination mechanism in Bosnia and Herzegovina in 2016, and the parliamentary boycott and 2014–2016 political crisis in Macedonia.

Albania's judicial reform, designed to remove corrupt judges and suppress organised crime, was a top priority for the country to embark on the path to EU accession. However, the Socialist Party (SP) and the opposition Democratic Party (DP) could not agree on how the reform should be carried out. It took the two parties and their leaders, Edi Rama, president of the Socialist Party, and Lulzim Basha, president of the Democratic Party, 18 months of negotiations, disputes, and mutual accusations, as well as a meeting between the SP and the DP and constant intervention from the EU and the US, to reach an agreement. Eventually, at midnight on 21 July 2016, the Albanian Parliament unanimously passed a constitutional package substantially amending the judicial system of the country. As a result of these negotiations, the Albanian Parliament changed the constitution, which provided a pathway for the adoption of vetting procedures in the judiciary and more efficient measures against corruption and organised crime.

In Bosnia and Herzegovina, the Coordination Mechanism (CM) on EU matters was foreseen to establish procedures for effective coordination and implementation of EU-driven policies and to guide the country's interaction with the EU, considering Bosnia and Herzegovina's fragmented and multi-layered formal institutional structure. Despite being a key requirement for the country's EU integration, the adoption of the CM was obstructed by the Republika Srpska (RS)

leadership, who considered that it threatened the entity's position within the federation.

Leaders' meetings were being held between Bakir Izetbegović, president of the Party of Democratic Action (SDA) and chairman of the Bosnia and Herzegovina Presidency; Milorad Dodik, president of the Alliance of Independent Social Democrats (SNSD) and president of Republika Srpska; and Dragan Čović, president of the Croatian Democratic Union of Bosnia and Herzegovina (HDZ BiH) and a member of the Bosnia and Herzegovina Presidency. When a deal on the CM was reached between Izetbegović and Dodik, an objection was raised by their Croatian counterpart Čović, who regarded the CM as a threat to the position of the Federation's cantons. Eventually, through a series of leadership meetings held between 2015 and 2016 in which the EU ambassador Lars-Gunnar Wigemark also participated, the CM was finalised and formally adopted. The final text of the 'Decision on the system of coordination of the process of Bosnia and Herzegovina's European integration' was drafted in terms that were acceptable to all sides and formally adopted by the Council of Ministers in August 2016, contributing to the country's EU membership prospects.

In Macedonia, the opposition led by the Social Democratic Union of Macedonia (SDSM) disputed the 2014 parliamentary elections and initiated a boycott of parliament and formal political processes, claiming that state institutions had been captured by the governing VMRO–Democratic Party for Macedonian National Unity (VMRO-DPMNE). The ensuing leaders' meetings were led by Nikola Gruevski, president of the VMRO–DPMNE and prime minister, and Zoran Zaev, president of SDSM, as key actors. Also participating were Ali Ahmeti, president of the Democratic Union for Integration, and Menduh Thaci, president of the opposition Democratic Party of Albanians. The leaders' meetings were facilitated by the European Commissioner for Enlargement, Johannes Hahn, as well as the EU and US ambassadors. Ultimately, the Pržino Agreement was signed, which bound the signatories to implement measures in the electoral, judicial, and media systems that guaranteed the trust of all parties in these institutions before new parliamentary elections were held. The Pržino Political Agreement introduced a special public prosecutor, electoral reform measures, media reform measures, an interim technical government, an end to the release of wiretapped conversations, and parliamentary elections, which were held on 11 December 2016.

The strategies described here exemplify how the structures of rules are either exploited or circumvented to achieve desired outcomes. However, to operationalise these potentially exploitable structures, patronage and

clientelism serve as the primary tools for placing party loyalists in strategically advantageous positions. The weak democratic practices in internal party politics in Southeast Europe have made loyalty to party leadership the principal criterion for appointments to high-level political positions. Political careers are heavily dependent on the will of party leaders, who exert control over voting in decision-making bodies, including parliaments and municipal councils.

The implications of parliaments dominated by loyalists extend beyond the role of parliaments in decision-making. A key function of parliaments is to provide oversight over institutions, a process that can undermine the primary objective of state capture: securing systematic preferential outcomes for select private interests. Power holders leverage the loyalty of members of parliament (MPs) to weaken parliamentary oversight functions. Consequently, parliaments in the region have a poor track record of overseeing key anti-corruption institutions (IDSCS 2020).

The capture of rule enforcement

State capture cannot rely solely on controlling the creation of rules; it must extend to their enforcement to ensure that power holders can influence outcomes. This is achieved through either partial or selective enforcement of rules. To institutionalise such practices, captors once again rely on loyalists strategically placed in key enforcement institutions. These loyalists receive directives from party organisations and leadership.

Security governance is particularly vulnerable to capture due to its critical role in maintaining order and the inherent secrecy of its operations. This makes it a powerful tool for guaranteeing impunity, legitimising elite authority, and silencing dissent (Stojanović Gajić and Pavlović 2021). In Serbia, the ruling SNS party captured and controlled the security sector by positioning loyalists in critical roles, thereby enlisting institutions to work in favour of the party (Stojanović Gajić and Pavlović 2021). Similarly, in North Macedonia, the 2015 wiretapping scandal revealed how the leadership of the Department for Internal Security exploited the institution to intercept communications involving businesses, media, civil society, and the opposition (Damjanovski 2016).

Beyond security governance, captors leverage loyalists to control rule enforcement across a broader set of institutions, particularly in economic sectors. Research on anti-corruption policy effectiveness in several Southeast European countries highlights the presence of private interest bias across

Figure 3.1. Frequency (in %) of experts noting private interest bias of institutions, by regulatory area and countries.

Regulatory area	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Agriculture-related	51%		51%		24%	67%
Anti-corruption, organised crime, and money laundering	56%	67%	30%	49%		44%
Construction-related bodies	27%	38%		40%	10%	
Customs	58%	23%	29%		36%	
Energy sector regulation and control	35%	20%	25%		29%	
Environmental regulation and control	50%	20%			20%	25%
Fiscal policies, regulation, and control	38%			67%		
Labour conditions control and regulation; employment policies		29%	33%		44%	89%
Local government	58%	33%	21%	32%	39%	
Media-related bodies			57%		33%	56%
Mining and mineral resources			75%			
Mobility and transport	50%	21%				
Pharmacy and health-related control and regulatory bodies	42%		80%			
Privatisation and post-privatisation control and restitution	44%	20%	37%			25%
Procurement	37%		31%	27%	50%	33%
Social and health insurance authorities		27%	20%		32%	39%
Tax and audit authorities	55%	28%	39%		37%	52%

Reproduced from SELDI 2020; empty cells indicate a lack of data.

multiple enforcement institutions (SELDI 2020). The *private interest bias* indicator assesses the percentage of experts who perceive that control and sanctions within public organisations are applied selectively to serve private interests (see Figure 3.1 for data from an expert survey conducted by SELDI). This mechanism goes beyond traditional corruption, as public organisations are used not only to benefit specific private parties but also to undermine competitors of the captor entity.

It is particularly concerning that four of the six countries under consideration (Serbia, Albania, Bosnia and Herzegovina, and Montenegro)

demonstrate significant levels of private interest bias in critical areas such as anti-corruption, organised crime, and money laundering prevention. Expert assessments indicate that half of these institutions—and as many as two-thirds in the case of Bosnia and Herzegovina—are perceived as advancing private agendas rather than serving the public interest. Furthermore, Albania shows multiple regulatory areas with a high bias of agencies, regulators, and inspectorates, particularly in customs and tax collection. Kosovo is particularly vulnerable in its control of mining regulation as well as healthcare regulation. Montenegro shows weakness in fiscal control, while North Macedonia is lax in its monitoring of procurement and labour conditions. And in Serbia, the regulation of media, labour conditions, and taxation are notable weaknesses.

Another prominent sector where the capture of rule enforcement is evident throughout the region is the judiciary. Control of the judiciary is essential for ensuring impunity for extractive elites and political party organisations. Text Box 2 details how this is done in two Southeast European countries—North Macedonia and Serbia.

Telephone justice in North Macedonia and Serbia

"Telephone justice" is an illustrative name for informal influence on the judiciary, derived from the telephone-based political interference in the judiciary observed during the Soviet era (Hendley 2007, 2009; Ledeneva 2008, 2013). Informal influence on the judiciary can be defined as any type of action outside of written rules and procedures intended to impact judicial rulings and procedures. It is based on explicit or implicit commands, requests, or signals. These are usually issued orally to avoid producing a written record that might serve as evidence of pressure on judicial rulings (Ledeneva 2008, 2013).

Although informal and unwritten, such influence may derive from the formal judicial framework, taking advantage of it or its loopholes, or it may be, to a smaller or larger extent, in conflict with the formal institutional framework. If this informal influence has a systematic character and is hierarchical, it has the characteristics of an unwritten rule that has to be followed by judges and prosecutors. Failure to follow unwritten rules may result in various forms of informal sanctions. The data from interviews conducted for the INFORM project suggest that judges and prosecutors in North Macedonia and Serbia must operate between the formal rules with their official sanctions and the unwritten rules with informal but sometimes very effective sanctioning mechanisms.

One basic form of informal influence involves communication with judges by parties involved in court cases. Judges claim that such attempts of influence are a common practice but that, on most occasions, judges remain immune to such influence. Moreover, if these attempts do not involve bribery, threat, or pressure, they are often seen as acceptable. As one Macedonian interviewee noted, "We are a small society where everyone knows everyone, and people want to get in touch with the judges because everyone wants to tell his own version of the truth [about the court case s/he is involved in]" (MKD_01, insider). Interviewees also underlined that often people have some expectations that judges or prosecutors will help them when they are in trouble and facing trial: "You cannot be a good judge and a good friend. You cannot convince people that something can't be done in their favour" (MKD_15, insider). However, attempts at informal influence coming directly from the involved parties may impact judicial proceedings and rulings if those involved are more powerful individuals or legal entities that could exercise stronger informal influence or even pressure on the judges. In such cases, judges agree that the individual's integrity and resistance to such offers are crucial for keeping such influence away from the court rulings.

Another, more systemic form of influence is conducted through the judicial hierarchy. This influence is exercised via the appointment, promotion, and dismissal of judges. Even though in Macedonia and Serbia, appointment and promotion procedures are in the hands of formally independent councils—i.e., judicial and prosecutorial councils designed to enable independence of the judiciary via merit-based selection and promotion—these bodies are in practice subject to political influence (European Commission 2015; Gjuzelov 2020; Marinković 2022). This results in a large number of judges appointed or promoted on grounds of political loyalty rather than professional integrity or merit. As one experienced judge elaborated: "Good judges remained in the first instance courts, while the obedient ones were promoted [to higher instance courts]. Those who did not connect with some political, business, or family lobby did not progress. In order to survive, you have to make compromises" (MKD_03, insider). As a result, many judges, even those who are fully qualified for their posts, often feel obliged to remain loyal to the political elite that "sponsored" their appointment (Gjuzelov 2020).

In the same way that appointments and promotions are used as rewards for personal loyalty, dismissals can be used for disciplining those who resist informal influence. Although judges have permanent tenure in both states, dismissal procedures may generate a state of fear and insecurity among many judges and prosecutors who otherwise may not be susceptible to informal influence

and corruption. For instance, in Macedonia, numerous judges were dismissed between 2008 and 2012 on various formal grounds after they refused to accept informal intervention by the governing political party. Some of these decisions were later found to be unjustified by the European Court of Human Rights (European Court of Human Rights 2015, 2016).

Hierarchical structures within courts and public prosecution offices also contribute to the exercise of informal influence. Although court presidents do not have the formal right to influence the rulings of their fellow judges, their competencies as administrators of the courts allow them to exercise informal influence. Just as appointment and promotion procedures are politically influenced, the selection of court presidents is also subject to political selection. An interviewee in Serbia noted that: "Every court president in Serbia was appointed by the governing party. Every superior in the public prosecution on any level has been also appointed by the governing party. They don't make a mistake there: otherwise they would lose their control over the work of the judges" (SRB_30, insider). As a result, presiding judges often suggest to their colleagues what would be the desired outcome of certain judicial proceedings. Court presidents closely follow the work of every judge in their court and have the authority to assign cases according to the workload, the specificities of cases, and the expertise of judges. This formal competence is often abused for disciplining disobedient judges: a judge who refuses to be influenced may be reallocated to court departments with less important cases, or cases out of their area of expertise, or departments where the workload is very high. Macedonia saw a number of such examples, when entire groups of judges from Skopje Criminal Court were moved to the misdemeanour department (Svedok 2017).

A similar risk of informal influence exists among public prosecutors, where formal rules envisage stronger hierarchy and subordination, which in turn enables more direct informal influence. For instance, there are cases in North Macedonia where senior prosecutors give oral directions to their subordinate colleagues on how to deal with certain cases. This activity leaves no written evidence that any "suggestion" was ever made, meaning that prosecutors subject to this influence carry a high burden of proof. In this way, senior prosecutors are able to take advantage of their superior position, exercising influence which is outside of the scope of their authority. Moreover, unlike in the court system where case allocation is done via a computer system that is designed to guarantee random selection, in North Macedonia's public prosecution offices, cases may still be allocated by the heads of prosecution units, which creates space for arbitrary allocation.

Although the term "telephone justice" was coined to describe informal influence on the judiciary in the context of Soviet communism, there are instances of judicial informality and informal influence in the context of the Southeast European developing democracies as well. The examples presented here show that despite being formally protected, judges and public prosecutors in North Macedonia and Serbia are vulnerable to informal influence. This influence usually comes from higher judicial authorities who are almost exclusively under the control of political centres of power. Accordingly, instead of protecting judicial autonomy, they exercise their formal authority in a manner that intentionally makes judges and prosecutors vulnerable to internal and external influence and pressure (Gjuzelov 2020). It might be possible to conclude that judges and prosecutors operate in a parallel incentive structure. In this parallel structure, obedience and dependency are rewarded while professionalism and impartiality at best carry no reward, and at worst may cause more problems than benefits for professionals who want to remain impartial and tend to resist "telephone justice."

While state capture rests on informality to contribute to elites' extractive ambitions, there is another regime that works in parallel to ensure societal legitimation. Conceptualised as societal capture, this is the regime to which we now turn.

Societal capture

Societal capture is a regime aimed at establishing domination over societal actors—citizens, businesses, media, and civil society organisations and groups—by means of material and symbolic benefits and threats (Cvetičanin et al. 2023). This regime affects elections, broader social and political mobilisation, and public opinion. Societal capture operates through three distinct yet interrelated mechanisms: 1) restricting access to resources and services essential for livelihoods, welfare, economic activity, and social engagement; 2) positioning political parties as mediators in granting access to these resources and services; and 3) creating a sense of "obligation" to reciprocate, framing the support received as a debt owed to the political party.

This regime relies on clientelistic quid-pro-quo relationships between political parties and societal actors, with different societal actors contributing diverse forms of support to sustain the standing and resources of parties and elites. Citizens provide votes during elections and contribute to party infrastructure; private companies supply funding and other forms of support (such as delivering votes from employees); and media and civil

society organisations shape favourable narratives. The concept of societal capture is broader than what the contemporary literature defines as "political clientelism," which is primarily understood as a party-voter linkage (Kitschelt and Wilkinson 2007; Nichter 2018). Societal capture encompasses not only party-voter linkages but also other types of transactions between political parties and social actors aimed at fostering legitimacy. These transactions extend beyond clientelistic exchanges to include practices such as cultivating a favourable discourse and shaping public opinion in ways that benefit the party.

It is widely recognised that many of the most successful political parties in the region in recent years—such as the PS in Albania, the SNSD in the Republika Srpska in Bosnia and Herzegovina, the HDZ in Croatia, the DPS in Montenegro, the VMRO-DPMNE in North Macedonia, and the SNS in Serbia—have simultaneously relied on political clientelism to influence voters and supporters as well as on the redistribution of public funds to sway businesses, media, and civil society organisations (Kapidžić and Stojarová 2023). Their approach targets societal effects not only in material welfare but also in ideational terms, through the discursive actions of both media and civil organisations. These political parties, therefore, are not merely clientelist or predatory parties but also political agents that pursue ideational, programmatic, and other discursive goals while employing particularist resource distribution as a means to promote these objectives.

This state of affairs starkly deviates from the contemporary normative ideal of democracy, in which citizens are seen as electing (and correspondingly "punishing") parties and candidates based on programmatic cues and performance (as opposed to political clientelism; see Stokes 2005). Companies finance party activities according to programmatic interests and in a transparent manner (contrasting with corrupt procurement practices aimed at eliciting funds for parties and elites). Media and civil society organisations serve as watchdogs, scrutinising party activities and contributing to an informed and critical public (as opposed to a discursive landscape shaped by biased reporting, misinformation, and narratives crafted to favour specific parties). Moreover, societal capture fundamentally opposes programmatic distribution, as widely acknowledged in the context of clientelism (Kitschelt and Wilkinson 2007; Stokes et al. 2013). It obscures the processes through which resources are allocated, instead maximising particularistic interests in distribution.

INFORM generated a substantial body of both qualitative and quantitative data on societal capture, examining perceptions, experiences, and value orientations concerning various mechanisms of societal capture.

The findings of INFORM focus on three groups of actors that serve as the primary targets of societal capture operations in the region: citizens, private companies (including private media outlets), and civil society organisations.

The capture of citizens

Political parties capture citizens through clientelist practices, securing both electoral support and human resources for their organisations. Drawing on the political science literature (e.g. Kitschelt and Wilkinson 2007; Stokes et al. 2013; Nichter 2018), we define political clientelism as the contingent exchange of material benefits—goods, favours, information, and opportunities—distributed by political parties, office-seekers, and officeholders in return for political services. These services include voting, participation in elections, engagement in party mobilisation activities, and, more broadly, the promotion of party interests. Clientelist politics creates a sense of obligation among benefit recipients, which parties often leverage to build political legitimacy not only during elections but also more broadly, as part of the process of fostering a political following and establishing party infrastructure.

While all major political parties in Southeast European countries engage in clientelism, incumbent parties are the most successful due to their control over highly sought-after state resources, such as public sector employment, subsidies, scholarships, and permits. This advantage is often reinforced by their ability to exert control over state institutions, a phenomenon commonly referred to as state capture. However, clientelism represents only one among several political mobilisation strategies employed by parties in the region. Identity politics, programmatic politics, charismatic politics, and populism are other strategies typically practiced alongside clientelism (Bliznakovski 2020, 2024).

INFORM's inquiry revealed a proliferation of various types of clientelist exchanges within the region. These exchanges range from short-term, campaign-specific transactions intended to influence voting behaviour to longer-term arrangements involving multiple transactions. The latter aim to shape broader political behaviour and provide services that benefit party organisations beyond voting alone. This distinction aligns with an established differentiation between electoral clientelism and relational clientelism (Gans-Morse et al. 2014; Nichter 2018; Yildirim and Kitschelt 2020). Electoral clientelism refers to short-term exchanges focused on electoral campaigns, while relational clientelism encompasses long-term

relationships characterised by repeated interactions between parties and their clients.

Our semi-structured interviews vividly illustrate the numerous activities performed by relational clients, often referred to colloquially as "party soldiers" across the region. These individuals are deeply engaged at the grassroots level of party organisation. Consider the following excerpt from an interview with a Serbian student, which highlights the significant obligations that relational clients must fulfil:

> [discussing an acquaintance] … she joined a party, and through the party got a job in a [local institution], and now she works there… now she must attend all their [party] meetings, rallies, etc., and she has to share this information on Facebook [i.e., on her personal profile]. (SRB_20, survey respondent).

Political parties systematically track the achievements of their clients, using this information as a criterion for distributing benefits. This approach is highlighted in an interview with a former member of the leadership of a major party in North Macedonia:

> … you stimulate activists by making a list [of their attendance in different activities]. And this becomes a party CV, not to be underestimated when the activist will knock on your door looking for employment. (MKD_11, insider).

The interviews also highlighted the practice of securing voters, a task frequently carried out by "party soldiers" across the region. This activity is among the most common methods of recruiting voters. As elections approach, activists who are indebted to political parties—either because they have received benefits or expect to receive them in the near future—are tasked with drafting a list of a specified number of individuals from their social circles who pledge to vote for the party on election day.

> [Party activists] have to gather votes before elections, […] they have to gather, it depends from one village to the next, from a minimum of 15 votes and above. […] I was also offered [to gather "secured votes"], but I have my own private business and I did not want to enter that whole thing. (excerpt from an interview conducted in Serbia, SRB_18, survey respondent).

Activists are required to provide the names and contact information of the voters they "secured." This information is then used to follow up with

prospective voters on election day, as described in the following excerpt
from an interview conducted in Montenegro:

> I received a call... it was from a person who is an acquaintance... [describes
> the call] "Have you gone to the polls? Not yet? Well, come on, we are
> waiting on you!" (MNE_01, survey respondent).

Citizens are thus captured for two primary purposes: to provide legitimacy
during elections and to support party organisations. This results in an exten-
sive list of services that citizens are compelled to perform as a consequence of
this capture. A detailed account of these services, drawn from testimonies in
the INFORM semi-structured interviews and ethnographic work, is presented
in Text Box 3. Notably, only the last three services on this list—voting in
elections, turnout, and abstention—are exclusive to electoral clientelism.

Services performed by clients
*(Identified through instances in the INFORM semi-structured interviews and ethno-
graphic work)*

– Party activism in the broadest sense
– Participation at party rallies and meetings
– Participation in political mobilisation activities
– Gathering "secured votes"
– Clientelist brokering and monitoring of co-citizens/voters
– Defending the interests of the party in state institutions
– Promoting the interests of the party on online social networks
– Party financing
– Voting in elections
– Turnout in elections
– Abstention in elections

The services outlined above are performed with the expectation of receiving
one of the resources mediated by political parties, i.e., benefits (as detailed
in Text Box 4). The list of mediated resources is extensive, ranging from
relatively significant to more modest offerings, underscoring the broad
appeal of clientelism to various socio-economic groups depending on the
specific resource promised. Across the region, the most sought-after resource
exchanged through political clientelism is employment. Employment op-
portunities, which vary in attractiveness depending on the position, appeal
to a wide spectrum of socio-economic profiles.

Party allegiance, driven by the provision or expectation of employment, is among the most frequently cited phenomena of clientelism identified in our interviews. The following excerpts from interviews conducted in different countries and with individuals from diverse backgrounds illustrate this dynamic:

> We can say beyond doubt that employment today is obtained exclusively through political parties... (BiH_06, survey respondent, small business owner).
> They say that to get a job in the public administration you need a friend or money, or you need to be active during elections. (ALB_09, survey respondent, employee in the service industry).
> Today a person cannot become even a street cleaner if not sent to that post by a party activist! (MNE_17, survey respondent, former police officer, retired).

The perception of employment as a widely exchanged resource in political clientelism is further supported by data from the INFORM survey. Figure 1 presents the mean levels of agreement with three statements regarding party mediation in employment. Respondents were asked to assess how common they perceived the following phenomena to be: (1) becoming a party member to obtain employment, (2) securing employment through joining a political party, and (3) losing or being denied a job due to political party affiliation. The data reveal a high level of agreement across all examined countries, with mean responses consistently above the midpoint of the 1 to 10 scale, where higher values indicate greater perceived prevalence of these practices. At the regional level, the three items received mean scores ranging from 6.9 to 7.5 units. These findings reflect the significant role of political clientelism in influencing employment opportunities throughout the region.

In addition to employment, political parties distribute a wide range of resources, including other part-time or full-time positions (such as roles on managerial boards of public companies), subsidies, scholarships, medical services, social security benefits, medicine, food, clothing, household appliances, and cash payments. The amounts of cash distributed varied across the region at the time of the interviews (2017–2018): 8 euros and above in North Macedonia, 16 to 50 euros in Albania, 15 to 50 euros in Bosnia and Herzegovina, and 50 euros or more in Montenegro. Parties have also been known to cover utility bills or provide firewood as benefits, as reported in our interviews.

Figure 3.2. Perceived frequency of clientelistic practices

How widespread is clientalism in society?

- TO BECOME A MEMBER OF A POLITICAL PARTY IN ORDER TO GET A JOB IN THE PUBLIC SECTOR OR STATE ENTERPRISES
- EMPLOYMENT THROUGH JOINING A POLITICAL PARTY OR THROUGH PARTY SUPPORT
- TO LOSE A JOB OR NOT GET A JOB BECAUSE OF POLITICAL PARTY AFFILIATION
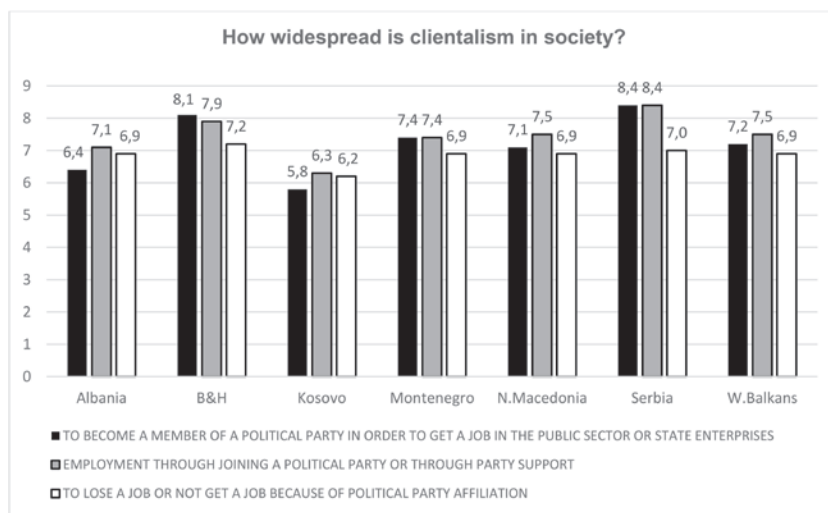
Benefits distributed by parties
(Identified through instances in the INFORM semi-structured interviews and ethno-graphic work)

– Employment (both public and private sector)
– Higher-level public positions (e.g., managerial boards of public companies)
– Subsidies
– Scholarships
– Medical services
– Social security services
– Covering of utility bills
– Medicine
– Cash
– Food
– Clothes
– Household appliances
– Firewood

But how prevalent is political clientelism in the region? Our survey pro-vides some insight. We aimed to gauge citizens' experiences with various manifestations of clientelism. Respondents were asked whether they (1) had ever been offered money or favours in exchange for their votes, (2) had ever turned to a political party official or influential figure for help, (3) had ever

Figure 3.3. Experience of clientelistic practices

Experience with clientelism in the Western Balkans
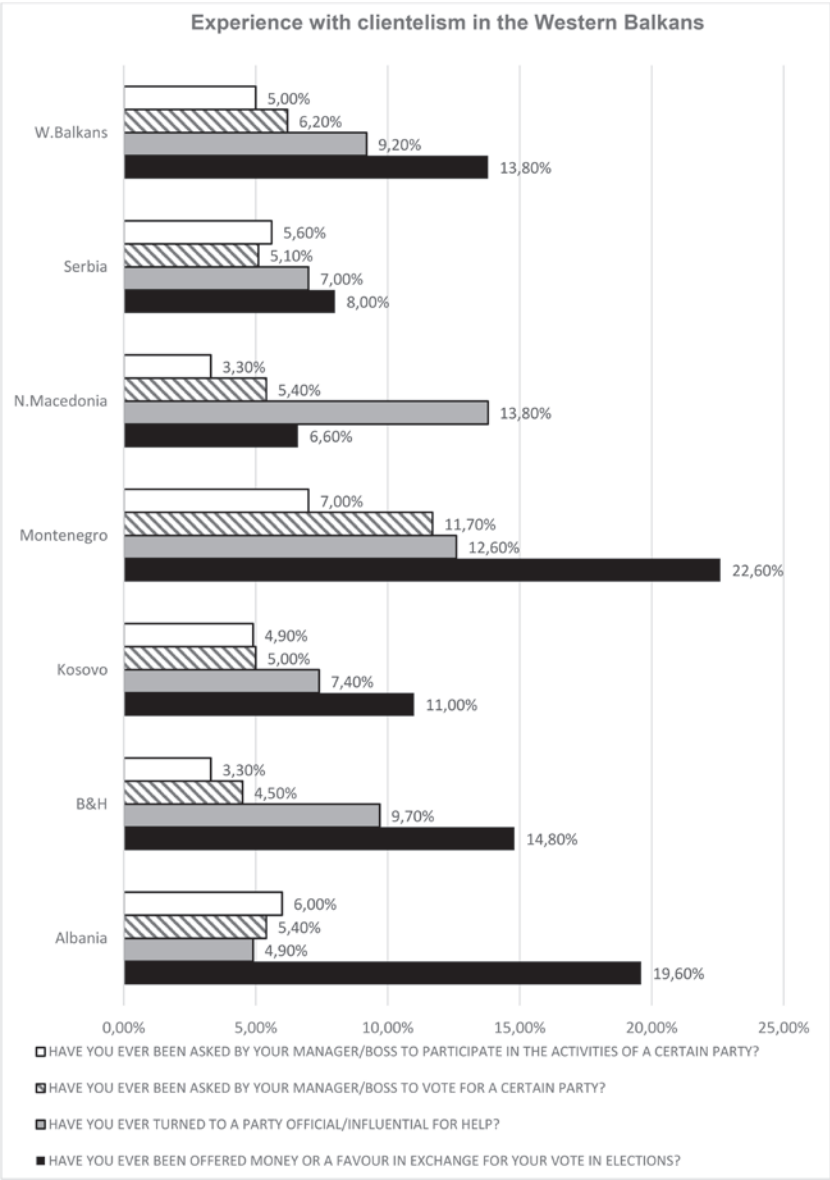
experienced pressure at the workplace to vote for a specific party, or (4) had ever experienced pressure at the workplace to participate in the activities of a certain political party.

The frequency of affirmative responses varies across survey items and countries. Higher frequencies were reported for items that reflect activities

Figure 3.4. Are citizens obligated to reciprocate favours from political parties
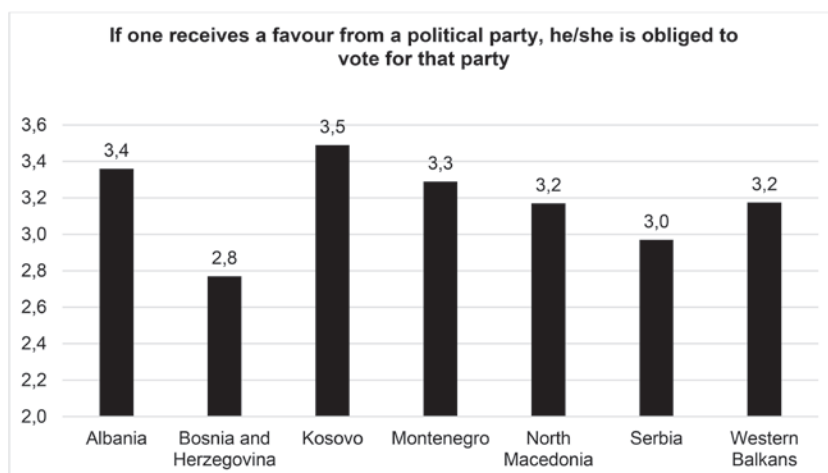
associated with the distribution of positive inducements (rewards) compared to items that capture negative inducements (threats and sanctions), following the distinction developed by Mares and Young (2016).

In relation to the most frequent item (1), a striking 22.6% of Montenegrins reported that they had been offered money or favours in the past in exchange for votes, as did 19.6% of Albanians. All other countries reported lower frequencies, with the regional average approaching 14%. To put these figures in a comparative context, Çarkoğlu and Aytaç (2015) find that similar survey items range between 6% and 41% across 27 countries known for clientelistic activity in Latin America, Africa, and the Middle East, with the median falling at 15%. In relation to item (2), which refers to clients requesting benefits from political parties, INFORM found the highest frequencies in North Macedonia (13.8%) and Montenegro (12.6%), with the regional average standing slightly above 9%.

Items (3) and (4), reflecting workplace pressures, present lower frequencies. In Montenegro, 11.7% of respondents reported experiencing pressure at the workplace to vote for a certain party, and 7% reported pressure to participate in political party activities (see Graph 1), with Montenegro leading the group on both indicators. At the regional level, 6.2% and 5% of respondents, respectively, reported similar experiences.

These findings suggest that clientelism is substantially present across the region, with notable differences between countries. However, the data indicate that in all countries in the region, clientelism holds meaningful potential to influence election outcomes.

Figure 3.5. Reported access to "connections"

Do you have anyone in ... you can ask for help?

■ IN THE MUNICIPAL GOVERNMENT
▢ IN THE REGIONAL AND NATIONAL GOVERNMENT
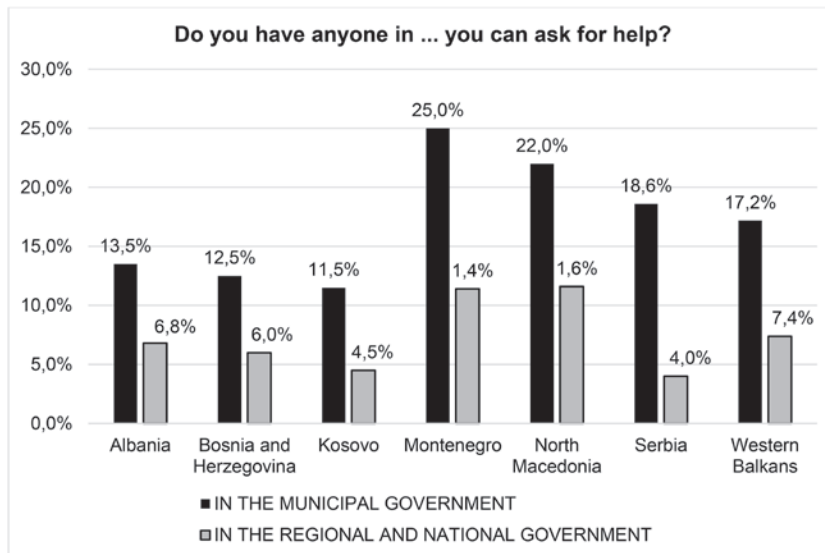
The INFORM survey also revealed a widespread perception among the population that favours performed by political parties should be reciprocated. In all countries, the level of agreement with the statement "If one receives a favour from a political party, they are obliged to vote for the party that gave it," surpassed the midpoint of the scale used. This indicates a high level of acceptance of clientelist reciprocity in the countries surveyed (see Figure 3.4).

Clientelist networks influence the distribution of resources at both the central and local levels of government. Local-level institutions, for instance, hold authority in areas such as education, healthcare, and social policy. According to the INFORM survey, citizens in all countries surveyed—without exception—more frequently report having "connections" (contacts they can turn to for help) in local institutions than in central ones (see Figure 3.5).

Several local-level networks have drawn attention across the region, many of which revolve around a single influential political patron who "controls" a locality for an extended period. Colloquially referred to as "local sheriffs" in the Slavic-speaking countries of the region, these figures wield significant influence. As detailed in Text Box 5, which focuses on Serbia, the control exerted by these "local sheriffs" extends beyond local institutions and public companies to encompass citizens, private companies, the media, and community organisations. This makes them localised representations of the dynamics of state capture and societal capture observed at the central level. Furthermore, as outlined in Text Box 6, which examines

a similar phenomenon in Croatia, the consequences of such a local system are substantial, undermining the very essence of democratic practice.

Local sheriffs—a structural component of autocratic government

The political field in Serbia is marked by a phenomenon of long-term and absolutist rule by individuals at the local level, which can last for several decades. The almost absolute power of local rulers, who are informally known as "sheriffs," indeed coincides with the absolutisation of power at the republic level in the hands of one man—the President of the Republic or the Prime Minister ("the Boss")—and therefore can be considered a structural component of autocratic power in Serbia.

"Local sheriffs" usually unite the most important political position (the president of the local committee of the ruling party or the president of the party that makes up the ruling majority in the local parliament) with the most important management position locally or more widely (mayor, minister, or the like). By occupying these positions, they control essential local resources and generate a large volume of political and economic capital, enabling them to perpetuate their position of power. The enthronement of "local sheriffs" in the local government gives them a significant resource for bargaining with the Boss—in this case, the President of the Republic—and thus a de facto significant position on the political scene.

To better understand the principles on which local chiefs base their authority, we interviewed 11 "insiders," people with extensive personal knowledge and experience of the local and state political fields, from five different cities in Serbia. The idea was to gather insight from people who were part of the political establishment or were part of the inner circle of associates of the "local sheriffs" about how things work in their cities. These people have witnessed the mechanisms of local governance, especially the informal ones.

The conversations with research participants showed that the almost absolute power of "local sheriffs" in their "fiefdoms" is based on the continuous use of clientelistic networks and other resources at their disposal in controlling the economic sphere, the media, the local police, and the judiciary and maintaining good relations and cooperation with representatives of the Serbian Orthodox Church.

The economic sphere is controlled through multiple positive and negative sanctions. For example, the inner circle of "local sheriff" associates from the ranks of

business gets preference for infrastructure jobs on rigged tenders. The distribution of subsidies at the local level also depends on the will and choice of "local sheriffs." In this way, even smaller economic actors are included in clientelist networks. Finally, most of the employment opportunities in local public companies and often even in private companies are controlled by local masters, so citizens seek and get their jobs by promising loyalty to them.

> At the local market, a man was supposed to install a kiosk to sell snacks. When he approached the manager of the local market with a request to obtain a connection for electricity, he told him that to get electricity, he would need to get approval directly from the mayor. (City 3)
> …Then comes privatisation (of the city company), which would remain under the control of the local authorities, or the (local sheriff). Even if it gets sold, it's very important that all the staff who remain are those who were there before, because they sell the staff along with the company… This means that certain bosses and certain staff must stay, all of them being his people. I get a call— "Do you want to continue working with us, but you must give up politics?" […] And then, similarly, he is very obedient to his superiors (the head of State) and is very cheap. For a small amount, no one interferes with his domain. That is, he is obedient and very cheap. He gets every contract with the lowest bid. (City 2)

Autonomous economic actors often face political pressure to join the "local sheriff's" team. Some of the mechanisms the participants told us about are atypically frequent visits by various inspections that try in every way possible to find even the smallest irregularities, which never happens to companies or shops close to the local government. The pressure is also reflected in the fact that these economic actors are often the subject of public stigmatisation (as criminals).

> It's all just empty talk because we have a municipal inspection, and in that municipal inspection, he has his person who goes around butcher shops, stores, and who knows where else, expecting someone to grease the wheels. If a butcher shop has something to give to the public zoo or whatever, otherwise, the tax authorities come and shut it down. I mean, in the end, it doesn't matter; it still goes to the budget. You know, if it doesn't work in his favour, he'll send it to the state budget, where (last name of minister) will know what to do with it and will somehow thank him. So it all just goes in circles again. (City 2)
> It's perfectly clear, there's no… this is… it's well-known, there's no dilemma. Even worse is if you don't depend on them, they can refuse to let you install a two hundred-kilowatt power cable, to put in a new transformer, they won't

allow it. Something that has nothing to do with the municipality, they always find a way to block you. And if you're ready to risk your own business that you've invested in for years, you'll morally say it's not right. But that doesn't exist; no one will do that. It's classic extortion, the most classic, sheriff-like… In two years, they sent an inspection to me (small business) five times, while there are large companies that haven't been inspected in years. (City 3)

Control over the local media is particularly important for "sheriffs" to maintain their authority. Local media are controlled in two ways. One is by vertical integration into the informal governing structure, using intermediaries (family members, friends, or close associates) to buy local media. This creates a direct link between the politics of the party of the "local sheriffs" and the editorial policies of the media. Another way is control through the control of funds that are allocated to a particular media: the funds are directly proportional to the share of news that presents the character and work of the local sheriffs or the Boss in a positive light.

He was on television (name of the television station) which is supposedly closed now. The principle is—to buy out the television station, and that's how local media are destroyed. (personal name) went around buying television stations… And one very important piece of information, (name of the sheriff) has in the meantime bought a television station, a local TV station that was the only free media outlet for many years. (City 1)

Then he managed to bring a local radio station to his side, followed by a couple of local portals, and now he succeeded in making a deal with a local television station with which, I mean, it was terrible, they were at odds. And now he's managed to get them… and now he can control whatever he wants through the media competition. (City 5)

One goal of media is to present a personal image as typical representatives of the "people." For this purpose, "local sheriffs" use budget funds, media presence, and connections in the economic field to present themselves as responsible hosts and strong men aimed at defending justice, preventing poverty, and preserving the dignity of the local community. In practice, this control includes blackmail, pressure, the intimidation of citizens, and direct benefits for a certain number of active party members.

My impression is that he belongs to a political party that is demagogic, he has the ability to be a demagogue, he has poor vocabulary, but so is that of the people. He is ready to go to a village cooperative and sit with people, and

even fight, argue, and hug with people; that's what people want, and that's a sort of folksy model. (City 3)

Finally, to legitimate the authority of the "local sheriff", all "local sheriffs" engage their resources in maintaining good relations with the Serbian Orthodox Church (SOC). The result of these relations is that the local chiefs are openly supported by the SOC representatives, and public resources from the budget or philanthropic funds are directed to the SOC.

That's why two million dinars [around 20,000 euros at the time of the interview] were allocated, supposedly for tiles, to finish his house [the monk who leads the parish—the local parish priest] where he will reside. Two million dinars for tiles? I mean, I have no idea what those tiles are made of. This money comes from the municipal budget. In other words, a huge amount of money has been given to the Church from the municipal budget. (City 1)

The pseudo-feudal structure of an authoritarian system of government rests on fairly straightforward rules. The task of "local sheriffs" is to keep their local community "under control," to secure a certain number of votes for the party or coalition they belong to, and to share part of the spoils with the political structure at the top of the state and with "The Boss." The key currency for negotiation is the number of votes in the elections that they can secure ("quotas"), and, based on this, they gain status in this clientelistic network. In return, they get almost unlimited power in their local communities, which often means legal impunity, even for severe violations. The key point is that in captured societies, governing is not carried out through formal government channels but through the informal network of local sheriffs.

So, when elections come around, he cuts everything—everything related to agriculture, the fourth child benefit, and… I don't know, the only thing left is free transportation for children, just that, and nothing else from what he promises… And all of that is forgotten. When the elections come, he literally buys votes. He knows the people; there's one village, then another, a third one is his, and he knows exactly which families to give 100–200 euros, whatever's needed, and he's set. Everyone shows up to vote. He literally pays. It's worth it for him to spend 100,000 euros because he knows he'll get much more in return for those votes. (City 2)

Captured local governments in Croatia

A study conducted in 2015 and 2016 (Hoffmann et al. 2017) examined the operations of long-term incumbents in three local and one regional government units in Croatia: Dubrovnik, Slavonski Brod, Zagreb, and Istarska županija. The researchers identified a sophisticated "artistry" among local rulers in navigating and combining formal rules with informal practices to advance particularistic interests.

The study highlights several public policy sectors particularly susceptible to "capture," including employment, communal and construction works, spatial planning, and social policy measures. Control over these sectors provides incumbents with distinct advantages. For instance, communal and construction works and spatial planning increase resources available to incumbents, while employment and social policy measures enhance their probability of re-election.

The consequences of this state of affairs are far-reaching, contributing to the reproduction of social inequalities, heightened citizen apathy, and diminished public engagement. According to the authors, informal networks capturing local governance institutions wield power proportional to the resources they control. Moreover, "the perspective to increase the value of resources [under control] is a significant motive in maintaining the status quo" (Hoffmann et al. 2017: 7).

The capture of private companies

The societal capture regime extends to encompass private companies and businesses as entities subject to domination. Political parties view companies as valuable for the financial, human, technical, and other resources they command, which can be leveraged for political purposes. Financial resources controlled by companies often serve as a source of party and campaign funding, both monetary and in-kind contributions. Employers may also pressure employees to vote as a group and to recruit voters for the governing party, providing additional leverage during elections. Beyond funding, companies may offer specific services, equipment, or technical resources, often in the form of sponsorships for campaign activities.

Private media, as a distinct subset of private companies subject to capture, are particularly valuable for their ability to shape public opinion and create a favourable discourse for the parties. Parties rely on media companies for favourable reporting and narratives that align with their political objectives,

rendering media capture a meaningful component of the broader societal capture regime. The various services extracted from companies, including media, are detailed in Text Box 7.

Services performed by private companies
(Identified through instances in the INFORM semi-structured interviews and ethnographic work)

– Party funding
– Resources relevant for campaigns (e.g., sponsoring)
– Favourable media reporting (specific to media outlets)
– Bloc votes from employees

The financial advantages of capturing private companies are especially critical, contributing to party infrastructure during and beyond elections. This dynamic is exemplified in the case of Albania's 2017 general elections, as outlined in Text Box 8.

Party funding of the 2017 elections in Albania

Research conducted within the framework of INFORM and later published as a standalone study by Kera and Hysa (2020) sheds light on the practices of party funding during the 2017 general elections in Albania. Despite numerous legislative reforms spurred by political crises and polarisation and jointly adopted by the main political parties, Kera and Hysa identify significant discrepancies between regulations and actual practices. Based on ethnographic observation, they provide evidence suggesting that a substantial portion of party funding originated from undeclared donations by businesses of various sizes and sectors.

In addition to cash contributions, businesses sponsored parties with goods and services, including accommodation and meals for party activists during election campaigns, drinks for activists and visitors, and travel expenses. The study also highlights increased activity by state and local governments in the lead-up to elections—such as public spending on infrastructure projects—which the researchers suspect was redirected to political parties to finance campaigns.

Political parties reportedly used these undeclared cash funds and sponsorships for a variety of purposes, including campaign expenditures and vote buying. According to Kera and Hysa, all parties participated in such schemes, but ruling

parties were in the strongest position to benefit, as businesses sought their support and aimed to avoid intimidation by those in power. Companies supporting opposition parties tended to do so secretly, fearing retaliation from ruling parties. Some businesses even provided support to both ruling and opposition parties simultaneously to maintain favourable bargaining positions regardless of election outcomes.

Private companies are captured through the creation of an opportunity structure that makes them dependent on the political parties that control state institutions. Given that states are significant economic actors across all countries in the region, many companies rely on the distribution of state resources, particularly through public procurement processes. Public procurements are often "rigged" during the planning phase, with criteria tailored to favour specific companies. This practice is vividly illustrated by a businessman in North Macedonia:

> ...[tenders are] drafted to be suitable for specific people and specific companies. So, in the tender, there is a specification of a specific material that is demanded, [let's] say, a specific type of car. They also fine-tune the characteristics of the goods that should be procured ... and automatically eliminate several companies that do not fulfil the criteria. I know cases where people [i.e., business owners] look at the procurement documentation and say, "this is impossible" [i.e., they could never participate in the contest]. (MKD_08, insider)

Procurement contracts are also frequently altered during the implementation phase through the adoption of contract annexes, which grant significant discretionary powers to managers of state institutions. This practice is described by an employee of a construction company in Serbia:

> You organise the procurement and agree on a price ... We are not talking trifling amounts here. ... Then the company that was awarded the contract ... creates contract annexes for change of orders, unforeseen works, these kinds of works, those kinds of works, etc. ... That is how it is done. (SRB_30, insider)

These procurement practices exemplify political parties' efforts to position themselves as mediators in the allocation of resources—one of the key mechanisms of societal capture. Political favouritism in procurement processes severely limits economic activity, forcing business owners to recognise

and avoid contests where outcomes are predetermined. An entrepreneur in Croatia describes the dynamic:

> You never go to tenders [participate in procurement competitions] where you have no chances, ... if you don't have the conditions, if you don't have partners with whom you can compensate for or supplement those conditions, then you don't go. If it looks like it's really rigged for someone, then in many cases you simply don't go, or if you have doubts. We've all had some situations where it's simply not clear ... it's sometimes difficult to distinguish whether something is rigged or just the client doesn't know what they want ..., and then they set either too demanding or too lax conditions, or too specific. (CRO_05, insider)

Political parties also exert influence over inspections and audit processes, adopting a selective approach that allows some private companies to undergo thorough scrutiny while others are evaluated only superficially. This selective enforcement enables certain companies to evade fines and additional costs, while others are disproportionately burdened. Inspections across the region are often guided by political and economic motives tied to particularistic interests, as noted by a business owner in Bosnia and Herzegovina:

> The larger ones [companies] have a monopoly [in the sector]. They don't allow the employment [the activity] of these smaller ones [companies] and ... they put pressure on some state institutions, on inspectors, to limit ... the smaller ones. ... [inspections] look for a very small detail to fine [them], just to limit these smaller [companies]. (BiH_01, insider)

Private media outlets are captured in similar ways—by limiting or granting access to resources and benefits in exchange for favourable reporting, and by leveraging the state apparatus to discipline unfavourable media. An example of abusing public resources in return for favourable political reporting is illustrated by a media professional in Croatia:

> Well, let's say that the editors decide, that is, the owner, to push some spin in the interest of the Government or part of the Government, not to mention specific cases now... and, ... if it is [for instance] about a [printed] newspaper, it will be distributed to the users of [public enterprise], ... for a public company to enter ... into that type of deal to ensure benefit for that one particular media [outlet] ... it is not such a rare phenomenon. (CRO_01, insider)

As with citizens, private economic actors are also subject to capture, providing benefits to political parties and elites through resource distribution. By controlling access to public resources, leveraging procurement processes, and influencing inspections and audits, political parties compel companies to offer financial and material support, sponsor campaigns, or pressure employees to align politically. The capture of private media further consolidates this power, shaping public discourse to reinforce political dominance. These practices blur the lines between state, market, and party interests, embedding political parties deeply in both the public and private spheres.

The capture of civil organisations

Both formal and informal civil society organisations are also targets of political pressure in Southeast Europe. These organisations can be co-opted to serve political purposes, particularly in political mobilisation and the dissemination of favourable political discourse. Like media outlets, they can influence election behaviour and provide assessments of political developments that align with the interests of specific parties. To secure their cooperation, political parties often offer material and symbolic benefits while maintaining control over them through threats of sanctions, funding cuts, or the withdrawal of other support. These tactics closely resemble those used to capture citizens and private companies, further entrenching civil society within the broader system of societal capture. While the mechanisms overlap with those outlined earlier in this section, the actors involved in the capture of civil organisations are distinct and no less significant. For this reason, it is essential to single out civil organisations for specific attention, even without repeating the dynamics described for other actors in captured societies. Text Box 9 presents a case study on the mutually beneficial relationship between the Serbian ruling elite and the Serbian Orthodox Church, offering a comprehensive example of the potential dynamics in the capture of civil organisations—in this case, the dominant religious institution in Serbia.

The captured church in Serbia

The Serbian political oligarchy and the majority religion share a mutual dependence on each other. The political parties require legitimation from the institution in which most citizens place their trust and faith, and the Church requires financial and logistical support. As a result, it becomes beneficial for governments to

provide the Serbian Orthodox Church (SOC) with "consideration, or lack thereof, of the issue of the restitution of church property confiscated by the communist government following WWII, church tax exemption, and enormous donations from the state to the church […] Churches then return these favours through support for ruling political parties" (Cvetičanin et al. 2024: 174). By closely aligning itself with the Church, the ruling elite assures itself of the sympathy and approval of voters, or at least protection against hostility that might be directed toward the government due to unpopular policies.

In this arrangement, the state trades economic capital for the symbolic capital supplied by the Church. As much as this situation speaks of the captivity of the Church, it is also an indicator of the power and importance that the Church has for the political elite. The Serbian Orthodox Church is accommodated in post-socialist political reality as an essential agent in the nation-building project: the widespread social acceptability of Orthodox symbols, imagery, and religious rituals among the general public, besides being emblems of nominal confessionality, implicitly flag ethnic identity and collective belonging (Metreveli 2021: 231).

The reputation of the Church (symbolic capital) is translated into the secular power (political capital) of the ruling party in this quid pro quo arrangement. The need to gain legitimation is provided at sensitive political moments, for example in May 2022, when the parliament was considering introducing sanctions against Russia, a move that was opposed by 80% of voters in Serbia (Demostat 2022). President Aleksandar Vučić hosted Patriarch Porfirije and the bishops who were participating in the Assembly of the Serbian Orthodox Church for lunch at the Club of Deputies in order to ask for their opinion and advice (TANJUG, 2023). The mutual reliance of state and religious institutions on one another is underlined by the numerous decorations (symbolic capital) that, on various occasions, are awarded to state officials by the Church. The most public attention was attracted by the awarding of the Order of Saint Sava, the highest church award, to Aleksandar Vučić in 2019 by the Patriarch himself.

In exchange for providing legitimation to officials of the state, the SOC is assured of unhindered activity in the field of church finances, (religious) education, and participation in the media sphere and regulation of media, as well as a privileged position in the processes around the restitution of property confiscated after World War II.

From 2002 to 2018, the state provided more than 88 million euros for the needs of all churches and religious communities, of which the Serbian Orthodox

Church has been by far the largest individual recipient. A sum of about 13.5 million euros was donated to the SOC in 2019, approximately 8.5 million in 2020, and around 7.8 million in 2021 (Jovanović 2022a: 52–53). Donations coincide with occasional church opposition to the policies of the ruling political elite. For instance, whenever the state administration responds to pressure from the EU and takes a step towards recognising the independence of Kosovo, the Government passes a decree on financial aid to the Church, which remains silent or manifests minimal discontent, notwithstanding its position that Kosovo is a sacred land and "the cradle of Serbian spirituality" (Latković 2020).

What remains not fully visible is whether the full amount of the financial support that SOC receives is actually used for the stated purposes. Financial support is usually intended for erecting religious edifices. A particularly visible indicator of the status that the SOC enjoys in Serbian society is a ubiquitous "construction boom with more churches, monasteries, parish halls, bishops' palaces and houses for priests built in the last two decades than in the SOC's entire history" (Aleksov & Lackenby 2022: 217). This practice is at odds with the very small percentage of the Serbian population that regularly attends liturgies (7%) and attempts to live accordingly to the Orthodox faith (Pew Research Center 2017).

According to the Law on Accounting, religious communities have no obligation to publish financial reports. Furthermore, religious organisations are granted tax exemptions for services provided within the religious establishments. The Law on Media recognises religious organisations as interested parties in the regulation of the media sphere, thus "Church representatives are secured board membership on state-run outlets" and the Church "runs a 24-hour TV station Hram" (Aleksov & Lackenby 2022: 218) with nationwide coverage.

The 2006 Law on the Restitution of Church and Religious Communities' Property affirms the rights of religious communities regarding confiscated lands and properties. The Serbian Orthodox Church "accounted for the overwhelming majority of claims, receiving 44 per cent of total claimed property and 90 per cent of its claimed property" (Metreveli 2021: 140). The granting of leeway for the members of the clergy went so far that in 2004, the Draft Law on Freedom of Belief, Churches, Religious Communities, and Religious Associations proposed legal immunity for clerics of the "traditional religious communities" by placing them outside the civil code, but the bill was not adopted.

While critics and "enemies" of the Church are usually disavowed in an overly aggressive manner, the Church engages noticeable diplomatic tact and caution

to avoid any conflict with the Government. In June 2017, Ana Brnabić, an openly lesbian politician, was appointed prime minister and was warmly welcomed by the same Church that only a few years ago bitterly opposed any "promotion of homosexualism." One of the bishops (who later became the Patriarch) "approached the Minister, grasped her by both hands and literally told her the following: 'I wanted to tell you in person, you have my full support and the full support of the Church in being Prime Minister, we have the highest opinion of you. No one is opposed to it, truly. Please, do not believe any of the rumours.'" (Jovanović and Krstić 2020: 39).

On a number of other occasions, Church dignitaries demonstrated loyalty to the current political elite. Responding to demonstrations against Aleksandar Vučić and his ruling party in early 2019, Patriarch Irinej stated: "I do not see that there will be any benefit for the people even from inciting such protests in Belgrade and throughout Serbia." Similarly, at the end of November 2021 there was a protest against the company Rio Tinto, which had come to an agreement with the Government of Serbia to mine lithium in the Podrinje region. The citizens who protested repeatedly asked Patriarch Porfirije to use his position to influence President Vučić to prevent the exploitation. However, no support was provided, since in this instance the Patriarch declared, "it is not the primary job of the SOC to deal with social, economic and political issues" (Jovanović 2022b: 445 fn34).

Meanwhile, the secular authorities have invested efforts not to jeopardise the partnership they have established with the Church, even though such a relationship caused visible tensions at the time of the COVID-19 pandemic. Regular churchgoers and parts of the ecclesiastical hierarchy did not respect the measures adopted by the Government banning public gatherings during the crisis. At a time when emergency regulations demanded physical distancing, they insisted on sharing spoons to partake in communion. The unusually condescending statement of the President: "I trust Patriarch Irinej and I will beg him, I will kneel before him, to understand what we are asking for, not because we are proud and arrogant, but because we want life to triumph" (Vučković 2020) sent an ambivalent message to the public: that coming to church at Easter is not in accordance with the instructions of medical experts, but that if someone decides to come to church, they will not be sanctioned. The citizens who attended communion despite the ban understood "that the president of Serbia, Aleksandar Vučić, gave them a tacit approval to come to the service, saying that 'the police will not arrest the believers.'" (Ilić Mirković 2020). The state authorities remained conspicuously indifferent to the church interpreting the social distancing measures "very creatively." Only the members of a church faction "in

exile," labelled as "sectarian" and "schismatic," were arrested and sanctioned for violating the prescribed measures (J.T. 2020).

The autonomy of the Serbian Orthodox Church in expressing its views, and its power to act independently of the state, are limited and conditioned by its clientelistic relationship with the oligarchy in power. At the moment, the role of the Church is clear: the legitimation of a nondemocratic government in exchange for concessions and budgetary benefits.

Conclusions

This chapter has sought to depict the role of informality in the political life of Southeast European societies, based on broader research conducted within the framework of the INFORM project. In doing so, it disaggregated the regimes that emerge from the reliance on informality in politics into two distinct forms: state capture and societal capture. These regimes are distinguished by their specific objectives: the former focuses on extracting state resources, while the latter seeks to establish domination and legitimation over society.

The chapter further described the mechanisms through which these regimes operate. State capture is pursued through the control of decision-making processes within political systems and state institutions as well as through the capture of rule enforcement mechanisms. Societal capture, on the other hand, is advanced by restricting access to resources and services, positioning political parties as intermediaries in granting such access, and creating a sense of obligation to reciprocate among citizens, private companies, and civil society organisations. These dynamics were described using empirical data obtained by INFORM and supplemented with relevant secondary sources. Brief case studies were also included to illustrate the proposed trends.

Where does this leave us in accounting for political life across the region? First and foremost, it underscores that a sole focus on the formal aspects of political life in Southeast European societies provides only a partial and misleading account. Ignoring the role of informality risks describing merely the facade of politics, as the title of this chapter suggests. The findings presented here demonstrate the need to remain vigilant about the effects of informality when analysing political developments in the region.

Secondly, the vast array of phenomena that fall under the umbrella of informality—previously addressed in the literature as state capture,

regulatory capture, clientelism, patronage, corruption, media capture, illiberal governance, and more—warrants further scholarly attention. The key takeaway for researchers interested in these phenomena is that they are not isolated occurrences but part of a broader system of relationships that can be conceptualised as a "regime." Rather than treating these phenomena as discrete elements, this chapter invites scholars to explore their role in establishing regime systems with specific objectives, as outlined above.

As scholars, we must strive to go beyond the facade. A comprehensive understanding of political life in Southeast Europe necessitates examining both the formal and informal aspects of politics. Without considering the latter, analyses risk presenting an incomplete and superficial narrative, failing to uncover the underlying dynamics that shape governance, power, and societal relations in the region.

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4. Informal economies in Southeast Europe: Lost opportunities

Chapter coordinator: Adnan Efendic

Abstract: Informal economic practices include activities such as companies underreporting revenues or individuals and households engaging in small-scale informal production for the market. These economic activities contribute to the informal economy—a broad spectrum of enterprises, jobs, and workers operating outside formal regulation or protection. These practices generate economic value but remain unregistered by institutional authorities. Economic informality in Southeast European societies is particularly interesting due to the region's major institutional transformations over the past three decades. These changes are largely driven by EU integration efforts and, more importantly, by the reforms associated with the "transition" period. We examine some prominent aspects of informality in Southeast European economies and conclude with policy recommendations for addressing economic informality in the region.

Keywords: informal production, informal labour, underreporting, tax evasion, transition

Informal practices in the economy include ways of hiding activity, like companies underreporting revenues and employees. They include activities that evade detection by formal institutions, such as small-scale informal production by individuals and households for the market. And they include a variety of ways of greasing the wheels, including various forms of informal networking among entrepreneurs to facilitate economic activities and between businesspeople and government officials to ease the process

of obtaining licences and approvals. All of these activities contribute to what is known as the informal economy—a diverse collection of activities, enterprises, jobs, and workers that operate outside the system of regulation or protection of formal institutions (Castells and Portes 1989; Chen 2012). Simply put, these are (usually) legitimate economic activities that generate value but go unregistered by the relevant authorities.

Economic informality in Southeast European societies are of particular interest due to the major institutional transformations of the past three decades. These changes are driven primarily by the region's ambition to join the European Union and, more importantly, by the reforms associated with the "transition" period. We examine here some of the most prominent aspects of informality in Southeast European economies, concentrating on four key questions: What is the extent of the informal economy in the region? What is the prevalence of informal networking? What are the costs associated with informal networking, and what is its structure? Finally, how does informal networking operate in practice? The chapter concludes with practical policy recommendations for addressing economic informality in the region.

Informality in the economic literature

There are various definitions, approaches, and methods for measuring the informal economy. Our approach is to view the informal economy as a diverse set of activities, enterprises, jobs, and workers that are not regulated or protected by formal institutions (Castells and Portes 1989; Chen 2012). In simple terms, these are (mostly) legal economic activities that create value but whose outputs are not registered. When it comes to workers in the informal economy, this includes undeclared work—paid activities that are not reported to authorities for tax, social security, or labour law purposes, even though declaration of income is required by law (European Commission 2014; Organization for Economic Cooperation and Development 2012; Schneider and Williams 2013; Williams 2014).

The informal economy and informal practices in the formal economy rely on socially shared but unwritten rules that are created, communicated, and enforced outside of official channels (Helmke and Levitsky 2004). Informal economic activities occur for various reasons—political, cultural, and economic (Harris and Todaro 1970; Chen 2006, 2012; Wallace 2002), while many studies indicate that a larger share of informality in an economy is associated with lower economic and institutional performance (Schneider

and Williams 2013; Williams and Horodnic 2016; Williams and Schneider 2016). This is especially important in the context of something that usually represents an important part of the informal economy—unreported or underreported economic activities that then translate into loss of tax revenue. As the formal economy provides the backbone of a country's political and socio-economic systems through tax compliance and regulated employment, tax non-compliance (tax evasion) allows some economic actors to retain their earnings while jeopardising the functionality of the socio-economic system. Evasion of compliance occurs more frequently when the tax burden is understood as immoral or the formal institutional system is seen as incompetent and corrupt, or when the entity's contributions to the system (i.e. their tax costs) exceed the benefits it provides (Schneider and Williams 2013; Webb et al. 2009; De Soto 1989). Relatedly, although the informal economy provides employment (and thus income) for a significant number of citizens who would otherwise struggle to find formal jobs, it also implies significant tax revenue loss that affects public spending on social welfare, weakens the activity of organised labour, impoverishes working conditions, and increases unfair competition to legally operating businesses (Williams and Horodnic 2016).

"Tax morality" is sometimes used to explain the gap between formal rules and informal practices (Williams and Horodnic 2016; Williams and Franic 2016; Torgler and Schneider 2009). This theory aims to capture the asymmetry or the gap between behaviours prescribed by formal institutions (government morality—what is legal by state laws) and behaviour at the informal level (societal morality—what is legitimate by social norms). Higher (formal) institutional quality is found to lead to better interaction between citizens and authorities, resulting in greater collective responsibility and fewer free-rider problems—and therefore suppressing the reach of the informal economy (non-compliance). Conversely, if citizens believe that corruption is widespread, that government income from taxation is not spent for the benefit of society, or that they are not being protected by the rule of law, they are more likely to engage in tax evasion (Torgler and Schneider 2009). Alm and Torgler (2011), for example, find that a one-point decrease in tax morality results in an informal economy increase of 20 percentage points.

Nevertheless, tax non-compliance is to be expected where formal institutions lack efficiency, have cumbersome procedures, and are not able to provide good service to entrepreneurs (who decide whether to operate in the formal or informal economy). This implies that entrepreneurs and household members are more likely to justify tax evasion in countries with

rigid institutions and cumbersome procedures. Furthermore, constraining the informal economy through penalties—without improving relevant public services—is also expected to motivate entrepreneurs and household members to justify tax evasion more frequently.

The following sections explore various aspects of the informal economy through empirical examples and practices, as it is nearly impossible to fully capture the complexity and scope of this widespread phenomenon. We begin by examining the prevalence of the informal economy in Southeast Europe, highlighting various informal practices that sustain it. Next, we focus on informal networking—a key driver of economic informality—analysing its scale, structure, and associated costs as well as its practical operations. This analysis is based on qualitative insights gathered from entrepreneurs in the Southeast European region.

Size of the informal economy in Southeast Europe

The literature on the scope of the informal economy in Southeast Europe is limited. Some Southeast European countries have been analysed by Schneider (2016) and Williams and Schneider (2016), while others have yet to be the focus of any major studies. The Southeast European Leadership for Development and Integrity project (2017) published a report on the informal economy covering six countries in the region, and Pašović and Efendić (2018) provided estimates specifically for Bosnia and Herzegovina. These estimates are relevant, but they are not always directly comparable, as they draw on differing definitions and methodologies for estimating the informal economy. Conducting comparative analysis is challenging due to variations in definitions, samples, and estimation methods across studies. The most recent estimate for the region was presented by Friedrich Schneider in 2024 at an international conference organised by the Central Bank of Bosnia and Herzegovina, titled "Informal Economy: Measurements and Effects."[1]

Estimates suggest that the average size of the informal economy in selected Southeast European countries has ranged between 21% and 42% of GDP over the past decade. Although these figures are not precise measurements, they indicate that the informal economy occupies a substantial share of economic activity in all countries, with Bosnia and Herzegovina having the highest level and Slovenia the lowest. Even the Southeast European

1   The conference was held on 31 October 2024 in Sarajevo.

Figure 4.1. Estimates of informal economy as percentage of GDP in selected SEE countries

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average 2013–23
Albania	30.8	30.1	30.5	30	27.6	28.3	28.7	29.3	29	28.1	27.3	29.1
Bosnia and Herzegovina	40.7	40.1	39.1	39.4	40.9	42.4	43.3	45.8	44.5	44.1	43.7	42.2
Croatia	32	32.1	32.9	30.9	30.3	30.5	30.8	31.9	31.1	30.6	29.7	31.2
N. Macedonia	32.3	32.5	32.8	32.6	32.2	31.7	32.8	33.3	33.1	32.2	31.6	32.5
Serbia	27.8	26.9	25	24.6	23.2	22.3	22.7	22.9	23.1	23	23.2	24.1
Slovenia	20.9	20.6	20.8	20.3	20.4	20.3	21.3	21.8	21.6	21.2	20.7	20.9

countries that are part of the EU have sizable informal economies; for instance, Croatia's informal economy is comparable to that of some countries in the region aspiring to join the EU. While there is a slight decreasing trend overall, there are no signs of structural change in the prevalence of the informal economy.

Our further analysis of informality in Southeast European societies begins with an INFORM survey question that asked whether tax evasion can ever be justified. This question is commonly used in research on the topic to assess not only perceptions and attitudes toward tax morality but also to approximate the prevalence of tax evasion, which serves as an indicator of the informal economy. Responses were collected on a ten-point scale, where one indicates "never justified" and ten indicates "always justified." The distribution of responses is shown in Figure 4.2.

If we analyse the region at the aggregated level, we find that some 60% of respondents in both sectors of the economy view tax evasion as never justified, while some 2–3% always justify this practice. If we compare these responses with EU member states, we find a higher percentage of respondents who do not justify tax evasion in the EU (according to Eurobarometer survey no. 402). For example, around 70% of respondents consider all types of tax evasion as unacceptable, while some types of tax evasion (i.e., receiving welfare payments without entitlement) are unacceptable to 90% of respondents. If we compare responses from the two sectors in focus, the household and the business sector, we find no significant mean differences between the two (the t-test for the difference in means obtained the p-value of 0.426). However, a somewhat higher percentage of entrepreneurs (6% vs. 4% for households) justifies tax evasion when responses in the 5–10 range are considered.

Figure 4.2. Attitudes towards tax evasion: comparison between entrepreneurs and households

Survey question: Please tell me whether, in your opinion, the following behaviours can always be justified, can never be justified, or something in between. 1 means never, 10 means always and you can choose any number in between: Evading taxes

		ALB	B&H	KOS	NMK	MNE	SRB	Average
Never Scale – 1	Households	61%	58%	75%	72%	45%	59%	62%
	Entrepreneurs	66%	59%	71%	78%	41%	57%	62%
Rarely Scale 2—3	Households	21%	16%	9%	9%	20%	18%	15%
	Entrepreneurs	18%	7%	12%	12%	22%	11%	14%
Sometimes Scale 4—7	Households	16%	20%	9%	13%	24%	18%	17%
	Entrepreneurs	14%	22%	8%	6%	22%	25%	16%
Mostly Scale 8—9	Households	2%	2%	1%	1%	5%	1%	2%
	Entrepreneurs	0%	5%	3%	4%	4%	2%	3%
Always Scale 10	Households	0%	2%	2%	2%	4%	2%	2%
	Entrepreneurs	2%	2%	5%	0%	6%	4%	3%

Source: INFORM, 2017.
ALB: Albania, B&H: Bosnia and Herzegovina, KOS: Kosovo, NMK: North Macedonia, MNE; Montenegro, SRB: Serbia. Average: refers to the mean value for all six countries in the sample. This applies to all other figures reported below.

If we relate attitudes towards tax evasion to the rankings of the formal business environment, we find that North Macedonia had the lowest acceptance of tax evasion, coinciding with its ranking as the most business-friendly environment among the countries in the sample during the INFORM project period (World Bank 2017). The findings come from research conducted after an initiative to simplify and speed up procedures for activities like registering a new business, an area where businesspeople frequently report frustration, and where delays act as a magnet for efforts to resolve problems "under the table." This suggests that entrepreneurs in North Macedonia recognise the benefits of operating within the formal economy—uniquely, entrepreneurs there consistently show a lower tolerance for tax evasion than households. But the evidence also provides a valuable insight for policy: improvements in business regulation are likely to be associated with a decline in the acceptance of tax evasion.

In the next stage, we also analyse attitudes towards tax evasion based on gender, as summarised in Figure 4.3. Female respondents report lower justifiability of tax evasion compared to men in the region (*p-value* 0.048), which is in line with findings obtained elsewhere (e.g., Williams and Martinez 2014). However, when we compare the "mostly" and "always justifiable" categories, there is no difference between the groups (*p-value* 0.419). The

Figure 4.3. Attitudes towards tax evasion: gender-based comparison

Survey question: Survey question: Please tell me whether, in your opinion, the following behaviours can always be justified, can never be justified, or something in between. 1 means never, 10 means always and you can choose any number in between: Evading taxes

		ALB	B&H	KOS	NMK	MNE	SRB	Average
Never Scale – 1	Male	59%	56%	77%	69%	48%	56%	61%
	Female	63%	58%	74%	75%	42%	61%	62%
Rarely Scale 2 – 3	Male	22%	15%	9%	10%	19%	17%	15%
	Female	20%	16%	10%	9%	21%	17%	15%
Sometimes Scale 4 – 7	Male	16%	22%	9%	15%	23%	19%	17%
	Female	15%	18%	8%	12%	26%	18%	16%
Mostly Scale 8 – 9	Male	2%	2%	1%	2%	4%	2%	2%
	Female	2%	3%	1%	1%	5%	1%	2%
Always Scale 10	Male	0%	2%	0%	4%	4%	3%	2%
	Female	0%	2%	3%	1%	4%	1%	2%

Source: INFORM, 2017

outliers seem to be Kosovo and Montenegro, where female respondents were both lower on the "never" justified category as well as higher on the "maybe" and "mostly" categories.

Our data shows that, on average, married people in Southeast European countries are less likely to justify tax evasion (*p-value* 0.005) compared to people living in cohabitation, in a relationship, or who are widowed, divorced, or single. Our in-depth analysis of the cumulative sample revealed that tolerance towards tax evasion in the region is strongly tied to what could be conceptualised as a cultural variable. Namely, results from a simple regression analysis indicate that the strongest predictor of tolerance towards tax evasion was the variable "Custom is more important than law" (Beta=0.17; p<0.001; controlling for age, sex, gender, education, and income). Interestingly, income and education slightly increased tolerance. The effect of gender proved to be insignificant.

When it comes to tax evasion and informal economic practices established on the ground, the existing research suggests that **cash exchange** is used most frequently to facilitate underreporting in the official ledgers. Therefore, the most common practices of tax evasion that we identify can be narrowed down to three categories: **(i) underreporting numbers of employees, (ii) underreporting business revenues, and (iii) underreporting employees' salaries** (Morse et al. 2009; Putniņš and Sauka 2015; Schneider 2013). At the same time, these practices are indications of the representation of informal economy in the business sector. SELDI (2017) estimates on the number of

employees working without a contract (unreported employees) imply a high percentage of respondents working informally. The highest percentage of employees without contracts is estimated to be 40% in Albania, followed by Kosovo at 38%. Again, the estimate for Macedonia at 15% is among the lowest, with Bosnia and Herzegovina at 11% being an outlier. This might be due to the recent priority placed by the government of Bosnia and Herzegovina on reducing the number of undeclared workers (Government of B&H 2015; Pašović and Efendić 2018).

The INFORM project surveyed 302 entrepreneurs on whether they believed these three types of tax evasion practices—underreporting business revenues, underreporting numbers of employees, and underreporting employees' salaries—occurred in their country. Since entrepreneurs are identified as the bearers of (formal and informal) economic activities (Morse, Karlinsky and Bankman 2009; Webb et al. 2009), we asked for their estimates of the level of tax evasion in their respective industries. Any reports of these activities would imply tax evasion and thus operation in the informal economy. Whatever underreporting occurs would have to be done by avoiding banking system payments—including acquiring inputs, exchange of goods and services, not declaring revenues, and misreporting the number and salaries of employees. As we expected, a significant proportion of respondents did not answer these sensitive questions—they simply refused to answer, while the "don't know" option was not chosen at all.

Figure 4.4 shows that the highest percentage of entrepreneurs who believe there is no underreporting of employee numbers is in Macedonia (38%), followed by Bosnia and Herzegovina (20%), Albania (21%), Montenegro (24%), Kosovo (26%), and Serbia (27%). Regarding underreporting of business revenues, Macedonia again leads with 31% of entrepreneurs seeing no underreporting, while Albania has the lowest at 6%. Most entrepreneurs estimate that over 20% of revenues are underreported, suggesting that revenue concealment is more common than hiding employees. This may be because sales can be easily concealed, while unreported employees are harder to hide. However, underreporting of salaries also occurs, with some entrepreneurs reporting lower wages than agreed and paying the difference in cash. In Macedonia, 28% believe this does not happen, while in Albania only 11% think the same. Overall, the most common underreporting practice is related to hiding revenues, followed by salaries and employee numbers, with some exceptions.

Entrepreneurs in the countries surveyed estimate that around 10% of employees are working informally in their industries and that around 25% of business revenues and salaries are not declared to tax authorities.

**Figure 4.4. Average underreporting of revenues, employees, and their salaries**

8F. [Grey economy question]	[Types of grey economy activities]	Percentage
Please, estimate the approximate percentage of underreporting ….	… business income by firms in your industry in 2016 … number of employees by firms in your industry in 2016 … salaries paid to employees by firms in your industry in 2016	

In each of the countries, hiding of revenues and salaries seems to occur more frequently than hiding concealment of undeclared employees. The lowest estimate of underreported employees is in Albania, followed by Kosovo, while the estimates of undeclared revenues in these two countries were the highest in the region: 41% and 34% respectively. Entrepreneurs in Montenegro gave the region's highest estimate for the underreporting of salaries (34%), while those in Macedonia gave the lowest (17%).

An additional indication of the extent of the informal economy is whether respondents report having **informal jobs**. The question on type of employment in the household sector was binary (formal or informal employment), and this measure gives us those respondents whose income is derived from only one type of employment. The results suggest that a small proportion of employed people work exclusively in the informal sector. This ranges from 3% in Bosnia and Herzegovina to 6% in Albania and Serbia. However, a different impression is given by the percentage of households that report receiving some income from additional activities that are not included in regular salaries and pensions. This includes activities such as the production of food, the sale of goods and services, and occasional and temporary jobs (both formal and informal), which are also indicative of informal economic practices. Some 30% of households report that their total income is greater thanks to additional economic activities that are not part of their official income—hence, likely to be informal.

Existing research provides conclusions similar to our finding on additional economic activities that households use to supplement their regular income. For example, Efendić et al. (2017) find that one of the widely used household strategies in the period of the most recent economic crisis was to supplement income with additional activities. Apparently, the size of the informal economy and the scope of tax evasion are structurally different from the data on informal employment. This is yet another indication that a good proportion of informal economic activity occurs in the formal sector and among people who are employed in the formal sector but who

Figure 4.5. Percentage of households having some income from additional activities
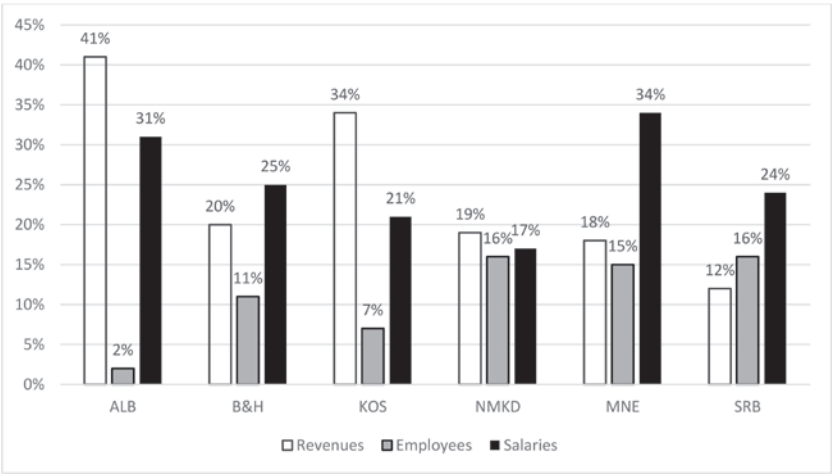
supplement their income with additional economic activities that are most likely informal. This partly explains the mismatch between the standard of living in this region and official statistical indicators.

Informal networking in Southeast Europe

In the state socialist economies of Eurasia and the Eastern Bloc, the widespread use of personal connections—known as *blat* in Russian, *znajomości* in Polish, and *guanxi* in Mandarin—played a central role in accessing goods, services, and information. This practice, described as "economies of favour" by sociologist Alena Ledeneva (1998), involved both horizontal and vertical exchanges, connecting private individuals with state enterprises and bureaucratic structures. These networks helped circumvent shortages and bureaucratic inefficiencies but in the process fostered informal economies that included practices like working off the books, pilfering, and petty trade. Initially, these informal practices were viewed as a byproduct of state inefficiencies and were expected to disappear after the collapse of the Eastern Bloc. But decades later, economies of favour remain entrenched in the region, continuing to influence access to resources, employment, education, and medical care. Despite efforts at regulatory control, informal networks have persisted and, in some cases, worsened corruption and undermined the rule of law, showing that such systems were not merely residues of socialism. Some older practices have adapted to post-socialist contexts, while some

new practices have emerged from the hybrid and unconsolidated regimes that have emerged in the intervening time.[2]

Indeed, the core of the informal environment is formed by informal networks that serve a variety of purposes, from the exchange of information, experiences, and ideas between agents to the provision of goods, services, and favours (Jackson and Wolinsky 1996). The scale and importance of informal networking is not necessarily the same across different sectors of society. For example, the business sector is particularly associated with informal networking (Williams and Vorley 2015).

However, it would be wrong to think that informal networking is solely tied to informality. It can often represent an integral part of the formal institutional framework (see De Soto 1989; Nee and Ingram 1998). Informal networking is an integral part of everyday economic life that takes place inside the formal and informal economy (Gordy and Efendić 2019). In other words, informal practices, which facilitate, motivate, and govern joint action taken by members of social groups, are a part of the informal economy and rely on informal networks that often span into the formal domain of economic life. For example, informal practices affect entrepreneurial activity and shape the behaviours of entrepreneurs (North 1990; Valdez and Richardson 2013; Williams and Vorley 2015), and both the formal and informal economy rely on informal networking (De Soto 1989). Additionally, the conduct of business is strongly influenced by informal networks (Field et al. 2015), especially in transition countries (e.g., Ledeneva 1998). Relatedly, more extensive business dynamics operate among individuals who have entrepreneurs within their social networks (Klyver et al. 2008). In sum, there is ample evidence that both formal institutions and informal networks are heavily embedded in all spheres of economic life (Granovetter 1985).

Establishing, maintaining, and expanding informal networks imposes some costs, the scale of which depends on the network size. The density of networks has a significant influence on costs, as a higher density of informal networks lowers transaction costs (Henning et al. 2012). Moreover, the structure of networks influences informal costs differently—network diversity based on race or ethnicity, for example, or networks based on family and friends or acquaintances (Marmaros and Sacerdote 2006; Silk 2003) all have different effects on costs; the first structure of networks imposes higher transaction costs, while the second imposes lower costs.

Although any informal networking can be costly, Greve and Salaff (2003) report that the costs of maintaining informal networks in the business sector

2   More information on such practices is available at: https://www.in-formality.com/wiki/index.php?title=Economies_of_favours

depend on the phase of business development. In the very initial stage of business development, entrepreneurs must identify their opportunities and find relevant resources, employees, and institutional support. Informal networks and their diversity have a significant influence on addressing these challenges. Thus, informal networking is particularly important for entrepreneurs in the early stages of business development and in situations where formal institutions are underdeveloped (Chakraborty et al. 2015). The literature suggests to some extent that forming and maintaining informal networks leads to a variety of costs, including costs of time and costs of money (Marmaros and Sacerdote 2006; Brueckner 2006; Silk 2003; Pesämaa and Hair 2007).

The countries in our sample seem to follow a similar pattern when it comes to the motives behind informal networking and the ways in which informal networks are used. In each country, entrepreneurs recognise the importance of having informal networks for establishing, developing, and maintaining their businesses. It is business interest that motivates people to do informal networking, more than some traditional, cultural, or other influences (although some entrepreneurs see it as partly related to the mentality of people in this region). Our interviews convey this message clearly:

> There are segments in our society where, to put it simply, you just have to have informal connections even when you are meeting all other criteria; that is, having the money, having a contract and other documentation— you just have to have the ear (in formal institutions) that listens to you in order to get what you need without damaging anybody. (B&H_10)[3]

Informal networks are used for several purposes. Some are interactional, like exchanging ideas, information, and knowledge. Some are structural, like ensuring access to the market, compensating for the lack of rule of law, and protecting against political influence. Other purposes are related to process, like avoiding formal institutional rigidities, time-wasting procedures, and unnecessary formal institutional costs. In this diverse spectrum of motivations, we also identify examples of informality providing personal psychological benefits. Still, the majority of interviewees argue that informal networks are used primarily to **substitute for the failures of formal** institutional outcomes and to offset political influences in their business.

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3   A list of the companies that participated in the interviews, along with basic information about each business, is available in the appendix to this chapter. The abbreviations are: ALB-Albania, B&H-Bosnia and Herzegovina, KOS-Kosovo, CRO-Croatia, NMK-North Macedonia, MNE-Montenegro, SLO-Slovenia, SRB-Serbia.

> We utilise informal networks for getting information, speeding up procedures, getting new business deals. It is not just one thing… (NMK_3) If we do not create informal networks in our business segment, we cannot function. You cannot rely only on professional relations. So, an informal network of contacts simply has to exist. If there was a regulated market in the country, these contacts would be unnecessary. These contacts enable you to "swim in muddy waters." If there was a more functioning rule of law in the country, one would not need these kinds of contacts. (NMK_3)

In states where formal institutions relevant for business development are more efficient, informal networking is less present and is used for slightly different purposes. For example, the formal institutional environments for business in Bosnia and Herzegovina, Kosovo, and Albania are ranked the lowest (Doing Business Report 2017) in our sample, and entrepreneurs report using informal networks more frequently (the correlation coefficient for the network size in these countries in comparison to the rest of the sample is 0.61, p <0.001). Conversely, entrepreneurs operating in more efficient institutional environments (e.g., Croatia and Slovenia) use informal networks to a lesser extent (the correlation coefficient for the network size in these countries in comparison to the rest of the sample is -0.56; p <0.001). Our surveys indicate that aversion to informality in these societies is even more pronounced. It thus may be concluded that although informal networking is frequently used in Southeast Europe and is firmly integrated into the business cultures of these societies, it is not generally perceived as something positive, but rather as a necessary strategy "to get things done" (see Figure 4.6).

Our results also suggest that once the formal institutional environment for business is improved (for example in Macedonia), the use of informal practices declines (the correlation coefficient for the network size and DB rank in Macedonia is -0.19; p <0.001), and informal networks mainly operate as a mechanism complementing business development. Consequently, the results suggest that the aversion towards informality is stronger when informality is used to substitute formal institutions, and lower when it is the "only possible way of doing business." Thus, it may be argued that as formal institutions improve, the aversion towards informality becomes more evident and it is at its peak when the role of informality starts changing from substitutive to complementary. This peak is characterised by the lagging effect of institutional improvement, which is a result of institutional adjustments to the improved way of doing things formally (Efendić 2010; Williams and Vorley 2015; Efendić and Pugh 2015).

Network size ranges from 2 to 700 members, with a mean value of 70 participants. Entrepreneurs from Albania, Kosovo, and Bosnia and Herzegovina

Figure 4.6. Perceived need and justifiability of informality among business owners
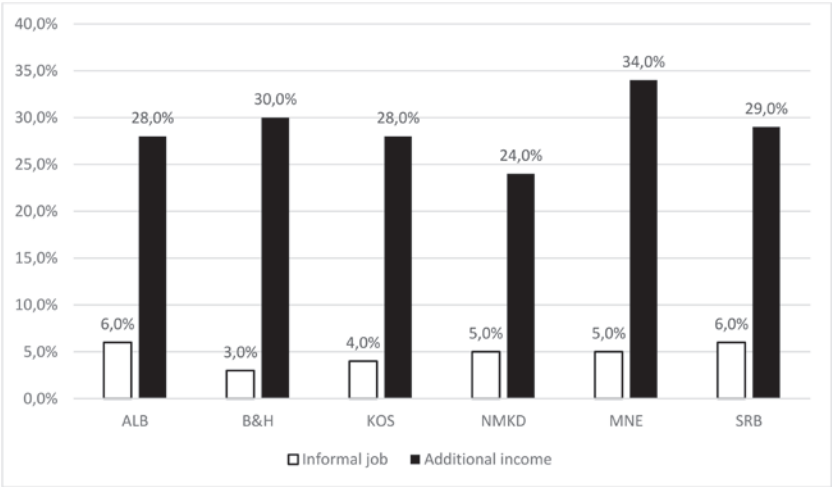
Source: INFORM, 2017
Numbers in parentheses denote standard deviations. The mean values of the scale are above.

have the largest networks, ranging from 80 to 170 people and averaging 110. The average reported network size in the region ranges from 35 and 31 in Serbia and Albania respectively to 19 in Macedonia, 14 in Croatia, and 11 in Slovenia. Network size appears to be inversely related to overall institutional performance: a better formal institutional environment for conducting business is associated with smaller informal networks used on the ground. Entrepreneurs in the less developed economies (in particular in Bosnia and Herzegovina) are often explicit in saying that they are trying to expand their networks even further, because they see this as an important strategy for their further success.

> I would say that it [informal network] counts around 20–25 people; I am talking about people with whom I have relatively intensive contacts. Rarely does one month pass that I do not see these 25 people for a drink, that I do not invite them to have lunch together, coffee... (CRO_4)
> If we look as far as to the lowest levels, then [my informal network] includes more than 100 people. Because success can be measured by the size of your network. The larger it is, the more successful you are. It is better if you have someone you know at any [formal state] institution or if you know someone who knows someone else. This is because everything is so complicated here. It is almost impossible to go to an institution and finish everything you need [without knowing someone there]... The more people you know, the more progress you make in your business. And I

> prefer to know more and more people on an informal basis … which means to know more people whom you are more or less ready to help tomorrow, and also, they are willing to do the same for you without going to lunch, without gifting and those kind of things. (B&H_4)

The role of networks in enforcing both formal rules and informal norms is not adequately integrated into the understanding of formal–informal interactions (Ledeneva and Efendić 2021). The informal transaction costs linked to dense networks are often overlooked, and informal networks are frequently not considered effective in enforcing formal constraints. One of our priorities was to generate a reliable assessment of the transaction costs associated with informal networking (Efendić and Ledeneva 2020).

Indeed, our regional INFORM interviews reveal that **informal networking costs are not 'minor.'** As De Soto (1989) has pointed out, entrepreneurs mostly do not think about these costs and sometimes do not regard them as standard costs but as "investments." Still, when asked about the costs of informal networking, they recognise these costs and provide quantitative estimates, including costs in terms of both money and time invested in informal networking. We identify on the ground a substitutive relation between money and time: more time is invested in informal networking in the early stage of business development, while more money is invested in the later stage of company development. Entrepreneurs are explicit in trying to prevent any unnecessary time loss, even for informal networking, and apparently, time saving is achieved by spending more money as a business becomes more developed and financially stronger.

> In B&H there is this special form of encouragement—when you are trying to accomplish something [in your business] everybody is supporting you, but when you succeed, they are not with you anymore. Today, when I am recognised as a successful businessman, it is expected from me now to invest more [money] into those who supported me, which was not the case when I was in my beginnings and had to drag people's sleeves [time investment] in order to ask for something and to look for possibilities of success and development. (B&H_3)
>
> Not only it is worth [investing money into informal networks], it's a necessity for your firm, to stay alive and functional. If you ask me, there's no other way of functioning in our world. You'd go crazy from all the work and no socialising with pleasant people. (SLO_11)
>
> …time is a very valuable resource for me, so I'm often placed in front of the challenge of finding time for meetings and hanging out with my friends.

> For me, it is all about the type of networks in specific situations. I have
> very few free hours to spend for myself so I choose very carefully where,
> how, and with whom I spend my free time. (NMK_7)

Our survey data suggests that individuals in the region's countries spend around **10 hours of their time per week and around 11 euros** (gifts, coffee, meals, parties, and other related costs) on informal networking on average. The total informal networking cost—the costs of time and money standardised by the PPP index—is around 23 euros per week, or around 100 euros aggregated at the monthly level.[4] The estimated (opportunity) costs of time are greater than the reported monetary costs. If we compare the total cost among countries, Kosovo had the highest monthly costs (150 euros; the average net earnings reported in our dataset for Kosovo is 270 euros), while Serbia and Macedonia had the lowest (80 and 85 euros; the average net earnings reported for these two countries are 240 and 250 euros respectively), while the other countries are closer to the average. The survey data suggest that entrepreneurs report systematically higher networking costs than the general public (Efendić and Ledeneva 2020; Ledeneva and Efendić 2023)

Our research indicates that entrepreneurs are most dependent on informal networks when they start their businesses. As companies develop and grow, informal networks become less important for the business but provide new value in the form of strengthening social capital. Although there is a perception that the creation of networks or "a group of one's own people" has a negative connotation, our research shows that networking has positive societal effects. Creating and maintaining networks carries costs through time allocation or financial expense. However, the respondents look at these costs as investments rather than as expenses. The returns on this type of investment are often not easy to calculate because the effects are not solely based on monetary return but also on personal satisfaction, which is difficult to measure. All correspondents confirmed the usefulness of investing in and maintaining networks:

> This time is not wasted. What is the problem is the fact that there is not
> enough time for this and I would like to have more of it. These relationships
> need more time and I don't have it. Not only is it worth it; it is necessary
> for the existence of his company. (SLO_1)

4   We obtain different estimates of these costs in the survey data and in our in-depth interviews, which might be due to two reasons. While the survey has a representative sample of the general population and randomly selected entrepreneurs (if identified), the interviews are not random but conducted among SME entrepreneurs, based on the researchers' choice. Moreover, the sample is different, as the interviews include six SEE countries and two EU countries (Croatia and Slovenia).

> If I don't have business relations, I don't spend time and money otherwise. What I mean is that I spend very little time with friends and kin that are not related whatsoever with my business. But for the people to whom I am connected one way or another through my business, this time and money that I spend with them is essential. (ALB_3)
> At first, it was a burden, but when I began to realise the benefits from it, I haven't looked at it like that any longer. Because it really became apparent that the more you give, the more you get back. I even tested on a few examples that I gave a lot more than those people expected and it started to return quickly. (CRO_2)
> It simply has the informal part which outweighs the formal one. So, it's cheaper to do something using an informal approach than formally. (B&H_4)

Building and maintaining business-related relationships, often through informal means, is seen as both necessary and valuable for entrepreneurs. Although time constraints can make networking challenging, investment in these connections is considered essential for business success. These informal relationships often blur the line between personal and professional life, with time and resources spent on business-related contacts prioritised over non-business connections. Entrepreneurs note the tangible benefits of giving more to these networks, with returns exceeding expectations. Informal approaches are often preferred because they can be more cost-effective than formal methods.

The informal economy on balance

A variety of research studies has demonstrated that the informal economy accounts for a significant share of GDP in Southeast European countries—typically around 30% or more, which is notably higher than the EU28 average of about 20%. Informal practices are evident not only in the informal economy but also within the formal sector, where they are used to supplement formal activities and increase the income or revenues of individuals, families, and companies. Networking emerges as a central mechanism driving informality. It is widespread, particularly among entrepreneurs, and it involves substantial costs. Despite these costs, informal networking is embraced for its instrumental benefits, including compensating for weaknesses in formal institutions. Given the widespread perception that formal institutions are neither efficient nor accountable, it is not surprising that tax evasion is more likely to be perceived as justified in Southeast European states compared to the EU average.

Our sectoral analysis shows that informal practices are even more widely accepted among entrepreneurs than among the general public. Many entrepreneurs hesitate to declare all of their employees, keeping them off official records and within the informal economy. It is also common for them to underreport total revenues and occasionally use "envelope wages" to reduce costs. These informal practices have significant implications for business development and competitiveness. Overall, our research indicates that approximately 30% of households in the region rely on activity in the informal economy to supplement their income, highlighting the prevalence of informality in this part of Europe.

Heavy reliance on activity in the informal economy suggests that informality responds to needs, and that these needs in turn derive from failures in the formal system. This would suggest that participants in informal economic activity are vulnerable in at least two respects: they stand to suffer from repressive action that could be taken to minimise informality, and they risk deprivation in the event that activities on which they depend are suppressed. It therefore seems sensible to suggest that policies targeting the informal economy in the SEE region should adopt a holistic approach—preventive, forward-looking, and systematic—rather than relying on restrictive strategies, which is currently the dominant approach taken by governments and the European Union. This approach would rely principally on improvements in the delivery of public goods and services by state institutions as a means to enhance the tax morale of both citizens and entrepreneurs. Reforms are needed by the government to improve its accessibility, eliminate its need for informal mediators, and incorporate practices from the informal sector that offer the promise of success in addressing structural problems. Integration of the practices that work would encourage greater formalisation of the informal economy, in contrast with the traditional "fight against the informal economy," which tends to be punitive towards participants.

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5. Networks of trust and control in a world of the powerless

Chapter coordinators: Nemanja Krstić and Marija Stefanović

Abstract: The interplay between formal and informal practices is evident in everyday life, where institutions and laws can legitimise informal practices, yet these same practices often bypass formal structures to achieve goals. This study examines how formal and informal spheres form a continuum, ranging from solidarity to control. Based on 104 interviews conducted across Southeast Europe, our findings show that informal practices transition from altruistic solidarity networks to control networks driven by interest. Over the course of this transition, the sanctions imposed on those failing to abide by the network's unwritten rules evolve from moral and internalised to external and severe, while expectations of reciprocity grow. Ultimately, informal practices both bridge and deepen societal divisions, reflecting ongoing struggles and new solidarities.

Keywords: solidarity, informal networks, informal practices, formal rules, motivation, Southeast Europe

The ambivalence of informality: Maintaining unity and/or exploiting resources

Informality is often discussed in the literature as a set of practices that enable individuals to achieve goals and meet needs in ways that are not formally recognised but are socially accepted in the context of economic activities, political institutions, social networks, and the culture of solidarity (Ledeneva et al. 2018; Misztal 1999). Informal practices reveal the complex,

dynamic, and interactive character of relationships between formal and informal frameworks. Formal systems (regulations, laws, institutions) can legitimise and facilitate informal practices, while informal practices utilise formal structures to overcome obstacles imposed by formal systems. In this way, informal practices can allow societies to bypass the rigidity of formal rules and help individuals achieve their objectives more effectively, especially in situations where formal systems fail (Ledeneva et al. 2018) or in societies with weak formal frameworks (Helmke and Levitsky 2004; North 1990). In these cases, informal networks temporarily fulfil a social role not met by formal institutions. However, when informal practices undermine formal rules, they can lead to abuse and inequalities, and they can enter into conflicting relationships with formal structures. The variety of possible outcomes of this interaction can be observed in the context of the complexity of everyday life, including basic social exchanges among family members as well as exchanges mediated by broader social systems and networks, such as political parties, healthcare and educational institutions, and agencies of public administration.

A network of services and reciprocal relationships, including informal social support networks, can be crucial in the everyday life of individuals, as they develop and maintain interpersonal trust (Mistztal 1999) and help people to cope with uncertain and unstable social circumstances and conditions when power structures work against them (Scott 1985; Round and Williams 2010; Polese et al. 2018). At the same time, actors in the field of everyday life often manipulate formal rules, developing various tactics and strategies to achieve personal gain (Hanson 2018; Cvetičanin et al. 2014). Some informal practices, such as gift-giving or using personal connections, can easily encourage corruption and undermine formal systems.

From solidarity and trust to control: Exchanges in informal networks and the principle of reciprocity

In contrast to the theory of the "network society" (Castells 2000), which defines networks exclusively in the context of globalisation and the development of information technologies, Ledeneva (2004, 2016, 2018) offers an interpretation of informal networks in the context of the "economy of favours," the perspective from which we address the concept of informal networks. According to Ledeneva, informal networks are personalised and based on existing social contacts, mainly exploiting state resources and scavenging public assets, and guided by unwritten

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rules that are outside the law. Informal networks are based on reciprocity and mutual obligations but also create an ambivalent relationship with the socioeconomic order.

Exchanges in informal relationships and practices include both the sharing of private resources (personal gifts, assistance, and services—money, time, effort) and the redistribution of public benefits, where access to public resources and services is restricted, resulting in the perpetuation and deepening of inequalities (Ledeneva 2016). These exchanges can be based on solidarity and trust, as well as a sense of belonging to a particular community or group (e.g., helping neighbours, giving gifts, or providing services as a token of gratitude or as a symbol of solidarity and belonging), which do not necessarily imply reciprocity in exchange. But exchanges can also be interest-based (e.g., informal forms of employment or mutual help in acquiring resources) in situations where actors anticipate that providing a service might bring them benefits in the future ("favours as investment"). Finally, exchanges can be based on power, involving maintaining connections with influential individuals or groups to gain services and other benefits (Ledeneva 2018). However, from the perspective of Bourdieu (1990), even practices based on solidarity and so-called "services as gifts" imply reciprocity and are almost always tools for maintaining power and influence.

Ambivalence also appears in these exchanges. Informal exchange can be activated or suspended in an informal interaction by invoking a formal rule, and whether the formal rule applies often depends on whether the offer of exchange comes from an insider (one of "us") or an outsider. The situation becomes more complex when it involves differences of power. For instance, if an exchange involves expecting a favour in return for something formally guaranteed to a social actor, it falls within the informal sphere. In other words, if the client does not return a favour, the patron has access to a whole set of formal measures to sanction disobedience. These practices are particularly evident in clientelist relationships between political parties and citizens, which are based on power and control and are used by political parties to ensure their dominance over social agents (Cvetičanin, Bliznakovski, and Krstić 2023).

Informal practices contain another ambivalence particularly relevant to post-communist societies—they can be mechanisms of societal capture (Pavlović 2006; Hoffmann et al. 2017; Blagovčanin 2024), but they can also function as subversive mechanisms (Ledeneva 1998; Lauth 2000; Williams et al. 2013; Steenberg 2016). During the initial period of transition from socialist to market economies in Southeast Europe in the 1990s,

informal practices predominantly reproduced privileges, undermined competitiveness, and worked almost exclusively for insiders, ultimately preventing social transformation (Ledeneva 2013; Šimić Banović 2018; Cvetičanin et al. 2023). But by the same measure, informal practices sometimes reduced social inequalities in this period by redistributing resources and goods through channels closed to many social actors. When it functioned as resistance and a means to get things done through solidarity networks without introducing restrictions on social mobility or access to relevant resources, informal practices moved to the micro-level of social life. In that sense, while informality could offer a myriad of private solutions to momentary problems, it could not offer a systemic alternative.

Although the boundary between solidarity and control is porous, and networks based on solidarity and trust can easily turn into networks of control, significant portions of services and resources exchanged within family, kin, or circles of friends do not establish hierarchies or subordination, or have consequences that can block the institutional development of society (Hosking 2004; Round and Williams 2010; Ledeneva et al. 2018; Krstić et al. 2020).

Since our analysis concentrates on informal practices in everyday life in six societies in Southeast Europe, it is important to note that these practices are both locally determined and universally present. Empirical evidence shows that informal practices must always be interpreted considering their local meanings but also that their universality lies in their presence in all social contexts as a way of getting things done. The aspect of universality is particularly important in this study, as the research and analyses relate to six different societies. Therefore, considering the shared state and institutional history of the five countries that were part of the Yugoslav Federation, as well as the consistencies of political context in all of them, the research aims to respect the diversity of local characteristics while also identifying the general characteristics of informal practices and the role they play in the everyday life of citizens in these countries.

Methodology

This chapter's sample includes follow-up interviews with respondents from the survey conducted within the INFORM project and with "insiders" (people well acquainted with informal practices in particular fields) from six countries. The countries included in the sample are Albania, Bosnia and

Herzegovina, Croatia, Kosovo, Montenegro, and Serbia. In five countries, interviews were conducted with both survey respondents and "insiders." In Croatia, only interviews with insiders were conducted. A total of 164 interviews were carried out, including 102 interviews with survey respondents and 62 interviews with "insiders."

Figure 5.1. Interviews conducted by country and type

Country	Albania	B&H	Croatia	Kosovo	Montenegro	Serbia
Survey respondents	18	20	/	20	20	24
Insiders	16	15	11	14	6	13

The survey respondents were selected using SPAD 9.1. The aim was to ensure that interviews would be conducted with respondents from different social classes who occupy different positions in social space. While conducting the survey, respondents were asked whether they would consent to be contacted by our researchers for interviews six months after the completion of the survey. The respondents who gave consent provided their telephone number and e-mail address. In the interview phase, in each of the countries in the sample, 60 respondents were identified among those who had consented to follow-up interviews, and interviews were conducted with around 20 of these in each of the five countries. The sample also includes interviews with "insiders" (people who are well acquainted with informal practices in particular fields), who were identified either based on the researchers' personal knowledge or having been named by other interview respondents.

The analysis of interviews had three phases. In the first phase, the researchers identified the main themes related to everyday informal practices that emerged in the conversations. In the second phase, only those themes that appeared in all or most countries were selected—based on similarities in the logic of mechanisms or motives of informality practices. Thus the search was not for identical practices, but rather for similar patterns driving informal practices. The third phase involved interpreting the themes that form a complex whole in which the interaction between informal and formal practices is presented from both structural and actor perspectives.

All interviews are available in the repository (https://ukdataservice. ac.uk/), so verification of the data is possible. More importantly, detailed descriptions of everyday informal practices can be read in the full interview material.

Continuum of networks based on solidarity and trust and networks of control

The analysis of interviews with citizens of Albania, Montenegro, Bosnia and Herzegovina, Kosovo, Serbia, and Croatia reveals a range of mechanisms of informality that impact everyday life. Everyday informal practices are embedded within networks that create a seamless continuum. Within this continuum, we observe the following characteristics:

(a) The zero point on the continuum line is determined by the highest level of solidarity and trust and the absence of control, while the endpoint is characterised by the highest level of control and the absence of solidarity.

(b) At the zero point of the continuum, sanctions are internalised, predominantly moral, and take milder forms, while moving through the continuum to the endpoint, they become increasingly externalised and severe, and the expectations for reciprocal service increase.

(c) In line with sanctions, networks based more on solidarity and trust allow greater freedom of participation, while in control networks, the freedom to participate in informal practices is lower.

(d) The point at which solidarity and trust networks turn into control networks is when barriers are established for other actors to access resources through formal channels; the key to changing the characteristics of a network in this continuum is the type and value of the resource being exchanged as well as the level of power held by network actors, stemming from their occupation of relevant systemic positions.

(e) At the point where solidarity and trust networks turn into control networks, actors begin to manage both formal and informal practices consciously and tactically.

(f) Motives for engaging in informal networks follow the continuum: at the zero point of the line, altruism dominates, while moving through the continuum, particularistic interests and power increase.

(g) In both solidarity and trust networks and control networks, actors engage in mechanical adaptation—"this is how things are done here."

The continuum of informal practices contains a line where there is an inverse proportion between the scope of solidarity and control. A decline in solidarity accompanies an increase in control, and vice versa. The continuum includes a transitional point that marks the segment of informal practices where networks of solidarity and trust definitively shift into networks of

Figure 5.2. Continuum of solidarity and trust networks and control networks
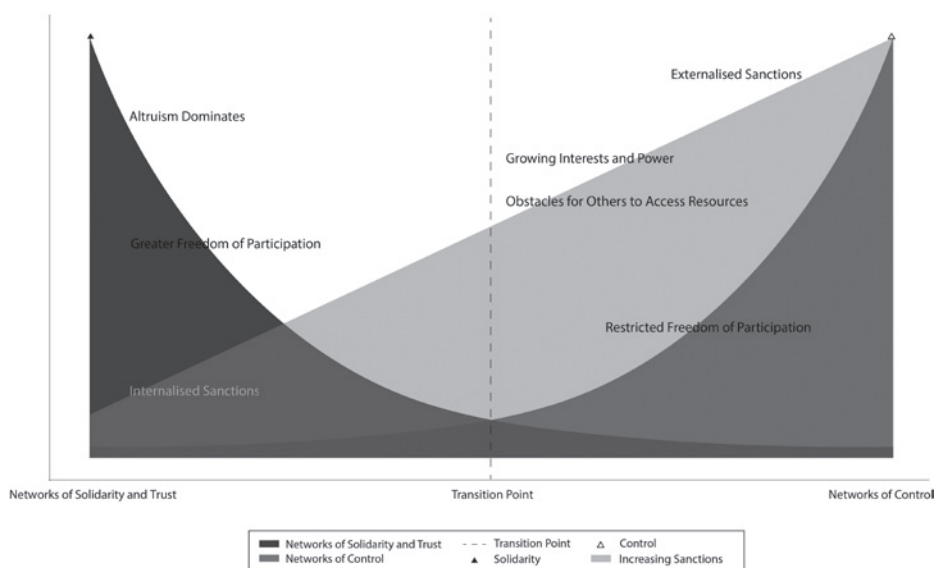
control. This transition is characterised by two additional elements. The first is the presence or absence of social barriers for members outside the network, and the second relates to the motives of actors who participate in or witness various informal practices or networks. Sanctions correspond with the poles of the continuum, as practices of solidarity and trust inherently involve internalised sanctions, while practices of control are accompanied by external sanctions.

Mechanisms of informality in everyday life

Within networks of solidarity and trust, the dominant form of exchange involves the sharing of personal resources, such as the physical strength of younger people helping older individuals, and care as a source of security and understanding. In addition to these, financial resources are also exchanged, specifically small sums of money that compensate for a lack of resources among close individuals. For example, existential security is provided to those in need, or the educational costs or daily living expenses of younger members of extended families are covered. The third type of resources exchanged in this network includes material resources, such as basic life necessities and housing. These networks are most often formed

by social circles of close relatives, friends, or neighbours, and they do not generate capital that could create social privileges or produce systemic barriers for other actors in the distribution of relevant social resources. Since these relationships are fundamentally based on mutual assistance and understanding, this part of the continuum is marked by solidarity and trust.

Solidarity and trust networks, therefore, involve complex transfers of services and assets to compensate for what network actors lack. Some of these transfers are directed toward caring for younger household members, enabling the middle generation to work in the formal labour sector. Monetary transfers also appear here, moving in both directions—either the older generation covers the costs of education or daily expenses for the youngest (grandchildren), or the middle generation assists older parents.

> **Interviewee:** Yes, yes, in (larger city). My daughter-in-law also works; she graduated from the pedagogical academy. She works in primary education, basic adult education, for those who haven't completed primary school. My grandson has started school, so I'm mostly with him, now I'm in first grade, learning again… The child is always with me, which means my daughter-in-law works only in the afternoons, and the child is always with me before and after noon, but in the afternoons, he's always with me from two to eight.
> **Interviewer:** So, I want to ask you, how did you manage to take care of your son by yourself, who helped you?
> **Interviewee:** I took care of my son by myself and opened every door by myself. But I had my mom and dad who helped me with him, which meant I went to work without worrying whether he was hungry, fed, warm, or cold; I went to work without worrying about it. They helped me a lot.
> **Interviewer:** And can you imagine doing it all by yourself, with your salary, and your obligations, all on your own…
> **Interviewee:** Yes, yes. I can imagine, I can imagine, but it would have been really, really hard. It would have been suffering for both me and the child. Now, with my pension, 20,000, without my mom, I wouldn't be able to live, I wouldn't be able to live, I would have to do something extra. (Srb_14, survey respondent)

> For example, if I fall into a financial situation, let's say, for example, I go over a limit at the bank, and by the eighth of the month, I need to settle 800 marks by the twentieth. When my son was enrolling in university, I

needed close to a thousand marks for his enrolment; even though we are a martyr's family (*šehidska porodica*), it was still charged. They say it is free for martyrs' families, but it's not. Maybe it depends on the university, but I'm not sure. A few people in the neighbourhood specifically helped me out, and they know I will return that money. It's something mutual; we respect each other, we trust each other. I can rely on them. Or, for that same bank, I need to pay off the limit by the twentieth, I would borrow, and someone could wait for me. I mean, no one has ever waited for me, but it weighs on me and worries me, and I look to settle it as soon as possible. If I said one month, I will try to do it in five days, to respect those people. Because they are in a similar situation as I am, and they are the ones who help out far sooner than someone who is wealthier; such people I don't even ask. (BiH_03, survey respondent)

Another important point in the continuum is found when networks of solidarity and trust become a barrier preventing other actors from occupying certain formally defined social positions. These cases involve using friendly and family networks to ensure access to specific resources or positions while bypassing formal pathways to get to them. At this point, solidarity practices overlap with control practices. Practices of this type do involve a sporadic level of control, and while they do not produce systemic inequality, they definitely bypass established formal frameworks and introduce parallel mechanisms through which particular interests are realised. The best examples of these smaller networks of solidarity and trust, or networks with limited control, are those in which actors use connections to secure access to jobs. These are cases where parents use networks of friends or family to employ their children:

My godfather, who was the school principal, came to me with the school principal where I got employment... He came and asked if I wanted to work at that school. I said, "Of course." He said, "Write down your data and give me the paper right away." That school principal told me, "Well, if you want, you can come to work tomorrow," because the colleague whose job I took had retired. And there was no one in the employment bureau. There was only one woman who had already fled from Bosnia at that time but hadn't finished her studies and hadn't graduated. (Srb_01, survey respondent)

This segment of the continuum, representing the phase between solidarity and control, also includes informal practices in which social actors use

acquaintances to secure access to services that should by law or regulation be unselectively available to everyone but in reality are not.

> My brother-in-law was then the head of emergency medical services. Now, he works in an ambulance but is no longer the head. I had connections; I had everything, but I believe if I didn't have those connections, I might have died. Because they wanted to send me home, and only when I mentioned whose brother-in-law I was, they accepted me, not admitted me, they gave me an injection and said go home. My pain did not subside, and I called on him to get me to Urgent Care to have my tests done, leukocytes and all. (MNE_08, survey respondent)
> In state health institutions, it is impossible to secure the required health treatment without knowing someone and without having the financial means. (KOS_15, survey respondent)

When a network of trust definitively transitions into a network of lower-level control, mechanisms of social closure become more complex and barriers for other actors to access resources and positions through formal procedures and rules become more strict.

Nepotism as a model of employment can serve as an illustration. This informal practice favours relatives in employment, which prevents the application of objective criteria in selecting candidates. In doing so, social barriers are introduced, and ultimately, the quality of services provided declines. According to statements obtained in interviews, this type of informal practice is visibly present in the public sector, particularly in health care, local and state government and administration, the judiciary, police, and educational institutions.

The following example relates to nepotism at a medical faculty, which results in favouring relatives in their studies and later in employment. The outcome of the nepotistic network is a group of doctors with questionable competency, while graduates with exceptional success cannot secure employment in the field because they do not belong to the nepotistic circle.

> **Interviewer:** So, why are there people there who lack knowledge? I mean, how do they get there?
> **Interviewee:** From the faculty. They come from the faculty, receiving grades they did not deserve. That's ... I graduated a long time ago, and even then, it was happening, but now it is more common. Do you think it's normal for every ... I don't know ... every tenth, every twentieth, to have an average grade of ten? [*the highest mark*] It's not normal. Back in my time, it was

memorable; there were 270 of us enrolling in the year, and five generations after that someone had an average of ten. Now it's more than frequent.

Interviewer: Who most often has an average of ten?

Interviewee: Children of doctors, children of professors, children of influential people... It's no secret.

Interviewer: It's no secret, Medical Faculty most of all...

Interviewee: Yes. And now, some of them, again, to be fair... I have encountered both—the ones who truly earned their high average and those who had it handed to them. There are children of professors and doctors who truly deserved it and are really good. And then there are those...

Interviewer: And have they all gotten jobs? Do you know of any professor who failed to employ their child?

Interviewee: I don't know. I don't know... Now that I think about it, I don't know... Although, there are situations here. Now, the daughter of a professor, she graduated with an average of ten, she's been with us for five years and still doesn't have a permanent job.

Interviewer: Okay, so ... out of over a hundred, if that's how many enrol, there might be three professors' children?

Interviewee: No, there are many more!

Interviewer: There are many more?

Interviewee: Many more.

Interviewer: About 20?

Interviewee: Many more of both doctors' and professors' children. (Srb_27, insider)

The third point in the continuum represents control networks whose actors hold high social positions, primarily in politics, and through whom the capture of entire spheres of everyday life is achieved. The selective management of state resources and the distribution of large financial transfers and services through political and party-centred networks entrench social privileges and generate discrimination and inequality. The network through which things get done, perceived by study participants as being both dominant and also detrimental to the functioning of the state and society, is political clientelism. It appears as an intermediary mechanism in many spheres of everyday life.

The first sphere is employment through party affiliation. A large number of interviewees, especially in Serbia, Bosnia and Herzegovina, Kosovo, and Albania, said that today it is almost impossible to find a job in the public sector without showing loyalty to a party, both through membership and promoting the party in social circles. There are established models

for confirming whether people are exercising influence in the interest of their political party in their social circles. Showing loyalty to the ruling party during elections and pre-election campaigns is the most important reciprocal service provided by citizens who get employment through party channels. In some cases, there is also financial compensation, either a one-time payment or continuous payment of "tax" to employers or superiors in the party hierarchy.

> The process of appointing school principals is very important. It is important because schools... The Ministry of Education itself pulls in the largest amount of money in a canton. It is very important for every party who will be the Minister of Education—it is important that the minister is from their party. When the Minister of Education is from their party, often during their term, school principals from that party are appointed. And through that process, each principal again tries to appoint as many teachers and non-teaching staff members in schools who are also members of that party. Everything is connected. ... And because of that, it is possible to arrange, bring in, take away, wherever there is a vacancy. This concerns positions where someone is not employed permanently. Unfortunately, if someone is employed and doesn't have a full workload, and a full workload is between 17 and 21 hours per week, depending on what they teach, a person can be employed temporarily indefinitely. For example, if a school has 20 or 30 hours of mathematics, one person has 21 hours and is employed permanently, and another person works nine hours and is employed temporarily. That person every year, or rather for that position, every year the competition is opened again, and the teacher is chosen again. It could be the same one from that party or a different one. This is how manipulation takes place. (BiH_03, insider)
>
> Only through connections. My friend owns a boutique, and I'll go to her; and she will, independent of the municipality president, say, "OK, (name), I'll hire you, you'll work." But, in any state-owned, I mean "state-owned"—it is all sold anyway. What do we have that is state-owned? Many of them have fallen under the influence of our current government. Then, they will not even hire a worker until the municipality president approves it so that he looks good to the people. All existing private individuals almost flatter him, so they say, "Hey, I won't hire anyone, put one of your people in there to work so you look good."

Interviewer: And nobody checks that? So everyone works illegally and it's just normal?

> **Interviewee:** Most people work illegally. Most of those who have backing from the municipality president don't answer to the tax authority; they don't answer to this one, and they don't answer to that one. But those who do not have such backing are always under scrutiny. They are constantly being shut down—the tax authority comes, the inspection comes, someone else comes—because someone has to be punished. In all of this, someone has to be punished, which is normal. You can't just come to the town and not punish anyone. (Srb_04, survey respondent)

The second area where informal practices through party lines create social barriers is in the organisation of business activities. Instead of quality criteria in performing work and competencies, clientelistic closed circles are established where exchanges are only made among insiders while outsiders are excluded. Participants criticised this practice as unfair and unproductive.

> Well, in [a small town], two people have the most trucks, excavators, and the like, and they take all the work. You cannot compete against them, and you cannot work for them. I don't know how they negotiate with each other; I think they don't collaborate, but they take all the big jobs. (SRB_20, survey respondent)
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> For me, using your connections to get something you have earned is okay. If you deserve it, it's fine. And if someone calls me and says they have a cousin who is one of Belgrade's ten best students in media studies, I'd be glad to send them here. But if they say, "I have a cousin who didn't finish high school, but he's a good guy. It's important to help him." I'd say, "Okay, but I don't think he'll contribute to this media outlet. I can't take someone just to carry them as baggage on my shoulders." It's not about connections—it exists in every community, and it's normal. But it becomes bad when this is the only criterion for selection. It becomes a major issue. We've had this situation for over 25 years, and because of that kind of decision-making, we've become a poor society. You don't hear that approach when you look back and hear stories from my father and other older people. They had connections, but they also had qualifications, and former Yugoslavia was one of the greatest and most powerful states in all of Europe. Not just the Balkans but the entire Balkans. They had standards like nowhere else... (MNE_24, insider)

The third area of everyday life blocked by political clientelism is access to public services such as health care, infrastructure (water supply, electrification, roads), administration, police protection, or achieving justice through the judiciary. In all of these areas, respondents stated that systemic discrimination exists and that the principles of equal access to health services, the right to "normal living conditions," and the principles of administrative objectivity and non-selectivity are absolutely violated.

> **Interviewer**: If, for example, you had a personal dispute unrelated to the state, would you have confidence that the judiciary would do its job properly?
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> **Interviewee**: No, it wouldn't, because it depends on the process—whether it's related to contractual obligations, whether I've been cheated on a contract with someone. Specifically, let me give you an example. There's an issue here with the power plant. The power plant provides us with district heating. Then, some people, party members, allowed... According to the law, the Criminal Code of the Republic of Serbia, there's an article that says if you damage the public system, including district heating, sewage, or water supply, the penalty is six months to five years. A group of my neighbours illegally connected to the public heating system, and everyone knew about it. Then, they all switched from the previous party, the so-called former regime, to the current ruling party to protect their illegally obtained interests.
>
> **Interviewer**: How could they legalise it?
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> **Interviewee**: Look, the plant manager heads one part (state company). It's officially listed in their nomenclature. The manager didn't protect the property of the state company. That property, the heating I pay for, belongs to all citizens of Serbia. Everyone is the owner of that state company. This is, among other things, abuse. They made an illegal connection. Moreover, a supplementary project must be created whenever changes are made, like in district heating systems. This is a basic requirement. Whether it's for a building or district heating, there must be a supplementary project. Everything was done without a project. (Srb_11, survey respondent)

In these areas of life, political clientelism as an informal practice is accompanied by numerous other informal corrupt practices that also prevent citizens from exercising their rights. These involve doctors, judges, professors, police, and administrative personnel using their positions to generate illegal income or to direct citizens to personal private practices for services they should be providing in state institutions.

When I applied for a permanent teaching position, according to the procedure, my file would be evaluated using a point system. My resume was richer than that of the other applicants, but she had two more years of experience. However, I was convinced that I would score higher based on some of the experience in my file. However, the process was not transparent, and the commission decided to hire another applicant. I then had to use my connections to see whether the evaluation process was fair. It turned out it wasn't—they had only considered the years of experience, ignoring other formal criteria. The evaluation was repeated, and I got the position. I had to rely on my informal network to get the justice that was formally mine. The person who intervened was someone for whom I had previously done a favour. But there are many people I know who pay to get justice. (Alb_24, Insider)

Analysis of the research material suggests the complexity of informal networks that permeate social and economic relationships in Southeast European societies. These exclusive networks, ranging from solidarity to control, reflect a social context in which individuals rely on informal channels to ensure both security and privileges within a framework of limited formal opportunities.

Motives for engaging in informal spheres

In the second part of our analysis, we attempted to identify and interpret the main motives that study participants identify for participating in informal practices. Considering motives along the continuum of informal mechanisms, the spectrum of ways in which actors adapt clearly follow the dividing line between practices of solidarity and trust, characterised by almost uncritical acceptance, and practices of control, where complex motives and multiple principles and tactics accompany adaptations.

In informal relationships based more on trust and solidarity among actors, we can distinguish (1) *an altruistic motive* (the desire to help someone, "to do them a favour") without anticipating any personal benefit (e.g., friends and neighbours helping with household chores or family care, as well as small financial loans) and (2) *a "habit" motive* or *mechanical adaptation* (unquestioning compliance with established informal rules). The latter follows the belief that "this is how things are done here" while not in conflict with formal rules (e.g., the practice of informally seeking information about formal procedures from acquaintances working in the public sector or

forming a closer relationship with a doctor, communicating informally about healthcare services, or seeking advice).

Participants affirmatively rationalised both motives through the prism of informal practices as an integral part of the culture and tradition of the region and community, thus making this behaviour authentic. Participants from all six countries referred to unwritten rules that regulate their everyday lives and reflect and support the values of the community, such as solidarity or respect for other community members.

> **Interviewee:** I had two births, and for both, I gave the doctors a bottle. It was just a gesture of thanks for the happy news and good luck, as per custom. When my mother had surgery, I didn't give anything. I didn't give anything.
> **Interviewer:** And how did you decide what to give, for example?
> **Interviewee:** Tradition. It was just tradition. (MNE_06, survey respondent)

Although informal networks based on solidarity and trust do not have explicit or strictly defined sanctions for ignoring informal rules, conversations with participants suggest that expectations to follow these unwritten rules are high, and "punishment" for noncompliance may come in the form of resentment or disapproval. For example, it is expected that an acquaintance or friend who works in a public institution will "do a favour" for certain services: providing information, expediting or facilitating some processes to obtain services, and so on. These statements are often accompanied by laughter.

> I took it upon myself because I wanted to give Dr. [last name] a small, really laughable token, and he said, "No, no, this is what I'm supposed to do." But I said, "Okay, this isn't bribery or corruption; it's just a big thank you for helping my child, a girl, for the future." It was significant what he did, for her and for me. (BiH_01, survey respondent)
> Well, I do use, I admit, some informal ways [laughter] because of the situation. My mother is very ill, and the doctor—this isn't against the rules—knows the situation because my mother had a stroke and is bedridden, and I work and have three children. To save time, I have the freedom to send him an SMS, and he immediately answers and schedules an appointment with a specialist if needed, and he gives me prescriptions based on reports. I really do bring reports every six months, but he gives prescriptions based on the reports and leaves them with the nurse, just to save us some time. This isn't against the

rules, and I go and pick them up, just to save time. (MNE_02, survey respondent)

Some interventions and acquaintances are necessary.

Interviewer: Are they necessary, or do people just use them?

Interviewee: Mostly, they're not necessary, but it seems like it's become a habit—like you must call someone to get it done faster. Sometimes, when I do something without intervening, people tell me, "You should have called someone; you would have finished faster, and it would have been cheaper." I'm not an advocate for it, though. The only time it happens is when I arrive somewhere, and the clerk knows me, and they ask what I need, and so on. ... Last year, my father was in the hospital, and everyone told him, "Go see the doctor and give him money"—I've always been against that. I know the doctor, and he wouldn't take money, but the pressure and influence of relatives made me go, and then I was surprised that the doctor accepted the money. And then the nurses around him, too. But I think it's more of a habit for people than it's really necessary to do it... (BiH_09, survey respondent)

Seemingly benign informal patterns and practices, which are perceived as an integral part of the culture and behaviour that do not conflict with the formal (legal) order or undermine it, in some cases cross the boundary into seeking preferential treatment. An illustrative example of this continuum of perception is the widespread practice of giving a small gift (chocolate, flowers, coffee) to an official (a doctor, municipal employee, etc.) as a gesture of gratitude for professional services or using personal acquaintances and informal agreements with officials to bypass formal rules or expedite certain processes. Statements describing these, too, are often accompanied by laughter.

Oh, I think 90% of people in Montenegro are the same way. Even when we don't need a connection, we like to show that we have friends. That's what it is. Although, my child is also a healthcare worker in Belgrade. But all those who did their specialisations went up there, so she knew most of them, and if we needed anything, she would call one of those colleagues and get it done. I also managed some things through my former job, but mostly, everything got done. [*laughter*] (MNE_17, survey respondent)

It's nothing unusual—everyone has a butcher or a doctor where they'll get in ahead of others or something similar. But it's always that question of whether these small benefits and that little feeling of satisfaction,

of victory [*laughter*] when we get a free theatre ticket or cut in line somewhere. Whether we're paying for it with a bigger consequence that we don't like as much because, in most cases, we're the ones watching others cut in line, not getting free tickets to the theatre that cost 50, 60, or 100 kunas, but for bigger things. ... Now, it's not really the point—what's important is that healthcare is not denied to someone in need, that some fundamental rules are set in place, but the details and the aesthetic impressions—I'm afraid we won't solve that for a long time, at this level of development. (CRO_05, survey respondent)

When actors consciously and tactically manage formal and informal practices, they transition from the domain of trust to the domain of control, and their motivation also changes. In control networks, particularistic interests emerge, such as 1) *gaining or (more easily) achieving some benefit or right, ensuring the quality of service, or maintaining and demonstrating authority, power, and control over resources.* The motivation for relying on such networks is also 2) *distrust in formal institutions.* In this sense, the tactical approach is rationalised among participants as "getting by" in a failing, dysfunctional, and unjust system and as a way to mitigate the consequences of the system's dysfunction (Polese et al. 2018). In other words, *the tactical orientation is based on the rationale that, in an unfair system, it is legitimate to use illegitimate means.* Moreover, some participants believe that it is inevitable to act tactically and manipulate both the formal and informal arsenal "because the system itself forces you to." In this way, mechanical adaptation and habitual adoption of informal patterns also occur at this point in the continuum. However, unlike networks of solidarity and trust where informal practices are perceived affirmatively, this aspect of the informal zone is seen as a "necessary evil"—something that is not approved of but is unavoidable.

Of course, you know that it shouldn't be that way and that there should be some commission, or state authority, or whatever, that you can complain to, and that would punish this, and it wouldn't happen again. However, since that doesn't exist, you simply reconcile with these situations and don't think about them. You accept them, and that's just the way it is. (MNE_06, survey respondent)
Well, yes, I tried talking to the inspector who gave me the fine, who stopped my vehicle. I tried to tell him that I wanted to have that license, but even the notary advised me that it would be hard and that getting that license wouldn't be easy. Despite that, I tried to negotiate with the

inspector, telling him that I would apply again, expand my business, amend the statute, submit everything to the court, do everything I could to get that license, and specifically not get the fine. Because that fine would financially destroy me. (BiH_01, insider)

Unlike networks based on solidarity and trust, *relationships aimed at control carry a greater risk of consequences for the formal order*, as they can also involve abuses (e.g., of public resources or official positions), the attainment of illegal advantages (in tenders, employment, etc.), and corruption, and as such, they can perpetuate and deepen social inequalities.

Another distinction between networks of solidarity and trust and networks of control is that *networks of control have a clearer and more pronounced system of rewards and punishments for (non)compliance with informal codes and rules*. For example, entering into a clientelistic relationship with a political party implies an exchange of services, money, information, and jobs for political support (such as votes and participation in party promotional activities). But if the exchange or "deal" is not fully completed, the patron can sanction the client, often by abusing formal means (for example, termination of employment, preventing professional advancement, or reducing salary).

You go to the Republic of Srpska, and if the radar doesn't catch you and you get through, they're like, "Sir, you know this and that." I know it, damn it, so you tell him a story, and it's fine. But as soon as you enter the Federation, just behind the sign where it says "Federation," right behind the first bush, there's a guy with a baton, just like a ninja, and until you give him something, he won't let up. These are our police, a bunch of thieves. ... When it's their payday, and they have a loan instalment due, and when they stop you, they ask, "What are we going to do?" I say, "Write it down, I'm not giving you 20 marks; write 100, and I'll pay half." But they immediately ask what we'll do. And that's how they pay off their loan instalments—it's normal for them, a 100,000 mark loan is nothing when they pay it off in a day. (BiH_19, survey respondent)

I just recently had a case where my wife's aunt was in the hospital, and it was almost like they didn't notice her. And when her uncle gave money, I don't know how much, to the doctor and to someone else there, suddenly the next day she was boasting about the service she received—they asked what she needed, held her in high regard. (BiH_09, survey respondent)

Examples of actors resisting "playing" by informal schemes demonstrate that those who refuse to "play" anticipate that they will be deprived of resources

and services or even stripped of some formal rights. Such are examples in which actors expect that they will not find a job unless they resort to party employment, viewing it as the "price" of their nonconformity:

> That is something that bothers me. When I lost my husband, their father—at that time, they were 7 and 9 years old. It was my goal; I set a high goal for myself, but thank God, on the one hand, I succeeded, but on the other hand, what? I said, with God's help, they will get a university education. The older one is almost finished, but what happens tomorrow in this country? I'm not in any political party. So automatically, my child won't get a job. (BiH_01, survey respondent)

The critical attitude toward control networks, in some cases, stems from the incompatibility between the values and the way of life that respondents have and advocate and the values emerging from control practices in formal and informal parts of social life. Consequently, some narratives contain resistance to control societies and the advocacy of alternative principles which, in their view, are closer to certain notions of democracy, competence, and justice.

> I'm surprised, but then I see that people simply resort to it, and for them, there's no more questioning "do I want to or not," it's just "I have to." Who cares what I think? Because you need to ensure the existence of yourself, your family, etc. All other values—does it matter whether I like this or that person, or this political option or that one. It's not right, and it leads to many negative things, many. ... Various options are invented to employ their people—whether they are founding different agencies or inventing something, I don't know what. ... Public enterprises are transformed, or something is done to create space for that. And when you look at it, everything is legally fine, and there's no complaint about it. But the result is what it is. ... But then these completely incompetent people, party cadres, who conduct economic policy—specifically (state company)—are mixed in with the expert staff, and it is unacceptable that they do those things. ... In some way, in my opinion, we are currently living in some latent fascism because they believe they have more right to life simply because they have some party membership card there. We don't want to belong to it. And they are drawing from public resources that belong to all of us, all citizens of Serbia. (SRB_11, survey respondent)

However, formal and informal networks of solidarity and trust are not exclusively in conflict with control networks. Rather, it is a complex

Figure 5.3. Tactics of informal networking
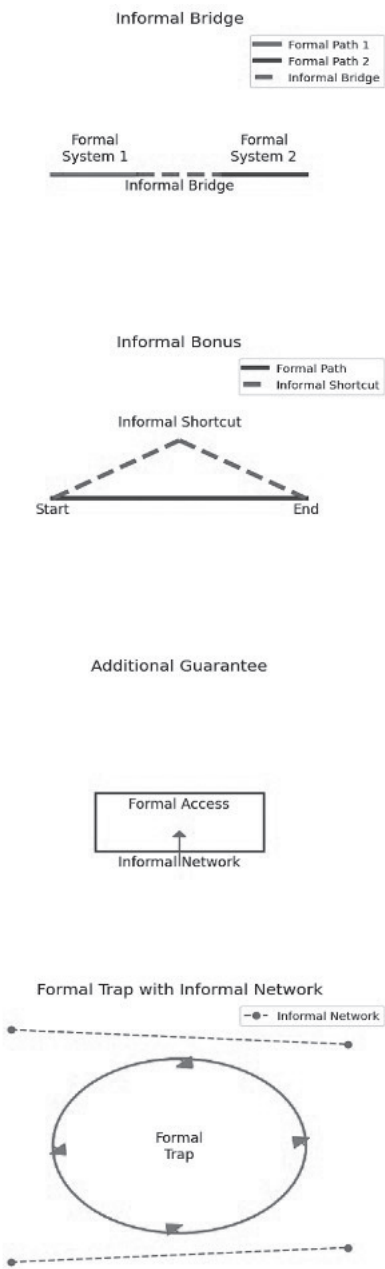
relationship where the formal and informal can be complementary or can act as substitutes for each other. The complexity and dynamism of this relationship is reflected in the variety of tactics used by actors. Four groups of tactics are particularly noticeable:

– **"Informal bridge"**: when actors use informal practices to overcome shortcomings or inconsistencies in formal procedures (e.g., they cannot exercise some right because the formal regulations are contradictory or not consistently applied).

– **"Informal bonus"**: a tactic where informal connections provide an extra advantage that is not formally guaranteed but is not against the rules. It acts as a shortcut, where the informal network speeds up or enhances access to formal resources.

– **"Additional guarantee"**: refers to using informal networks as an added assurance for something that is already formally accessible. People rely on informal connections to make sure the formal process goes smoothly.

– **"Formal trap"**: involves using formal authority or regulations as a mechanism to reinforce informal control, often for maintaining loyalty or ensuring compliance within a network. It can turn formal rules into tools for informal influence (as is often the case with political clientelism—for example, when managers of public institutions use formal sanctions such as salary reduction, reassignment to a lower position, or disciplinary action to reinforce party loyalty and punish disobedience).

The complex and interdependent relationships between the tactics outlined above become apparent when people describe their own motivations for participating in informal arrangements. Their narratives bring together, for example, conditions of need and expectations of benefit.

> But there are already clubs here, like those martial arts clubs, there are two taekwondo clubs in the municipality that receive money both from the city and the municipality. So as an individual, it's really difficult. I managed to get it this summer, too, by writing petitions, going in person, begging, and finding various channels to get to the mayor, so that he could approve a sum of money for him to prepare for the competition in the city. To make his town proud. And he won. (BiH_20, survey respondent) Last year I started receiving child benefits, and now it says that the documents need to be submitted by October 31 to renew it all. However, I can't do it by then because my children are in college. And you know yourself that the confirmations from the college for pensions, healthcare, and

everything else are only received afterward. I went to submit the documents on the 31st, and the lady at the counter—let's call her a clerk—told me that I would only start receiving the benefit again in January. … I am not protected from the state itself, from the system itself—like in this example—it's something normal, how can I go to submit documents to continue receiving child benefits if I can't have all the documents with me, if I don't comply with it?

I have the feeling that it all goes more on a friendship basis; I wouldn't say that something is paid for because those who want to pay go to private institutions, as we have a lot of private clinics, polyclinics, radiology offices, and everything else. Whoever wants to pay goes directly to pay. But when we do each other favours, for example, when someone wants a referral to do an examination in a hospital, they simply seek an acquaintance to speed things up. (CRO_02, insider)

The multidimensionality of the relationship between formal and informal is also reflected in the way that the actors themselves perceive and rationalise their use of informal networks and practices. In interviews, there is a tendency to evaluate some informal practices solely within the framework of formal norms and with respect to formal rules and restrictions. In contrast, others are evaluated in relation to informal rules and limitations. Also, in citizens' perception, formal rules and restrictions do not always adhere to formal standards but are sometimes evaluated according to standards that apply in the informal sphere.

Participants' statements indicate the existence of a symbolic boundary between "acceptable" or "legitimate" formal and informal patterns and practices and the "unacceptable," such as corruption, which most participants view critically. According to this perception, anyone who demands a gift/money as an incentive to provide a service should be subject to formal sanctions. However, if someone voluntarily offers money or any other material gift out of satisfaction with the service, it is not considered bribery, and the gesture is evaluated based on unwritten rules. In other words, participants clearly differentiate between informal exchanges initiated by those in a position of power (such as in the doctor–patient relationship) and those initiated by those who are in a dependent position in need of a resource or service.

The expectation is: I paid, so it will be better for me, I'll have better treatment, a better operation, say, better sutures during the operation. And to somehow justify themselves, they say: "Well, I had to, what can you do, everyone does it," but I don't think it's like that. I think it's more among the

people, that's what I'm saying. You have doctors who have their price list, and you have doctors where patients just stuff them—stuff them with a gift, stuff them with an envelope, stuff them with, I don't know, even just a simple chocolate, expecting something... (BiH_03, survey respondent)

However, in this "informal rulebook," a gradation of legitimacy can also be observed—giving a gift after receiving the service is seen as more "legitimate" than offering a gift (money, services) before the service is rendered. In this regard, participants also expressed a more critical attitude toward political clientelism compared to, for example, nepotism.

I always believe that a person should be rewarded upon completing a job. Whether it's a gift, a drink, a word of thanks, or a recommendation—I consider all of that a nice gesture. But after the job is done. As I just said, in 2010, after my treatment ended, I treated my doctor to a bouquet of flowers because that woman spent weekends with me that she didn't need to. But I didn't do it when I arrived; I did it when I left. I think that's how it should be done if there's a need for such things. (BiH_08, survey respondent)

Violating formal rules or applying them arbitrarily is particularly legitimised in cases when informality is used to help those who are deprived (like the socially vulnerable). The actions of individuals or institutions in this context are viewed solely in relation to the informal code: actions in accordance with formal rules are interpreted as violating informal rules that are "valid" and "more legitimate." For example, it is seen as a gesture of humanity when a doctor or a social worker go outside the protocol or against the law to help those who truly need assistance, even if they formally do not meet the requirements for obtaining such services. An employee of an institution designated to support the socially deprived states that she feels a duty to help people in this way, even when it requires bypassing procedures, and even when there is no explicit request from the recipient to do something outside the formal framework. In this case, the motive of solidarity prevails, as there is no open exchange of services and resources. But the consequences of such practices are similar to those characteristic of control networks: the perpetuation of unequal treatment of citizens in need of such services.

It's not an open "favour" where you pay for a job, but that's usually how it goes, that you "get in," as they say. ... I called him and said, "Can you help me, she's searching through the ads, and I'm terribly scared to let

her go anywhere, out in cafes, bakeries, you name it, can you find her something?" Believe me, not even two days had passed, and he called her for the job. (BiH_01, survey respondent)

If a poor person, as that young man was, had his file on hold for half a year, I would send the file to the head of office, saying "Please resolve this, it's been waiting for a long time." I felt a responsibility, I see a person in this file, he's not just a piece of paper, and I don't need him to ask me, he even brought a box of chocolates. He has seven children.

Interviewer: And no income?

Interviewee: No income, and he gave me a pack of cigarettes because he knows I'm a smoker. I said, "Please, take this back; I'm not giving anything to my own people, but you can have this pack of cigarettes in your pocket" and he started crying. (BiH_02, survey respondent)

Thus, the actors' tactics reveal a paradoxical principle whereby the legitimisation of informal practices and the arbitrary application of formal rules arises as a reaction to the arbitrary application of formal rules. In the interviews, we also find examples of actors resorting to informal practices, rationalising it as a substitution for the formal, which has "failed." For instance, giving money to doctors after a successful intervention is justified with the argument that doctors are underpaid and that the money is, in fact, compensation for the real value of the service provided. In this case, there is a dual motivation: the motive of solidarity, but also the aspiration to derive personal benefit from the relationship.

Let me tell you, that needs to be distinguished. Listen, bribery is one thing, but this other thing you mentioned—you know, a chocolate, someone helped me at the counter, in a nice, humane way: "Good day, here you go," finished the job—so they didn't do anything special that wasn't part of their work, but they impressed me with their approach. So, for instance, to buy chocolate—I don't think it's bribery, it's courtesy. In our culture, it's called kindness, and you know what kindness means. I have nothing against it, that's okay, it's completely fine. (BiH_06, survey respondent)

I mean, my husband has a woman who stamps his documents at the municipality, and she finishes things for him quickly, and he takes her chocolates or a box of sweets. Just as a gesture of gratitude because some things are just not acceptable to me, honestly. And I think it's a matter of general culture; out of decency, if someone did something, a small symbolic gift might be given. ... As long as it's at the level of a thank-you, I don't see anything wrong with it. And if you've done someone a favour,

expedited something, the person will immediately, out of gratitude or decency, give a small gift. I don't see it as a bad thing. (BiH_13, survey respondent)

The motivation for and perception of participation in informal practices among the study participants also follow the solidarity–trust–control continuum. In the domain of trust, participants are value-oriented, believing they are doing the right thing without (explicitly) expecting a favour in return. As the exchanges move toward the institutional domain, where the actors with whom they interact are people with influential social positions or relevant resources, the freedom to participate in informal practices decreases, the sanctions for not following the rules are stricter, and the expectations for reciprocity are greater.

Conclusion

Informal networks in everyday life form a continuum from solidarity and trust to control. As long as the exchange of services and goods is driven by solidarity, and the exchange contributes to the well-being of individuals or smaller groups without excluding other actors outside that network, we are talking about networks of solidarity and trust. When informal exchange networks create barriers for other actors to access resources through formal channels, this is the point where a network of solidarity and trust transforms into a network of control. The control networks in everyday life have varying consequences. They can manifest as nepotistic networks of control that occupy certain domains of social life by favouring "their own," or they can appear as parallel informal systems that make the healthcare, judicial, or police systems formally non-functional, or as party clientelist links through which the entire society is captured. What is common to all control networks is that the introduction of informal rules and procedures allows for the manipulation of formal rules and procedures in a way that serves personal interests and reproduces relations of power and dominance.

The analysis also confirms the principle of reciprocity in informal networks. Even in networks based on solidarity and trust, which are driven by altruistic motives, there is an anticipation of reciprocity ("hidden reciprocity"), as evidenced by participants' statements that the expectations to fulfil unwritten rules are high, and refusal to comply with these expectations can lead to disapproval or resentment. This principle is also revealed in numerous examples of "favours of investment," where actors invest in an informal

network because they estimate that they may derive personal benefit from it in the future. In control networks, the principle of reciprocity is visible and pronounced, as it is ensured through sanctions and pressures. In such relationships, services that citizens receive informally are exclusively driven by the interest of those providing the services, and participants are forced to obtain them through informal channels.

The motives for participating in informal networks follow the solidarity–control line. In networks that are based on solidarity and trust, the freedom to choose to participate is more significant, and participation itself is more motivated by altruism and solidarity. In contrast, in control networks there is less choice regarding whether to participate, the sanctions for not following the rules are stricter, and expectations of reciprocity are greater. In both control networks and networks of solidarity and trust, mechanical adaptation, or assimilation to the existing order of things ("that's just how we do things here"), appears as one of the motives for participation.

In this context, we see *different perspectives on the legitimacy of informal practices.* Among participants who were directly involved in informal exchanges, there is a narrative of pragmatism and "necessity," which boils down to the belief that such exchanges are survival tactics in a system that is inefficient, unjust, and corrupt. On the other hand, among "observers," a critical narrative prevails about the negative consequences of informal practices, which are seen as deepening inequalities. Observers also emphasise the responsibility not to engage in informal control practices in order to prevent the perpetuation of relationships of domination and subordination and to offer an alternative vision of society. A critical attitude is thus seen as a barrier to the further normalisation of informal practices in everyday life. Criticism of informality is also found in the statements of some participants directly involved in informal exchanges who face an ethical dilemma between personal gain and social responsibility. However, although they are aware of the negative consequences, these participants do not see an alternative in the existing dysfunctional formal structures, especially in cases when they are exposed to pressures and blackmail and when they estimate that the cost of refusing to participate in informal networks is too high for them and their families.

The interviews also confirm a series of ambivalences of informal practices. On the one hand, citizens rely on informal practices in their daily lives out of necessity, especially to overcome the shortcomings of formal structures. In this sense, informal networks provide a basis for social support, enabling individuals to access resources and assistance in crisis situations. On the other hand, some actors rely on informal networks to achieve personal

benefits, misusing public resources. In this way, a dynamic is revealed in which informal networks often oscillate between the aspiration to help other actors and the exploitation of resources, filling the gaps in formal structures and undermining them at the same time. Although informal practices can temporarily replace and complement the social role of formal frameworks, as well as resist institutional rigidity, long-term dependence on informal networks, especially control networks, contributes to the reproduction of structural injustice and inequality and to the consolidation of social hierarchy, as they allow actors with a stronger and broader network to accumulate resources and privileges.

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6. Where informality works, formal institutions can learn

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Abstract: The research highlights the dual nature of informal networks in the entrepreneurial ecosystem, including their potential positive role in the reintegration of post-conflict societies. On the one hand, entrepreneurs rely on their informal networks to build their businesses, leveraging social capital to foster trust and enforce unwritten agreements. On the other hand, these very networks can hinder business innovation and growth while reinforcing the grip of networked actors on political power. We examine evidence from the region that identifies networks that successfully address problems caused by politically driven ethnic divisions. We then dissect the individual, group, and societal characteristics of these networks to demonstrate the value of ethnic inclusivity in entrepreneurial contexts, including policy implications for political institutions.

Keywords: informal networks, entrepreneurs, ethnic inclusion, trust, ambivalence

In our study of Southeast European societies, we obtained some unexpected insight on the divergence of formal and informal institutions and practices. Our hypothesis was that formalisation reduces transaction costs and increases predictability and effectiveness, but we discovered in our 70 interviews with entrepreneurs conducted in seven Southeast European countries between 2017 and 2019 that this is not always the case. A Croatian respondent sums it up as follows:

> In my opinion, all formal institutions employ people who are selected politically. In BiH [Bosnia and Herzegovina], Croatia, Kosovo, they have

the same problem: employees are not in their positions because of their knowledge, experience, or effectiveness—there are no criteria of merit there. So they create a barrier, a brake, and select on the basis of ethnic background, political motivation, left or right, a former partisan or not, served in the secret service (UDBA) or not, etc. They are telling us stories and poisoning us with their silly ideas. Actually, my conclusion is that political institutions, these formal ones, are mainly politicised, hence biased in their structure. In contrast, informal institutions are built naturally, from the ground (CRO_4).

Other respondents also observe that formal institutions in Southeast European societies often recruit on the basis of ethnicity. There are indications that formal institutions in the region struggle to cope with inter-ethnic relations (Efendić et al., 2011). On the one hand, existing research suggests a positive correlation between meritocracy and institutional performance, which leads to our hypothesis that in the Southeast European context, where ethnicity may be a deciding factor in securing employment in the public sector, the performance of formal institutions is plagued with defects that need to be rectified by informal networks. On the other hand, those informal networks, meant to be rectifying the imbalances created by formal institutions, may also be discriminating against other ethnicities.

Our research explores the case of entrepreneurs' networks, which successfully accommodate inter-ethnic relations in Southeast European societies that are often divided by politics concentrating on ethnicity. We disentangle individual, group, and societal characteristics of networks and make a case for the ethnic inclusivity of entrepreneurial networks, an example of a role played by informality from which formal institutions can learn and adapt to overcome the political grip of captured societies. Our study focuses on Southeast Europe—including Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Kosovo, and Albania—a region that experienced a complex transition to a market economy in the 1990s against a postwar backdrop in which violence drew on a historical background of ethnic conflicts in most of these countries.

The violent conflicts in Southeast Europe between 1991 and 2001 resulted in severe setbacks in the region's economic and institutional environments and transformed its demographic landscape. The wars had a strong ethnic component and caused the loss of nearly 140,000 lives, 90 percent of whom were civilians, constituting the largest civilian toll in all post-World War II wars (Chiovelli et al. 2021). The large movement of population during the war periods, a consequence of ethnic cleansing, led to increased ethnic

homogeneity on the ground. Moreover, the war period also catalysed a structural change in attitudes, so that some of the societies in the region went from being ethnically quite tolerant to quite intolerant in just a few years (Dyrstad 2012). Some Southeast European societies remain segregated along ethnic lines, with numerous indications that political institutions are characterised by ethnic discrimination towards minorities (Efendić et al. 2011). The theme of the homogeneity and diversity of networks is of great importance for some of the ethnically diverse societies in the region such as Bosnia and Herzegovina, North Macedonia, and Kosovo. In this ethnically diverse region, the ethnic composition of informal networks can substitute for the failure of formal institutions to operationalise inclusion and tolerance in entrepreneurial sector.

The effect of ethnic diversity and inclusion on socioeconomic outcomes is an ongoing research topic in social science, investigated in various disciplines through different methodologies and on multiple samples and with divergent findings (e.g. Osborne 2000; Easterly and Levine 1997; Alesina and La Ferrara 2005; Efendić and Pugh 2018). The academic literature is not consistent, as it identifies heterogeneous outputs ranging from those that find positive effects of increased diversity on socioeconomic outcomes to those that report negative influences. We focus on informal networks of entrepreneurs to determine whether they help to offset the inefficiency of formal institutions, and whether ethnic diversity and inclusion in informal networking helps alleviate the perceived ethnic discrimination within formal institutions.

In this chapter we make a case for informal networks of entrepreneurs that do not suffer from ethnic or religious exclusion or intolerance. These networks are built in response to practical needs and are not biased by political influence. We give voice to the respondents when exploring why informal networking may be ethnically tolerant and inclusive, and we discuss the effects of this diversity. We engage with relevant literature to explain our framing of networks vis-à-vis the ideas of homogeneity of networks and the competing effects of ethnic diversity on socio-economic outcomes and develop an argument for the integration of the concepts of ethnic diversity and inclusion into the institutional analysis.

Informality and networks: defining the informal networks

Informality typically encompasses behaviours, relationships, or structures that function beyond the confines of formal rules, norms, or procedures. In social or economic settings, informality pertains to practices that remain

unregulated or unrecognised by state or other formal institutions, such as unregistered businesses or informal labour markets. The concept is employed across various fields, including politics, economics, sociology, and culture, and commonly denotes phenomena that lack comprehensive regulation or institutionalisation (Ledeneva 2023: 410–423).

The dominant interpretation of informal networks involves the utilisation of social connections. From the perspective of participants, this is often described as help or trust, while observers outside the networks may perceive the situation as pulling strings for competitive advantage. When examining social networks, researchers implicitly or explicitly make two choices: first, they approach networks as either personal (represented by individuals) or impersonal (represented by organisations); second, they analyse networks internally (exploring their inner composition) or externally (assessing their broader socio-economic implications) (Ledeneva 2008: 61).

Our focus is on the personal networks of entrepreneurs, and we will look at them both internally (homogeneity of networks) and externally (their use for business). One could map types of informal networking by entrepreneurs in a simple matrix, as shown in Figure 6.1. Boxes **A** and **D** will not be discussed in this paper, as A is non-problematic and D is outright criminal. Following the leads from our respondents, we will concentrate on the informal networks described in boxes **B** and **C**. Box **B** includes socially acceptable business strategies that contradict legal norms that may be new, fast-changing, overlapping, or underenforced. Conversely, Box **C** represents strategies of informal networking used to facilitate agendas that are legal but not socially acceptable.

We can further differentiate personal networks of entrepreneurs based on factors deemed relevant by the respondents themselves. In our pilot study, participants were asked to select one answer for the question, "What defines a network best for you?" The possible options were: a) nodes and ties between network members (technical principle); b) friends on social media (connectivity principle); c) personal contacts (biographical principle); d) people whom I can ask for help (trust principle); e) family and family friends (biological principle). The majority of respondents choose the trust principle, where reliance on networks for help is explicit, closely followed by the biographical principle, where the use of personal contacts for help is implicit (a contact may remain dormant and be approached only in particular circumstances, when the need arises). We find a similar logic in our interviews, for example: *Interactions between us, within these* (*informal*) *networks are based on loyalty and trust... Everything is based on mutual trust.* (SLO_20).

Figure 6.1. Purposes of informal networking in business

Constraints	Legal	Illegal
Ethical, legitimate, socially acceptable in certain contexts	**A** Informal networking that facilitates the workings of formal institutions and is overall socially acceptable	**B** **Informal networking that serves the purpose of violating legal norms but at the same time is socially acceptable as a form of competitive advantage, or compensating for the defects of formal institutions (tax evasion; gifts; hospitality and bribes; violation of corporate code in order to comply with commitment to families, business partners, and communities)**
Unethical, illegitimate, socially questionable	**C** **Informal networking that serves legal (at least not criminalised) but socially unacceptable or morally questionable purposes (lobbying, party membership in exchange for business opportunities, winning public auctions according to the rules but without competition, or gaming the system in other ways)**	**D** Informal networking that involves criminal connections, illicit businesses, and prohibited goods and are not socially acceptable
Source: Adapted from Ledeneva 2019, www.informality.com		

In the 2017 INFORM survey, informal networks were operationalised for the respondents in terms of their reliance on "your own people" (e.g., to take care of children or the elderly, or for providing household help or help in need) and trusting them in a particular context. The focus was placed on behaviour rather than the composition of the network. However, it became evident that the reliance on help and support from "your own people" during times of need embodies the concept of informal networks. Perceptions of the omnipresence of informality in Southeast European societies are combined with a very low level of generalised trust, or trust in the system of institutions, and very high levels of personal trust, thus resulting in the "importance of being networked" (Cvetičanin et al. 2019: 7; Efendić and Ledeneva 2020). The INFORM survey data analysis showed that informal networking costs for the general public are dependent upon the network size, the type of the network, and its position/status in society, each of which constitutes a factor

determining the cost (Efendić and Ledeneva 2020). As entrepreneurs were also part of that survey, we can rely on the relevant quantitative findings about the business sector and supplement it with our qualitative analysis.

How do networks emerge: disentangling individual preferences, network composition, and structural constraints

Homophily, the concept capturing the propensity of individuals to form connections with others who share similar characteristics such as race, ethnicity, age, gender, and socioeconomic status, is a widespread phenomenon in social networks (McPherson et al. 2001). Individual openness to connect, the composition of networks, and structural factors all contribute to the outcome—the phenomenon of homogeneity of networks. Homogeneity refers to the degree of similarity or uniformity among the members of a group, network, or population. In certain contexts, people prefer to live in neighbourhoods with people of similar characteristics, backgrounds, or beliefs.

In our model, the blue boxes represent "objective" characteristics, independent of individual choices in the short run. The red ones represent "subjective" characteristics that depend on individual choices. The blue/objective factors are more or less given and included as a standard practice in modelling informal networking (Efendić 2010). At the institutional level, they include cross-country variation. At the network level, they contain network size, network structure, the economic position of the network, and the cost of belonging to the network. At the individual level, they capture personal characteristics that are difficult to change such as age, gender, family background, and educational attainment. The red boxes represent "subjective" factors. At the institutional level, these factors include indicators of impersonal and interpersonal trust. At the network level, the perceived significance of networks influences individual incentives and preferences for networking. At the individual level, factors such as personal openness, mobility, digital skills, and the type of business determine networking choices. We hypothesise that, collectively, these factors shape both experiences and perceptions of informal networking.

Entrepreneurs construct their businesses by relying on "trusted people" (*svoji ljudi*, people within the circle), utilising social capital to generate trust and enforce unwritten agreements. This social capital can originate from various sources. As illustrated in Figure 2, it may stem from family background and family connections and friendships, or it may be a by-product

Figure 6.2. The three-level model of factors of informal networking
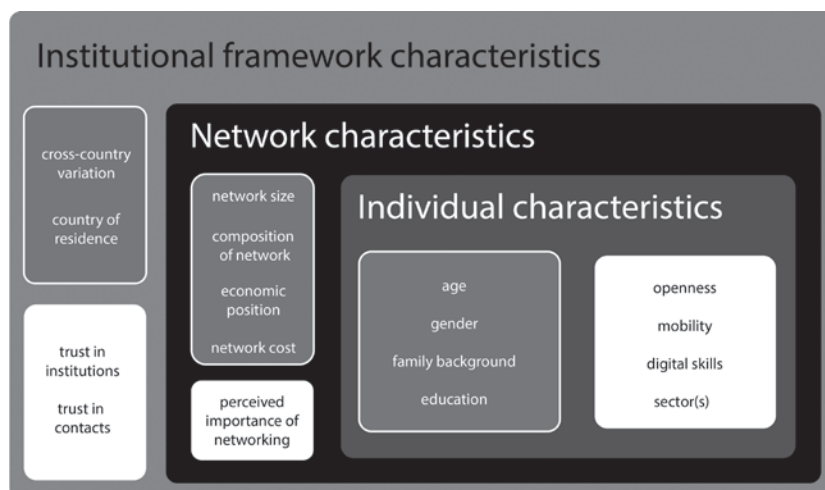
Source: Ledeneva and Efendić 2022.

of education and career, or be created through active networking efforts (generated through investment of time), or it may be acquired via belonging or membership (generated through investment of money), such as joining an exclusive club. While the boundaries between these network types are permeable, it is analytically important to understand the maintenance requirements of each and how they differ in terms of maintenance costs (time, money) and less quantifiable circulating currencies (mutual help, favours, hospitality, invitations, etc.), depending on the network type (Ledeneva et al. 2018; Efendić and Ledeneva 2020).

The ambivalence of informal networks

Networks are instrumental for business; they open doors and create opportunities. Yet those same networks can have a lock-in effect for business, inhibiting innovation and growth and strengthening networked actors' grip on political power. Homogeneous networks have been found to facilitate the exploitation of existing knowledge, as individuals with similar backgrounds and expertise can more effectively share and build upon each other's ideas (Lazer & Friedman 2007). However, excessive homophily can hinder exploration and the generation of novel insights, as diverse perspectives and information sources are less likely to be accessed within homogeneous

Figure 6.3. Types of networks and currencies in informal exchanges
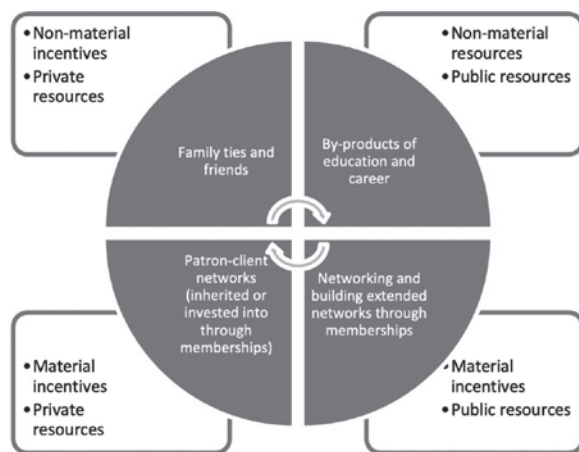
Source: Adapted from Ledeneva et al. 2018.

networks. This observation ties into the concept of "echo chambers," where homophily accelerates the diffusion of innovations within a network but simultaneously limits exposure to diverse ideas and reinforces existing beliefs (Centola 2010).

The inherent functional ambivalence of networks that operate in both supportive and subversive modes for business presents several interrelated dilemmas: how can society, which tolerates informal problem-solving, benefit from the positive implications of social capital while also controlling its negative aspects, particularly those associated with state capture? How can the potential of entrepreneurial informal networks be harnessed to address issues related to political corruption rather than contributing to them? And how can the entrepreneurial ecosystem be transformed to make entrepreneurs' networks even more inclusive, diverse, and heterogeneous?

An entrepreneurial ecosystem encompasses interlinked components within a specific region that bolster and influence the growth of entrepreneurial ventures. Crucial elements of such ecosystems include access to financial capital, human capital, culture, policy and regulation, infrastructure, networks, and market opportunities. Gaining a deeper understanding and enhancing these components can help establish a nurturing environment for entrepreneurship and innovation, ultimately promoting economic growth and job creation (Isenberg 2010).

The lock-in effect of networks, whereby people rely on their "trusted people" at the expense of generalised trust, has been documented in the

literature on post-communist regimes, where states and societies suffer from a legacy of distrust of the oppressive state (Stark and Bruszt 1998). Segregation in social networks has also been explored in relation to acquaintanceship and trust (DiPrete et al. 2011). Trust-based networks exhibit higher levels of homophily than acquaintance-based networks, suggesting that individuals are more selective in their choice of trusted contacts. This pattern of segregation has important consequences for the distribution of social capital and the persistence of social inequalities, reflecting concerns raised in other studies about the potential negative effects of homophily. The implications extend to the flow of information, social influence, and social cohesion. The interaction of individual preferences and structural constraints that shape patterns of homophily is recognised to be a key challenge for future research (McPherson et al. 2001). The consequences of homophily *can be both beneficial and detrimental* to the flow of information and social influence within networks, highlighting the need for a nuanced understanding of this phenomenon.

Given the complexity of the post-war context in Southeast Europe, researchers emphasise the importance of understanding the complex interplay between ethnicity and social capital. On the one hand, ethnic diversity leads to intergroup contacts and exchanges, which is key to fostering trust and cooperation between different ethnic groups. On the other hand, ethnic divisions can also lead to distrust and social fragmentation, particularly when there is a history of conflict or discrimination involving different groups. Gordy and Efendić (2019) argue that policymakers and researchers should prioritise efforts to promote social cohesion and trust-building between different ethnic groups, as this can contribute to the long-term stability and prosperity of the region. In the literature on the diversity of entrepreneurial networks in Southeast European societies, research findings highlight specific structural characteristics of entrepreneurial ecosystems in the region, such as access to finance, human capital, culture, and networks. They emphasise that the development of diverse and inclusive networks is crucial for fostering innovation and entrepreneurial success in the region.

While the majority of literature on social networks tends to support the presence of homophily, there are some studies that stress the tendency for individuals to form connections with others who are different from them in entrepreneurial contexts. Similar to our findings, in a study investigating the structure of founding teams or task groups among US entrepreneurs, researchers conclude that, contrary to the prevailing expectations of homophily, entrepreneurial teams tend to be quite diverse in terms of age, education, and industry experience (Ruef et al. 2003). The authors suggest

that this heterophily may be beneficial for entrepreneurial success, as it provides access to a broader range of resources, ideas, and networks. Others argue that opinions in social networks can polarise even in the absence of homophily or negative influence, challenging the idea that homophily necessarily leads to polarisation (Mäs and Flache 2013) by emphasising the importance of context-specific factors, network dynamics, and the potential benefits of heterophily when examining the structure and evolution of social networks (Kossinets and Watts 2009).

Whether "champions," "realists," or "naives," according to the typology of attitudes towards informality put forward by Cvetičanin, et al. (2019), most of our respondents exhibit a certain double standard regarding informality. Informality is disapproved of when criticising the workings of state formal institutions but regarded as acceptable in cases when it is the "only possible way of doing business." As formal institutions improve, aversion toward informality becomes more evident (the data show a smaller presence of informal networking in the more developed countries of the region), and it is then that the role of informality starts changing. This peak is likely characterised by the lag, or postponed effect, of institutional improvement, which is a result of institutional adjustments to the improved way of doing things formally, already described in literature on economic transitions (Efendić et al. 2011; Williams and Vorley 2015).

On the positive side, most entrepreneurs explicitly point to informal networks' tolerance toward diversity in ethnicity and religion. Our respondents argue that "*in business relationships, ethnic background is irrelevant*" (BiH_2). We find reliable evidence that entrepreneurs work with partners who *come from different social and ethnic groups* (ALB_1; BiH_2; MKD_2). Ethnic intolerance is a persistent challenge for some of the formal institutional environments in the region, where the rise of the political authorities currently holding power can be traced to ethnically motivated conflicts in the recent past. This is where the role of informal networks can have a healing effect, as business contexts seem to be better suited than political contexts to accommodating ethnic and religious diversity ("*everyone is striving towards the same goal—mutual satisfaction coming from the business done,*" BiH_2).

In summary, our respondents suggest that entrepreneurs who engage in informal networking are primarily motivated by business interests rather than by habit, tradition, or cultural conformity. Although some entrepreneurs recognise the need to adapt to dominant social perceptions, their motivation appears to be proactive, driven by the desire to access opportunities, reduce risks, and optimise costs. We have identified at least three types of business needs that entrepreneurs routinely satisfy through

informal networking: channelling (to exchange ideas, information, and knowledge, and to ensure access to the market), compensating (to circumvent formal institutional constraints and time-consuming procedures, and to reduce unnecessary formal institutional costs), and controlling (as a protective barrier against ethnic exclusion or political patronage; to enhance personal experience through trust and other psychological benefits; and to acquire some control over contract enforcement) (Ledeneva and Efendić 2021).

The majority of interviewees argue that the informal networks they use compensate for the shortcomings of formal institutional outcomes: informal networking serves as an efficient means to cope with cumbersome and unnecessary formal institutional challenges, often helping to counteract political pressure on their businesses. However, entrepreneurs frequently use informal networks also to gain competitive advantages while simultaneously criticising inefficient formal institutions that impedes business. We observe that although informal networking is prevalent in Southeast Europe and deeply ingrained in the region's business culture, it is rarely perceived as a positive force. Instead, it is considered a necessary means to achieve results. As the business environment improves, as evidenced by North Macedonia, reliance on informal networks is likely to decrease but will not disappear entirely.

The paradox lies in the fact that individuals benefit from informal networking while disapproving of others doing the same. This double standard—being inclusive for insiders and exclusive for outsiders—leads to practices that could be considered corrupt, even if they are not seen that way by the people involved.

The impact of ethnically diverse entrepreneurial networks

While the use of informal networking for entrepreneurship is well recognised in the literature (e.g. Granovetter 1973; Greve and Salaff 2003; Marmaros and Sacerdote 2006; Brueckner 2006; Silk 2003; Pesämaa and Hair 2007; Watson 2011; Zang 2011; Semrau and Werner 2014; Salinas et al. 2018; Ge et al. 2019), the implications of ethnic diversity in networks remain inconclusive. Ethnic diversity has been highly debated in the social science literature, as the relationship between ethnic diversity and different socio-economic outcomes is not unidirectional and it is possible to find conflicting arguments and empirical evidence whether ethnic diversity is conducive to positive or negative effects in societies (Constant and Zimmermann 2009). A typical hypothesis

emphasises that greater ethnic diversity may lead to ethnic tensions and conflicts (Osborne 2000), while ethnic conflicts or higher probabilities of conflicts slow down economic dynamics, which leads to poor economic choices, institutional policies, and outcomes (Easterly and Levine 1997). Even Putnam's theory (2000) claims that ethnic diversity, when it appears in previously ethnically homogeneous areas, might decrease social capital. All these approaches rely on arguments that ethnic diversities, fractionalisations, conflicts and prejudices (standing for the irrationality of behaviour) can override economic (rational) incentives, leading to poor economic choices, policies, and outcomes as well as political instability. Hence, ethnically diverse societies are more likely to choose suboptimal social and economic policies, which will lead to negative effects on socio-economic development (Easterly and Levine 1997). Accordingly, ethnic diversity is traditionally associated in the literature with poorer economic outcomes and slow dynamics in economic growth and development (Collier 1998; Alesina and La Ferrara 2005; Gören 2014). For example, Collier (1998) performs a cross-sectional study where he finds that diverse societies have a slower growth rate in comparison to homogeneous societies. Montalvo and Reynal-Querol (2005) report that ethnic polarisation has a negative effect on economic development, while Patsiurko et al. (2012) reveal a negative relationship between ethnic fractionalisation and economic growth in OECD economies.

Nevertheless, some of the most developed economies are ethnically diverse (Collier 1998), which suggests that some advantages may derive from the mixture of experiences from cultures and traditions, different religious beliefs and practices, and multidimensional ways of thinking (Alesina and La Ferrara 2005), all of which is beneficial for innovation, creativity, and better economic outcomes (Florida 2004; Lee et al. 2004; Smallbone et al. 2010). In line with this theoretical proposition, ethnic diversity might be considered an important asset for social capital and prosocial behaviour, and consequently can be seen as being supportive for human development and welfare (Alesina and La Ferrara 2005; Bellini 2012). Indeed, research from Bosnia and Herzegovina (Efendić 2020) finds that greater ethnic diversity of personal networks leads to the formation of inter-ethnic social capital, which can have positive effects on prosocial behaviour in a post-conflict society. Moreover, Efendić at al. (2015) find that ethnic diversity is beneficial for young businesses and their growth aspirations, while Efendić and Pugh (2018) find positive outcomes of ethnically diverse neighbourhoods on individual and household income in these diverse neighbourhoods.

Although Bosnia and Herzegovina suffered a great deal during the series of conflicts in which perpetrators mobilised ethnic resentments toward

violence in the 1990s, the positive effects of ethnic diversity, where it is preserved, are still firmly established. Looking at the literature outside the Southeast European region, positive consequences of ethnic diversity are also reported at different levels of economic analysis, including the national, but also at the levels of regions and cities (Jacobs 1961; Smallbone et al. 2010) and even at the micro or individual level. For example, some authors report that ethnic diversity positively affects the productivity of individuals (Ottaviano and Peri 2006; Bellini et al. 2012) and their well-being (Akerlof and Kranton 2010).

Research on ethnic diversity in Southeast Europe reports consistently positive socio-economic outcomes. Yet, the political institutions in many Southeast European countries (in particular in Bosnia and Herzegovina, Kosovo, and North Macedonia) are struggling with inter-ethnic inclusion, ethnic tolerance, and the promotion of ethnic diversity as potential sources of socio-economic improvement. Our intention is to link the ethnic diversity of informal networks of entrepreneurs in Southeast Europe with insights about what measures could transform the formal institutional environment of this region.

Informal problem-solving in entrepreneurial ecosystems

One primary cause for the growth of informal activities is the widespread presence of ineffective formal institutions (De Soto 1989; De Soro 2010; Estrin and Prevezer 2011; Guseva 2007; Helmke and Levitsky 2004; Mungiu-Pippidi 2015). In the absence of efficient governance, informal networks and practices fulfil various functions, ranging from facilitating the exchange of information, knowledge, and ideas to providing goods, services, and favours that are not readily available in the marketplace (Jackson and Wolinsky 1996). In societies where formal institutions are unreliable, informal practices are often ingrained in daily life (Helmke and Levitsky 2004; Guseva 2007; Estrin and Prevezer 2011). This phenomenon is especially pronounced in emerging economies (Ahlstrom and Bruton 2006; Ge et al. 2019). To tackle the challenges stemming from emerging markets and flawed institutional environments, entrepreneurs need to devise compensatory mechanisms that enable them to operate their businesses and pursue growth (Salinas et al. 2018; Ge et al. 2019).

Political authorities often view informal networking as problematic. It is seen as a burdensome practice that potentially undermines "good governance," which is associated with universalist systems, public integrity,

impartiality, and formal rules that are efficient (Mungiu-Pippidi 2015). Even when informal networking is driven by customs, traditions, and social norms rooted in local cultures, it is perceived as providing unfair and unjust competitive advantages to strategically positioned agents. This perception often leads to the conflation of informal networking with illicit or even illegal practices, such as corruption. For example, concepts like neopatrimonialism, clientelism, and particularism underscore the subversive role of informal networks (Bratton & van de Walle 1994; Mungiu-Pippidi 2015). Societies in which such practices are prevalent are frequently labelled as weak, particularist, or "failing." While actual conceptualisations may vary and be more nuanced, there is a tendency to equate traditional, cultural, and social factors—amounting to informal constraints—with underdeveloped, dysfunctional, or exploitative authorities (Ledeneva et al. 2024, 2018).

However, participants in informal networks at the ground level report that their networks can offer solutions to challenges and enable people to accomplish everyday tasks. Numerous authors have critiqued the normative approach to informality, contending that an emphasis on formal, legal, and institutional reforms overlooks local practices, social norms, and informal relationships that may be more binding and functional for local actors than legal frameworks (Koechlin 2015; Baez-Camargo and Ledeneva 2017; Ayres 2017; Polese and Rekhviashvili 2017). At the community level, informal networks are vital for local governance, and states often depend on the informal workings of societies (Olivier de Sardan 1995; Blundo et al. 2008), particularly during periods of conflict and war when formal state institutions are dysfunctional (Efendić et al. 2011).

In fact, Efendić and Ledeneva (2020) and Ledeneva and Efendić (2023) find that informal networking, or the use of personal contacts for accomplishing tasks, is a regular occurrence in Southeast Europe among the general public and, more specifically, entrepreneurs. These studies reveal that informal networking—the process of establishing and maintaining informal ties—serves to bypass formal institutional constraints, reduce high costs associated with formal procedures and administrative barriers, and avoid time-consuming formalities. This highlights the gap between formal institutional frameworks and informal practices that exist in real-world situations. Although informal networking may be instrumental in bridging this gap, it is not "free" for entrepreneurs and imposes a burden akin to informal taxation.

Our interest here lies in understanding how entrepreneurs deal with ethnic diversity, tolerance, and inclusion and to what extent challenges deriving

from ethnic differences and the ways they are treated in state policy are observable in their informal networks.

Evidence of ethnic inclusion in SEE entrepreneurs' informal networks

To carry out the analysis, we utilise data obtained from semi-structured interviews conducted in seven Southeast European countries. This sample enables the comparison of economies from the same region, yet at different levels of development and stages of EU integration. Seventy interviews were conducted by the INFORM team members between November 2016 and March 2017.

Although the primary focus of the INFORM interviews was not on ethnic diversity and inclusion, our three-year research on various informal practices produced data with strong indications that most entrepreneurs explicitly acknowledge the tolerance of their informal networks regarding ethnicity. In their daily business operations, entrepreneurs work with other businesspeople from diverse social and ethnic groups (ALB_1; BiH_2; MKD_2) without any barriers, through routine and repeated actions that function efficiently. An analysis of the interviews conducted among entrepreneurs revealed that in business relationships, ethnic background is considered irrelevant (BiH_2), even in the most ethnically diverse and complex societies, such as Bosnia and Herzegovina.

> In my network, there are various people, people from different spheres of life. In business relationships, the ethnic background is irrelevant. (BiH_2) But my situation is that I don't really know the ethnic and religious belonging of people to which I am connected, except in cases when they say where they are from or to which religious group they belong. This happens because, to me and my acquaintances, this is not an issue at all. (ALB_1)
> The people I work with come from different social and ethnic groups. Depending on one's needs [interest], business does not discriminate on the above stated criteria. (MKD_2)
> I am completely open and tolerant to other ethnic and social groups. (BiH_7)

Entrepreneurs tend to be tolerant and open to other social networks, ethnicities, and religious communities when forming networks or engaging

new members. The most important factor in these interactions is business interest, which serves as an integrating force driven by the desire to establish a more functional and efficient business.

> Everyone is striving towards the same goal, that is, the mutual satisfaction coming from the job done. Everyday activities establish business connections and ties, thus creating a circle of people where everyone knows what to expect from others. (BiH_2)
> There cannot be any business without this openness and tolerance, and this should be a foundation on which organisations like mine should be built. You can't work without it. (BiH_7)

Our review of the existing empirical literature demonstrates that ethnic diversity, where preserved or present, can have significant positive effects on socio-economic environments in the Southeast European region. Furthermore, we have compelling evidence that informality on the ground reveals a functional relationship between members of ethnically diverse informal networks. These findings suggest that ethnic inclusion in informal networks could serve as an indication of the need for change in formal practices and, in some cases, as guidance to create more efficient and effective formal institutions. Formal institutions are often considered to be more important targets for policy interventions than informal ones. However, the well-established informal networks demonstrate that informal channels can handle ethnic diversity efficiently, particularly in the task-oriented, problem-solving business context.

These observations serve as a valuable reminder of the importance of informal networks and point to some policy recommendations for the entrepreneurial ecosystem that could yield positive results on the ground, if implemented. The 2018 report by the European Commission (European Commission 2018) discusses the integration of candidate states in Southeast Europe into the European Union and the importance of entrepreneurship for economic development in the region. It highlights various initiatives aimed at promoting innovation, such as the establishment of technology parks and innovation centres, which can foster the development of diverse entrepreneurial networks. The report suggests that the integration of the states of the region into the EU is likely to lead to increased diversity in entrepreneurial networks, as it will facilitate collaboration and knowledge exchange between local entrepreneurs and their counterparts in other European countries.

The role of gender in navigating between formality and informality

While the number of women entrepreneurs in Southeast Europe is on the rise, they confront significant obstacles to successful entrepreneurship as employers, self-employed entrepreneurs, or partners in businesses without permanent employees. Our ethnographic study on women's entrepreneurship underscores this issue. We interviewed 24 women from various urban and rural backgrounds, differing in age, education, social class, and property status. Their businesses varied widely, from an unregistered hairstylist to the co-owner of a hotel. Consistent questionnaires were utilised across all interviews, conducted in Bosnia and Herzegovina, Croatia, Kosovo, and Serbia between April and August 2017.

The aspirations of our interviewees for their businesses are diverse, encompassing a desire for independence and the goal of achieving economic sustainability. The necessity to secure income while maintaining sustainable work has intensified, particularly in the context of a weakening welfare state in the post-socialist era. Their motivations for entrepreneurship stem from various factors: some launched businesses out of necessity, while others inherited or participated in family enterprises. Additionally, motivations include personal challenges, a sense of gratification, and sometimes the pursuit of opportunity.

> My family members had no employment. We did work on our land cultivating crops and cattle, selling products in the local market. This was a small-scale business, and the income generated from the agricultural goods enabled our family to carry on without seeking welfare protection. Farming has always provided sustenance for our family. It has given us the means to meet our needs. Therefore, it is business as usual, just that now it involves more people and paperwork. (KOS, Interviewee No 02)
>
> You can choose—whether you want to try this as well; I got divorced and had to do everything myself. I even had some offers to go to Canada and Australia. I didn't want to go and take care of kangaroos. That was my choice. I was sure that if you worked here day and night, and worked smartly, you had to succeed, and I was right. (SRB, Interviewee No 05)

It is noticeable that women from lower social strata, or those facing specific life circumstances such as unemployment, divorce, or the need for additional family income, find employment in traditional gendered occupations, often

involving the provision of various types of services or handicrafts. These women mostly work in the informal sector of the economy, using typical informal business practices. This practice, known as "moonlighting," has a long tradition in the region and is not generally seen as a second job that needs to be formalised.

Women entrepreneurs who run formally registered businesses and adhere to conventional notions of business success also complain of formal constraints, including general barriers to entrepreneurship such as high taxes, numerous parafiscal charges, bureaucracy, debt collection, and unclear and constantly changing regulations.

> The procedure of registering a job is horrible. It takes a lot of time, patience, and money. Apart from that, there are a lot of prejudices and assumptions that women are weaker and less reliable entrepreneurs than men. Me and the group of my colleagues who were mostly women, we had to take the initiative, because we all were employed in a firm that was run by a man. That firm went bankrupt due to very poor management. We were left alone but realised that there was still demand for that kind of service on the market and we decided to set up our own business. (B&H, Interviewee No 04)
> We meet such strange para-fiscal charges, strange procedures, too extensive procedures; many times I have thought about what is the worst in the life of an entrepreneur, and it is that insecurity so that you do not know if you caught it all; will tomorrow someone come from this inspection or the second or the third … we are still, I think, legally unsure. … If we give a bonus, if we give the prize, and we are giving because we want to reward good work, then we give money under the table. (CRO, Interviewee No 05)

These difficulties can deter individuals from legally registering their businesses, thereby increasing the appeal of operating informally. While women are less well represented than men in business at the regional level, this does not imply that their entrepreneurial ambitions are diminished. Instead, these ambitions are often constrained by various formal and informal pressures, which are frequently, though not exclusively, gendered. Although some women reported sharing household responsibilities with their husbands or partners, most affirmed that the primary burden of household chores remains theirs.

> My working day is long. I wake up before sunrise and go back to sleep late at night. With one hand I run the business and at the same time I keep an eye on the family and do all the work at home—cooking, cleaning,

ironing. As the saying goes, a woman's work is never done, I live by this proverb even more intensely, as I do paid and unpaid work at the same time. (KOS, Interviewee No 01)

Respondents confirmed the hypothesis that the costs of reproduction are shifted to the household and family, while the responsibility for systemic problems is shifted to individuals, mainly women (Bakker and Demerouti 2007). Often the main gendered reason for working in the informal sector is an underdeveloped "women-friendly" environment, in the sense of meeting gender-specific needs such as maternity leave and part-time or flexible working hours or providing diverse and targeted forms of support to women entrepreneurs. Our study revealed gendered navigating between formality and informality.

I have often pondered how it would have been for me to work elsewhere. To have a clear division between paid work and home, to work 8 hours outside the home environment. My work is not an 8 am to 4 pm job, but 7 am to 7 pm. It would have been easier perhaps to have had a job outside my home, so I would not have to move constantly between work and household chores. (KOS, Interviewee No 02)

At this moment, I am not in position to do such a thing because of my younger child. I would never be able to do 9 am to 5 pm formal working hours, which is a real barrier for me! (B&H, Interviewee No 01)

Women's entrepreneurial practice is situated between a general narrative of entrepreneurship—ostensibly gender-neutral but discursively marked by masculine attributes of competitive, innovative, growing, competent, risk-taking business—and women's everyday lives, equally devoted to work and family. The stereotypical role of the carer shapes a particular way of doing business.

In sum, the woman is an entrepreneur who must work the whole day … manual trade and other institutions where workers' rights are being systematically lost. And entrepreneurial infrastructure: the system of day-care, the system of care for the elderly, sick parents is underdeveloped or poorly developed… Social insecurity, the loss of rights of women mothers, not to say a word about those movements to abolish abortion, encroach into the most intimate sphere of lives of women entrepreneurs. (CRO, Interviewee No 04)

> Women are not only ambitious and diligent in work. They are also supportive to their co-workers and family. If a women co-worker is pregnant or has little children at home, a woman leader knows how that feels, and thus she can be more supportive and understanding. Not only regarding women's specific issues and conditions that make women good leaders, but also because of the care they provide to the family. (KOS. Interviewee No 05)

Thus, women entrepreneurs will often claim that they are better leaders than their male counterparts because they are compassionate and supportive.

Women's business practices that include compassionate and supportive relationships with co-workers can be considered informal practices related to women's business leadership. The solidarity and support that women talk about have the potential to become good formal practices inherent in Southeast European cultures. The "caring entrepreneurship" identified in our research promotes the elements of socially responsible business practices, an ethical approach to business and co-workers, empathy, and cooperation. These elements may be generally desirable in business and could inform and supplement the dominant business model.

Conclusions

Our focus is on informal networks of entrepreneurs, which are commonly used to circumvent formal institutional constraints. Surprisingly, these informal networks tend to avoid the ethnic and religious intolerance that often plague formal institutional settings in this post-conflict region. Entrepreneurs' informal networks are characterised by heterogeneity, openness, and inclusivity, transcending ethnic and religious divisions. In states where the legacy of recent ethnonational conflicts constrains the development of many kinds of relationships, business-related informal networks foster trust and maintain relationships across cultural boundaries more effectively than formal institutions, which frequently perpetuate preferential treatment and discrimination.

Our evidence also shows that women's compassionate and supportive relationships with co-workers reflect informal practices of entrepreneurial leadership. This "caring entrepreneurship" promotes socially responsible practices, ethical business approaches, empathy, and cooperation, which could enhance and complement the dominant business model, in line with cultural values that are widely held and respected in Southeast European societies.

The key policy implication is that legal reforms should be context-sensitive—reducing informality where necessary by addressing formal deficiencies for which people compensate by using informal networks, while incorporating and formalising the positive contributions that sometimes stem exclusively from informality. In some cases, informal practices help resolve issues persistently caused by the malice or negligence of some formal actors, and to a greater degree by "captured" political institutions.

The ethnic inclusivity observed in entrepreneurs' informal networks in Southeast Europe provides a valuable example for formal political institutions. To "close the gap between formal and informal," policymakers in post-conflict environments and similar contexts should consider the economic costs of policies that favour ethnic homogeneity over diversity.

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7. Europeanisation meets informality: Extracting advantage from reform

Chapter coordinator: Ivan Damjanovski

Abstract: This chapter explores the complex relationship between formal institutions and informal practices in the context of the EU accession of Southeast European countries. It identifies tensions arising from the interaction between EU norms and informal practices. Through an analysis of judicial reforms in North Macedonia, media reforms in Serbia, and efforts to regulate the rurally based practice of home slaughter for meat, the study delineates the role of informal networks, patronage systems, and local power structures in shaping the implementation and enforcement of EU-derived rules. The findings suggest that informality operates as an important intervening variable determining the effectiveness of conditionality, which can either ease the path of compliance or undermine the implementation of EU norms.

Keywords: Southeast Europe, judiciary, media, legal reform, EU accession

While the processes of Europeanisation of candidate countries are often labelled as modernisation, the literature has not paid much attention to the correlation between the outcomes of these modernising projects and the socially situated behaviours (some rooted in culture or tradition) that are often perceived as informal practices present at both the bureaucratic and the grassroots level. This interplay is a key point of inquiry of this volume and the focus of this chapter.

Here we explore the implications of our research findings on the interplay between formal institutions and informal practices for the EU accession of Southeast European countries. We identify the tensions that emanate from the novel and often contentious interaction between two parallel

paradigms in the region: the institutionalisation of EU norms and the powerful presence of informal constraints and practices. Through an analysis of ambiguities, grey zones, and cleavages that emerge from the transposition, implementation, and enforcement of EU regulations and standards in Southeast European societies and their effects on informally established practices, we hope to provide a better understanding of some underlying processes that influence EU accession in Southeast European states. The analysis concentrates on the examples of judicial reforms promoted by the European Union in North Macedonia, media reforms in Serbia, and food safety regulation across the region.

Europeanisation and its discontents

The dynamics of EU enlargement policy in the past 25 years have inspired an abundance of Europeanisation literature that predominantly focuses on the accession of the Central and Eastern European Candidates (CEECs) and analyses the extent of EU influence on domestic transformations in the candidate countries as well as conditions that structure that influence (Schimmelfennig 2012; Sedelmeier 2011). In sum, the research on the CEE enlargement has highlighted the importance of external incentives for effective compliance with EU conditionality, mainly by examining the interplay between credibility (Schimmelfennig and Sedelmeier 2005; Schimmelfennig et al. 2006; Vachudova 2015; Börzel and Schimmelfennig 2017; Böhmelt and Freyburg 2013) and low adoption costs (Kelley 2004; Schimmelfennig and Sedelmeier 2005; Schimmelfennig et al. 2006) as the principal determinants of the successful accession of candidate states.

However, it is not certain whether the same conclusions can be applied to the current wave of Europeanisation of candidate countries. The relatively sparser Europeanisation literature reflects the slow pace of advancement of the accession process in the region, although some recent work by Europeanisation scholars concentrates on Southeast Europe (Elbasani 2013; Džankić et al. 2019; Sekulić 2020). The accession path of the Southeast European prospective member states has developed in a much different environment in comparison to the CEECs (Zhelyazkova et al. 2019; Damjanovski and Markovikj 2020). Although the EU has normatively committed to enlargement and to including the Southeast European candidate states at some point, the process is blurred with many uncertainties.

First, the Southeast European candidate states face a much less credible membership perspective. The progress of their accession path has been

constrained by enlargement fatigue and the negative effects of economic and migrant crises. Current applicants are also faced with unfavourable public opinion in the member states, whose governments are reluctant to support further expansion of the EU, and EU institutions that are preoccupied with the challenges of internal reforms and the rise of Eurosceptic energy. In addition, the growing nationalisation of EU's enlargement policy (Hillion 2010) has seen an exponential rise in veto power, where the threat of blocking the accession progress of candidate states in order to enforce resolution of bilateral disputes with member states is slowly becoming the norm rather than an exception (Djolai and Nechev 2018). This perpetual low credibility of the accession process has diminished the EU's influence in the region and has opened a geopolitical void that has encouraged efforts to enhance political and economic influence by other global powers, including Russia and China.

Second, although the conditionality framework used in the CEE enlargement has been applied in the Southeast European states, its content and application have been significantly modified. Building on experience from the 2004 and 2007 enlargements and in response to growing sentiment in the EU for slowing down the enlargement process, the European Commission constructed a revamped Enlargement Strategy for the Western Balkans which is based on a stricter and more rigorous application of conditionality compared to the CEE experience. Since it was first applied in 2005, the Strategy has introduced several innovations that have "addressed both the content and focus of reforms" (Dimitrova 2016). The acquis framework has been restructured into 35 chapters, and a benchmarking mechanism for the enhanced monitoring of progress has been introduced. As a particular emphasis, the Strategy has pinpointed reform of the rule of law as the key criterion for progress in the accession process.

It is questionable whether the constant evolution of EU's conditionality actually helps the accession process. The latest major reform of the enlargement strategy, the "New Methodology" (European Commission 2020), came as a consequence of French demands for a more streamlined approach toward EU enlargement that would put the accession process in a coherent political and a technical framework. This latest revamp of the EU's enlargement strategy is centred around four pillars: political commitment, dynamism, capacities, and reversibility. These standards are envisaged as key channels that will steer the accession process in the future. However, the absence of a more detailed explanation of the mechanisms for application of these principles (Damjanovski and Cela et al. 2023) raises concerns about whether the revised methodology genuinely resolves problems surrounding

EU enlargement (Zweers et al. 2022) or rather represents yet another exercise in overburdening the accession process with additional conditions (Bonomi et al. 2020).

Additionally, the Southeast European states are among the poorest and least developed countries in Europe. Their administrative capacities are burdened by unresponsive, underfunded, inefficient, and heavily politicised bureaucratic apparatuses. It is reasonable to question the overall capacity of these states to cope with the challenges posed by the transposition and implementation of EU rules.

The biggest point of difference between the CEECs and the Southeast European candidate states is related to the variation in domestic costs and conditions (Vachudova 2015). Although the EU membership aspirations of most Southeast European states are not affected by serious societal opposition and public opinion has remained favourable towards EU membership despite growing trends of Euroscepticism in recent years (Damjanovski et al 2020), the lack of societal veto points has not pushed governing elites toward a sustainable path to meeting EU conditions for reform. The low credibility of the accession process has undermined the incentive structure necessary for facilitating consensus on reform and advancing the democratisation of governing elites. Instead, the region has been controlled by illiberal power structures composed of rent-seeking, "formal and informal gate keeper elites" (Džankić et al. 2019: 2) whose political, personal, material, electoral, and power-related aspirations are often in conflict with EU standards (Müftüler-Baç and Çiçek 2015). Some studies (Freyburg and Richter 2010; Subotić 2010) have also stressed the role of constructivist factors in raising domestic costs. Compliance with the political conditionality criteria in the states of the region has been additionally burdened with sensitive questions intersecting with ethnic identity, the most recent examples being the resolution of the name dispute with Greece and disputes with Bulgaria over language and history in the case of North Macedonia (Brunnbauer 2022). Finally, illiberal governing elites in the region have been able to exploit opportunity structures created by the recent geopolitical dynamics in the wider region. The EU's tendency to prefer stability over democratic change (Börzel 2015) has reduced the level of scrutiny over the domestic governance of "cooperative" political elites, who have in turn managed to solidify their authoritarian grip on power (Radeljić 2019). In this sense, Börzel and Pamuk (2012) have rightly criticised the neglect in Europeanisation research of the unintended negative effects of Europeanisation on domestic structures through the empowerment of authoritarian and corrupt elites who have instrumentalised EU policies to consolidate their own interests. Even more,

research by Richter and Wunsch (2020) has shown that EU conditionality has had an unintended negative effect on democratisation in the region, since the push for accelerated reforms has paradoxically empowered domestic informal political networks that have been able to intensify state capture and consequently reduce democratic performance.

More recently, the war in Ukraine could have a very significant effect on the outcomes of the EU's enlargement policy in the region. The war initially increased the awareness of the importance of EU enlargement in terms of security and raised hopes among the candidate countries for accelerated accession. However, the "geopolitical turn" in EU enlargement (Petrović and Tsifakis 2021; Džankić et al. 2023) has so far not generated sufficient support from the member states to push the accession process forward decisively (Damjanovski et al. 2023). Despite displays of support of the idea of an enlarged EU including the Southeast European states by 2030 from high-ranking EU officials at the beginning of the conflict, the EU's response toward accelerated accession appeared to tone down in 2023 and 2024 (Koval and Vachudova 2024). Without a viable timeframe for accession of the states in the region, the goal of EU membership has been projected into the distant future. This seriously limits both the credibility and the scale of incentives for governing elites.

Bridging the theoretical gap between Europeanisation and informality

Our study attempts to bring together the effects of top-down political agency with bottom-up responses to Europeanisation by looking at responses to EU accession in Southeast Europe. Most assessments of the effectiveness of Europeanisation are tied to outputs in the legal transposition of EU norms by formal institutions and administrations. They predominantly focus on formal records of agencies at the macro (governing elites) and meso (administrative elites) levels. Although political agents remain the key actors for the formal institutionalisation of EU rules and policy transformation, they constitute only a part of the Europeanisation puzzle. More focus on domestic actors is needed (Parau 2009; Belloni 2009), as societal responses and demands for change form "the domestic permissive consensus" that favours or disables democratisation and Europeanisation processes (Noutcheva 2016). Our research addresses this gap by proposing a way of looking at the macro and meso-level perspectives of the institutionalisation of EU norms jointly with micro-level resonance and responses from the social

sphere, where the fate of Europeanisation is ultimately determined. In order to succeed, the implementation of formal resolutions derived from the EU acquis ultimately needs to be aligned with the preferences of citizens and civil society. When informal practices are stronger and more durable than formal resolutions, this can weaken the power of imported EU norms and reduce their implementation to an administrative facade rather than an agent of behavioural change.

In this sense, we tackle the discrepancy between the processes of formal change (transposition of norms) and behavioural change (enforcement) (Schimmelfennig and Sedelmeier 2005; Hughes et al. 2004). The literature on implementation both in the EU member states and the candidate countries has identified several causal mechanisms for the differential transposition of EU norms across countries. Most quantitative studies relate the successful transposition to the level of administrative and government capacity (Zubek 2005; Toshkov et al. 2010), the interplay between administrative capacity and political preferences (Toshkov 2007, 2008), or the administrative coordination of EU affairs (Dimitrova and Toshkov 2009). There is some evidence that the post-accession transposition performance of the post-communist Central and Eastern European members is better than in many older member states (Börzel and Sedelmeier 2017; Zhelyazkova et al. 2017). However, while most of the quantitative studies are able to capture formal compliance, those records do not reflect the outcomes of practical implementation, and cannot detect patterns of societal change (Toshkov 2012). Especially in countries with limited capacities and incompatible domestic preferences, the transposition of EU rules can turn into "dead letters" where adopted laws are not realised in practice (Falkner and Treib 2008).

Qualitative studies of implementation suggest that even in EU member states, most attention is paid to transposition (laws on the books), while practical "street-level" implementation (law in action) remains a "black box" (Versluis 2007). As Versluis (2007: 122–124) puts it: "practical or administrative implementation […] refers to the establishment of administrative agencies, the setting up of necessary tools and instruments, monitoring and inspecting by regulators (i.e. enforcement) and the actual adherence to the law by the regulated (i.e. compliance)." Hence, the effective implementation of EU rules is dependent on alignment between the capabilities of state regulators and the preferences of local populations, since "laws are only meaningful if there is political will, grassroots demand and local capacity to implement them" (Nadgrodkiewicz et al. 2012: 5).

These gaps are particularly pronounced in the states we are researching, where deficits in capacity; the existence of contrasting legal, cultural, and

historical legacies (Pop-Eleches 2007; Cirtautas and Schimmelfennig 2010); and informal practices exacerbate the problem of "shallow" institution-alisation and Europeanisation (Goertz 2005; Börzel 2006). On the surface, these states have a relatively good track record of legislative alignment with many EU norms. However, what constitutes the harmonisation of EU rules is generally the incorporation of EU legal acts into the domestic legal system. This process often involves straightforward copying of EU legislation through a formal (and very often "fast track") legislative procedure in which parliaments approve the adoption of legal texts. By itself, this legislative activity leaves little room for informal practices and informal actors. However, informal agency displays a more vivid effect when the implementation and enforcement of EU-derived rules come to the fore. The actual implementation and enforcement of EU rules constitute the biggest challenge for compliance, since they are directly associated with institutional and societal resonance, with state capacity, and with political will for policy alignment in the aspirant countries. Some interaction between formal legal frameworks and informal practices and networks is inevitable, and this interaction frequently takes the form of conflict. In this sense, the degree of Europeanisation that takes place may be a measure of the successful alignment of formal and informal rules and practices.

This interaction is arguably one of the key determinants of compliance, especially regarding the application of rule-of-law policies which comprise a large part of EU conditionality in the region. Ekiert's claim that "the quality of the rule of law and the effective implementation of the acquis depends not only on the administrative capacity of a state but also the degree to which the new values, rules, and practices being propounded are internalized by state functionaries and citizens" (2008: 20) is especially important in this context. Authors have argued that constructivist factors play a key role in the effectiveness of implementation given that, in order to work, laws can only provide incentives for obedience if they are meaningful in a social context (Berkowitz et al. 2003). Lauth's analysis (2001, 2009) of the major factors contributing to deficiencies in the application of the rule of law solidifies this argument. According to him, the study of deficiencies related to insufficient administrative and financial capacities and power-interest constellations should be expanded to consider informal norm systems as a third causal mechanism that can obstruct law compliance. The influence of informal practices particularly affects compliance with novel, recently introduced legal systems, often borrowed from abroad (Markovikj et al. 2018).

The tensions between formal rules and informal practice in South-east Europe (Börzel 2011) relate to the differences between ideal type

Western-style governance and governance in modernising countries.[1] In the regional context, Mungiu-Pippidi (2015) distinguishes between the worlds of universalism and particularism. In contrast to the formal character of universalism where formal institutions have prevalence over informal practices, particularism is burdened by widespread informal arrangements that weaken the rule of law.

Judicial governance reform and informality in North Macedonia

As detailed above, rule-of-law reform has become the focal point of EU enlargement policy in Southeast Europe. Within this framework, the EU has embarked on a process of building an embryonic and formalised rule of law conditionality (Damjanovski et al. 2020) centred around various recommendations and documents from external international institutions (such as the Council of Europe), although there is no internal rule of law acquis as a compulsory requirement for the member states. The contradictory and disconnected character of the resulting conditions has invoked criticism (Pech 2016; Coman 2014; Kochenov 2014), especially when disregard of the local legal context (both formal and informal) has resulted in negative (Slapin 2015) or even pathological (Mendelski 2015) effects on rule-of-law performance in the region.

The relationship between formal institutions and informal practices in judicial governance has only recently started to attract attention in academic research. A well-designed formal judicial system is not a guarantee of judicial independence and functionality, especially when new formal systems compete with long-established informal practices. As Kosař et al. (2023) argue, informal judicial practices are spread across key judicial avenues that shape how the judiciary functions, from mechanisms for the promotion of judges to judicial decision-making. Their interaction with the formal, normative framework can weaken or protect the quality of democracy. Most often, informal practices are seen as contributing to the deterioration of judiciaries, enabling clientelist and patronage networks, nepotism, and telephone justice and thereby severely destabilising the formal judicial system (Kosař et al. 2023; Šipulová and Kosař 2023). On the other hand, informal judicial practices can have a positive effect, like when competent judges form alliances with third parties to promote judicial

1   For example, Boesen (2007) distinguishes between rule-based and relation-based governance. North et al. (2009) introduce the concept of open access vs. limited access orders.

independence. However, this is almost always the case in established democracies with long-lasting traditions of judicial independence, in which informal practices serve as complementary tools for more effective judicial governance (Smekal 2023).

There are several arguments for the promotion of formalised models of judicial governance by supranational organisations such as the EU. The formalisation of rules significantly increases the transparency of judicial independence and provides an effective mechanism for assessing compliance (Leloup 2023). However, imposing a robust but novel formalised conditionality framework on a set of democratising countries without adaptation to local judicial contexts might not always result in positive transformative outcomes, since this imposition could also easily come into conflict with or undermine previously established formal institutions and informal practices that have formed a durable judicial culture.

The EU's approach towards judicial reform has been centred around the promotion of a significantly formalised institutional framework, known as the "European model" of judicial governance (Preshova et al. 2017), which advocates the creation of judicial councils with strong competences in judicial decision-making as a way of insulating the judiciary from political influence. The model encourages a composition of the judicial councils that strongly favours a majority representation of judges, so that in case the composition is mixed, the non-judge members' interests cannot prevail. The councils are designed to hold key competences in the promotion and sanctioning of judges. This framework is further expanded by another institutional novelty: the establishment of academies for the training of judges.

North Macedonia was the first country in the region to adjust its judiciary to EU conditionality in this area. In 2005, it adopted constitutional changes that marked a significant departure from the existing organisation of the judiciary and started a process of adjustment to the EU's demands that have resulted in full institutional reform of the judiciary based on the "European model." So far, the effects of this institutional reform have been ambivalent, as the model was not able to significantly overcome the negative informal practices and the overall levels of corruption in the judiciary. Namely, the strengthened judicial council did not prevent either the conduct of previous informal practices or the establishment of new informal practices. Instead, it created a clique of very powerful judges who were able to impose non-transparent informal practices in judicial recruitment that fostered nepotism, clientelism, and corruption (Gjuzelov 2020). The judicial council has been seen by some judges as a force that

safeguards the political interests of judicial and political elites through abuse of the system of judicial promotion and dismissal (Preshova 2022).

Recent empirical data derived from surveys of judges and public prosecutors in North Macedonia starkly illuminate the extent of these informal influences on the judiciary (OSCE 2023). A striking 72% of judges express scepticism regarding the ability of the judicial council to protect judicial independence, while the same proportion doubts the fairness and objectivity of judicial promotions. In this regard, over 40% of judges report having encountered direct pressure or attempted influence from their colleagues as well as from senior judges and court presidents. Additionally, approximately one-third of judges have indicated that they experienced pressure from members of the judicial council itself. These concerns are mirrored by similar findings among public prosecutors, further underscoring the widespread nature of such pressures within the judicial system (OSCE 2023).

These findings become even more consequential when examined within a longitudinal framework. A comparison with survey data from 2009 reveals that the perceptions of judges and prosecutors regarding judicial independence and governance have remained largely stagnant. Notably, the proportion of judges reporting undue pressures and influence from senior judges, peers, and members of the judicial council has actually risen (OSCE 2023). This is particularly troubling given that the period between 2009 and 2022 witnessed substantial EU-induced legal reforms to the judiciary. Despite these reforms, the persistence and even intensification of informal pressures suggests that normative compliance with EU rule-of-law conditionality has failed to produce meaningful improvements in judicial independence and the overall governance of the judiciary in North Macedonia.

Furthermore, the empowerment of the judicial council did not prevent the politicisation of the system of judicial self-government. For example, the wiretapping scandal of 2015 revealed a far-reaching informal network of direct political influence over senior judges not only with regard to judicial selection of "favourable" judges but also through exertion of political pressure on high profile court verdicts (Preshova et al. 2017; Gjuzelov 2020).[2] As in other states of the region, North Macedonia is still influenced by the

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2   More precisely, the wiretaps revealed discussions between top government officials and senior judges that include (among others) requests for appointments of politically "acceptable" judges in court proceedings, appointments of suitable prosecutors in the public prosecution office, and the existence of corruptive schemes for progressing up the judicial ranks (Truthmeter 2016).

legacies of communist legal traditions that limit the Europeanisation of its judiciary (Nicolaïdis and Kleinfeld 2012). As recent qualitative studies have shown, judicial elites have often instrumentalised the judicial independence framework for the pursuit of personal interests through informal transactions with politicians and oligarchs in a way that ultimately undermines their integrity and degrades public trust in the judiciary (Preshova 2021, 2022). These findings are complemented by quantitative data, as more than one-third of both judges and public prosecutors have reported forms of influence and pressure from the government and representatives of political parties (OSCE 2023).[3] Political pressures are manifested also among the members of the judicial council. A smaller proportion of five members who are elected by the Macedonian assembly from among "prominent jurists" have been perceived as completely loyal to the parties that promoted them and have been used as an instrument for political pressure in the judicial council (Gjuzelov 2020).

As a consequence of these dynamics, the judicial institutions now receive the lowest levels of trust from the Macedonian public, as almost 80% of citizens distrust the courts and the judiciary (IRI 2023). These developments clearly show that highly formalised institutional arrangements are not a guarantee for judicial independence, as they are not necessarily always able to effectively transform the judicial culture to the extent that it becomes resistant to informal practices dominated by political parties.

Fictive privatisation (and actual capture) of the media in Serbia

At the suggestion of the European Union and international organisations, in 2014 the Serbian parliament adopted laws to ensure greater media independence. Under these laws state and state-owned companies were supposed to sell off all the media they owned. In the following years, almost all local media outlets in which the Republic of Serbia had direct ownership were privatised. Following this, Serbia adopted the Media Strategy in 2020, committing to "reduce to zero" the number of media in which the state has a stake (Vlada Republike Srbije 2020). The expectation that the privatisation of public-owned media would contribute to equalising the access to public

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3   For example, in an interview for a media outlet in 2023, the President of the Supreme Court explicitly acknowledged the presence of political interference in the judiciary with "cases of attempts for direct interference in order to realise agendas which aren't correlated to the rule of law and the powers of the judiciary" (MIA 2023).

funds allocated for information, and consequently to ameliorating the favoured position of media outlets close to ruling parties, has proved to be unfounded. Instead, the political instrumentalisation of media organisations and the misuse of public money intended for the media has intensified (Klut 2021).

One especially illustrative example is the purchase of local media by Radoica Milosavljević, a businessman with ties to the ruling party. Milosavljević, who until the privatisation of local media had nothing to do with the media business (he was the owner of the plastic packaging production company Sloga in Kruševac and an official of the Socialist Party of Serbia in that city), bought eight media outlets in Serbia (RTV Kruševac, RT Kragujevac, TV Pirot, RT Brus, Information Center Novi Kneževac, TV Požega, RT Dimitrovgrad, and RT Pančevo) for a total of €280,000. According to data on the operations of his company Sloga and other companies (see: Jovanović 2021), Radoica Milosavljević did not have the capital to carry out these transactions. His close connections with Bratislav Gašić point towards the claim that Milosavljević bought the media companies on behalf of Gašić (Skrozza 2015; Radojević 2018, 2020), an influential fellow citizen from the ruling party who was the head of the Security Information Agency at the time. Gašić is also from Kruševac and his family controls several local media outlets (Jovanović 2021). The television stations Milosavljević bought have received at least €390,000 from the budget of local governments through tenders for project co-financing (Radojević 2016), thereby more than compensating for the money he invested.

The state-owned Telekom Srbija was also involved in media-related deals. In November 2018, Telekom bought the TV cable operator Kopernikus Technology, paying €195 million to its owner Srđan Milovanović, a businessman and the brother of Zvezdan Milovanović, who was then the representative of the ruling Serbian Progressive Party for the city of Niš. The next month Milovanović bought a media company owned by Antenna Group for €180 million. This made him the owner of two television stations—Prva and O2 (now B92). These two TV stations are among five that have a license to broadcast at the national level. He also took over Prva TV Crna Gora (in Montenegro), Play radio, six cable channels, and three internet portals (Prva.rs, O2tv.rs, and B92.net). This purchase was a premeditated transaction mechanism aimed at giving the Serbian Progressive Party control over the media outlets involved.

The idea of co-financing the media through projects when they are realising the public interest was redirected and turned into a scheme to direct public money to privately owned companies close to the governing party:

> All those rules contained in the law are violated by the fact that the Government appoints members of the commissions who are absolutely not competent but are in connection with the authorities. They make absurd decisions that various media, which do not realize the public interest at all but are in the true sense regime media and spokesmen for the ruling structures, receive this money so that all citizens of Serbia, regardless of their political commitment or neutrality, finance those media that work for the government. (Rade Veljanovski in Vučković 2019)

In October 2023, the Serbian Parliament adopted amendments to the Law on Public Information and Media and the Law on Electronic Media. These legal changes once again allowed the state to open and own media outlets indirectly. Consequently, a state-owned company, Telekom Srbija, took over several television stations and online media outlets and steered their editorial policy in a more pro-government direction (Moratti et al. 2024: 12).

Commercial companies dominate the media landscape in Serbia, and the most profitable are those operating national television networks and multimedia digital platforms. These media companies are owned by people close to the Government and the ruling party and are favoured in the distribution of state advertising and other state subsidies (BIRN 2023). The block purchase of advertising by state agencies as an instrument of media control is detailed in three reports (Savet za borbu protiv korupcije 2011, 2015, 2022) by Serbia's commission on corruption.

The media companies with the largest revenues and profits have owners with known political ties and affiliations and use their media platforms to promote the government, spread propaganda, and attack the governing party's political opponents. Companies that operate media outlets with a critical approach toward the Government report significantly worse financial results, in large measure as a result of being less favoured in the purchase of state and commercial advertising. State advertising is directly controlled by the government and easily directed toward favoured outlets, while commercial advertisers tend to keep away both to maintain friendly relations with the party in power and because of the desire to avoid reputational risk that results from the "halo effect" of official attacks on independent media outlets (BIRN 2023).

The relatively large number of media outlets contributes to weak market sustainability, which enhances the dependency of media on public funding. Links between public funding and political party control are in most cases direct, with little or no oversight to assure equity in distribution. This gives political elites significant leverage over editorial policies in both public and private broadcasters. As a rule, contracts are awarded to production companies and media that do not adopt critical attitudes towards the government. Together with project co-financing, state subsidies, and tax breaks, the various forms of control over the funding of media companies amount to a form of soft censorship. One media outlet in particular, TV Pink, stands out as a recipient of subsidies and benefits—on several occasions, the state enabled it to pay off large tax debts in 60 instalments (Klut 2021). The risks to the independence of the media posed by the control of funding have been identified in several recent monitoring reports (Babić and Đurić 2024; Vučić 2024).

Chapter 10 of the EU's *acquis communautaire* addresses media reform aimed at "the establishment of a transparent, predictable and effective regulatory framework for public and private broadcasting in line with European standards" (Euroscope 2023), with apparent emphasis on the regulatory bodies in candidate countries. This chapter of the *acquis* leaves unexplored the question of how regulatory bodies operate and whether they encourage impartial journalism and work to maintain quality. The available evidence suggests that, despite the intention to diminish state control through a combination of independent regulatory bodies and privatisation, media outlets have instead become instruments for the extension of political party power and for preventing political actors outside of the ruling circle from gaining access to publicity. The failure of regulation derives, in large measure, from the irrelevance of regulatory bodies in the face of the domination of informal influence of political centres in the work of the media (Moratti et al. 2024).

The media developments in Serbia show the limitations of the power of formal rules to assure the diversity and independence of the media—when these rules are not enforced. Institutions established to regulate media are subject to control by powerful private or partisan interests. Meanwhile, the distribution of public spending, intended to assure the autonomy of media outlets from control by advertising sponsors and other economic interests, has been commandeered, allowing party control over the distribution of contracts and advertising, which in turn enables the establishment of clientelistic relationships between media owners, journalists, and political elites. In this sense, the privatisation of media in Serbia was recast as the

privatisation of influence and power. In the process, the principal motivation for the entire process—protecting the public interest and the interest of citizens—was lost.

Meat exchange and "goldplating" reform: Elites enhancing power by exceeding demands
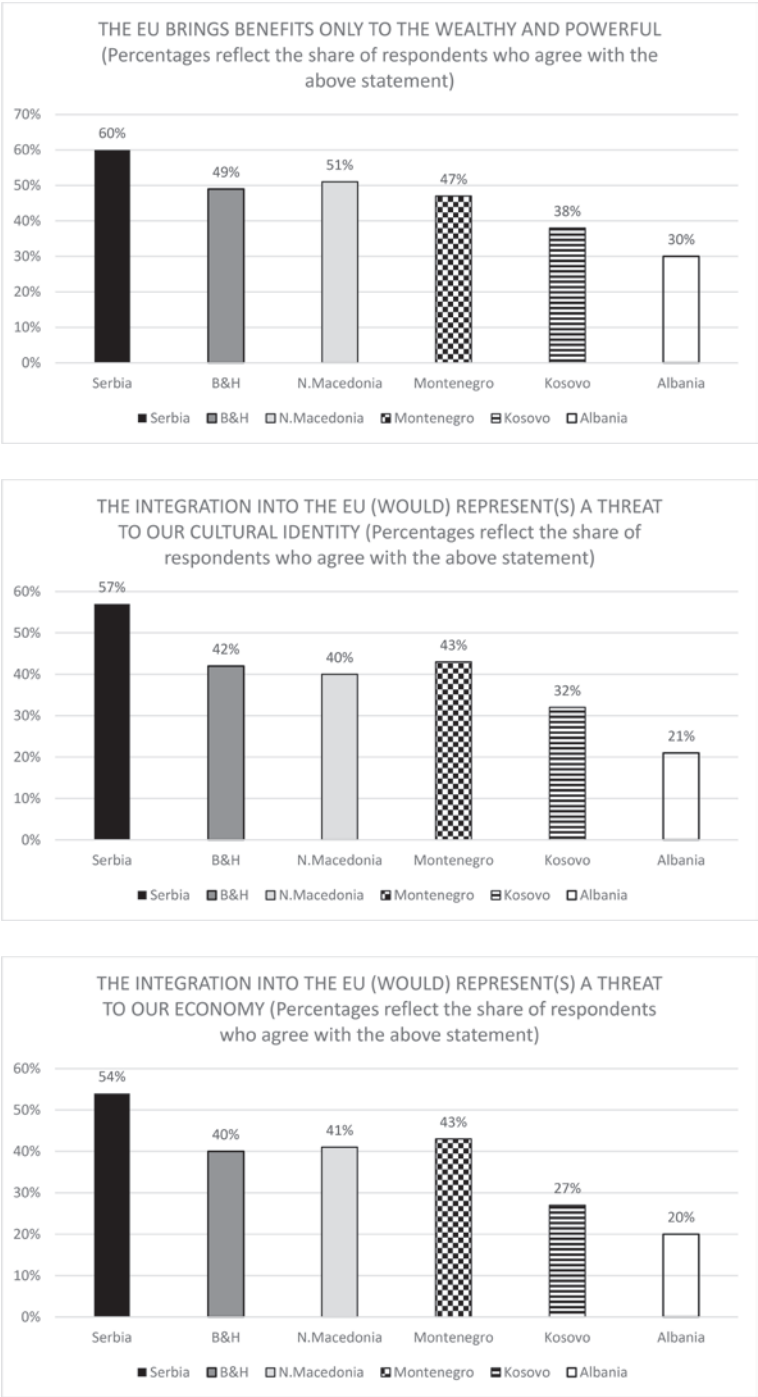
Surveys generally indicate that majorities of the public in the aspirant states of the region welcome integration with the European Union and expect reforms led by the European Union to improve both their lives and the functioning of public institutions (Damjanovski and Kmezić 2019). There are exceptions and ambivalences here, however. Lower rates of enthusiasm are expressed in the states that are furthest along in the process of accession (Serbia, Montenegro, Macedonia). This is particularly apparent in Serbia, where, as seen in Figure 7.1, a majority of respondents say they perceive the EU as a threat.

Among the perceived threats, a majority in Serbia (and considerable proportions of respondents in the other states) agree that "integration into the EU represents a threat to our cultural identity." Of course, the category of identity has been mobilised in many ways in debates over EU integration (Radović 2009), where "democracy" is invoked as being opposed to some "traditional" categories of national uniqueness (including some forms of discrimination) that are popularly represented as traditional.

In Southeast Europe, where large-scale urbanisation was recent and rapid, and where identities are often strongly connected to localities of family origin, many of the practices associated with tradition are found in the field of agriculture. Sensationalist items in the popular press occasionally raise the question of whether traditional local brandies, cheeses, and other products associated with both sociability and identity can continue to be produced. In this regard, the EU is portrayed as arrogantly imposing onerous regulation and uniformity on unique, reluctant, and powerless cultures.

At-home production and consumption of meat carries a meaningful symbolic importance in the region for both material and cultural reasons. There is a longstanding practice in which underpaid urban workers compensate for their low wages by relying on meat (and other food products) supplied by rural relatives, thereby maintaining family relationships across the urban–rural divide (Simić 1973). In everyday use, home-produced meat is both culturally prized and popularly considered to be healthier and more natural than store-bought products. In popular perception, it is preferred

Figure 7.1. Reservations and fears related to EU integration

THE EU BRINGS BENEFITS ONLY TO THE WEALTHY AND POWERFUL
(Percentages reflect the share of respondents who agree with the above statement)

THE INTEGRATION INTO THE EU (WOULD) REPRESENT(S) A THREAT TO OUR CULTURAL IDENTITY (Percentages reflect the share of respondents who agree with the above statement)

THE INTEGRATION INTO THE EU (WOULD) REPRESENT(S) A THREAT TO OUR ECONOMY (Percentages reflect the share of respondents who agree with the above statement)

over "imported agricultural products that often look and taste suspicious" (Zobel 2011). Roasted meat also plays a prominent role in the observances of several religions: for example, a central part of the Muslim observance of Eid al-Adha is the ritual Qurban slaughter in which the meat that is produced by the slaughter is given as a gift to neighbours and people in need of assistance (Brisebarre 2017).

Much of the panicked discourse warning people that the European Union will ban local brandies, cheeses, and meats can be relegated to the category of popular myth. In fact, EU requirements for the regulation of the production of meat not intended for commercial sale are minimal. The requirement that farm animals be slaughtered painlessly, which requires technical capacity and expensive equipment beyond the reach of small-scale farmers, applies only to producers serving commercial markets. The regulations that do apply to small farmers mostly involve animal welfare and hygiene, and are broadly similar to regulations that already exist in most accession states (Lavrič et al. 2017). Meat that is not produced for sale is excluded from regulation by EU standards. Member states, though, are free to adopt more stringent standards in their domestic legislation.

The exemption of meat produced by domestic slaughter applies to meat that will not be sold or distributed "outside the household and the immediate family" (Lavrič et al. 2017). But legislation varies in defining what constitutes the "household" and the "immediate family." Slovenian regulation permits the distribution of meat to relatives and employees, while the law in Macedonia and Croatia restricts distribution to people permanently residing in the household where the meat is produced. Whether restrictive or open, the legal regulations in all of the states in the region have one thing in common: in general, they are not enforced. Asked by INFORM researchers about enforcement of the regulation, an official of the Croatian Ministry of Agriculture answered simply, "What do you think, how many inspectors would we need to have to enforce that?" (ibid.).

The case of Macedonia and Croatia is illustrative: it is an example of states adopting regulations that considerably exceed EU conditionality requirements, and that in fact exceed both the will and the capacity of the states to engage in enforcement—and then not enforcing them. The European Commission defines this practice as "gold-plating," or "transposition of EU legislation, which goes beyond what is required by that legislation, while staying within legality" (Boci et al. 2014). The practice permits politicians to bring forward restrictive and unpopular legislation under the false claim that it is required by the European Union as a condition of accession. This practice of gold-plating facilitates the process of societal capture in two

ways. In the first place, it opens up a wide gap between the world as it is described by law and life as it is actually lived. In the second place, it creates a condition in which a large number of people stand in violation of the law (a condition softened by the general refusal and inability of states to enforce the law).

The gap between the law as it is written and life as it is lived leaves open a wide potential space for the corrupt use of discretion by law enforcement, which is able to bring enforcement action partially, selectively, or opportunistically. In that sense, the anomalous status of domestic meat production illustrates a phenomenon in which European rules, designed with the intention of bringing rationality and consistency to the legislation of member and candidate states, instead invite the arbitrary exercise of state power. Paradoxically, this means that village-based practices like home slaughter, which are substantively untouched by EU regulation, are potentially threatened by the way that European requirements are interpreted in domestic law.

The phenomenon described in relation to home meat production illustrates a pattern that is visible across a number of fields. The formal adoption of new rules originating in EU conditionality disguises the informal retrenchment around the strengthening and consolidation of clientelistic party rule. This can be seen in the areas of reform in the judicial and media sectors discussed in the preceding sections, and also in areas like political reform and LGBT rights (Gordy and Efendić 2019; Kmezić 2020).

Conclusion

In order to develop a comprehensive understanding of the successes and failures of Europeanisation in Southeast Europe, it is necessary to supplement an analysis of the role of elite incentives and power relations with perspectives from the level of practice and lived experience. Whether or not the formal institutionalisation of EU-derived norms will succeed is heavily dependent on the compatibility of EU norms with generally observed social norms of behaviour. Hence, higher rates of compliance correlate with the level of fit between the values and utilities promoted by formal EU norms and the perceptions of state officials and citizens regarding their "appropriateness." In this sense, the effectiveness of conditionality can be viewed as a function of the interaction between EU-induced formal institutions and informal practices. When formal rules conform with informal practices (and vice versa), it is more likely that implementation outcomes will be

effective. However, when formal rules contradict informal practices, the probability of positive outcomes is significantly reduced. Since the content of EU rules is rigidly established, only an asymmetrical convergence between the formal EU-induced institutions and informal practices that favours the former would result in positive implementation outcomes (Dimitrova 2010).

Our analysis of the interaction of new formal rules with informal practices and networks indicates that informality operates as an important intervening variable on the effectiveness of conditionality, which could ease the path of compliance or breed resilience among citizens toward the implementation of EU norms. While existing research has been overwhelmingly concerned with processes of administrative institutionalisation, it has overlooked the interplay between formal institutional outputs and informal practices. Similarly, the European Commission's assessments of policy implementation in the candidate countries almost never goes below the level of government agency.[4] Against this backdrop, there is much to be learned from a bottom-up research design that analyses "the system of interaction (actors, resources, problems, style, and collective problem-solving rules) at the domestic level" and its interaction with EU norms (Radaelli and Franchino 2004: 948).

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4   This was the view of a former high-ranking official in the European Commission we interviewed.

8. Dealing with informality and societal capture

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Abstract: Events developing as this book was being completed dramatically foregrounded questions of state and societal capture. We offer an assessment of who benefits and who suffers from the dominance of informal networks. We also examine why the problem of societal capture appears to be so intractable, particularly in the light of citizens' desire for functioning institutions. The dominance of informal networks, while in some ways reflecting legacies of state socialist rule, is primarily a consequence of systems of rules and inequality that developed after the demise of state socialism. The chapter concludes with a set of suggestions emerging from the research for future policies capable of realising the benefits of informal organisation while addressing the problem of societal capture.

Keywords: Southeast Europe, networks, corruption, state capture, policy

In the final weeks of preparing the manuscript for this book, a disaster struck in Serbia. On 1 November 2024, a concrete canopy covering a pedestrian walkway at the main railway station of Novi Sad collapsed, killing 16 people and injuring many others. Initial investigations indicated that the contract to renovate this part of the railway station had gone to companies primarily qualified by their owners' closeness to the governing party, the Serbian Progressive Party (SNS), which held majorities in the national parliament, in the provincial parliament of Vojvodina, and in the city government of Novi Sad. Neither the design nor the completed work had been submitted for safety inspection before the railway station was reopened. The popular

response to this incident was bitter, massive, and swift. Student and street protests demanded the resignations of responsible officials, full account-ability, a transparent investigation, and the release of documents related to the accident. Walls, pedestrian walks, and public squares were filled with images of black flowers representing the loss of life and red handprints accusing the state of having blood on its hands. As regime-controlled media reached for increasingly bizarre strategies to discredit and disqualify their opponents, people marched under banners bearing the slogan "Corruption kills." The protests continued through the first half of 2025 and remain active at the moment of publication.

Similar outrage was provoked by a fire at a dance club in the town of Kočani in Macedonia. On the evening of 16 March 2025, the ceiling of the Pulse nightclub was set ablaze by indoor fireworks. The club was not licenced, and the rapid spread of the fire was exacerbated by the lack of emergency exits, sprinklers, and an adequate number of fire extinguishers. In the ensuing blaze 62 people were killed and 193 injured. A subsequent investigation implicated officials from institutions ranging from the local police to the Ministry of Economy for issuing fraudulent permits and for negligence. A wave of protests demanded accountability and the resignation of Kočani mayor Ljupčo Papazov. Papazov resigned on 17 March and was subsequently charged with abuse of office.

We already knew that the phenomenon of informal networks overriding safety and legal standards was a major issue for people in the region. Unusu-ally for people involved in a social science research project, everyone we spoke to from outside the academic world about our research, at coffee shops or family gatherings, immediately understood the nature of our question and why it mattered–and they had stories for us about their experience and the experiences of people they knew. They also understood the fundamental dilemma that constitutes our main finding: it is not possible to avoid engag-ing with informal networks because, when resources are scarce, it is not possible to get the work of life done without them. People rely on this way of organising to meet their needs. At the same time, some are aware that using these networks to benefit themselves and their families increases their exposure to the power that the networks have over them—and with it the power of the people and institutions standing at the centre of these networks, above all the ruling political parties.

The result is a picture that seems like an atrocious advertising slogan for a bad cosmetic product: *"solves problems while metastasising their causes!"* But this is a fair description of the dilemma that societies in the region

(and elsewhere, no doubt) face. So as we come to the end of our assessment of the dimensions of the problem, we are necessarily confronted with some questions. Why does the problem of societal capture seem to be so intractable? What are the forces that contribute to its wide geographic spread and apparent permanence? And is there any way forward in the quest for social and political structures that assure equity and choice, that provide legitimate pathways to participation, and that allow people to accomplish the things they need to get done without calling on favours, paying to grease the wheels, and other forms of degrading and disempowering compromise?

This book offers suggestions as to how these questions might be answered. We opened the discussion in Chapter 1 by inviting people to step away from perceptions of the region framed by ideology and the public posturing of political elites and to look instead at the tensions produced when the shortcomings of institutions are resolved by informal practices on the ground. We tried to enable the reader to develop a picture of social life in the region as a lived experience and the frustration that this experience carries with it. In Chapter 2, we articulated these tensions and suggested a wider theoretical framework that illustrates both the global universality of patterns of informal practices and the specific features that develop locally in a context-sensitive way. We followed this in Chapter 3 with an exploration of how the environment of dysfunctionality is harnessed by political parties to extend their control over an expanding set of spheres of everyday life, promising to resolve people's material problems in exchange for the surrender of their political autonomy and the promise of their loyalty. Chapter 4 outlined the scope of informal economic activity, with an exploration of some of the benefits people seek by using informal networks, and also of the costs that informality imposes on participants and on the societies where it occurs. Chapter 5 described the processes through which informal networks can easily shift from representing a chosen strategy that people adopt as an expression of trust and solidarity to representing obligatory participation in networks that exercise control over citizens, while Chapter 6 outlined some ways in which informal networks, for all their negative reputation, have the capacity to resolve problems that legal and official institutions ignore or make worse. Chapter 7 explained some of the ways that international intervention, including well-meaning efforts to encourage reform by intergovernmental institutions like the European Union, are frequently redirected by powerful actors to consolidate rather than compensate for networks of informal control.

In order to point to a way forward, it is necessary to revisit in another form some of the arguments that we have made. Below, in our closing remarks, we ask how people understand their social environments and what they hope to receive from them. We pull together information about who suffers and who benefits from the capture of society by informal networks. We then contrast the ambivalence of informality with the absolute absence of ambivalence that accompanies state and societal capture. And finally, we offer some recommendations that could be useful in guiding the development of both policies and a better understanding.

Mistrust of strangers, trust in immediate groups, and … trust in the state? Why?
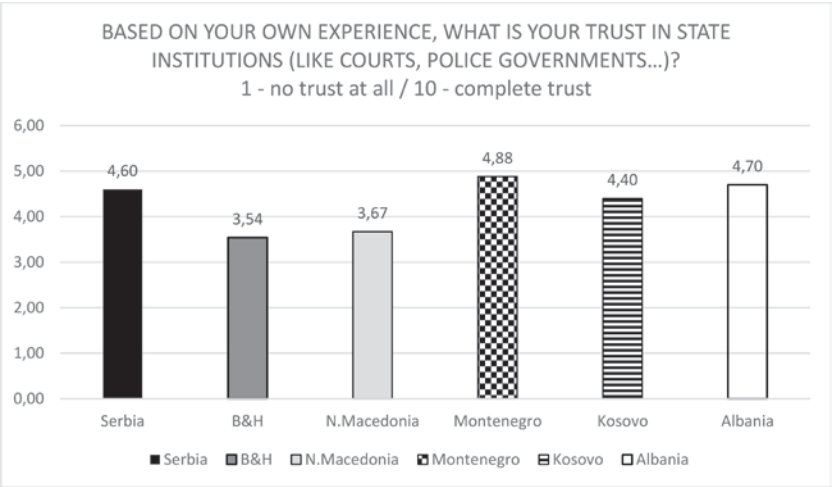
A paradoxical finding from our survey research indicates that while respondents tend to believe that the frequency of corrupt informal practices such as bribery is very high, they nonetheless place somewhat higher levels of trust in state institutions relative to the level of trust they place in the people around them. Although levels of social trust are generally low, as might be expected in societies where institutions systematically fail to serve the public, and in two states (Bosnia and Herzegovina and Macedonia) the overall ranking is lower than in others, the degree to which people express trust in the institutions of their state is high in relation to other potential objects of trust. The finding seems to contradict the numerous reports we received in our interviews regarding failed institutions, corrupt individuals and practices, and the impossibility of achieving necessary tasks using formal legally prescribed procedures. This reflects the grip of double standards in a society in which the overpowering logic of "us vs them" confronts the idea of the public good and "good citizenship," leading to the acceptance of an ambivalent formula: the state is corrupt but it is the only means to get things sorted.

The findings on trust in state institutions are presented in Figure 8.1.

This stands in stark contrast to the level of trust that survey respondents express in their fellow people. There is little variation between states on this point: people express reservation and suspicion toward the people around them. The results are shown in Figure 8.2.
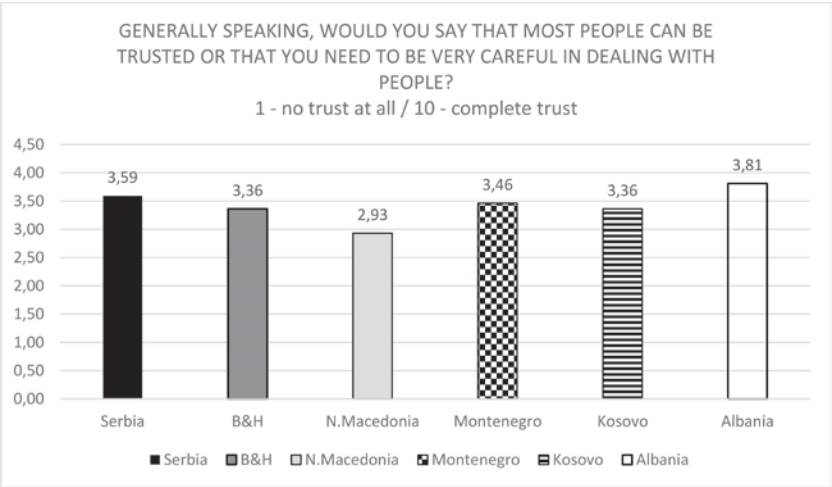
"People" constitute, of course, a mutable category. As our report from Montenegro (Sedlenieks et al. 2018) indicates, a lay person generally does not trust other people but can trust relatives (especially immediate family) and close friends. All other people can be trusted to a much lesser degree. This finding is probably consistent with what most readers would predict, even

Figure 8.1. Level of trust in state institutions

BASED ON YOUR OWN EXPERIENCE, WHAT IS YOUR TRUST IN STATE INSTITUTIONS (LIKE COURTS, POLICE GOVERNMENTS…)?
1 - no trust at all / 10 - complete trust

Source: INFORM

Figure 8.2. Level of trust in other people

GENERALLY SPEAKING, WOULD YOU SAY THAT MOST PEOPLE CAN BE TRUSTED OR THAT YOU NEED TO BE VERY CAREFUL IN DEALING WITH PEOPLE?
1 - no trust at all / 10 - complete trust

Source: INFORM

in the absence of research. The reason people trust people who are close to them more than others could be that they have a reasonable expectation that these people will help them should the need arise. A consequence is to strengthen the grip of obligation within the concentric circles of social

ties, while at the same time highlighting the ambivalence of family ties, that help and nourish individual potential but also limit individuals and lock them in.

Our overall finding might appear to be contradictory: if the people who responded to the survey told us about their perceptions and experiences accurately (there are always reasons to suspect doublethink in captured societies), then people are acting in ways that grossly mismatch the things that they believe in and doing things that they unequivocally declare to be wrong. There has to be something more behind this. We believe there is, and that it helps us to account both for the persistence of informal networks of control in Southeast European societies, and also for the hope that there may be a way forward.

The desire for functioning institutions

Our surprising finding about trust clearly poses the question of the meaning of impersonal and interpersonal trust in the context of captured societies. We have tried to understand this finding by hypothesising that the high levels of trust are directed not toward state institutions that respondents have actually experienced, but rather to the image of the state and to the public institutions that they would like to have. It might reflect a dependency on the state and could justify a retreat from people's responsibility to do anything themselves. There is evidence for the contention that people want a functioning state in the finding that, when bureaucratic procedures are improved to make it possible to get a job done without the use of connections or favours, the frequency of some informal practices is reduced. When procedural reforms in Macedonia made it easier for entrepreneurs to register a new business—with a readily understandable online form, a process that includes only two procedures (against a regional average of 6.5 procedures, according to our 2017 survey), and a procedure that cut the waiting time for a response to only two days (compared to the regional average of 16.5 days)—the average amount of money and time that businesspeople spent on keeping regulatory officials supplied with coffee, lunches, and gifts decreased.

The practical convenience of functioning institutions undermines popular stereotypes about the "mindset" of people who just like to be sociable rather than rule-bound—a view that coheres well with the Western stereotype that the region is characterised by a kind of "backwardness" (Chirot 1991). Less surprisingly, people in Southeast Europe respond to opportunities and incentives, just like everywhere else in the world, and use procedures that

are actually available to them. The simplicity of offering equal opportunities to all is constrained by the complexity of societies where resources are limited (and resources are scarce everywhere) as contestation over them grows in the world.

A specific feature of the captured societies we examine in this book is that they coopt and control people in ways that prevent them from simply complying with the law. The states in the region have passed many admirable packages of legislation, a good few of them directly copied from already existing legislation in force in EU member states. Several of the laws in question were adopted by parliaments in sets of several hundred, through expedited procedures that precluded amendment and debate, by parliamentary deputies who had not read them. These new laws entered into existing administrative systems that lacked the capacity, and in many cases also the desire, to enforce them. They joined the ranks of laws enacted by previous governments under earlier systems, often standing in contradiction to them. Our interview findings offer numerous examples of people who tried and failed to comply with formal provisions. They live in a system that promises universal access to healthcare (that is in actuality not available), to housing and education (where entry is gatekept by informal fees), and to employment (which is made accessible to party members). Some of them try to operate businesses where complying with one regulation means violating another, so any inspection is bound to find some problem—but the inspectors can be kept away, at the price of conforming to the demands of informal networks of control. Ask people in a survey whether they think people should obey the law (we did), and they will say yes. Ask them about their lives (we did that, too), and they will indicate that the cost of complying with all the applicable regulations is often impossibly high.

The anti-functionality lobby

As we can see, there are limits to the observation that citizens in general want their states to function responsively and efficiently. The most important limit is constituted by the fact that the citizens who want their systems to function are not all of the citizens. In the first instance, there is a critical mass of citizens who profit from the need for access to public services and benefits to be brokered. They cannot be expected to give up their lucrative jobs happily any more than anybody else can. In the second instance, as with political party control of access to benefits, corruptive informal practices can be thought of as a central element that assures the ruling group's hold

on political power. If they were happy to give up their control willingly, they would not invest so much in electoral fraud and militarised police. To the degree that it is the case that people rely on personal connections and informal networks of exchange in order to compensate for institutions that are not working, it is also the case that every instance of this kind of reliance consolidates the power of informal networks over these institutions and impedes efforts to develop systematic legal and institutional solutions. In short, the things that keep the hold of informal networks over public life in place are *the fact that there are people who profit from it*, and also, as long as formal procedures remain dysfunctional, *the fact that people need it.* The parallel system is a product of need and greed.

What applies to the general public also applies, probably more so, to elites. At this level, the logic of "the system made me do it" (Karklins 2005) accurately reflects the pressures that encourage elites to resist change. We can render this systematically as three factors that keep people in informal networks:

1. Informal rules are rules, and what distinguishes rules from other types of practices is that they are enforced. Considering that at least some of the activity described in our research operates at the boundaries of legitimacy and legality and has as its stake the continued survival of the political regime in power, we can expect any transgression of its rules to be approached with extreme caution.

2. The system makes the possibility of exit both unavailable and unappealing to its active participants. This encourages them to develop psychological defences that make their continued role in the system tolerable: self-deception, defensive aggression, cynical reasoning, and relativism (represented, for example, by the assertion that their continued loyalty is not to a network or to a regime but to a state or people).

3. Participants in informal networks are constrained inside the "modernisation trap of informality": a person who exercises power within the network is a broker in the system but is also its hostage. This factor encourages a perception of the meaninglessness of resistance or exit. If one hostage leaves, another hostage will take the place of the first. The only thing that will change in the system is which individuals profit.

Considered together, these constraints on elites bring to mind the complaint voiced by Al Pacino's character in *Godfather III:* "just when I thought I was out, they pull me back in."

At the lower level of networks, the absence of opportunity and the lack of the institutional density necessary to meet daily needs also contribute to

the persistence of networks of control. We inquired into the social correlates of disapproval and tolerance of informal practices. Although there is some variation between states, some of it meaningful, the overall finding is that the highest levels of tolerance for informal practices are found among people from social groups with the least ability to meet their needs using formal systems. Especially well represented here are older citizens, people living in rural areas, and people with lower levels of educational attainment. There is an obvious conclusion to be drawn here: societies that are more successful in providing ways for people to meet their needs using legal and legitimate means will be less likely to encourage the creative development of alternative ways of meeting needs.

The network state has no ideology

Whenever we see an event in the region that attracts international media attention—a major election, a round of protests, or a scandal—international journalists like to frame their stories around a particular set of questions derived from their outsiders' understanding of the region from. They will ask who the main characters are, but in a particular way: what is their nationality or religion? Are they pro-European or anti-European? Do they display nostalgia for one or another formerly existing political regime? These concerns exist in the public spheres of the societies of the region, but they do not represent the dominant questions for most citizens. More citizens are concerned with material questions like how they and their families will secure education, employment, and healthcare and meet other basic needs. The precarity of access to these goods creates a willingness to lend their political loyalty, and give their votes, to the parties that promise to solve their immediate problems.

This concern takes precedence, almost everywhere, over issues like what the parties believe in or even whether the parties will advance or halt the development of democracy. Most parties have taken this reality to heart and concentrate on improving their ability to do favours at the local level rather than articulating goals or ambitions that have to do with history or the society. The results can be seen in a degradation of the democratic process. Voting or party membership is more likely to be seen as a way of realising personal goals than as an expression of commitment or belief. In this context, the differences between parties tend to diminish, with the main difference increasingly being how successfully or unsuccessfully they maintain control over their network. One consequence is that it

becomes easier for citizens to see their political loyalty as a commodity to be traded, since it has so little meaning as anything else. In an environment characterised by the consolidation of networks, we see nationalist parties called "social democratic," neopatrimonial parties called "progressive," and a political sphere systematically emptied of content. Informal networks of control contribute to the depopulation of public life by maintaining the poverty of private life. Parties get long-term power and citizens get long-term powerlessness.

The problem may not be new, but it is not a problem of communism

We cannot pretend to be able to offer a solution to the problem of domination of public space and services by informal networks of control. We can, however, observe that it has its roots in the extractive privatisation of public life and public space. It is worth stressing that, as much as contemporary social problems of this type in the societies of the region tend to be presented as "backsliding" or "problems of transition," these problems do not in fact have their roots in the system of state socialism that existed until the 1990s. Rather, they are consequences of the system of power, the styles of rule, and the structures of inequality that have developed in the post-socialist period.

The majority of authors trying to understand causes of informality point to the inefficiency of bureaucratic procedures, which either enable rent-seeking or are simply so clumsy and inefficient that the citizens who want to achieve any progress in their daily business are forced to find other ways. Čarna Brković (2017) has observed that some aspects of informality, particularly ones that put a priority on taking individual initiative in order to solve problems, fit well with the overall tone of neoliberal thinking. Neoliberal perspectives argue that it is better if the state becomes less visible and reduces its role in the everyday lives of citizens, while citizens themselves should be encouraged to take responsibility and control over their lives. The creation, maintenance, and use of personal networks (*veze*) represent an accessible, if imperfect, way of evading the institutions of the state. In that sense, we can reject the stereotypical hypothesis that contemporary informal networks represent a continuation of a tradition that comes purely from a mythological Balkan cultural past. Rather, they represent a creative reaction to the current neoliberal understanding of how citizens should navigate the pressures of the contemporary state. Similarly, Woolfson (2007) argues that informal employment that eschews paying social security contributions and

work contracts (a practice widespread across former socialist countries) is a practice linked to the advance of capitalist relations rather than a remnant of socialist past in which such practices were rare.

To the degree that a solution does exist, its source will be in drawing upon two facts that we know about: the expressed desire of the people to be able to trust their public institutions and the broad creativity of people in compensating for the fact that public institutions cannot be trusted. One of the principal reasons why people act outside of legally established institutions and rules is that the legal procedures do not work. Extra-legal procedures may work to a varying degree, although some of them cause additional problems and bring additional costs.

Ambivalent informality: Mutual assistance and manipulative control

Before concluding, it is important to review both the positive and negative consequences of the informal practices identified in our research across various social spheres.

At the grassroots level, informal practices can play a vital role in strengthening communities by promoting solidarity, fostering a sense of belonging, and building interpersonal trust—for example in mutual assistance shared between neighbours. These informal practices also enhance family and kinship bonds, as people often depend on the labour of family and close friends. In situations where state support is lacking and there are no facilities for the elderly, children often take on years of care for their aging and ill parents. Conversely, older family members frequently provide childcare, enabling the middle generation to work. This arrangement promotes economic stability while also reinforcing family ties.

Informal networks can also serve as a "safety net" providing support during crises, financial or practical assistance, or emotional support. In our research, we encountered numerous examples of people finding resources, services, or information—thanks to their neighbours, family members, friends, and acquaintances—that they needed at a given moment but would not have received, at least not in a timely manner, through formal channels. Informal networks allow individuals to bypass the rigidity and dysfunctionality of formal systems and gain access to key resources or opportunities (for example, acquaintances with medical professionals can provide faster or more timely access to health services that should be available but in practice are not).

During the transition from socialism to market economies in post-socialist countries, informal practices played a key role in the redistribution of resources (goods and services) outside formal channels. For example, networks have helped to alleviate some systemic inequalities by providing access to basic goods and services that were not available through formal mechanisms. The lack of resources in fact represents one of the key causes of informal practices. If resources were not so scarce, the need for informal ways to access them would not be so pronounced. Citizens react to scarcity by trying to find informal ways to access resources, and services in particular, skipping the queue whenever possible or grabbing more goods than they need. Paradoxically, this makes resources more inaccessible and further generates the need for informal practices.

The omnipresence of informal practices at the grassroots level leads to public acceptance of them as the norm. This acceptance diminishes trust in formal institutions and encourages people to become accustomed to a culture of corruption. On a broader level, it could be argued that the ongoing conflict between formal rules and informal constraints in Southeast European societies leads to uncertainty among social actors about the courses and outcomes of social action—and eventually to confusion in the moral consciousness of individuals and disorientation among members of society in their search for socially desirable patterns of behaviour.

In politics, the use of informal practices can sometimes bring positive consequences. These "positive" consequences of informality in politics share a common characteristic: they alleviate the shortcomings of formal institutions by producing outcomes where formal mechanisms fail to deliver. One example is the use of "leaders' meetings," which facilitate agreements on issues that are otherwise unattainable through formal parliamentary decision-making. When parliaments reach an impasse on critical matters—rendering them ineffective—leaders' meetings serve as a substitute for formal deliberation, enabling outcomes satisfactory to the political forces involved, which are later formally confirmed by parliament.

Although clientelist politics has numerous negative consequences, it is necessary to acknowledge that for some citizens, clientelism may represent the only means to access scarce resources. In this sense, clientelism can act as a substitute for the ineffectiveness of social policy across the region. For the poorest segments of the population—often left without adequate support due to social policy shortcomings—clientelist exchanges may provide resources that help to alleviate poverty. In some cases, clientelism can deliver what social policy fails to address effectively. A similar perspective can be applied to private companies. Participation in clientelist networks

may represent, for some businesses, a way to receive public funds or benefits to which they would normally be entitled if formal institutional processes were working. This can, however, sometimes represent a genuine substitution for formal institutional inefficiencies and sometimes serve other purposes.

The opacity of clientelism points toward a hidden characteristic of clientelism: like formal social policy, it represents a means of (re-)distributing social benefits. But it is neither visible nor bound by accountability. When political parties rely on clientelism to mobilise voters and supporters through covert resource distribution, this practice contrasts with programmatic resource (re-)distribution. In programmatic politics, parties publicly announce their intentions for resource (re-)distribution through their electoral platforms, allowing voters to make informed decisions based on public party cues. In captured societies, however, this transparency is absent, as resource (re-)distribution remains hidden.

In captured societies, rather than citizens holding parties accountable through elections, the dynamic is reversed: parties exert control over citizens by leveraging promises of benefits and threats. This phenomenon has been described as "perverse accountability" (Stokes 2005). A further consequence is to entrench illiberal political cultures, normalising corrupt and clientelistic behaviours. In the face of unjust treatment and superficial democratic competition, citizens often become disillusioned with democracy itself, beyond being disillusioned with its imperfect carriers.

In the economic field, the informal sector often provides employment opportunities for individuals who might otherwise struggle to find jobs in the formal economy, including members of marginalised groups, migrants, or people with limited education. In particular, evidence from the INFORM project highlights that women frequently rely on the informal economy to address employment and income challenges. The informal economy further serves as a coping strategy during times of crisis. For instance, evidence from diverse economic crises, such as the 2008 financial crisis, indicates that informality often becomes a last resort for meeting economic needs in the SEE region (Efendić et al. 2017). The informal economy also fills some gaps left by formal markets, providing affordable goods and services in underserved areas. Examples include caregiving jobs, child-minding services, and other essential roles that formal markets may overlook. A further region-specific finding of our study reveals that the informal economy and informal networking in the business sector are ethnically inclusive, effectively addressing inter-ethnic challenges and needs for integration that are neglected by formal institutions. The ethnic inclusivity of informal business networks can provide a model for formal institutional and political environments.

There is a double-edged character to the lack of participation of informal businesses in taxation and social welfare systems. Public officials will often decry informal employment as "social theft," pointing out that it imposes burdens on state institutions that people earning unreported income do not help to pay for. And in fact, states lose revenue to unpaid taxes and social contributions from informal businesses, reducing the funds that are available for essential public services. The same consequences are felt by people who work in informal employment, who are excluded from health insurance, unemployment benefits, and pension schemes, leaving them unprotected in the face of illness, job loss, or old age. These problems are faced with greater severity by women and members of marginalised groups, who are disproportionately represented in the informal work sector, often in low-paid and precarious jobs. In this regard, informal economic activity perpetuates existing social and economic inequalities. Similarly, informal businesses frequently struggle to scale or innovate because they lack access to formal financial and institutional systems, making it difficult to secure loans or capital for new business development and expansion. However, avoiding regulatory compliance and tax obligations may give informal businesses a competitive advantage, which discourages formalisation while it also undercuts formal businesses, creating an uneven playing field.

When it comes to Europeanisation processes, the prevalence of informal practices in Southeast Europe has significant consequences for the region's development. Practices including patronage networks, corruption, clientelism, and opaque governance structures undermine the rule of law, democratic accountability, and the effectiveness of public institutions. As such, they pose a major obstacle to the region's alignment with European Union standards, which prioritise transparency, good governance, and a functioning legal system. Informal networks often hinder the establishment of a truly competitive market economy, limit foreign investment, and exacerbate inequalities, making it difficult for the region to develop the institutional framework necessary for integration. Informal practices also perpetuate a culture of mistrust in state institutions, discouraging active civic engagement and stalling institutional, social, and political reforms. For the European Union, these challenges complicate its efforts to promote democratic consolidation and the rule of law in candidate countries.

The influence of informal agencies becomes particularly evident in the enforcement of newly introduced legal resolutions, many of them borrowed from the formal practice of EU member states. As these legal frameworks are typically unfamiliar and require substantial adaptation, informal practices—ranging from local power structures and preferred modes of

governing to entrenched networks of patronage—can either support or obstruct their implementation. The degree to which Europeanisation occurs may thus be seen as a reflection of how successfully formal legal frameworks align with informal practices.

When there is a synergy between formal rules and informal practices, the likelihood of successful implementation increases. Conversely, when formal rules contradict established informal practices, compliance becomes significantly more difficult. As we show in our study, the EU's insistence on rigid compliance with formal institutional conditionality—particularly in areas not fully harmonised at the EU level—can produce counterproductive outcomes. In such instances, the implementation of reforms made as a result of European conditionality may yield results that are less effective than the pre-existing formal and informal arrangements, ultimately exacerbating the very problems the reforms sought to address. This dynamic underscores the potential for unintended consequences when pressure to conform to external standards overlooks the complexities and nuances of local political, social, and institutional realities. Reform initiatives that do not address or adapt to practices on the ground risk failure—entrenching the region's exclusion from European institutions, delaying the integration process, and preventing the establishment of stable democracies in Southeast Europe.

Informality is ambivalent but capture is not

While informal practices and their consequences are ambivalent, state and societal capture have wholly detrimental effects on these societies. At the economic level, state interventions that are planned and implemented primarily with private or party benefits in mind are unlikely to produce benefits for the public. In the political field, state capture meaningfully undermines the effectiveness of state institutions by fostering a culture of de-professionalisation. A government in which positions are filled through patronage rather than by merit has an untrained and unskilled workforce unable to provide adequate public services. The popular dissatisfaction that results is likely to erode public confidence in the state.

As for societal capture, one of its consequences is to erode public trust in political institutions that are meant to uphold democracy, diminishing engagement in democratic processes and weakening democratic culture. The result is increased apathy and disillusionment among the public. The erosion of democratic culture happens simultaneously with the fostering of a culture of corruption, where corrupt practices become normalised. A

corruptive environment socialises individuals into accepting unethical behaviour as commonplace, encouraging the further growth of corruption and a pervasive belief that it is unavoidable or necessary.

When corruption becomes pervasive, this has constraining effects on the activity of citizens. It diminishes opportunities for productive engagement and innovation. This stagnation can severely limit technological progress and the development of a vibrant cultural landscape, as talented individuals may be discouraged from contributing their skills effectively. Eventually, societal capture can contribute to a brain drain, where individuals with high levels of skill and education choose to emigrate to regions with better opportunities. This migration deepens the challenges already faced by the home country, as it loses its most talented and innovative individuals, further limiting its potential for growth and development. In summary, both state and societal capture create a cycle of inefficiency, corruption, and lost potential with lasting negative impacts.

We can also consider the effects of societal capture on social inequality in Southeast European societies. While practices of state capture offer an opportunity for wealth creation for a limited number of members of the political elite and wealth augmentation for their financiers from the ranks of the economic elite, the use of mechanisms of societal capture results in a change in the overall social status of millions of people who either partake or refuse to take part in clientelistic practices.

The clientelistic control of employment, career advancement, the awarding of public contracts and grants, welfare assistance, healthcare, scholarships, and other resources and services based on party affiliation all represent mechanisms of societal capture that exert an enormous influence on class divisions. This influence is at least as strong as, if not stronger than, the influence of the labour market in producing social inequalities. In contrast to the typical approaches in research that tend to keep class analyses in sociology distinct from the examination of clientelistic practices in political science, our research findings (Cvetičanin et al. 2021) reveal a significant interconnection between these two domains. Specifically, we have identified that clientelistic practices in Southeast Europe act as a crucial pathway for individuals seeking social mobility. These practices often involve reciprocal relationships where individuals exchange political support for material benefits, which can influence their socioeconomic status. Furthermore, our analysis indicates that the prevalence of such clientelistic arrangements contributes to the reinforcement and perpetuation of social inequalities, as they disproportionately benefit certain groups while marginalising others. This results in large and growing class differences in

these societies, produced over just three decades. They are not the product of successful business ventures (on the side of the rich and powerful) or insufficient abilities or willingness to work (on the side of the poor and dominated) but of unscrupulous exploitation of state and public resources, dubious deals with multinational companies, and disrespect for the basic rights of workers.

The result is a comprehensive and daunting picture of societies captured by networks of power that closely control the distribution of social benefits and opportunity and that are, as a result, held back from development in the interest of the general good. Is there a way out of this vicious circle? We think there may be signs pointing toward a way out, but seeing them requires an understanding of the pressures and constraints operating on the people involved and of the complex motivations that have entrenched the problem so deeply.

The way forward: some suggestions grounded in research

INFORM made an initial approach to generating recommendations to policymakers on how to develop strategic approaches to issues deriving from informality and societal capture at its meeting with regional and EU policymakers at Bled, Slovenia in November 2017. The conference declaration adopted six conclusions, which are presented here in abbreviated form:

1. Seek a close relation between policy and social conditions. The current generation is not the first to witness a transformation of political and legal structures or to be confronted with the claim that the changes that are being implemented will be revolutionary. In Southeast Europe, every generation in the last century has faced this situation. The credibility of claims to be making revolutionary change is undermined when the changes are led from above using ideas from the outside, and when the changes are superficially or incompletely implemented. Successful policy reform grows out of finding a match between legal regulation and actual conditions on the ground.

2. Keep ambitions in proportion to capacity. A major source of gaps between formal and informal practice derives from governments enacting laws that they are unable or unwilling to implement. Some of these laws are adopted in response to conditionality or demands, and some of them exceed the capacity and will of institutions and consequently cannot be enforced. These laws undermine the credibility of states while simultaneously

creating space for discrimination and corruption. They encourage new informal practices to be generated to circumvent failures of the formal system. In many cases, it is better for legislatures not to act than to take action that will not be implemented.

3. Investigate where formality is desired. There is a widespread perception that corrupt manifestations of informality are manifestations of a regional tradition. This is a stereotype that should be dismissed. Our research indicates that most of the people who invest in informal practices and networking do so at a high cost and would overwhelmingly prefer to be able to rely on a predictable and consistent system of formal regulation. Political and electoral practices that circumvent formal institutional sites of decision-making, or distort processes of expression of popular sentiment, are similarly unpopular. Policymakers should avoid the temptation to look at informal networking and informal practices as a priori negative phenomenon having cultural, ethnic, religious, and traditional roots or as reflecting a regional "mentality" and concentrate instead on consequences and causes.

4. Maintain and nurture what works. Many informal practices arise in order to meet needs, and some of them meet needs successfully. This is particularly the case with practices that address problems arising from gender and interethnic inequality. It is important to recognise the practices that are successful and to allow space for them.

5. Be ready to learn from informality and adjust formal rules to informal values, norms, and practices. Informal practices regulating networking of entrepreneurs in Southeast Europe, for example, deal much better operationally with the ethnic and religious heterogeneities in these societies than do formal institutions. Well-established informal practices of social, ethnic, and religious inclusion should be incorporated into formal institutional settings wherever possible.

6. *Be aware that restrictive policies toward informality might not work.* Restrictive policies aimed specifically at the informal economy might not work. Instead, indirect measures or measures aimed at stimulating certain behaviour may be more effective in reducing the informal economy and may facilitate the correspondence of informal aims and practices with formal ones.

In general, the recommendations of the Bled conference remain consistent with the overall policy orientation of the INFORM project. They amount to a call to contextualise policies by addressing social norms rather than considering legal rules as if they functioned in a vacuum. As a parallel, they open up an opportunity for a tactical change in the pursuit of substantive

reform, moving away from an exclusive focus on rules to a broader consideration of strategies. There is a tendency among policymakers to regard existing networks as a residual obstacle to reform ("veto players") rather than exploring ways to draw upon them as a resource for change. Responsive strategies can be promoted or advanced through people who play central roles in existing networks, and the resulting encouragement could prove to be more effective than a straightforward imposition of change. Similarly, it is essential that people working in positions of leadership and civil service should be familiar with varying articulations of the operative social norms, either through training or other forms of sustained contact. This is knowledge in which local politicians are often steeped, while outside actors are less informed, and the imbalance in understanding creates space for exploitation.

We are intensely aware, as is everybody engaged in the field, that informality is a uniquely fruitful field for examining the economic and political changes that matter to the world today. In many cases, an exploration of informality, and identification of the spaces where informality appears, offers a powerful means of specifying the areas where formal systems are failing in some way. Such critiques are welcome and can often be helpful, but they potentially carry with them the unintended consequence of celebrating informality as a triumph of human creativity over unresponsive or inefficient formal systems. This celebratory view is as incomplete as the condemnatory view that dismisses all informality as greater or lesser degrees of corruption: neither approach manages to integrate informality into a broader understanding of the societies where informality operates. The glorification of informality is valid only if we restrict informal practices to just one type: unconventional, free, and flexible behaviour. Similarly, the condemnation of informality is valid only if we restrict informal practices to just one type: the manipulation of systemic failures. Attentive policy is able to account for diversity in the forms and implications of informality if it is able to "understand it as a process, rather than as an object" (Castells and Portes 1989: 11).

Stemming from the context-bound nature of informality, we aim to use the ambivalence of informal practices as a resource and harness the potential of informal networks to support policy implementation. It is therefore important to identify tension where individual solutions present a problem for policymakers and articulate such tensions. It is also crucial to view formality as context-bound. The literature on informality often equates formality with technologies of statecraft and citizenship, like written and legal forms, or with generally accepted social norms embedded in moral, cultural, or religious institutions. We understand formality according to

criteria related to statecraft and non-state institutions but not based on them. Thus, we see legal and ethical practices as more, but not entirely, formal. In contrast with the approach that has become dominant in most political science literature on informality, we do not view formality (or, for that matter, informality) as a goal. The goal of policy is to substantively improve the lives of citizens, and finding paths to achieve that goal means entering into sustained empirical engagement with the way things are done in actually existing social environments. One of the motivating concerns behind this research was that, like ambitious projects of transformation that had preceded it, the project of Europeanisation was producing a large number of "empty shells" unoccupied by the bivalves that could provide nourishment to the people. We propose that substantive change comes from understanding frameworks of social relationships, norms, and values rather than legal frameworks to the exclusion of all others.

The problems presented by informality and capture are not ancient, are not (mostly) the fault of the communists, and are not expressions of deep-seated cultural inclinations. They are contemporary and real, and they are preventing the establishment and consolidation of sustainable democratic states. This is not what people want, but they are likely to tolerate it unless they find sustainable ways of meeting their needs.

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