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Exposing the networks behind transnational corruption and money laundering schemes

We applied analytical tools to reveal the complex networks behind a corruption and money laundering scheme involving Odebrecht and Peru's former president. The insights can support strategic approaches to fight transnational corruption.

What's the problem?

Corruption is increasingly understood as a form of collective, social behaviour. It slips easily across borders and involves sophisticated financial strategies and transactions to launder the stolen money.

Yet the nexus between corruption and money laundering is poorly understood. So too are the structures, functions and mechanisms that enable these crimes.

Narrow approaches to studying corruption, which focus only on individuals and their self-interested behaviours in the national context, provide an incomplete picture.

Using social network analysis and network ethnography, we can shift the focus from individuals to networks and explore both who is involved and how these schemes work. The findings offer valuable insights to inform anti-corruption policies, law enforcement strategies and academia.

What we did



Where?

Brazil and Peru, and offshore infrastructure in Costa Rica, Panama and the UK.



Who?

A grand corruption scandal involving former Peruvian President Alejandro Toledo and his laundering of bribes from Brazilian construction giant Odebrecht.



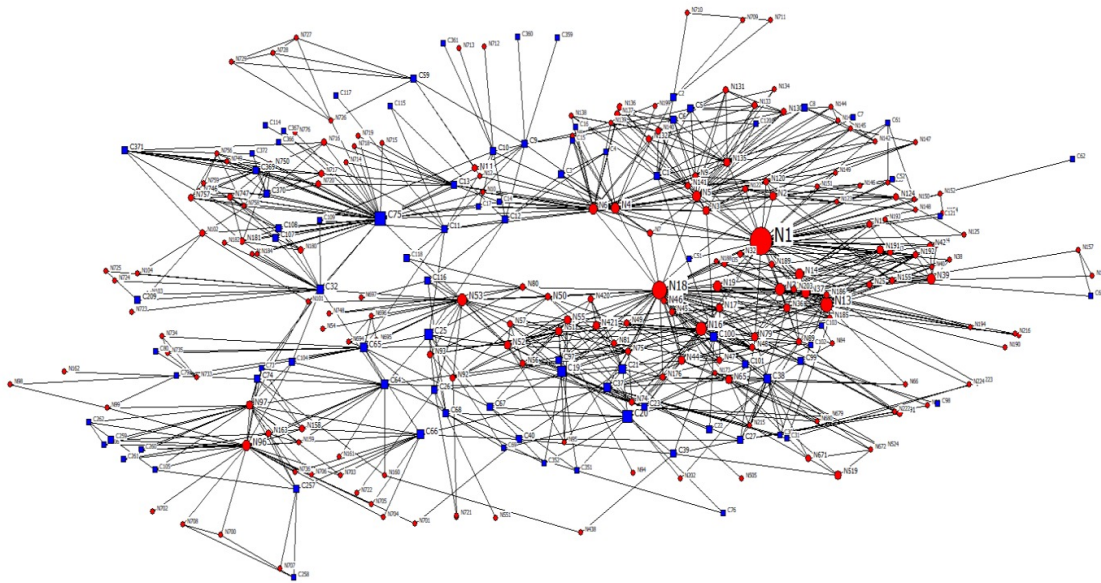
Why?

To better understand how the nexus between corruption and money laundering works and, specifically, the role of hidden and offshore financial infrastructures in this process.



How?

By applying social network analysis and network ethnography techniques to publicly available data from the Lava Jato and Ecoteva investigations in Brazil and Peru, including judicial documents, newspaper articles and public reports by authorities, parliamentary commissions and civil society organisations.



A visualisation of the complex network that enabled the corrupt deal between Toledo and Odebrecht. The network consists of 281 nodes – 193 individuals and 88 collective entities (e.g. businesses, associations, public institutions).

What we found

- Money laundering schemes are strategically and systematically used to facilitate and conceal corrupt exchanges and gains.
- The corruption and money laundering schemes are highly technologically and financially sophisticated. Complex illicit exchanges take place across borders and within the murky space of offshore financial infrastructures.
- A web of service providers, companies, offshore corporate vehicles and bank accounts efficiently facilitate the interactions between political and business actors.
- Social norms and informal governance practices regulate the transnational network.
- Strategic decision-making is centralised among the core political and business actors. Operations are decentralised.
- The networks are highly efficient, effective and resilient. This makes dismantling them challenging.

Why it matters

- Corruption networks evolve and innovate their strategies. Those seeking to combat corruption need to stay abreast.
- Looking at corruption beyond the confines of individuals and national borders is critical. So too is international cooperation to combat it.
- By incorporating innovative research approaches to uncover and understand the inner workings of corruption and money laundering schemes, we can strengthen the fight against transnational corruption.
- Fresh insights can bolster:
 - global anti-corruption policies – like how to reduce the abuse of offshore financial centres;
 - law enforcement strategies – like which criminals and clusters to target and which strategies to employ;
 - academic theories – like empirical evidence on the relation between grand corruption and money laundering.

Where to learn more



Paper and summary

Revealing the networks behind corruption and money laundering schemes: an analysis of the Toledo-Odebrecht case using social network analysis and network ethnography



Journal article

The nexus between corruption and money laundering: deconstructing the Toledo-Odebrecht network in Peru



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The paper connects the work of the Basel Institute’s Public Governance team and its International Centre for Asset Recovery (ICAR).

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