



## Independent Commission Against Corruption Corona Virus and Corruption Risks

Health crises such as the COVID-19 pandemic are generally marked by two severe outcomes: first, the health of the population rapidly and drastically deteriorates, and secondly, as a consequence, the economy of countries start contracting with serious impact on economic and social lives. These situations can aggravate rapidly if appropriate measures are not taken at the right time. Therefore, in order to avoid an economic, health and social catastrophe, governments across the globe struggle to strike the right balance between two imperatives, that is, the need to support public health systems in order to minimize the spread of the coronavirus and the urgency of avoiding an economic downfall.

However, in the rush to address these two imperatives, a problem that is often missed out in this context relates to the risks of fraud, corruption and money laundering. One example is the misuse of allocation of government funds to different sectors and the public for corrupt purposes. This paper highlights the risks of corruption, money laundering, and fraud that often accompany such pandemics.

In these situations, both public health and the economy suffer severe consequences. On the health front, hundreds of thousands of people die and many needs urgent medical treatment. On the economic front, people lose jobs in millions and the global economy contracts as a direct consequence of a sharp decline in production together. This is often accompanied by a sharp increase in national debt ratios for governments as a result of hefty budget deficits they would run. These are the inevitable and immediate fallout of the efforts deployed by countries to cope with this twin health and economic emergency situation.

In such situations, “exceptional circumstances call for exceptional measures”. The COVID-19 crisis is obliging governments to make quick

decisions and implement drastic measures to protect communities at risk and limit the economic consequences that will follow. Countries inevitably have to dig deep into their finances in order to direct huge amounts of money for expenditure towards priority sectors such as health, providing social protection as well as preventing job loss and safeguarding the economy. In Mauritius, for example, Rs.5.6 billion have so far been disbursed by government through different support schemes.

International donors have also earmarked trillions of dollars to assist countries in fighting the virus while ensuring some level of economic and social security. International financial institutions like the International Monetary Fund (IMF) and the World Bank are stepping up to deliver much-needed cash to countries struggling the most. The IMF, in particular, has committed US\$1 trillion in lending capacity to support low-income and emerging economies. It has also committed to make this money available quickly and with few strings attached.

But, there are concerns that the scale of the crisis raises the risks and dangers of the misuse of public money that should be used to save lives and rebuild livelihoods. In these moments, criminals have been quick to seize opportunities to exploit the crisis. As governments race to source everything from food aid to facemasks, and prioritizing emergency, at times often dropping competitive bidding and other safeguards, the corrupt opportunist will leave no stone unturned to misuse the system. Unfortunately, integrity violations rise and undermines all recovery efforts.

It is worth recalling that corruption drains public resources and always harms governments’ ability to provide adequate health care, education, and other rights. During this crisis, it can mean the difference between life and death; adequate food or hunger; housing or



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homelessness. In the end, integrity of systems, people and institutions start to be put at risk. As regards money laundering risks during this period, it is likely that corrupt individuals will continue to rely on existing mechanisms and networks to make bribe payments, as well as hide and launder the proceeds of corruption.

It is inevitable that this crisis will create opportunities which could give rise to fraud and corruption, particularly in public procurement, economic stimulus packages and public organisations. Dramatic increases in the amounts and speed of spending, as well as distractions or breakdowns that interfere with oversight mechanisms, can allow powerful actors to take advantage of the crisis for their own benefit. Even at this early stage of the pandemic, there are many media reports of corruption and other criminal activities related to COVID-19 spending.

Experience from past recessions has shown that economic downturns lead to increased occupational fraud, embezzlement, bribery of public officials, and other integrity violations.

Evidence shows that their effects will likely be intensified in the near future. For example, there are instances, across the world, of contracts for personal protective equipment being awarded to dubious companies; price gouging of key medication and healthcare equipment; doctors stockpiling treatments for friends and family; or various types of online fraud.

The International Monetary Fund agrees that member states should spend whatever it takes to fight the Covid-19 pandemic. However, it urged governments to keep accounts of what they were spending. “The \$8tn (£6.4tn) already mobilised should be accounted for properly in order to avoid corruption. “We don’t want

accountability and transparency to take a back seat.”

With lives and livelihoods at risk, people on the ground also need guarantees that this money will actually benefit them. This whole exercise by countries to provide support to the public and enterprises while providing for stronger health support would, however, be futile if money being disbursed by governments and international donors were to end up in the wrong hands through corruption and fraud.

### **Potential Risk Areas**

The three main integrity challenges that could arise from such pandemic relate to (a) public procurement when governments are urgently procuring 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; (b) the lack of stockpile preparedness across many countries, leading to increased competition for necessary supplies globally; and (c) the suspension of seriously affected sectors by the lockdown measures. Furthermore, other risk areas and issues that require particular attention are highlighted below.

### **Distribution of food aid**

The distribution of food aid by NGOs or other entities including public bodies may be distorted with corruption, resulting in the dire consequence that those who deserve such aid never get them. Strengthening the transparency and accountability system in such processes is recommended to ensure that food aid be channeled to those who need it the most. There is a need to balance emergency with consistent and fair practices while ensuring an appropriate level of control.



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### **Assistance to NGOs**

In this period of crisis, many NGOs will seek assistance in the form of finance and equipment to further their social mission in the country. The assistance may be given either by the Government or by humanitarian organisations or overseas religious bodies. Records indicate instances where there has been alleged misuse, and siphoning of funds as well as other forms of alleged abuses and fraud by representatives of NGOs who solicit and benefit from assistance, whether from domestic or foreign source. Such opportunities for these abuses are often occasioned by the absence of appropriate control mechanisms to monitor the acts and doings of these bodies.

Management of voluntary funds and foreign aid To address fragile situations and complex challenges arising out of COVID-19, voluntary funds are raised from public donations, such as the COVID-19 Solidarity Fund. Moreover, emergency funds/aid may be received from international organizations. Even a perception of abuse, malpractices and corruption may compromise the good intention and the tremendous efforts put in towards the management of such funds. Hence, professional management of such funds/aid is required with well-defined systems, procedures and risk assessment to ensure transparency, accountability with inbuilt controls, oversight and appropriate reporting. Funds and aid management subject to principles of good governance are more likely to meet its objectives and achieve the expected results, work in partnership with the civil society and other stakeholders, ensure transparency and high ethical standards and avoid undue influence.

Hence, it is very important that appropriate Committees set-up to manage such funds, keep proper records of their meetings, transactions

and decisions. It has been noticed in previous investigations that some institutions fail to keep material records and this weakness act in favour of those involved in unlawful acts. Absence of proper records is often a trick used by ill-intention people in order hide their unlawful actions.

### **Risk of corruption at service delivery by public officials**

In these challenging times, maintaining public sector values and ethics are essential to avoid instances of corruption and maintain public trust in the way services are being provided. Public officials including law enforcement officers are aware that the citizens of Mauritius rely on their honesty, diligence and integrity in the current environment. Common risk areas include inspection, establishing contraventions, maintaining law and order, implementing stimulus packages to alleviate the hardest hit and allocating work access permits, among others. In the face of enhanced opportunities for malpractices and corruption due to the fact that controls and normal levels of supervision may weaken while discretionary power of public officials increase, the ICAC makes an appeal to all public officials to resist any temptation, report any instance where there is an attempt to corrupt them and uphold the highest level of integrity. The public is also reminded not to offer any bribes or gratification to public officials to benefit from any private gain. Controlling successfully this pandemic and the associated challenges rests on the steadfast individual and collective responsibility.

### **Risks associated with procurement**

During this period of emergency, public bodies are under increased pressure to engage in emergency procurement, agree to contract variations, use direct negotiations and other exemptions to competitive procurement



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processes and pay suppliers quickly, particularly if they are small businesses. Heads of public bodies have to bear in mind the associated risk factors and are advised to have in place the necessary checks and balances and supervisory controls to preserve the integrity of the procurement processes. There is a need to adhere to the procurement rules while balancing emergency with the need for transparency and accountability.

### **Role of Public Bodies**

Management of Public Bodies has a central role to play in ensuring that risks of corruption are identified and adequately addressed in their areas of activity. They should, on a proactive basis, assess the new emergent corruption risks arising from the implementation Government Covid-19 measures and their impact on their activities and come with appropriate measures to address these risks. Corruption Risk Management should, therefore, be an integral part of their anti-corruption initiatives and this should be reviewed in light of changing circumstances and environment.

### **Role of Businesses**

The crisis has hit businesses, whether small or large, and their workers particularly hard. Hence, realising the negative impact and the challenges for recovery of business activities, Governments around the world, including Mauritius, are funding a series of financial support measures targeting businesses to mitigate the anticipated impacts of the COVID-19. The aim is to support businesses save jobs and improve economic health in view of post COVID anticipated risks of global recession. These support schemes are operated within strict rules/criteria. Businesses should not seek opportunities to cut corners and seek to benefit from them illegally when they are not eligible. A business organisation should not resort to

payment of bribes or try to shore up its finances through improper practices allegedly as a result of the hardships caused by the pandemic, COVID-19. This could be at the expense of the more deserving businesses.

Despite difficult times, businesses leaders are being reminded of their civic and corporate obligation to maintain integrity principles at all times during any business transaction. Lately, the United Nations Global Compact made a special appeal to business leaders to act collectively to ensure that products and services are delivered and sold in an ethical manner.

The Commission relies on Business Mauritius and other private sector associations to communicate the need to encourage anti-corruption compliance and maintain business integrity at all times to their members. This is in line with the deliberations that came up during the International Conference on promoting business integrity organised in February 2020 by the ICAC in collaboration of the OECD, UNODC and private businesses.

### **Public health**

With an increase in the number of patients seeking medical care, many countries face a lack of medical professionals, equipment, testing and treatment options available to treat the virus. This is being seen in many developed countries such as France, Italy or the United States. Mauritius must be prepared to face such situation, perhaps not now but the risk remains prevalent.

Due to risk of shortage, medical providers may face difficult and ethical decisions about which patients to treat based on who needs care most. This creates a fertile ground for corruption and other forms of malpractices. Certain dishonest patients may be willing to give a gratification to receive treatment as soon as possible at the



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detriment of those who are in more urgent need but unable to pay. In the same breath, the demands for related medicines have drastically increased and there are risks that fake or medicines of bad quality are in circulation. Directors of Health Services are advised to implement appropriate measures of control and supervision to ensure that such risks are addressed through a transparent and fair system. Reducing risks of influence and favouritism are essential to make better decisions for the public good and maintaining public trust

### **Fund for research**

Institutions are encouraging research to find a treatment or vaccine to COVID-19. It is necessary that transparent procedures be put in place for the management of this fund to ensure transparency and accountability of the actions taken.

### **Conclusion and Recommendations**

The global actions being taken to fight the COVID-19 pandemic has to extend to safeguarding the funds released to fight it and ensuring that the money does get misappropriated. As such, the desire to commit funds to the public and business as quickly as possible by Governments should not compromise its commitment to fighting corruption. Government's commitment to make corruption a zero-tolerance sum game is now more relevant in ensuring that public funds are not wasted through fraudulent and corrupt means.

The amount of money being disbursed to safeguard public health and the economy should be complemented with anti-corruption measures such as transparent policy and procedures within an appropriate accountability framework, audits by oversight bodies. Appropriate integrity and anti-corruption measures should be either

put in place, or, if already in place, respected, to ensure that emergency relief programs with the billions of rupees being disbursed to provide support to the public as well as the economy are spent judiciously for the intended purposes. Failure to ensure that the appropriate integrity systems are functional can exacerbate the corruption and fraud that result from the misuse of government funds to relieve the public of its health and economic sufferings.

Transparency, accountability, integrity, proper oversight and a commitment to the ethical distribution of funds are critical steps to curbing corruption before it occurs. A series of short- and long-term measures, anticipatory or remedial, can be considered to strengthen integrity in the public sector. For example, public sector organisations can proactively improve controls that would prevent and detect corruption and occupational fraud during the recession; strengthening existing public integrity systems in public organisations; adopting a risk-based approach to identify which public organisation employees may be at higher risk and identify targeted mitigation measures; ensuring core internal controls, such as management certification of financial statements, anti-fraud policies, surprise audits; or leveraging and improving digital tools to promote integrity and accountability, especially by ensuring that relevant government data is available in an open and re-usable way allowing for social control or by ensuring the effectiveness of online reporting mechanisms.

In the more short term, the following measures could be adopted: maintaining and retaining documentation of procurement processes: basic documentation and record-keeping requirements should apply, including recording of information about procurement proceedings, any departures from or modifications of normal procurement procedures; adapting audit and oversight



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strategies, as well as analyses of potential corrupt patterns in relation to the COVID-19 situation, where bargaining powers of the public and the private sectors are drastically reversed, including effects on competition; amongst others.

Civil society active participation as well as business responsibility in the fight against this pandemic and the associated challenges cannot be underestimated as it can ensure that a few unscrupulous individuals do not compromise the tremendous efforts of Government and its allies. They are expected to forcefully discourage malpractices/abuse/corruption and report same if any.

The Commission looks forward to all stakeholders to adopt the basic principles of corruption prevention in order to ensure protection from both opportunistic and systemic

malpractices and corruption perpetrated by the unscrupulous. Also, it is critical that all leaders act with integrity to set the example.

**The Commission can assist in the development and implementation of specific anti-corruption strategies, including in these times of urgency, to provide targeted guidance. The hotline for reporting corruption is 142. Alternatively, report can be made to the ICAC through its website [www.icac.mu](http://www.icac.mu) or through email [icacoffice@intnet.mu](mailto:icacoffice@intnet.mu). Let us join forces to uphold integrity in all spheres in times of such uncertainty for the benefit of the Mauritian community.**

**ICAC  
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