

COVID-19

HOW TO ENSURE EMERGENCY FUNDS REACH THOSE IN NEED

As governments spend trillions of dollars on COVID-19 response, billions of dollars - and many lives - could be lost if that money is not closely monitored and accounted for.

In fact, it's already happening. Federal prosecutors in Brazil have launched more than 400 investigations into suspected cases of corruption involving COVID-19 money.¹ In Colombia, 14 of the country's 32 governors are suspected of corruption involving emergency COVID-19 funds.² Bolivia's health minister was arrested on suspicion of corruption related to the overpriced purchase of ventilators.³ In Kenya, the hashtag #MoneyHeist trended on Twitter over public outrage of the government's handling of emergency funds.⁴ Parliamentarians in Uganda were ordered to return \$2.6 million they had allocated to themselves to "raise awareness about coronavirus" after public concerns were raised.⁵

Governments and international institutions have announced spending of at least \$16 trillion thus far in response to COVID-19,⁶ and governments have enacted hundreds of fiscal policies to offset the pandemic's impacts.⁷ By necessity, these decisions are being taken and money spent very rapidly; yet often there is little or no oversight, increasing the risk that money is stolen or mismanaged and that additional lives are lost or ruined.

Concerns about the misuse of COVID-19 funds are acute given pre-pandemic realities: even in normal times, few governments are sufficiently open about how money is allocated and spent:

→ **Three-quarters of the 117 countries surveyed in the most recent Open Budget Survey lack sufficient levels of budget transparency to ensure that government spending can be effectively monitored.**⁸ Weak oversight by legislatures and auditors and scarce opportunities for public input risks leading to unaccountable institutions, missing money, and spending that fails to align with citizens' needs.

"We can ill afford a corruption pandemic on top of a health pandemic."

Waihiga Mwaura,
Kenyan journalist

"As large amounts of money are infused into the economy to alleviate the crisis, corruption risks should not be underestimated."

Marin Mrčela,
President, The Council of Europe's Group of States against Corruption

- **Less than one-third of countries have taken steps or made commitments to publish contracting data.**⁹ Procurement and contracting is the world's number one risk for corruption and fraud.¹⁰ On average, between 10% and 25% of a public contract's value may be lost to corruption.¹¹ The health sector, in particular, is at high risk for public procurement fraud.¹² Fraud involving the procurement of personal protective equipment was reported in 47 of 58 countries (81%) in an April 2020 survey.¹³
- **Nearly three-fourths of the world's largest corruption scandals have involved companies with hidden ownership.**¹⁴ Company ownership secrecy easily enables the criminal and corrupt to sidestep accountability for their actions, effectively incentivizing the theft of public funds.
- **Donors governments frequently fail to publish detailed data on foreign assistance.** Less than half of development agencies scored "good" or "very good" on the most recent Aid Transparency Index.¹⁵ Previous crises (e.g. Ebola, 2004 tsunami) exposed inconsistent reporting by donors, including failure to disclose details on actual amounts disbursed, making it difficult to monitor the funds and assess impact.¹⁶

The health sector is especially vulnerable to corruption, causing estimated losses of at least \$455 billion of the \$7.35 trillion spent each year. The influx of large cash flows and medical supply shortages common in humanitarian emergencies creates fertile ground for fraud and corruption.¹⁷

Strong oversight and monitoring of emergency funds can help save lives. It can root out corruption and fraud, helping to ensure that money reaches its intended recipients. It enables markets to function effectively, potentially driving down prices, and helps identify price gouging. In the long-term, it can build citizen trust and strengthen systems and institutions to prepare for and protect against future crises.

To ensure that emergency funds have maximum impact, governments and multilateral development banks should embed the following principles in all emergency and economic support programs.

All governments should:

- Publish all relevant emergency spending measures and budget documents online.
- Require that procurement processes are open and competitive, and publish all contracts.
- Establish or mobilize oversight bodies to monitor and audit all emergency spending, and publish their reports online.
- Establish and enforce whistleblower protection laws to encourage and protect individuals who report on fraud and corruption.

- Collaborate with civil society and journalists on monitoring the implementation of emergency measures, and actively solicit public feedback on challenges in accessing or monitoring funds.¹⁸
- Require all companies receiving emergency funds to publicly disclose their beneficial ownership information.
- Publicly report on new and total debt obligations, including any new fiscal risks that arise from the crisis.
- Actively monitor for and prosecute price gouging attempts involving COVID-19 supplies, medicines, and vaccines.

Donor governments and multilateral development banks should:

- Encourage recipient governments to practice the above principles for all aid and debt relief.
- Publish details, including both commitments and disbursements, for emergency grants, loans, and debt relief, making clear which resources are additional.
- Set aside dedicated funds in each program for evaluation and audit, and preserve programs designed to improve governance and financial management systems.
- Publish information in an open format to the standards established by the International Aid Transparency Initiative (IATI) so that project-specific spending can be tracked.

¹ Brenno Grillo, May 11, 2020, "Prosecutors crack down on Covid-19 corruption," <https://brazilian.report/coronavirus-brazil-live-blog/2020/05/11/brazilian-prosecutors-crack-down-covid-19-corruption/>.

² Adriaan Alsema, May 22, 2020, "Colombia arrests two mayors, seeks arrest of 8 more over coronavirus corruption," *Colombia Reports*, <https://colombiareports.com/colombia-arrests-two-mayors-seeks-arrest-of-8-more-over-coronavirus-corruption/>.

³ Al Jazeera, May 23, 2020, "Bolivia's health minister held for 'ventilator corruption'," <https://www.aljazeera.com/news/2020/05/bolivia-health-minister-held-ventilator-corruption-200521102229349.html>.

⁴ BBC, May 7, 2020, "Coronavirus in Kenya: Fearing 'money heists' amid pandemic," <https://www.bbc.com/news/world-africa-52540076>.

⁵ BBC, April 29, 2020, "Uganda president blasts MPs over coronavirus funds," https://www.bbc.com/news/live/world-africa-47639452?ns_mchannel=social&ns_source=twitter&ns_campaign=bbc_live&ns_linkname=5ea90229ddcf8806719a2510%26Uganda%20president%20blasts%20MPs%20over%20coronavirus%20funds%262020-04-29T05%3A05%3A33.850Z&ns_fee=0&pinned_post_locator=urn:asset:9f2610b6-1e05-4e20-9e3f-a4fbbfffb3b0&pinned_post_asset_id=5ea90229ddcf8806719a2510&pinned_post_type=share

⁶ Devex, May 2020, Funding the Response to COVID-19, accessed May 21, 2020, https://public.tableau.com/views/COVIDFundingvisualisation/COVID-19funding?:embed=y&:toolbar=no&:display_count=no&:showVizHome=no.

⁷ Yale School of Management, May 2020, COVID-19 Financial Response Tracker Visualization, accessed May 21, 2020, <https://som.yale.edu/faculty-research-centers/centers-initiatives/program-on-financial-stability/covid-19-tracker>.

⁸ International Budget Partnership, April 2020, Open Budget Survey 2019, <https://www.internationalbudget.org/open-budget-survey/>.

⁹ Open Contracting Partnership, 2020, "Worldwide open contracting map," accessed May 21, 2020, <https://www.open-contracting.org/worldwide/#/>.

¹⁰ European Commission, February 3, 2014, "Report from the Commission to the Council and the European Parliament: EU Anti-Corruption Report," https://ec.europa.eu/home-affairs/sites/homeaffairs/files/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr_2014_en.pdf, p. 21; OECD, 2012, "Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement," <http://www.oecd.org/gov/ethics/combined%20files.pdf>, p 14-15; UN Office of Drugs and Crime, 2013, "Guidebook on Anti-Corruption in Public Procurement and the Management of Public Finances," https://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf.

¹¹ UN Office of Drugs and Crime, 2013, "Guidebook on Anti-Corruption in Public Procurement and the Management of Public Finances," https://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf.

¹² OECD, 2012, "Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement," <http://www.oecd.org/gov/ethics/combined%20files.pdf>; UN Office of Drugs and Crime, 2013, "Guidebook on Anti-Corruption in Public Procurement and the Management of Public Finances,"

https://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf.

¹³ Nemexis, May 4, 2020, Fraud's Impact on Healthcare During COVID-19, <https://nemexis.de/wp-content/uploads/2020/05/NMXS-Survey-Covid-19.pdf>.

¹⁴ Stolen Asset Recovery Initiative, 2011, "Puppet masters: how the corrupt use legal structures to hide stolen assets and what to do about it," <https://star.worldbank.org/star/sites/star/files/puppetmastersv1.pdf>.

¹⁵ Publish What You Fund, 2018, 2018 Aid Transparency Index, accessed May 21, 2020, <https://www.publishwhatyoufund.org/the-index/#>.

¹⁶ Aria Grabowski and Erin Hohlfelder, July 1, 2015, "When losing track means losing lives: accountability lessons from the Ebola crisis," The Lancet Global Health Blog, https://marlin-prod.literatumonline.com/pb-assets/Lancet/langlo/TLGH_Blogs_2013-2018.pdf, pp. 326-28.

¹⁷ U4 Anti-Corruption Resource Centre, April 19, 2020, The costs of corruption during humanitarian crises, and mitigation strategies for development agencies, <https://www.u4.no/publications/the-costs-of-corruption-during-humanitarian-crises-and-mitigation-strategies-for-development-agencies>.

¹⁸ For examples of civil society engagement on COVID-19, see The Open Government Partnership, Collecting Open Government Approaches to COVID-19, <https://www.opengovpartnership.org/collecting-open-government-approaches-to-covid-19/>.