

RISKS OF CORRUPTION DURING COVID-19

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ABSTRACT

The paper addresses the issue of risks of corruption during dealing with the pandemic that marked 2020, ie COVID -19.

Namely, the crisis caught almost all countries and imposed the need for urgent measures to reduce the harmful consequences. However, the shortening of deadlines or simplification of procedures has created conditions for the occurrence of corrupt activities, ie, misuse of state resources for private purposes.

In the paper, the most risky points for corruption during the COVID-19 crisis are public procurement, economic assistance from the state to citizens and companies, as well as the decline of integrity.

The paper lists several scandals of a corrupt nature during the pandemic that arise from the above-mentioned risk points, which include procurement at extremely high prices, low quality of goods, secrecy of the procedure, missing humanitarian aid, abuse of quarantine.

The paper emphasizes that the most effective tool for fighting corruption is transparency, and in terms of COVID -19 and the challenges it brings, transparency should be at a higher level.

Accountability, informing the citizens, access to public information are tools aimed at reducing the risks of corruption, strengthening trust in the system and the rule of law.

Keywords: corruption, COVID -19, corruption risks, transparency, integrity,



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Introduction

The coronavirus crisis (COVID - 19) has brought unexpected challenges in the field of health, major economic disruptions globally, the need to take urgent action, and thus new opportunities for corruption. All this has imposed the need for an organized state response in specific conditions by including mechanisms for detecting, preventing and prosecuting forms of corruption. Some corruption risks are immediate due to the actions taken to alleviate the health and economic crisis. Other risks will arise in the medium and long term, as the consequences and impact of COVID-19 will be greater. Due to the above, the decline of citizens' trust in public institutions and business is something that will be inevitable. Hence, identifying and addressing corruption risks is crucial to safeguarding trust in public institutions and business, and in particular to public confidence in governments' ability to respond effectively to the crisis.

The rule of law, systemic institutional organization "or functioning of the system" is put to the test in a crisis situation, and as such we will include the global pandemic COVID - 19. For every country it is imperative that the entire institutional system shows integrity in a crisis, adapt its operations to the new circumstances, but in no way at the expense of the rule of law. The protection mechanisms of integrity and the rule of law must not be weakened either in the initial response or in the further process of dealing with COVID - 19.

The point of an effective fight against corruption lies in the procedural form, ie the actions taken in the field of economic recovery or procurement of medical devices must not bypass the established procedures. Namely, if we start with the view that in order to achieve certain results it is necessary to circumvent certain rules, then the way to corruption is opened.

Areas where there is a risk of corruption

The COVID-19 crisis has created changes in overall life from a global perspective in an extremely short period of time. The adjustment process, followed by quarantine measures, extreme health activities, and especially large financial packages showed both the pros and cons. Namely, the new

steps have created space for corrupt activities, fraud, misuse of public funds and similar incriminating behaviors in many areas of everyday life.

Due to the topicality of the topic, several areas that are more sensitive to the occurrence of corruption during the COVID-19 crisis will be highlighted below.

- Integrity,

When we talk about the integrity of the institutions, we mean the individuals who directly decide on behalf of the institutions, ie, it is the integrity of each individual. The COVID-19 crisis creates opportunities for many integrity violations and could intensify fraud and corruption. Namely, COVID - 19 crisis obliges governments to make quick decisions and apply drastic measures to protect the population and the economy, and this is where the danger lies.

Economic crises create preconditions for crisis in the value system as well, thus there is a crisis in integrity, the defense of the system is weakened, the control mechanisms are relativized, which opens the way for corruption and professional fraud. Namely, the sudden economic crises followed by dismissals, reduced salaries, increase of the gray economy, basically destroy the integrity of both the individual and the society.

Emerging corruption cases and scandals may also negatively impact on citizens' perceptions of corruption and thereby undermining support for government measures and reform. The negative effect is long-term because the decline in integrity will delay the process of economic recovery.

In order to prevent corruption and protect integrity, public sector organizations could take a series of preventive measures, such as: strengthening internal controls and anti-fraud policies, establishing or supporting employee counseling or financial assistance programs, as well as raising awareness of integrity standards.

A big test of integrity are the stimulus economic packages, namely, in order to respond more quickly to the needs of the real sector, governments relaxed control measures in order to urgently spend public funds, thus

creating operational risks that are aimed at corruption and misuse of public finances. Thus, the implementation of economic stimulus packages requires the relaxation of control mechanisms, such as internal controls and the timely submission of reports, which in turn is a risk of corruption. Therefore internal control, internal audit and oversight functions within government play a critical role in ensuring that public integrity is not compromised in the management of the economic stimulus packages and that these, in turn, produce the intended economic benefits.

Both internal and external auditors should act preventively and reactively, i.e. before receiving the economic stimulus packages, to highlight the risks of abuse and the dangers to integrity, and then, after granting economic packages, to respond promptly to any documented cases of corruption or abuse.

To ensure that the internal control, internal audit and oversight functions can exercise effective accountability and oversight of the economic stimulus packages, it is necessary in the shortest period of time the control bodies receive the necessary resources for efficient action. An option could be to set up temporary specialized bodies with increased competencies and thus have a primary response to dealing with integrity risks.

However, the key question is to what extent governments want to be controlled in emergencies because the increased powers of audit bodies mean increasing control over the government. This is a factual issue that depends on the degree of democracy in a society, then on the degree of corruption, as well as the public awareness for the protection of public goods. Any society with the rule of law at the forefront will strive to strengthen the capacity of control bodies, in contrast, in societies with high levels of corruption, public officials will seek to exploit the crisis in the system for their own personal gain or that of certain groups.

- Public procurement,

The COVID-19 crisis creates great opportunities for corruption in public procurement. Many countries and institutions during the crisis urgently procured large quantities of goods and services, such as hospital

equipment, medical ventilators, hand sanitisers, face masks, and health services, in order to meet the immediate needs of the health sector and affected communities in abbreviated public procurement procedures. This creates increased demand, which raises prices, raises the question of the quality of materials (fake products are sold or of lower quality, thus endangering the lives of patients), and at the same time opens a large space for corrupt practices. This is especially characteristic of developing countries where public procurement problems are present in "normal conditions", and in conditions of a pandemic such as KOVID - 19 they are even greater.

However, the problem is global, as the COVID-19 crisis occurred suddenly and spread around the world in a relatively short time. This means that the reserves of the necessary funds (primarily health and food products) in all countries, including the developed ones, were at a standard level, which did not correspond to the real current needs. Increased competition was created for the required supplies globally, then most countries (to meet their needs) prioritized their needs and restricted the export of certain products. This created an unusual corruption scheme, ie, buyers corrupt sellers in order to reach products that are currently limited in the market, and they are urgently needed to deal with the health crisis.

Some governments have introduced strategies, regulations and guidelines in place to help their contracting authorities manage their suppliers portfolio, and making sure that fair, transparent and equitable mechanisms continue to govern contractual relationships. For example, the central purchasing body of Ireland, the Office of Government Procurement, developed an information note on good practices for contracting authorities during the COVID-19 outbreak (<https://ogp.gov.ie/information-note-covid-19-coronavirus-and-public-procurement/>).

In developing countries, the adoption of rapid response integrity instruments is needed, such as: spot checks, supply tracking and monitoring, light-touch financial and performance audits, citizen surveys or multi-stakeholder initiatives and observatories.

Strengthening public procurement integrity requires urgent action, this includes developing detailed guidelines on procurement strategies under

a crisis, favouring recourse to existing collaborative procurement instruments such as framework agreements, and subjecting all emergency procurement processes to audit and oversight.

Corruption in emergency procurement reduces the resources available for life-saving operations, lowers the quality of products and services provided, and diverts aid from those who need it most. It also negatively influences public support for humanitarian relief, both in the affected country and abroad.

As one of the most affected countries, the United States has established Virtual Procurement practices - this includes the innovative use of virtual activities, such as online industry conferences, video proposals, and virtual oral presentations and consensus evaluations,

temporarily replacing standard face-to-face procurement procedures (<https://www.b2e-media.com/covid-19-the-need-for-digital-procurement>).

Similarly, urgent public procurement procedures have been established in the United Kingdom for rapid response to the COVID-19 crisis (<https://www.gov.uk/government/publications/procurement-policy-note-0120-responding-to-covid-19>). Urgent procedures emphasize transparency and demand of suppliers when receiving public funds must work on an "open book" basis. The need for integrity in the implementation of urgent public procurement is emphasized (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874178/PPN_02_20_Supplier_Relief_due_to_Covid19.pdf).

On 31 March 2020, the European Commission adopted guidance on how to use the flexibilities offered by the EU public procurement framework in the emergency situation related to the coronavirus outbreak. The guidance provides an overview of the tendering procedures available to public buyers, applicable deadlines, and examples of how public buyers could find alternative solutions and ways of engaging with the market to supply much needed medical supplies (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.CI.2020.108.01.0001.01.ENG>).

On European soil, Italy was hardest hit at the start of the pandemic, resulting in a series of deviations from the Public Procurement Code (Legislative Decree No. 50/2016) (<https://www.dentons.com/en/insights/articles/2020/march/19/italys-cura-italia-decree-introduces-new-public-procurement-measures>). Such derogations have been adopted in compliance with EU legislation and in particular with the Communication from the EU Commission 'Guidance from the European Commission on using the public procurement framework in the emergency situation related to the COVID-19 crisis (2020 / C 108 I / 01 adopted on 1st April 2020). The derogations aim at speeding up public procurement procedures for drugs, medical devices and personal protective equipment by the state administration (<https://app.powerbi.com/view?r=eyJrIjoiNTE2NWM3ZjktZGFiNi00MzYxLWJlMzEtYTlmOWEzYjA1MGNhIiwidCI6ImFmZDBhNzVjLTg2NzEtNGNjZS05MDYxLTJjYTBkOTJlNDIyZiIsImMiOiJh9>). In the first three months of the crisis, the government intervened with about 25 billion euros to boost health care, social security and save jobs.

In order to provide the necessary funds to combat COVID-19, as in other countries, Slovenia also approached urgent public procurement. But there was a case of suspected corruption because the tender worth about 25 million euros was won by a gambling industry businessman who had no previous involvement in healthcare (<https://www.occrp.org/en/coronavirus/opaque-coronavirus-procurement-deal-hands-millions-to-slovenian-gambling-mogul>).

In Ukraine, as a result of public reactions, a public procurement of thermal cameras worth \$ 2.2 million was overturned (<https://www.occrp.org/en/daily/12097-kyiv-cancels-2-2-million-deal-for-thermal-cameras>). Although Ukraine has passed a new law allowing the purchase of goods and services intended to combat COVID-19 without public procurement, thermal imaging cameras were not on the list.

A lesson from the pandemic in the field of public procurement is the need to create public procurement procedures in specific circumstances, but with adequate control mechanisms, with a high degree of transparency. In addition, existing public procurement procedures need to be reviewed to eliminate potential points of corruption.

More than eight months after the World Health Organization declared COVID-19 a pandemic, several pharmaceutical companies announced that they were close to creating a vaccine against COVID-19. Thus, the German company BioNTech and its US partner Pfizer announced promising results from the trial of a vaccine that could be up to 90 per cent effective against COVID-19 ([https://www.pfizer.com/news/press-release/press-release-detail / pfizer-and-biontech-announce-vaccine-candidate-against](https://www.pfizer.com/news/press-release/press-release-detail/pfizer-and-biontech-announce-vaccine-candidate-against)), the Russian vaccine Sputnik V was published almost at the same time (<https://www.nature.com/articles/d41586-020-03209-0>). This is positive news from a health point of view, but it raises questions from an anti-corruption point of view, ie who will get the vaccine first, it is known that governments are already in the race to get it, which in itself means that transparency is limited.

Secretive bilateral deals between pharmaceutical companies and governments have flourished, leaving it to journalists and the civil society to expose their actual terms and amounts and even, sometimes, worrisome conflicts of interests. In September 2020, wealthy nations representing 13 per cent of the world's population had secured 51 per cent of the promised doses of leading COVID-19 vaccine candidates (<https://www.oxfam.org/en/press-releases/small-group-rich-nations-have-bought-more-half-future-supply-leading-covid-19>). Limited vaccine supply and lack of transparency will become a breeding ground for corruption if the whole process is not strategically planned, leading to less discrimination and a more fair approach.

- Economic measures,

Regarding the economic measures for economic recovery, it is noticed that more attention is paid to quantity than quality. Namely, in the past period, the countries have invested trillions of dollars/euros for defense and recovery of the economy and preservation of jobs. But what is missing is the existence of quality anti-corruption mechanisms that will prevent the loss of money in illegal flows.

Drastic economic measures are a kind of stress test for the integrity of the institutions and the financial system, they also check the way of functioning of the public internal financial control. Especially important

is the role of audit institutions, which should map potential points for losing state money through corruption, and thus neutralize any danger to state money. In short, auditors and other controlling financial institutions need to keep abreast of solutions to financial problems, even before them, in order to indicate the dangers of certain financial measures and the manner in which they are implemented.

On the other hand, internal auditors need to create the highest possible degree of transparency and open data, so that everyone has access to information acting according to the maxim "corruption is hidden in the dark."

If the state wants the funds to go to those who need them most and to prevent abuses, it is necessary at the time of planning the emergency financial measures to hear the opinion of auditors, anti-corruption and other experts who will help to protect the public interest and integrity risk.

In order to avoid the risk of corruption during the COVID-19 crisis, governments should take measures such as: monitoring the delivery of public services in the health sector, ensuring transparent procurement processes and management of health funds, as well as undertaking other targeted integrity efforts.

The COVID-19 crisis has forced governments to intervene with huge financial resources, thus, from the countries of the Western Balkans, Montenegro from March to November 2020 borrowed about 440 million euros (from the World Bank, IMF and EU), North Macedonia in the same period issued a Eurobond of 700 million euros, and provided additional about 480 million Euros (through loans and grants from the IMF, the World Bank and the EU). As a precaution, the National Bank of Serbia and the European Central Bank agreed to set up a repo line arrangement worth EUR 1 billion for Serbian financial institutions to address possible euro liquidity needs caused by markets disrupted by the COVID-19 shock. Albania owed the same creditors about 370 million euros, Bosnia and Herzegovina received about 615 million euros, while Kosovo about 225 million euros, from the same creditors (An uncertain recovery, Western Balkans, Regular economic report no.18, fall 2020, World bank group).

Without making a global analysis of the emergency funds that were invested in the national economy to mitigate the effects of the COVID-19 crisis, data from the Western Balkans show that these are huge amounts expressed in billions of euros/dollars. Due to the above, the danger of corruption and misuse of public money is strongly present and therefore the control mechanisms and measures for integrity are key in securing the way of money.

Developed countries, in parallel with supporting the economy, also allocate funds to oversight entities, thus, the United States' stimulus package allocates funding to the Government Accountability Office (GAO), the State Audit Institution, enabling it to assist Congress in conducting oversight over spending in relation to COVID-19 crisis (<https://www.alternet.org/2020/04/federal-watchdog-agency-plans-a-blizzard-of-audits-of-2-trillion-coronavirus-relief-package-report/>).

In some countries there is a lack of clear criteria for granting humanitarian aid, while in others the process of granting humanitarian aid has a lack of transparency and accountability. As a result, corruption is emerging that contributes to the enrichment of public servants and their political supporters, at the expense of citizens who are in real need of humanitarian assistance. Such is the case with Sri Lanka, ie in March 2020 the Government decided to provide financial assistance to low-income families, the elderly and the sick. However, in many cases financial assistance was lacking because local public officials did not deliver it to certain citizens (<https://www.transparency.org/en/news/citizens-struggle-as-promised-covid-19-aid-goes-missing>). Big problems have arisen with the provision of financial and humanitarian aid, in countries like Nigeria, Afghanistan, El Salvador. Namely, at the beginning of the pandemic they received assistance from other countries and international organizations, but for a large part of the

assistance it is not known where it ended due to a completely non-transparent procedure for its distribution (<https://www.transparency.org/en/news/citizens-struggle-as-promised-covid-19-aid-goes-missing>).

Conclusion

The fight against corruption is constant with finding new instruments, strengthening the awareness of the citizens, application of effective sanctions, as well as wider international cooperation. In the field of corruption, 2020 is different from previous years due to the outbreak of the COVID-19 crisis. There have been pandemics before but COVID -19 has spread almost all over the world in a relatively short time. The countries were caught up in the initial reaction and copied the response measures from each other. Namely, the measures are aimed at protecting the health of the population, but also their jobs - the economy.

There is a saying that "mistakes are made in a hurry" and based on the fact that during the COVID-19 crisis the measures are taken on a daily basis we could conclude that the risk of corruption during the COVID-19 pandemic is large.

The COVID -19 crisis creates risks in the area of public procurement, granting economic support, preserving the integrity, functioning of the health system, the legality of the actions of the security authorities during quarantine or conducting elections during a pandemic.

During the COVID – 19 pandemic, nearly half of the world population has stayed at home in order to slow the spread of the virus. Governments have injected trillions of dollars in economic stimulus to help ease the hardship –but, in many places, corruption prevented aid from reaching the people who need it most (<https://www.transparency.org/en/news/citizens-struggle-as-promised-covid-19-aid-goes-missing>).

Corruption during COVID-19 has a devastating effect on the functioning of the health system and citizens' access to health care. Lack of adequate protection for health professionals contributes to their working in unsafe health institutions. Corruption in public procurement contributes to the lack of medicines or to be of dubious quality. Lack of COVID-19 tests leads to a manipulative increase in their cost or patients being forced to pay a bribe for a COVID test.

The approach to fighting corruption during COVID-19 varies from country to country, but still developed countries have shown a higher

degree of precaution to reduce the dangers of corruption in emergency circumstances.

Transparency is the key to preventing corruption under normal circumstances, but even more is needed during a pandemic, such as COVID-19.

The right to information is crucial in times of crisis, because the voice of the citizens affects the way the authorities deal with them, in this case COVID -19.

The media, especially the new social media, reveal the indications of corrupt actions of public officials during a pandemic, ie misuse of state resources for private purposes.

The actions of public officials during a pandemic do not have to be criminal acts, in such circumstances - extraordinary circumstances, it is enough to be immoral activities. Such officials should be removed from office immediately.

In general, to reduce the risks of corruption during COVID-19 it is necessary to promote transparency, accountability and integrity at all levels and in all sectors of society.

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