

Accountability and the prevention of corruption in the allocation and distribution of emergency economic rescue packages in the context and aftermath of the COVID-19 pandemic

A contribution to the economic security of countries and communities

On 11 March 2020, the World Health Organization (WHO) announced that the current outbreak of the coronavirus disease 2019 (COVID-19), a respiratory illness caused by the Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2), is a pandemic.¹

In response to this global health crisis, Member States have taken a broad range of measures to contain and mitigate the spread of the virus, including decrees that mandate “social distancing” and the large-scale closure of small- and medium-sized enterprises (“SMEs”), leading in many cases to the widespread, temporary unemployment of millions of people. These measures of economic “lockdown” have resulted, in the immediate term, in a significant slowdown of global economic activity and an increase in social instability, which disproportionately affects the poor, leading to an inability to pay for housing, basic provisions and public services.

To avoid a global economic collapse and stave off a potential depression, Member States have taken dramatic and significant measures² to provide an economic safety net for citizens and businesses in distress, including through direct cash disbursements, short- and medium-term forgivable loans and deferment of payments, unemployment insurance and other measures. In taking such emergency measures, Member States have necessarily relaxed safeguards by trading compliance, oversight and accountability for speed of response and achievement of rapid impact, thus leading to the creation of significant opportunities for corruption to thrive.

While recognizing the need for urgent action to prevent economic and social collapse, the lack of sufficient accountability and oversight mechanisms in the allocation and distribution of economic stimulus packages increases the risk that corruption and fraud will weaken the impact of the measures being taken and result in a shortfall of desperately needed aid reaching the intended beneficiaries, impacting the least powerful among the population.³

In the context of the COVID-19 pandemic, it is important to be mindful that the purpose of the recent economic responses made by Member States are not intended to provoke economic stimulus activity, as would happen in times of cyclical recession, but rather, to prevent economic catastrophe and provide financial, medical and social support to the poor, the elderly, women and youth, people with disabilities, the unemployed, SMEs⁴ and those lacking access to social and public services along three primary axes:

- ✓ Economic safety nets for citizens, workers and businesses in distress;

¹ <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>

² Overview of country-specific policy responses: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

³ Key lessons learned from the Ebola crisis: <https://www.u4.no/publications/ebola-and-corruption-overcoming-critical-governance-challenges-in-a-crisis-situation>

⁴ While large business, such as airlines, manufacturing and the travel industry, will certainly be negatively impacted, their recovery can be addressed through future economic stimulus and “bailout” measures, while the immediate priority of economic rescue should be focused on affected workers in those industries.

- ✓ Mobilization of adequate medical, institutional and human resources to address the health emergency; and
- ✓ Psychosocial support resources to strengthen physical and mental well-being during the lockdown period.

Recommendations for the immediate situation

In the context of these enormous challenges, it is suggested that Member States bear the following in mind to maximize the efficiency and effectiveness of large-scale resource disbursement:

- ***Clear, Objective and Transparent Criteria for the Qualification of Intended Beneficiaries and Recipients***⁵

The COVID-19 pandemic affected different groups of people and businesses in different ways. Certain groups and businesses noted above have been profoundly affected by the global crisis and require rapid, direct assistance, without which some may find it difficult, if not impossible, to recover during the post-pandemic phase. To prevent corruption, fraud and waste, Member States should establish clear, to the extent feasible, objective and transparent criteria to ensure that those in greatest need of assistance qualify for and receive it.

- ***Account for the Risks and Vulnerabilities of Disbursement and Targeting Methods***

To maximize the efficiency and effectiveness of the disbursement process, Member States should identify and account for challenges inherent in various methods and processes, exercising particular caution in the use of intermediaries or distribution facilitators. At a minimum, Member States should deploy safeguards commensurate with the degree of risk associated with the selected methodology.

- ***Open Clear Communication and Outreach Channels to Raise Awareness and Understanding of Beneficiaries***⁶


Contemporary to the approval of economic rescue measures, Member States should deploy clear and effective communication channels to ensure that the intended beneficiaries are aware of their eligibility, amount and scope of benefit, and method by which their beneficiary status will be made known to the disbursement authorities. Administrative procedures should be simplified, using online platforms, social media and other resources to ensure consistent messaging.


UNCAC

Under the United Nations Convention against Corruption (UNCAC), each State party shall:

ARTICLE 5(3)

Endeavour to periodically evaluate relevant legal instruments and administrative measures with a view to determining their adequacy to prevent and fight corruption





ARTICLE 9(2)

Take appropriate measures to promote transparency and accountability in the management of public finances[which] shall encompass, inter alia:

(c) A system of accounting and auditing standards, and related oversight;


(d) Effective and efficient systems of risk management and internal control

ARTICLE 13(1)

Take appropriate measures ... to promote the active participation of individuals and groups outside the public sector ... by such measures as:

(a) Enhancing the transparency of and promoting the contribution of the public to decision-making processes;


(b) Ensuring that the public has effective access to information



ARTICLE 10(B)

Take such measures as may be necessary to enhance transparency in its public administration, including with regard to its organization, functioning and decision-making processes, where appropriate. Such measures may include, inter alia:

(b) Simplifying administrative procedures, where appropriate, in order to facilitate public access to the competent decision making authorities



⁵ Please refer principally to the six issue papers that illustrate national examples and practices in absorbing anti-corruption programming within implementation of relief aid in the aftermath of the 2004 tsunami in South-East Asia: <https://www.oecd.org/site/adboecdanti-corruptioninitiative/partnerships/35593461.pdf>

⁶ Idem

- ***Use of Technology for Efficient, Transparent and Accountable Disbursement of Resources***⁷

The extensive availability of technological aid in financial resource management during times of crisis has allowed the world to better manage large quantities of financial resources in an efficient, transparent and safe manner. In the context of the COVID-19 crisis, using innovative technological solutions has the additional benefit of reducing potentially dangerous physical contact. Member States should therefore seek to fully make use of such tools to promote the effective management and efficient disbursement of crucial financial resources.

- ***Comprehensive Auditing, Oversight, Accountability and Reporting Mechanisms to Monitor the Disbursement Process and Verify Appropriate Receipt***⁸

The absence of adequate oversight measures in the rapid, large-scale disbursement of resources virtually guarantees interference and diversion through extensive corruption and fraud. Balancing the urgent need to disburse funds and resources quickly, Member States should ensure that such emergency measures are accompanied by adequate auditing, oversight, accountability and reporting mechanisms to ensure that those in need receive the designated resources, thereby preventing and mitigating corruption, fraud and waste.

Recommendations for the future

- ***Preparation is the Key to Prevention***

Corruption thrives in times of chaos. As such, it is imperative that Member States develop and regularly update comprehensive emergency response plans – based on scientific and economic models – that authorize executive action in times of global health crises, with legislatively authorized economic actions based on the size of the economy, the scope of the lockdown and its expected duration, which can be adjusted over time. Such plans should be developed with contemporary analysis of corruption risks in mind.

- ***Establish the Legislative Framework before the Crisis***

The rapid spread of the COVID-19 pandemic has required rapid responses by Member States that necessarily short-circuit the normal, deliberative legislative process. Transparency, accountability and public consultation can only take place adequately in a non-crisis period. Member States should therefore seek to establish the appropriate legislative framework, including necessary safeguards, for emergency economic measures as part of crisis preparation plans.

What the United Nations Office on Drugs and Crime (UNODC) can offer

UNODC's specialized subject-matter experts in the implementation of UNCAC, based both at its Headquarters in Vienna and in its network of field-based advisers, provide technical assistance to States parties in, among other areas:

⁷ For more on the potential use of technology in the fight against corruption:

<https://www.u4.no/publications/technology-against-corruption-the-potential-of-online-corruption-reporting-apps-and-other-platforms.pdf>

⁸ Idem (footnote 5)

- The development and implementation of national and sector-specific anti-corruption strategies and action plans, including in times of urgency, to rapidly synthesize existing knowledge into concise, targeted guidance;
- Practical advice on the prevention of corruption, including in the public procurement and the health sector, and the facilitation of public participation in government decision-making processes; and
- Legislative drafting and review, and the simplification of administrative procedures.

This paper represents the first in a series of UNODC “idea pieces” to address challenges and propose recommendations in the context and aftermath of the COVID-19 pandemic. Future papers under development will address, among other topics, public procurement, health sector supply chains, accountability in economic stimulus, management of multi-partner trust funds and bilateral assistance packages, and the prevention of money-laundering.

UNODC resources

- I) [Guidebook on Anti-Corruption in Public Procurement and the Management of Public Finances](#), (2013).
- II) [National Anti-Corruption Strategies: A Practical Guide for Development and Implementation](#), (2015).
- III) [Preventing and Combatting Corruption Involving Vast Quantities of Assets \(Expert Recommendations\)](#), (2019).

Additional resources

- I) Brian Monroe, [Coronavirus Fincrime Compliance News Update: Coalition calls for safeguards to prevent looting of relief funds, more AML aftershocks, exploitation fears, and more](#), (Association of Certified Financial Crime Specialists, 25 March 2020).
- II) Matthew Stephenson, [Is Corruption Partly Responsible for the Ebola Crisis?](#), (Global Anticorruption Blog, 14 October 2014).
- III) Rebecca Rohr, [Addressing Anti-Corruption Risks From the Coronavirus](#), (LAW.COM, 4 March 2020).
- IV) Sarah Steingrüber, [Coronavirus and the Corruption Outbreak](#), (Global Anticorruption Blog, 31 March 2020).
- V) Sarah Steingrüber, Monica Kirya, David Jackson & Saul Mullard, [Corruption in the Time of Covid-19: A Double-Threat for Low Income Countries](#), (U4 Basic Guide, 27 March 2020).
- VI) Shruti Shah and Alex Amico, [Ensuring Adequate Anticorruption, Accountability, and Transparency Measures During the Pandemic](#), (Global Anticorruption Blog, 24 March 2020).