GETTING AHEAD OF THE CURVE

EXPLORING POST-COVID-19 TRENDS AND THEIR IMPACT ON ANTI-CORRUPTION, GOVERNANCE AND DEVELOPMENT
Transparency International is a global movement with one vision: a world in which government, business, civil society and the daily lives of people are free of corruption. Through more than 100 chapters worldwide and an international secretariat in Berlin, we are leading the fight against corruption to turn this vision into reality.

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ISBN: 978-3-96076-144-0

Printed on 100% recycled paper.

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EXECUTIVE SUMMARY

The COVID-19 pandemic has already brought about numerous changes to our world and lives. However, the changes may be even more consequential in the aftermath, when the pandemic has subsided. We may never return to the world we left behind before COVID, which would have vast implications for anti-corruption, governance and development.

Given the gravity and speed of the political, economic and social changes that we may see in the aftermath of COVID-19, it is vital to take a step back to reflect on the impact of these trends. The purpose of this reflection is less to predict the future and more to consider different potential outcomes on key topics and to identify opportunities for course-correction in the short and long term. This reflection may also serve as the basis for scenario planning or forward-looking strategic thinking, although by itself it does not fulfill either of these functions. As the world faces unprecedented challenges and opportunities, the arguments for any critical reflection have to rely on assumptions and hypothetical considerations, and where possible on any evidence from the past and present. The examples are illustrative rather than exhaustive, and therefore omissions are inevitable.

When faced with extraordinary circumstances, such as the current pandemic, governments often resort to extreme measures, including increased surveillance and restrictions of the freedom of assembly and freedom of speech, and the closing of space for civil society, the media and whistleblowers. However, the imperatives of social distancing may be accelerating the spread of digital forms of activism and participatory processes such as citizen assemblies or public hearings conducted online. Robust (1) civil and political rights (p.9) are a pre-condition for successful anti-corruption engagement and therefore constraints put in place as part of the COVID-19 pandemic response will have an effect on citizen-driven accountability in the short term – as well as in the long term, if such measures outlive the pandemic itself. However, this may be balanced by improved capacity on the citizen side, potentially leading to new forms of digital engagement and accountability.

Emergency measures often include the temporary suspension of (2) institutional checks and balances (p.12). Governments around the world, from Hungary to the Philippines, have used the COVID-19 crisis to consolidate power, suspend oversight and accountability institutions, and in some cases to attack political opponents. Depending on the context, the military may also gain an upper hand over civilian power-holders, further exacerbating risks of authoritarian abuses. If this concentration of power outlives the pandemic itself, anti-corruption reformers and promoters of democracy ought to gear up for a back-to-basics kind of agenda, pushing for the reinstatement of the appropriate institutional checks and balances.

(3) State capacity (p.15), or the ability of states to control their territories, enforce policies and provide public services, is likely to play out very differently in different contexts. Some states will face a push to consolidate basic services, including but not limited to health care. Despite the need for these investments, with them may come higher corruption risks, which will need to be monitored and mitigated. In other contexts, such as conflict-torn countries and emerging markets, the pandemic may give a critical hit to the already weak state capacity. Organised crime and violent groups may take advantage of the power vacuum and loss of some states’ monopoly on violence. All these factors may lead to vicious cycles of ill-functioning public services, lower levels of trust, poor governance and corruption. In extreme cases, this may result in social unrest and violent conflict. In the short term, countries will face clear corruption and governance challenges as emergencies and the pressure on governments to procure life-saving equipment create fertile ground for fraud and corruption. These include shortage-induced bribery risks, diversion of emergency response resources, and kickbacks in procurement processes.

Reduced income, a halt in manufacturing and increased risk aversion are all factors contributing to a precipitous worsening of (4) the economy (p.20). At the same time, this is likely to contribute to the rise of the informal sector of the economy, as more people find themselves in precarious employment. However, this may also be an opportunity to rethink some of the economic policies and structures proving incapable of dealing with situations like the current pandemic. This may lead to a paradigm shift in the social and public goods expected from the state, such as health care, social security measures and even climate governance. All these factors come with high corruption risks. In the short term, huge economic stimulus
packages will have to be monitored to ensure they are being spent for the common good, rather than in the private interest of a few. The possible increase in the share of the informal economy may also have direct repercussions on levels of corruption and the efficiency of anti-corruption policies.

Another facet of the economic dimension relates to the possible spike in poverty and inequality. The pandemic is already hitting harder the poorest and most disadvantaged groups who tend to live in closer quarters and without adequate medical and social support. Many will struggle with job losses and family burdens. Women in particular are likely to be disproportionately affected by the current pandemic, as they make up a higher share of the world’s poor and are largely represented in the informal economy, living in very precarious situations. Depending on how the economic stimulus bailouts are managed and disbursed, big corporations may end up benefiting, using the “too-big-to-fail” argument, while the population at large foots the bill. However, troubles with the stock market may also lead to wealth de-accumulation, which may balance out some of the effects, although only by making the rich poorer rather than making the poor richer. In the medium and long term, the corruption risks are associated with the wider power imbalances brought by inequality and the opportunities for state capture and undue influence by privileged groups in policy processes and decision making.

Face-to-face social contact is a key variable of interpersonal trust. Social distancing measures, therefore, threaten to result in lower levels of trust, not least as every contact with other human beings can bring with it risk of contamination. In addition, the pressure on visibly scarce resources (epitomised by empty market stalls) increases competition between individuals and groups, thereby driving up the potential for conflict and the interests-based allocation of resources. Polarised and divided societies are less capable of working together to hold governments to account, which is likely to have an impact on governance. While heartening acts of kindness and solidarity were evident during the early stages of the pandemic, there is growing anxiety that attempts to enforce lockdowns in parts of the world where people live hand-to-mouth will lead to social unrest. In the medium to long term, the fallout of the crisis will strain social cohesion and interpersonal trust. While lower trust may lead to greater oversight of the behaviour of fellow citizens, it will complicate anti-corruption approaches that rely on horizontal trust to overcome collective action problems.

New forms of technology, particularly social media, have fundamentally disrupted the way in which information is created and disseminated. Misleading or fabricated content has proliferated in recent years on social media, including “deep fake” videos and other forms of sophisticated disinformation techniques and campaigns. The overflow of information related to the COVID-19 pandemic is exacerbating this trend. However, the potential impact of so-called “fake news” during the pandemic is waking some citizens up to the need for careful consumption of information online, including checking sources of information, relying on expert views and regarding dubious publications with due care. Readership of serious and professional publications has gone up during the crisis. If this is sustained, it may lead to citizens who are better prepared to deal with the current information landscapes. The crisis has also illustrated the importance that experts and scientists play in public discourse, perhaps leading to restored trust in them. These factors may work together to forge societies that are more immune to misinformation and populist rhetoric.

As an increasing number of activities move online, from political advertising to grocery shopping and fitness classes, the economic and political power of the big-tech companies increases further. Reliance on technology in daily life, together with the development of innovative responses to current global needs, might increase exponentially the influence and power of big-tech companies. However, increased recognition of their role in our lives may lead to a new consensus on the optimal extent and means of regulation. The corruption risks, primarily related to the undue influence of large corporations on the policy process and political advertising online, will very much depend on the outcome of government attempts to regulate the activities of such companies.

The negative impacts of illicit financial flows on public budgets, government effectiveness and even inequality had been increasingly recognised long before the COVID-19 crisis. However, the pandemic has laid bare the devastating effects of stashing cash away in tax havens, while governments struggle to
pay for basic services required to keep people alive. The current crisis may make matters worse due to (1) more opportunities for rent-seeking, as more domestic and foreign resources are made available to fight the pandemic; (2) more discretion in decision making and the allocation of resources; (3) weaker transparency and accountability mechanisms, and (4) limited supervision and enforcement. Given the gaps and weaknesses in various countries’ anti-money laundering systems, 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 – particularly while they assume resources and attention are focused elsewhere.

In such a crisis, multilateral bodies would be expected to take the lead in coordinating action and responses. However, the pandemic has brought to light the inability of multilateral bodies such as the UN Security Council, G7 or the EU to effectively coordinate the response to the crisis. The COVID-19 outbreak also found the world amidst a gradual but inevitable process of realignment of power at the international level. China was already emerging as a real competitor to a US-led monopolar world order supported by a host of (10) multilateral institutions (p.41) steeped in convictions of liberal democracy and the free market. With China’s aggressive but effective response to COVID-19 at home and now also abroad, this realignment is accelerated. As multilateral institutions show signs of decline, this may have implications on the enforcement of international and multilateral conventions, including those on corruption and bribery. The acceleration of the decline of old powers and the rise of the new may also have effects on the usual application of governance and anti-corruption conditions for loans and international assistance funds disbursed to developing countries.

When looking at all these topics, it is clear that there are both opportunities and challenges ahead for anti-corruption, governance and development work. However, national context matters, and it may be the key determining factor for whether there will be more challenges or opportunities. One common feature may be that the COVID-19 crisis risks widening the gap in the quality of governance across the world. Human rights are more likely to be abused in countries with existing low adherence to human rights principles; state capacity is likely to weaken in states already weak, and checks and balances are likely to be further dismantled where they were already thin. However, the wake-up call to citizens may be even stronger where it is most needed, and new technologies may facilitate better public action and engagement, if used well.
### Possible effects of the COVID-19 pandemic on anti-corruption, governance and development

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<td>Decreasing social cohesion and interpersonal trust/ Increased competition for scarce resources/ Some acts of kindness and sense of togetherness in the crisis</td>
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### 7 | INFORMATION LANDSCAPES

**Positive trends**

* Sustained increase in misinformation techniques and campaigns
* More critical consumption of online content
* Increased trust in experts

**Potential stronger positioning for**

* Transparency International and other expert groups
* Plurality of information helps accountability

**Negative trends**

**Neutral or uncertain**


### 8 | BIG-TECH COMPANIES AND NON-STATE ACTORS

**Increased political and economic power of big tech**

* Increased importance of big tech in daily lives could lead to impetus for appropriate regulation
* Short-term corporate social responsibility among big-tech companies

**Risks of undue influence in the policy process**

* Impact on democratic processes (such as elections)

**Positive trends**

**Neutral or uncertain**


### 9 | ILLICIT FINANCIAL FLOWS

**Sudden reliance on technology (Fintech, Regtech, Suptech) without mitigation measures in place**

* Recognition of the importance of tax fairness and equity

**The role of tax havens high on the agenda**

* Increased debate on beneficial ownership transparency, country-by-country reporting and asset recovery
* Additional domestic and foreign resources combined with weaker financial supervision and oversight

**Positive trends**

**Neutral or uncertain**


### 10 | INTERNATIONAL AFFAIRS

**Acceleration of global realignment**

* Acceleration of the rise of international leaders with illiberal agendas

**Lower appetite for enforcement of international anti-corruption and bribery treaties and conventions**

* Decreased good-governance conditionality for development aid

**Neutral or uncertain**


Positive trends

Negative trends

Neutral or uncertain
When faced with extraordinary circumstances, governments often resort to extreme measures, such as the derogation of certain fundamental rights, including the freedoms of assembly or of movement, and even enhanced surveillance of citizens. All such measures ought to be proportional and only deployed as a last resort to deal with crises, and should be brought to an end as soon as a crisis has been brought under control. The European Commission for Democracy through Law, otherwise known as the Venice Commission, has published a useful compilation of legal opinions on emergency measures and the derogation of human rights in times of emergencies.1

Governments around the world have already implemented draconian measures to stem the tide of the COVID-19 pandemic. These range from arresting critical journalists to imposing harsh curfews and using new technologies to track public movement.2 Whistleblowers, a critical pillar in the fight against corruption, are often the first victims of such measures. These widespread limitations on civil and political rights go hand in hand with the reduced ability of citizens, groups and institutions to demand accountability, and are therefore of high relevance to anti-corruption and governance.

Clamp-downs on civil society are also of great concern during the current pandemic given that civil society organisations can play a crucial role in public health systems, both as supporting actors or in an accountability and information-sharing function.

However, many of the changes present opportunities for a different form of engagement and the forging of civil and political rights for the new era. New technologies may lead citizens to re-evaluate their relationship to the state and to use the same tools to better hold it accountable, rather than being passive subjects as governments amass more power.3

Evidence and arguments for improvement

In the face of ever-increasing heavy-handed actions from the government, including mass surveillance and human rights abuses, citizens may find ways to mobilise and demand accountability. In the midst of the COVID-19 crisis, thousands of Israelis took to Rabin Square in Tel Aviv to organise the first ever socially distanced protest.4 All over the world, the power grabs and government abuses may act as a wake-up call for citizens to act. Similarly, those who risk losing all they have by blowing the whistle on mismanagement and abuse – as with Wuhan doctor Li Wenliang – give renewed impetus to improving whistleblower protection, rehabilitating the image of whistleblowers where it may have previously suffered.

At the same time, due to advances in technological solutions and digital literacy, citizens and activists may be more able to respond to government excesses and find new forms of digital activism. The spread of digital communications tools and digital literacy may lead to increased capacity for citizen engagement and participation in political processes, as well as the ability to mobilise and coalesce to better represent collective interests. The imperatives of social distancing mean that organisations around the world are becoming more adept at using technology. From user-friendly teleconference meetings to collaborative working software such as Slack or Microsoft Teams, technical solutions are improving people’s ability to work together, faster and at lower cost. More activists are learning that they can carry out their work from home, saving on office costs, as well as not being bound by geographical constraints in terms of recruiting the best talent. The reductions in the barriers to starting a citizen initiative or a mission-driven organisation may lead to a proliferation of such groups, even with short-term targeted goals.

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Vertical and social accountability mechanisms may become more feasible and seamless, enabling better monitoring of government processes such as public procurement and supporting the implementation of projects such as Transparency International’s Integrity Pacts. Similarly, participatory and deliberative processes such as citizen assemblies, participatory budgeting or stakeholder consultations may become easier to conduct.

Evidence and arguments for deterioration

Governments all over the world are applying stringent measures which restrict freedoms of movement, assembly and expression. It is no coincidence that we see some of the strictest measures in countries where respect for civil and political rights is already low. This is likely to reduce further opportunities for citizens to participate in public and political life, especially for women, whose political participation is already limited and whose political recruitment is more difficult in corrupt, undemocratic environments driven by clientelism. In Hungary, which has passed a bill allowing the government to rule indefinitely by decree (see Chapter 2), journalists and others who criticise the government can be imprisoned for up to five years for spreading “false facts”. The same fate awaits those who “criticise” officials involved in the coronavirus response in Sri Lanka. Around the world, information is censored and people detained for “rumour-mongering”. The censorship of media undermines citizens’ right to access information, and is an effective tool for spreading government propaganda and keeping the lid on corruption scandals.

In Southeast Europe, governments are implementing heavy-handed measures, such as publishing the names and addresses of quarantined people in Montenegro or criminalising the breach of social distancing measures and sending the army to enforce the curfew in Albania. These excesses are aggravated by the fact that social distancing rules make it harder for citizens to protest for their rights. International condemnation is also less forthcoming as each country is preoccupied with addressing their own crises.

It is not rare that emergency measures become permanent and there are fears that the temporary restrictions on civil and political rights may be sustained beyond the pandemic. Countries already using surveillance systems may find it hard to stop after coronavirus has been contained. A perfect example is the Patriot Act in the United States and other national laws aimed at fighting terrorism in the early 2000s, which became permanent and have been used regularly outside of their initial remit.

The alleged success of surveillance in fighting coronavirus in China may put pressure on democratic countries to enhance their surveillance systems to ward off future pandemics. Strong and expansive surveillance systems in the hands of governments may, in some contexts, become permanent tools to undermine citizens’ privacy and crack down on citizen mobilisation and collective action.

Short-term impact on governance and anti-corruption

6 Rutzen, D. and Nikhil, D., Coronavirus and Civic Space, International Center for Not-for-Profit Law, 2020
7 Bjarnegård, E., Kenny, M., Comparing Candidate Selection: A Feminist Institutionalist Approach, 2016, http://dx.doi.org/10.1017/gov.2016.4
9 Ganguly, M., Sri Lanka Uses Pandemic to Curb Free Expression, Human Rights Watch, 2020
14 Prasso, S., Coronavirus Surveillance Helps, but the Programs Are Hard to Stop, Bloomberg, 2020; Kharpal, A., Use of Surveillance to Fight Coronavirus Raises Concerns About Government Power after Pandemic Ends, CNBC News, 2020
15 Laperruque, J., What to Expect for the PATRIOT Act Reauthorization, POGO, 2020
16 Wright, N., “Coronavirus and the Future of Surveillance: Democracies Must Offer an Alternative to Authoritarian Solutions”, Foreign Affairs, 2020
In the short term, isolation and social distancing measures which curtail freedoms of movement, assembly and expression will remain in force and limit anti-corruption protests. Surveillance tools could be used preemptively to threaten, intercept and terminate any attempts to mobilise protest against abuse of power by the government.

The fear of being closely monitored by the government may force activists and journalists to subject themselves to self-censorship. Restrictions on press freedoms and access to information will undermine anti-corruption efforts as governments become more opaque and unaccountable to citizens. Civil Society Organisations (CSOs) in less democratic countries may be restricted in their reports on coronavirus and anti-corruption, and may face punishment for violating any restrictions.

Whistleblowers around the world are especially vulnerable and may, in the short term, pay an unusually heavy price for speaking out. At the time of writing, 92 organisations, including Transparency International, have signed an open letter calling on governments and corporations around the world to guarantee the safety of COVID-19 whistleblowers.

Long-term impact on governance and anti-corruption

In the long term, the coronavirus pandemic may be used as a pretext to continue limitations on freedoms of assembly and engagement in collective action, particularly by unpopular governments. Before the pandemic, civic space was already shrinking as governments targeted community members and civil society who sought to expose corrupt politicians and government officials. Hence coronavirus might be used as a perfect excuse for the long-term reduction of civic space and civil liberties, and eventually of anti-corruption protests.

On the positive side, civic organisations are stepping up and leading local health campaigns in combating coronavirus. Their visibility during the pandemic and efficiency in responding to the crisis may counter the hostility they receive from government-controlled press and departments in the long term.

Finally, the permanent use of surveillance means that undemocratic governments may effectively monitor and silence anti-corruption voices, posing long-term challenges to Transparency International and its national chapters.

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17 Middle East Eye, Algeria’s Coronavirus Cases Rise to 139 as Anti-Corruption Marches Put on Hold, 2020
18 Mitchell, A. and Diamond, L., China’s Surveillance State Should Scare Everyone, The Atlantic, 2018
21 Gilbert, C., The Connection Between Corruption And Shrinking Civic Space, UNCAC Coalition, 2015
23 Brown and Carothers, 2020: 21
2 | CHECKS AND BALANCES

Contributor: Jon Vrushi

A robust system of checks and balances is essential to the functioning of any state. Checks and balances such as courts, parliamentary committees, supreme audit institutions and ombudsmen are instrumental to controlling corruption, as they ensure that public office is not abused for private and political gain. These institutions are meant to place reasonable limits to the exercise of power to prevent abuse, slowing down decision making and scrutinising policy implementation. Therefore, in times when governments need to act at a fast pace, constitutional provisions that allow for the suspension of checks and balances are often imposed.

As mentioned in chapter one, the Council of Europe Venice Commission has published a compilation of legal benchmarks on emergency measures, including provisions on who should be in charge of their oversight and what the scope of emergency measures ought to be. The key recommendations include maintaining checks and balances, judicial review and parliamentary oversight.24

Corruption thrives where rule of law is compromised, as power holders exploit the lack of accountability to engage in abuse of office with impunity. It is therefore of paramount importance for promoters of integrity and democracy to ensure that institutional checks and balances are maintained, even if adapted to the crisis. A balance between effective decision making and appropriate oversight needs to be maintained.

Evidence and arguments for improvement

In times of emergency, institutional or democratic innovations or improvements rarely take place. In such times, the best that can be expected is either maintaining the status quo of institutional checks and balances, or a temporary suspension of such mechanisms, with a well-defined scope. In countries with robust checks and balances, these institutions are likely to adapt to the situation presented by COVID-19 and better fulfil their role. In Australia and Germany, for example, the central government has shown forbearance and proportionality in devolving decision making to the relevant state or local level, thus enabling an appropriate distribution of power to stem the tide of the pandemic.25,26

Evidence and arguments for deterioration

All over the world, governments are abusing extraordinary powers so they can shun or capture oversight and accountability institutions. In Israel, the ruling Likud party has taken the unprecedented decision to defy a supreme court order to hold elections for the speaker of the Knesset (parliament), using ministry of health powers and accountability institutions. In times of emergency, institutional or democratic innovations or improvements rarely take place. In such times, the best that can be expected is either maintaining the status quo of institutional checks and balances, or a temporary suspension of such mechanisms, with a well-defined scope. In countries with robust checks and balances, these institutions are likely to adapt to the situation presented by COVID-19 and better fulfil their role. In Australia and Germany, for example, the central government has shown forbearance and proportionality in devolving decision making to the relevant state or local level, thus enabling an appropriate distribution of power to stem the tide of the pandemic.25,26

Contributor: Jon Vrushi

same outcome.\textsuperscript{30} Even in the United States, where a special oversight commission has been set up to look into the multi-trillion dollar stimulus package, the president has threatened to adjourn Congress using emergency powers.\textsuperscript{31} However, it still remains to be seen whether the commission will be effective in ensuring that the funds are spent in the common interest.

Several states in central and south-eastern Europe are using the COVID-19 crisis to undermine checks and balances and institutions tasked with upholding the rule of law. Opposition politicians and legal experts in Serbia have noted with concern that President Vucic declared a state of emergency without any constitutional basis and has put Serbia “one step away from dictatorship”.\textsuperscript{32} Attempts at power grabs can also come from unexpected angles. In Kosovo, a parliamentary republic with a largely ceremonial president as head of state, the government collapsed after the president demanded that a state of emergency be called – a measure which would shift power from the parliament to a security council headed by him.\textsuperscript{33} Attacks on the opposition have been reported in Azerbaijan, facilitated by newly drafted legislation originally designed to enforce lockdown in the country.\textsuperscript{34}

In the Philippines, another strongman, President Duterte, is attempting to concentrate power in the central government. After u-turning on a law which would give him the authority to nationalise any company, according to an opposition MP: “he has now amassed the powers to be able to boot out local government officials from their post for merely adjusting their COVID-19 response to the specific needs of their jurisdiction.”\textsuperscript{35}

Although there are instances of parliaments convening remotely to perform basic legislative and oversight functions – as in Brazil, Colombia and the United Kingdom, among others – some, such as South Africa’s, have adjourned themselves, invoking sanitary precautions.\textsuperscript{36}

Evidence and arguments for the status quo

Even if emergency measures giving power to certain branches of the government do outlive the crisis itself in some countries, this is not likely to be the case everywhere. Many countries that have gone through national emergencies in the past, especially healthy democracies, have demonstrated how the right balance can be found between effective decision making and appropriate oversight. The Venice Commission compilation of legal benchmarks shows how this can be done.\textsuperscript{37}

Short term impact on anti-corruption and governance

In the short term, emergency measures and social distancing rules often mean that oversight institutions cannot even convene to fulfil their mandate. In Israel, prime minister Benjamin Netanyahu’s criminal trial for corruption was delayed after a special order was issued at 1a.m. signed by the Justice Minister, freezing court proceedings under a state of emergency.\textsuperscript{38} Attempts at power grabs can come from unexpected angles. In Kosovo, a parliamentary republic with a largely ceremonial president as head of state, the government collapsed after the president demanded that a state of emergency be called – a measure which would shift power from the parliament to a security council headed by him.\textsuperscript{33} Attacks on the opposition have been reported in Azerbaijan, facilitated by newly drafted legislation originally designed to enforce lockdown in the country.\textsuperscript{34}

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parliamentary committee meetings and non-essential investigations creates an opportunity for corruption to thrive in the absence of accountability and oversight mechanisms.

**Long-term impact on anti-corruption and governance**

The adherence to rule of law is one of the key predictors for control of corruption. Independent, competent and well-functioning courts and law enforcement agencies are required to sanction corrupt behaviour. Oversight institutions such as supreme audit institutions or ombudsmen are instrumental in ensuring that power-holders make decisions that are in the common interest, and that they do not use public office to enrich themselves.

If political actors, particularly in the executive branch, use the COVID-19 crisis to consolidate power, and cling on to this power as the pandemic subsides, checks and balances and the rule of law may be gravely endangered. This has serious implications for corruption and governance, as it hinders the ability of oversight institutions to hold power-holders to account for their actions. In turn, opportunistic power-holders may see a window to engage in more corruption with impunity.

3 | STATE CAPACITY

Contributors: Aram Khaghaghordyan, Marie Chêne and Matthew Jenkins

As countries take emergency measures to manage the global health crisis, the pandemic reveals the need for an effective and well-functioning state apparatus. State capacity is the “degree of control that state agents exercise over persons, activities and resources within their government’s territorial jurisdiction”. COVID-19 is putting state capacity through a stress test that not all governments might pass.

In particular, the crisis puts health care systems across the world under considerable pressure in the short and medium term, revealing dangerous flaws such as labour shortages and poor access to essential medical supplies, such as tests, masks and gloves, ventilators or even hospital beds. The health sector is now one of the most visible government functions and will be at the centre of the public debate for months to come, potentially leading to neglect of other government functions. Disadvantaged groups will be more directly affected by poor availability and quality of public services – especially women, who are more reliant on public services due to their social role (as primary carers for the young and the elderly) and lack of access to better quality private alternatives.

All countries are struggling to cope with the pandemic. However, those with low state capacity will likely be less able to enforce social distancing measures, stock and distribute essential goods, or even maintain a monopoly on violence. The crucial determinants of effective responses to the challenges posed by COVID-19 will be state capacity and the level of citizen trust in government. This level of trust is itself heavily mediated by the ability of a state to deliver basic goods and services. A lack of trust in government further undermines state legitimacy and fuels political instability, social unrest and insecurity.

Evidence and arguments for improvement

The pandemic emphasises that government institutions are critical to protect health, oversee national security and support the economy. There are growing calls from across the political spectrum for more investment in public infrastructure and increases in government resources and capacity. This crisis underlines the fact that regardless of the form of government or political orientation, state capacity plays a key role in ensuring steady and impartial access to resources. Civil society organisations such as Amnesty International have urged governments to seize the chance to strengthen health care systems and state institutions, and support them with adequate resources and investments in public health infrastructure, as citizens reclaim the concept of universal health coverage. Previous pandemics such as the global flu epidemic of 1918 contributed to the creation of national health services in many European countries, and more recent epidemics such as HIV have led to landmark public health reforms. Similarly, the current

41 McAdam, Doug, Sidney Tarrow, and Charles Tilly, Dynamics of Contention, Cambridge: Cambridge University Press, 2001, p.78.
48 Politico, 2020: 39
crisis may strengthen public health bodies in their role in managing the crisis and facilitating global communication and coordination around the pandemic.50

Meanwhile the fragility of health care systems across the world is exposed and as a result, the pandemic may contribute to reforming government institutions and to reshaping public health care systems. In many countries confronted with the consequences of decades of disinvestment in public infrastructure, the pandemic may trigger demand to strengthen the state’s capacity to provide essential public services – in particular, universal access to affordable, quality health care.51 It could also challenge market-based systems, rehabilitate notions such as “the public good” over the capitalist pursuit of profit,52 and put pressure on the public sector to take a leading role over private pharmaceutical corporations in the development and manufacture of new medicines and vaccines.53

Evidence and arguments for deterioration

Not all countries will emerge from this crisis with a strengthened government. Many will struggle to recover, and it seems likely that fragile states will become even more prevalent worldwide.54 Some foresee the collapse of many health care systems across the world, which will expose governments’ weaknesses or lack of competence to respond to the health and economic crisis.55

The pandemic and its economic aftermath are likely to hit many countries so hard that they threaten to overwhelm international crisis management systems and bring many states to the brink of collapse.56 This is especially the case for fragile states and emerging markets. The outbreak could be virtually impossible to control in countries characterised by dense settlements, weak health systems, low state capacity and internal conflict. In these contexts, the economic damage and institutional fragility following the health crisis are likely to be so severe and long lasting that they may be accompanied by social disorder, political instability or even outbreaks of violence.57 Governments of all types are adopting new emergency powers to manage the situation, which many will be loath to relinquish once the immediate crisis abates.58

Short-term impact on governance and anti-corruption

Countries with low state capacity are often characterised by weak institutions, instability, patronage-based and kleptocratic networks, and other markers of fragility.59 These challenges are heightened during humanitarian emergencies and associated socio-economic crises, where pressing short-term relief efforts are likely to consume policymakers’ attention. This can result in an increased risk of mismanagement and misappropriation of available funds and resources,60 and the de-prioritisation of controlling and sanctioning corrupt behaviour.61 Such desperate circumstances also bring additional integrity risks. Humanitarian

50 Ord, 2020: 46
52 Ord, 2020: 46
53 Politico, 2020: 39
57 Crisis Group, 2020: 54
58 Foreign Policy, 2020: 53
emergencies, such as those caused by natural disasters or epidemics, provide a perfect setting for corruption.

Corruption, cronyism and improper lobbying practices also challenge the ability of high-capacity countries such as the United States to respond adequately to the pandemic. The former head of a US federal health agency has formally accused top officials of pressuring him to approve potentially harmful drugs that lacked scientifically proven merit, so as to award lucrative contracts to friends of the administration, leaving the country ill-prepared, ill-equipped and unable to effectively manage the health crisis. 62

With huge cash influxes and shortages of medical supplies, emergencies stretch state capacity in already fraught settings and create fertile grounds for fraud and corruption. Given that state agencies are expected to directly manage the distribution of resources to vulnerable groups in inaccessible areas within urgent timeframes, humanitarian crisis management can engender a wide array of corrupt practices.63 These include bribery risks induced by shortages; the diversion of emergency response resources, and kickbacks in emergency procurement process.64

During the 2014-2016 Ebola outbreak, documented fraudulent practices included widespread diversion of funds and medical supplies, misreporting of salaries and payments for supplies, petty bribery to bypass containment measures such as roadblocks and quarantined zones, and flawed and opaque procurement processes.65 During this outbreak, the Red Cross estimated that over US$6 million was lost to corruption and fraud in its operations.66

All these corruption risks are highly relevant to the COVID-19 pandemic, with the procurement of medicines and supplies67 being one of the most vulnerable areas for corruption during an emergency.68 In particular, the procurement of items for disease management, in high demand and short supply,69 such as protective equipment, ventilators and potential therapeutic medicines, is especially vulnerable to fraud and corruption.70

Another area of concern is the influence and lobbying practices of big private pharmaceutical companies taking part in the race for a new vaccine and profiting from public investment to develop drugs that will probably prove huge corporate earners.71 During emergencies, there is also a risk of pilfering available supplies, price gouging, and resale on the grey and black markets, as well as an increase in substandard and falsified products entering the market.72 As hospitals face bed shortages and lack sufficient health

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62 Collins, K., et al., “Dusted vaccine director files whistleblower complaint alleging coronavirus warnings were ignored”, CNN, May 2020
69 The recent statement of Serbian President Vučić illustrates these challenges, as well as the opacity of procurement processes in an emergency situation: “We have paid in advance for additional medical ventilators – not on the black, but on the grey market, and I won’t say where from, even if you shot me afterwards.” See Cuckić, Nikola, “COVID-19 pandemic as a threat to the rule of law in the Western Balkans”, 31 March 2020, https://europeanwesternbalkans.com/2020/03/31/covid-19-pandemic-as-a-threat-to-the-rule-of-law-in-the-western-balkans/
workers, bribery to access hospital beds and medical treatment is a major concern. There is extensive anecdotal evidence that these practices are spreading quickly across countries affected by the pandemic.

Where state capacity is low, bribery and favouritism in service delivery might become the tools for accessing over-burdened health care facilities. When rule of law breaks down, desperate people may also resort to violence to access essential goods and services, if they do not have the means or the incentive to use corrupt channels. Here, anti-corruption could slide off the agenda as states try to reassert control.

A related area of concern is the role of organised criminal groups, which have long used the aftermath of humanitarian emergencies to strengthen their hold over local communities. Japan’s Yakuza gangs have been renowned first responders during earthquakes and tsunamis, the Jalisco cartel distributed aid to hurricane victims in western Mexico in 2019, while al-Shabaab has provided relief and distributed food assistance during Somalia’s cyclical droughts. Citizens are more likely to turn to these alternative and illicit sources of authority in situations where state officials are known to routinely demand bribes or “facilitation payments” for delivering normal public services. Worryingly, the Global Initiative against Transnational and Organised Crime has already observed growing criminal activity in the “procurement and the provision of counterfeit medical supplies”.

Long-term impact on governance and anti-corruption

While the longer-term fallout from the pandemic will play out differently across different political economies, it will partly be a function of state fragility, which can be understood as a function of authority, capacity and legitimacy. In high-capacity states, some governments appear to be centralising key competencies and asserting their authority to manage the crisis, notably through the use of emergency measures. In low-capacity states, the inability of the state apparatus to manage the public health crisis and associated economic dislocation may further threaten state authority and legitimacy.

The pandemic is therefore likely to produce a further bifurcation of the world into stronger and weaker states. In both cases, corruption will be a key variable in the trajectory different societies take. The result may be that in the “stronger camp”, leaders (particularly in so-called “transition states or “hybrid regimes”) enjoy greater discretion due to their newly consolidated powers, and encounter fewer constraints on their behaviour as organised opposition diminishes. Early indications suggest that countries such as Hungary

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74 Steingrüber et al., 2020:71
84 Financial Times, “Warnings of unrest mount as coronavirus hits food availability”, 2020, [www.ft.com/content/443b7f47-e9f2-412f-b9b6-2411688cc170](www.ft.com/content/443b7f47-e9f2-412f-b9b6-2411688cc170)
are heading down this path,65 which may accelerate the phenomenon of state capture and grand corruption in these contexts.66

In the “weaker camp”, we may see state structures crumble further, conflict increase and petty corruption flourish.67 Where the rule of law evaporates, widespread corruption is likely to inhibit the (re)establishment of a state apparatus able to mediate between different constituencies in a non-partisan fashion. Rampant corruption is also likely to damage vertical state-society relationships by inculcating deep mistrust of government on the part of citizens, many of whom may still be traumatised by the pandemic.

In addition, some observers predict that there might be a rise in popular support for authoritarian “solutions”, particularly in democratic states with low state capacity where the health crisis is unlikely to be controlled effectively.68 Where calls for “strong leaders” take root, this could result in a drop in support for democratic accountability and institutions, rendering the work of anti-corruption advocates more challenging.

The aftermath of the pandemic is likely to see increased investments in public health systems and infrastructure to ensure that countries are adequately prepared to face the next pandemic. In the medium term, there will be major investments in research and development to find and manufacture a vaccine and medical treatment for the virus, with risks of fraud, diversion and manipulation – including of trial data – for higher profits.69 Pharmaceutical and medical supply chains are also vulnerable to corruption,70 while in the longer term, governments will need to address opacity and corruption in health personnel governance, recruitment and management.

State capacity will be the key factor in determining how successfully different countries respond to COVID-19. In a vicious cycle, it seems probable that low- and middle-income countries with weak institutions and limited resources will struggle to effectively manage the crisis, furthering undermining their governments’ legitimacy, authority and capacity.71 The level of corruption, itself partly a function of state capacity, will also play a central role in affecting the ability of different societies to contain the spread of the outbreak. Given the strong correlations between state capacity, poverty and corruption,72 this provides serious grounds for concern, not least in light of the feedback loop in which, as corruption eats away at state structures, their decay in turn fuels greater excesses of corruption.73

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Most governments and businesses initially reacted to the COVID-19 pandemic as a health crisis. The main objective was and still is to prevent the spread of the virus and save lives. Yet as the crisis escalates and the virus spreads further, the long-term economic repercussions of government-enforced lockdowns have been brought into sharp relief as some of the world’s largest economies come grinding to a halt. It is increasingly clear that measures put in place by governments to stop the spread of COVID-19 will lead to steep declines in GDP and economic growth as a result of interruptions to international production and supply chains. Investors fear the spread of the coronavirus will cripple economic growth and that government action may not be enough to stop the decline. Certain sectors such as the tourism and travel industries might see a particularly strong decline in revenues and profits, due to the travel bans and restrictions issued by more than 100 countries around the world.

According to OECD projections based on the situation in January and February 2020, before the pandemic had achieved its global reach by late spring, global growth could drop to 1.5 per cent this year, half the rate projected before the outbreak of the virus. The International Labour Organisation expects the worst economic slow-down since the Second World War as a result of restrictions that affect around 81 per cent of the world’s workforce. Similarly, the International Monetary Fund has stated that the economic crisis could be the worst since the Great Depression in the 1930s. At national level, the travel and trade restrictions and global recession are likely to affect poorer, more vulnerable and export-dependent economies more dramatically than richer countries, which can unlock huge sums of money to invest in health services and infrastructure and support the economy.

In an effort to preserve people’s livelihoods, governments in many countries have responded with unprecedented fiscal and monetary stimulus packages to alleviate the economic impact of the pandemic. Around the globe, central banks have cut interest rates by more than 0.5 per cent since January and launched huge new quantitative-easing schemes. At the same time, politicians have passed fiscal bills to support the economy. In the United States, Congress is set to pass a bill that boosts spending by twice the amount used to mitigate the effects of the 2008 financial crisis, while the UK, France and other countries have made credit guarantees worth as much as 15 per cent of GDP to prevent a cascade of defaults.

According to the most conservative estimates, the global stimulus from government spending this year will exceed 2 per cent of global GDP.

Government intervention in the economy has been a hotly contested issue for centuries. Advocates of the free-market economy often equate the state with a source of inefficiency and, in some cases, rent-seeking and corruption. However, the current crisis seems to favour those who advocate for a larger state role. Fears of a recession caused by the impact of COVID-19 have given momentum to calls for government intervention in the economy. The crisis has introduced a shift in neoliberal policy, as nationalisations are
taking place in Spain (hospitals),
the UK (transportation), and the stage is being set for more to occur in France. Likewise, governments in Denmark, the UK, France, Brazil and many other countries have expanded their welfare systems to provide income to those prevented from working either partially or entirely. The movement towards Keynesian policies has also been accompanied by discursive shifts, as free, universal health care systems are being lauded by notable pro-market leaders such as France’s President Macron.

Despite the global nature of the challenge, the economic impact is unlikely to be equally felt by all. As investors move their money to safer markets, the level of capital flight has reignited fears that emerging markets such as Argentina, Turkey or South Africa could be sliding towards insolvency and default. In low-income countries, these pressures are likely to be even more acute, as many developing states find it significantly harder to enact effective stimulus packages without facing binding foreign exchange constraints.

The effects of the crisis can be further differentiated between the formal and informal sectors. Labourers in the informal economy are typically low-paid and have few qualifications. They rarely receive sufficient coverage under formal agreements, while their lack of access to social protection (such as unemployment and health care benefits) and labour rights (including collective bargaining and participation) leaves them highly vulnerable to volatile market conditions. Although the rise of the so-called “gig-economy” is increasingly evident in advanced economies, 93 per cent of the world’s informal jobs are located in emerging economies and developing countries.

There is also a real risk that women and disadvantaged groups will be disproportionately affected by the effects of COVID-19, as they make up a disproportionate percentage of workers in the informal sector – from street vendors and domestic workers to subsistence farmers and seasonal agriculture workers. In South Asia, over 80 per cent of women in non-agricultural jobs are in informal employment, as are 74 per cent of women in Sub-Saharan Africa and 54 per cent in Latin America and the Caribbean. They also have weaker voice and lack the political and economic leverage to claim a fair share of the emergency social packages and stimulus provided by some countries.

Evidence and arguments for improvement

By exposing the flaws in current economic structures, such as the rise of the gig economy and the consequent increase in the precarity of work, the pandemic could present an opportunity for policymakers to design rescue measures in the public interest. The potential conditionality of government bailouts, such as reducing carbon footprint, may lead to a more inclusive and sustainable economy, as opposed to the current growth-centric model. According to the latest assessment by the United Nations Economic

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105 Simon Mair, “Could the huge shifts in our way of life being introduced as part of the fight against Covid-19 pave the way for a more humane economy?”, BBC, 2020
106 Mair, 2020: 107
107 Cole Stangler, “The pandemic has flipped the logic of Macronism on its head”, The Washington Post, 2020
108 Mair, 2020: 107
109 Mair, 2020: 107
110 Stangler, 2020: 108
111 Ribeiro, Gustavo, “Brazil to pay emergency salary to informal workers”, Brazilian Report, 27 March 2020
112 Stangler, 2020: 108
113 Stangler, 2020: 108
114 United Nations Conference on Trade and Development, “The COVID-19 Shock to Developing Countries: towards a ‘whatever it takes’ programme for the two-thirds of the world’s population being left behind”, Geneva: UNCTAD, 2020
120 UN Women, 2015-16: 121
121 Mariana Mazzucato, “Coronavirus and capitalism: How will the virus change the way the world works?”, World Economic Forum, April 2020
122 See, for example, United Nations, “Not too Late to Change Unsustainable Economic Growth Model”, 2011
and Social Commission for Asia and the Pacific, countries in the Asia Pacific region, one of the fastest
growing in the world, are not nearly close to achieving any of the 17 Sustainable Development Goals by
2030. The commission also estimates that results for some indicators, particularly those related to
environmental protections, will worsen.123

Some historical precedent suggests that in the aftermath of the coronavirus crisis, countries may develop
stronger welfare systems and more egalitarian policy preferences. The UK, Canada and a number of other
countries sharply increased the top income tax rate after cataclysmic world wars in the first half of the 20th
Century, while the Great Depression ultimately led to the New Deal in the United States.124 The current
health crisis could potentially see a rise in popular demand for public investment in essential services and
increase the level of public scrutiny over economic decision making by both states and corporations.

Evidence and arguments for deterioration

The COVID-19 crisis is likely to result in lasting damage to an essential global public good: human health.
The virus will severely impact the global economy in three key respects:125

1) The combination of reduced income and fear of contagion will result in lower private spending.
   While some of these effects might be offset by increased government spending, the overall
   balance is expected to be negative in the short term.

2) The sudden halt in manufacturing activities in the most affected regions is likely to result in
   bottlenecks in global value chains. If left unaddressed, such disruptions will in turn trigger
   widespread factory closures due to the lack of intermediary inputs, even in areas less affected by
   the virus.

3) Increased risk aversion has led to a “flight to liquidity”, where investors sell bonds and shares
   perceived as riskier in favour of more secure ones. This has led, for example, to the depreciation
   of many emerging-market currencies, as investors favour the purchase of gold or US dollars to
   preserve the value of their investments.126 This will weigh heavily on the global economy.

It is difficult to anticipate the full impact of COVID-19 on the global economy, but it is likely to result in
higher unemployment and greater difficulties in servicing debt obligations (both public and private). The
scale of the economic fallout is likely to be determined by the success of public health responses. If social
distancing and lockdown measures fail to contain the spread of the virus and to prevent its resurgence,
economic recovery could be slow, with the global economy needing up to several years to return to pre-
crisis levels.127

Short-term impact on governance and anti-corruption

The huge volumes of state resources combined with the difficult economic situation create additional
incentives and opportunities for firms and businesses to lobby for resources or benefits they are not entitled
to. Particularly in countries with a high incidence of corruption, economic rescue packages might fail to
deliver the expected results if they are captured by special interest groups. Transparency in the way these
packages are designed and distributed is essential, but achieving this will be difficult, particularly in settings
with weaker government institutions. The US Congress has set up an oversight committee to look at how
the country’s stimulus package is being spent. “The massive tranche of aid will be overseen through three
key mechanisms: an inspector general at the Treasury Department, as well as Congress and executive
branch panels, which will also monitor the Treasury fund and broadly oversee the law’s implementation.128

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124 James Traub, Today’s Coronavirus Anger Can Revive Tomorrow’s Welfare State, Foreign Policy, March 2020
127 Laura Oliver, “It could take three years for the US economy to recover from COVID-19”, World Economic Forum, March 2020
128 Alana Abramson, “Democrats Pushed for Robust Oversight of the $2.2 Trillion Coronavirus Aid Package. It Hasn’t Happened Yet”, Time Magazine, 2020

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This and any similar institutions present a direct opportunity for advocates of accountable government to engage in helping to ensure effective oversight of COVID-related state assistance.

In addition, the potential growth in informal employment could lead to an increase in administrative corruption, as small and medium-sized enterprises seek to bypass regulation. According to the OECD, burdensome regulation is often the most significant determinant of informality and an important source of corruption. Particularly in developing countries, “years of poor quality law-making… have created a tangle of complexity and inconsistency that presents an almost insurmountable obstacle to the enterprises seeking formality”. These obstacles to formalisation provide fertile ground for corruption.

Under current circumstances, oversight of government decision-making processes and politicians’ actions is also fundamental to ensure that post-crisis state intervention in the economy favours society as a whole, rather than just a selected, well-connected few. Even in countries with stronger accountability mechanisms, such as the United States, politicians have been found taking advantage of privileged information accessed via their roles, to make a profit by selling stocks before the information becomes public.

Long-term impact on governance and anti-corruption

The COVID-19 pandemic underlines the importance of strong, independent institutions and appropriate checks and balances, to enable better responses to emergency situations such as the COVID-19 outbreak, and to re-activate the economy when necessary. However, strengthening institutions cannot be achieved overnight. The pandemic highlights the importance of strong institutions in allowing for a wider array of policy options when dealing with the crisis and re-activating the economy. Scrutiny of how certain governments successfully managed the crisis, providing support to citizens and businesses to re-activate the economy and prevent bankruptcies, could lead to increased demands for transparency and accountability mechanisms in both the public and the private sectors. At the same time, if the post-COVID context sees a resurgence of “big government” and increased intervention in the economy, it will be necessary to ensure that anti-corruption, auditing and oversight mechanisms are not left behind.

130 OECD, 2011: 131
131 OECD, 2011: 131
5 | POVERTY AND INEQUALITY

Contributors: Jonathan Rougier and Marie Chène

The COVID-19 pandemic is likely to take a disproportionate toll on the poor, old and marginalised, exacerbating inequalities. In the short term, poor people are most at risk health-wise, with limited access to proper housing, social protection, affordable health care, paid sick leave and safety nets. Those who live “day-to-day” financially cannot afford to comply with compulsory lockdowns, fuelling some of the anti-lockdown protests in countries such as Brazil and the United States. In the aftermath of the pandemic, the economic crisis will also hit the poor the hardest – including women, who represent a higher share of the world’s poor – as people lose their jobs, income and livelihoods. Oxfam estimates that the economic fallout from the coronavirus pandemic could push half a billion more people into poverty – especially from the middle and lower-middle classes, who had no savings and relied on a steady flow of income before the crisis, as governments shut down entire economies to manage the contagion.

There is particular risk that the impact of the pandemic and the global recession that will follow will exacerbate pre-existing gender gaps and inequalities, undermining progress made in recent decades. Due to their social role, women are more directly affected by the impact of sanitary measures taken to contain the pandemic, especially working mothers balancing remote working (where possible) with home-schooling and childcare responsibilities which could persist beyond the crisis. Essential low-skilled, low-paid workers who are predominantly women (such as nurses or cashiers) are also most exposed to the effects of the virus health-wise and economically, and are in very precarious situations. In addition, there are indications that the employment drop related to social distancing measures has a large impact on sectors with high proportions of female employment. In the aftermath of the pandemic, many will struggle with job losses and family burdens, especially women who are largely represented in the informal economy.

As the extent to which rich, well-connected, well-resourced populations are better equipped to cope with the crisis becomes more apparent, social tensions are expected to rise, potentially fuelling social unrest, and bringing the issue of wealth distribution to the centre of public debate.

Evidence and arguments for deterioration

There is broad consensus that the pandemic will widen the gap between poor and rich people, and probably between poor and rich nations. The disease is likely to spread at a greater pace in poorer and more densely populated urban areas, slums or refugee camps, where people are unable to socially distance and lack access to basic social and political protections. Access to treatment will be a challenge, especially in poorer countries where medical infrastructure is weak and ventilators are not an option. In the absence of universal health insurance and coverage, many people may have to sell their assets or take loans, sometimes at exploitative rates. Food security and shortages can become a challenge for more vulnerable populations, as poor people may lack disposable income to stockpile food during the pandemic.

136 Alon et al., 2020: 138
137 Político, 2020: 39
140 Countries like Zambia, which has one doctor for 10,000 people (WFP), in Mali, there are three ventilators per million people. Uganda has 0.1 intensive care unit beds per 100,000 people, compared with 34.7 in the United States.
142 ODI, 2020: 144
At the same time, while richer countries are currently at the epicentre of the epidemic, it is expected that the disease will eventually spread very rapidly, with greater infection rates, in poorer countries. Social distancing may prove challenging in contexts where people lack proper housing and rely on informal jobs that require contact with others for their daily subsistence. However, demographics seem to play an important role in the outcome of the disease. As the virus appears to be more deadly for older people, and low-income economies have much younger populations, death rates may be lower in those countries.143

In the aftermath of the pandemic, as the world plunges into an unprecedented economic recession, many will struggle with job losses and family burdens. According to the scenario forecast by the International Labour Organisation, global unemployment could increase between 5.3 and 24.7 million, from a base level of 188 million unemployed in 2019.144 This is especially likely to affect low-skilled and low-paid workers in sectors such as hospitality and retail, where people are more likely to experience insecure work.145 Many will live “on the edge of unsustainable debt”, highly vulnerable to any economic downturn, and are likely to respond to declining incomes by curbing spending and lowering demand, further raising unemployment rates.146

Similarly, the pandemic may also fuel hostility against wealthier countries, as it exposes wide inequalities between nations. Poorer and deeply indebted countries with weak medical systems will struggle to cope with the health and economic crisis, while richer nations are able to unlock trillions at short notice to invest in health infrastructure and support the economy.147

Evidence and arguments for improvement

Some argue that in the longer term, the pandemic could positively affect social solidarity patterns and create the conditions for better wealth redistribution by the state, with social frustration creating incentives for greater political solidarity.148 Except for a few sectors that will benefit from the crisis, such as big-tech companies, stock market crashes and the decline in share value have hit people of privilege hard, bringing them to fear the consequences of the crisis for their own situation, wealth and privileges. This may positively affect inequalities, triggering a process of wealth de-accumulation and underscoring the need for better prioritisation of resources, as investors realise that “a better public-health response could have prevented US$6 trillion in global stock market losses”.149

As COVID-19 exposes global interdependence, the need for more solidarity to mitigate inequalities and the impact of the pandemic on more vulnerable populations is more evident. This could result in greater pressure on governments to invest in health care, housing and education for citizens who have been left behind by globalisation. In many countries, the pandemic is fuelling hostility and resentment targeted at the rich and famous, with rumours – often fuelled by the media – that they can use their connections to get better access to testing and health care, or escape the virus in their holiday homes.150 In countries like Germany, left-wing politicians are advocating for a special tax on the wealthy to finance the battle against COVID-19.151 Growing inequalities in the face of the pandemic are likely to fuel public resentment against

143 New Scientist, 2020: 141
148 Traub, 2020: 148
151 Forbes, 2020: 153
the wealthy when it becomes apparent how better they fared during the crisis. This could generate the political will and provide incentives for governments to adopt stronger policies to address inequality.153

This trend is emerging in discussions on establishing universal basic income to contain the economic fallout of the COVID-19 crisis, mitigate the impact of the recession on precarious populations and sustain demand.154 For example, Spain is already moving towards establishing a permanent basic income to mitigate the social and economic impact of the pandemic.155

Short-term impact on governance and anti-corruption

As mentioned in the section on state capacity, in the short to medium term, petty bribery could rise in response to health-care shortages (such as intensive care beds or ventilators) and other services, especially in contexts where medical equipment and infrastructure are scarce. There is also anecdotal evidence that petty bribes and other favours are used to avoid quarantine measures and roadblocks.156 The wealthy can use their power and connections to access testing and health care, and to lobby for economic measures that will favour them.157

Poor people may not have the resources to pay bribes to access life-saving treatment or bypass restriction measures which often leave them with no income or home. In countries like India, where tens of millions live in poverty or in precarious conditions, the brutal lock-down forced many into destitution within hours.158 This reinforces the need to fight corruption to mitigate the impact of the crisis on poorer populations.

Long-term impact on governance and anti-corruption

The well-established linkages between corruption, poverty and inequality make a compelling case for promoting the anti-corruption agenda in the wake of the coronavirus pandemic. This would aim to mitigate the impact of corruption on growing inequalities, and preventing those inequalities from undermining trust and fuelling corruption, further exacerbating inequalities.

There is a wide consensus and a large body of evidence that corruption exacerbates poverty and inequalities through its impact on economic growth and wealth distribution. Corruption affects equitable distribution of resources, increases income inequalities, and distorts the use of aid flows and decision making in public expenditure. Ultimately, it undermines the effectiveness of social welfare programmes and results in lower levels of human development.159

However, income inequality is likely to increase corruption, as rich and powerful elites capture political processes to their own benefits to protect their privileges.160 At the same time, inequality makes the poor more vulnerable to extortion and less able to hold authorities and elites to account. Inequality can also affect state legitimacy and citizens’ trust in public institutions, and increase their level of tolerance of

152 Forbes, 2020: 153
154 Brave New Europe, 2020: 149
157 Forbes, 2020: 153
corruption. \textsuperscript{161} High levels of economic inequality lead to low levels of trust and demands for redistribution, which in turn provide fertile ground for corruption. \textsuperscript{162} Inequality may also fuel perceptions of unfair income distribution and help to foster corruption, as reflected by a recent empirical study of a panel of 50 countries between 1995 and 2015. \textsuperscript{163}


6 | SOCIAL COHESION AND INTERPERSONAL TRUST

Contributor: Matthew Jenkins

The effects of the COVID-19 pandemic in straining state capacities and trust in government around the world are evident and already well documented. Yet social cohesion and interpersonal trust are equally powerful predictors of compliance with, and ultimately the effectiveness of, measures to contain the spread of the virus. Adherence to curfews, lockdowns and rationing relies primarily not on state coercion, but rather on social norms and particularly the levels of horizontal trust that people have in their fellow citizens. Expectations about whether our neighbours will play by the rules exert great influence over our own choices.

Crucially, where institutions are weak and vulnerable to corruption, social cohesion and horizontal trust can act as resilient coping mechanisms, helping to resolve tensions and mitigate the consequences of challenges such as the current public health crisis. Conversely, the absence of social cohesion can erode intergroup trust and increase the risk of strife.

While existing levels of social trust will shape the trajectory of the public health crisis in each country, the COVID-19 outbreak is itself also likely to affect interpersonal trust. This matters, because literature on fragile states suggests that a country’s capability to respond to profound crises – such as those unleashed by the virus – relies on two key factors: the “capacity of its population to cooperate […] and the ability of its institutions to channel this cooperation to meet national challenges”.

In other words, the effect which government measures to control the pandemic have on interpersonal trust will affect societies’ ability to overcome subsequent crises, such as the prolonged economic malaise predicted by many analysts. Crucially for economic recovery, the European Bank for Reconstruction and Development notes that “societal trust is strongly associated with higher levels of economic development, stronger economic growth, more open markets and higher investment”.

The impact of the pandemic on levels of interpersonal trust also has profound implications for anti-corruption efforts. In societies in which horizontal trust is low, this is believed to inhibit the establishment of universalistic norms and instead encourage individualist approaches to problem solving. In terms of corruption as a collective action problem, absence of trust is therefore a major impediment to a general shift towards integrity. Again, the relationship is symbiotic. Corruption’s inherently particularistic nature colours horizontal societal dynamics, which can strain relationships between ethnic, religious and political groups, especially during periods of crisis. In turn, this hinders the development of the social cohesion believed to be essential to overcome challenges such as COVID-19.

Alternatively, were the pandemic to result in higher levels of interpersonal trust, this could present a boon for anti-corruption efforts, as societies in which social trust is high generally have lower incidences of

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corruption. This is believed to be because participative and civic-minded citizens are more likely to act as watchdogs, adding an extra layer of accountability to integrity systems.173

Evidence and arguments for improvement

The COVID-19 pandemic has led to notable examples of solidarity and cooperation between people, with some commentators suggesting it could lead to a decline in political polarisation in the face of the “common enemy”.174 High levels of public consent and acceptance of lockdown measures may indicate people are willing to put the wellbeing of society before their own interests. Gestures of solidarity and collective actions such as food banks, communal kitchens and fundraising initiatives have filled gaps in state capacity.175

Evidence and arguments for deterioration

Contact theory implies that intergroup contact can reduce suspicion, hostility and mistrust between different social groups.176 Under social distancing measures that may last for the foreseeable future, citizens are coming into personal contact with each other on a less regular basis, while many are being exposed to misinformation in a fraught (social) media environment. There are increasing reports of scams related to COVID-19, such as in Berlin, where police have warned residents about fraudsters posing as health personnel offering coronavirus testing kits on the doorstep.177 Combined with perceived competition for resources believed to be scarce, this may lead to a rise in tensions, potentially exacerbated by the rhetoric of some political leaders who seek to blame certain – generally vulnerable or marginalised – groups for the contagion.

The heartening initiatives and gestures previously mentioned were mostly evident during the first few weeks of the lockdown in high-income states. There is growing anxiety that attempts to enforce lockdowns in parts of the world where people live hand-to-mouth will lead to social unrest, riots and communal violence.178 Even in Italy, noted for its initially upbeat response to the crisis, encapsulated in the slogan andrà tutto bene (“everything will be fine”), there were signs by the beginning of April that tensions were rising, especially in the poorer regions of the country.179

Short-term impact on governance and anti-corruption

In the short term, a breakdown in social trust could increase both incentives and opportunities for corruption by reducing the perceived costs of corrupt behaviour and encouraging particularistic responses to measures intended to mitigate the effects of the crisis, such as hoarding or embezzlement of funds.180 This is likely to be especially pronounced in states where the rule of law crumbles or the state loses the...
monopoly on violence. Where the social order breaks down, corruption prevention is likely to take the backseat and some of the gains made through anti-corruption initiatives might be lost.\textsuperscript{181}

**Long-term impact on governance and anti-corruption**

In the short-term, the crisis has led to notable examples of solidarity and cooperation between citizens, as well as outbursts of egotism and turmoil, notably panic buying. In the medium to long term, the fallout from the crisis will strain social cohesion and is likely to reduce horizontal trust. The coronavirus is likely to lead to a situation where much of society is deeply traumatised, and the conditions needed to constrain corruption – such as shared conceptions of the public good, socio-political cohesion and interpersonal trust – may be conspicuous by their absence. The governance challenges associated with the crisis may also undermine the ability of state apparatus to mediate between different constituencies in a non-partisan fashion.

Where the resources intended to mitigate the consequences of the crisis are allocated on the basis of factors such as kinship or wealth, such maladministration can lead to greater public mistrust in the impartiality of government. In turn, this could drive citizens to follow particularistic strategies when they engage with government, leading to a greater propensity for bribe-paying, which inculcates an ever-greater appetite for and expectation of bribes among public officials. Ultimately, this further reduces the effectiveness of governance and increases citizens' perceptions of impropriety on the part of public officials, crippling what little trust remained.\textsuperscript{182}

While this cynicism may lead to greater oversight of the behaviour of one's fellow citizens, it will complicate anti-corruption approaches that rely on horizontal trust to overcome collective action problems. One policy implication of this is that anti-corruption interventions in the post-COVID-19 world would do well to prioritise measures based on informal social dynamics and designed to rekindle social cohesion and trust, such as community monitoring initiatives.\textsuperscript{183} Fostering trust will be particularly important in high-corruption settings where formal institutions are “susceptible to manipulation, corruption and bias” and unable to enforce rules or disburse public goods in a non-partisan fashion.\textsuperscript{184}

In the aftermath of the immediate public health crisis, it will be important for anti-corruption activists to look at lessons learned in fragile settings, where some of the most effective measures have been those designed to rebuild trust in fractured communities.\textsuperscript{185} In such contexts, it has been argued that anti-corruption strategies should primarily aim to build trust in society.\textsuperscript{186} As the 2011 World Development Report observed, there is an overwhelming need to “restore confidence in collective action before embarking on wider institutional transformation”.\textsuperscript{187}

\textsuperscript{184} Kaplan, S., “Modelling fragility: a social and institutional approach”, *OECD Institutions and Stability Blog*, 2015
\textsuperscript{185} Schouten, C., 2011: 185; Mungiu-Pippidi, A., 2011: 185
The advent of the internet brought great hopes of further democratisation and the decentralisation of information. Yet in recent years, there has been mounting concern about the effect of “fake news” in sowing widespread mistrust in established sources of information, particularly so-called mainstream media outlets. “Fake news” can be understood as both a pejorative term intended to undermine the credibility of professional journalists, reporters and news networks, as well as the phenomenon of intentionally spreading false or misleading information. Both elements are particularly evident on social media, which is rapidly overtaking broadcasters as the primary source of news for many citizens, while print media has suffered massive setbacks in readership and distribution. Yet the lower regulatory standards imposed on social media platforms, including WhatsApp, Twitter, Facebook, Instagram and YouTube, which frequently operate outside the purview of oversight bodies and ombudsmen, have meant that these tools have become vehicles for the spread of misinformation. This problem has become especially pronounced during the COVID-19 pandemic.

Concerningly, new technologies have accelerated the ability of fraudsters and propagandists to produce highly convincing fake audio-visual content (known as “deep fakes”) intended to deceive audiences. As evidenced by the use of social media platforms to disseminate conspiracy theories, such as those claiming a link between 5G mobile technology and coronavirus, growing distrust in established media outlets may have spillover effects, such as concerted attempts to discredit technical expertise.

As people around the world are subject to lockdowns to contain the spread of COVID-19, social media platforms are increasingly serving as tools to cope with social distancing, and average online media consumption has risen drastically. In this context, fact-based journalism is arguably more vital than ever as a means to understand and ultimately overcome the pandemic and its broader impacts. As stressed...
by some observers, how quickly humanity responds to the crisis will also depend on the level of data
transparency provided by states.199

Evidence/arguments for improvement

Key to managing the current public health crisis is the timely exchange of accurate information between
policymakers, experts, journalists and citizens. Recognising that a time of fear and uncertainty provides
fertile ground for the rumour-mill and that a single falsehood can negate a whole body of verifiable facts,
many organisations are taking active measures to limit fake news.200 The World Health Organisation (WHO)
and the Centres for Disease Control and Prevention have pages dedicated to refuting misinformation,
including claims that drinking potent alcoholic drinks or exposure to high temperatures – or conversely, cold
weather – can kill the virus.201

Facebook, Twitter and YouTube are removing coronavirus content that encourages people to take actions
that could put them at risk, while Google is prioritising information from legitimate sources, such as the
WHO.202 In a bid to fight racism and xenophobia emerging from misinformation during the crisis, the
American Library Association has come out with a list of fact-checked resources.203

A joint European Union page set up about Europe’s response to the virus also serves as a platform to bust
the most common myths related to the COVID-19 outbreak.204 As a response to growing demand from
ordinary citizens, agencies such as the World Economic Forum205 and media houses like The Guardian are
compiling best practices on the consumption of media content.206

In a best-case scenario, COVID-19 may lead to more critical media consumption on the part of citizens and
improved trust in scientific expertise. Readership of serious and professional publications has gone up
during the crisis.207 Encouragingly, there are early indications that amid the fallout from the virus, public
trust in experts is higher than ever.208 Other positive signs include reports that suggest that the virus has
resulted in crumbling support for anti-vaccination groups.209 The measures taken by international
organisations, social media platforms and media outlets to curb the spread of dangerous misinformation
could yet outline the crisis itself, serving as a precedent for more stringent content moderation policies in
future. Conceivably, such initiatives could potentially spill over into the realm of online political advertising
and digital campaigning.

Evidence and arguments for deterioration

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A key issue in efforts to contain COVID-19 is the “infodemic” described by the WHO as “an overabundance of information, some accurate and some not, that makes it hard for people to find trustworthy sources and reliable guidance when they need it.” Left unchecked, this “infodemic” not only threatens to hamper the world’s collective effort to tackle the public health crisis, but could also generate additional social and political unrest. 

Such concerns are well founded. There is a host of fake news and conspiracy theories in circulation, much of it propagated by state broadcasters and even public officials. For example, observers from the European Commission have so far analysed 80 different reports containing false or misleading information about coronavirus published by official Russian state media sites, as well as platforms and authors with close ties to the Kremlin. Some commentators allege this to be part of a ploy to foment political unrest in Europe and the United States. In addition, Chinese state media is reportedly attempting to rewrite the history and origin of COVID-19, while President Trump has speculated that ultra-violet light could “kill” the virus.

There has also been a surge in the number of sham health products and alleged miracle cures produced by unscrupulous individuals looking to cash in on the pandemic. While social media platforms are reportedly taking measures to flag fake news, academic studies have shown these to have little effect in checking the proliferation of misinformation on their sites.

Under such circumstances, it seems plausible that many citizens will become disorientated, overwhelmed and disillusioned by the flood of information related to COVID-19, the volume of which alone makes effective oversight and verification almost entirely impracticable. If the virus takes a heavy toll on human life and no effective vaccination becomes available in the medium term, it seems conceivable that increasingly desperate populations may turn to less reputable sources of information. The wave of arson attacks against communications infrastructure in the UK, driven by online conspiracy theories about supposed links between COVID-19 and 5G mobile technology, may be an illustration of what is to come. Tragically, many of the radio masts destroyed by vandals were 3G and 4G towers relied on by the emergency services and frontline health care providers.

Some governments across the world are using the virus as a pretext to crack down on journalists and implement sweeping restrictions under the guise of combating misinformation and “fake news”. The Iranian government has imposed enhanced controls on news coverage, while new legislation in Hungary and South Africa has been enacted to criminalise the spread of misinformation. Egypt has reportedly pressured journalists to downplay the number of infections, and the government in Azerbaijan has said that battling COVID-19 could require a crackdown on the opposition. Perhaps most startling of all, Reporters Without Borders finds that state media outlets in Turkmenistan have excised any mention of the virus.

In the longer term, we may find that measures taken by the executive branch to curtail media freedoms, buoyed by public disdain for mainstream media, outlive the virus.

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216 American Library Association, 2020: 205
Short-term impact on governance and anti-corruption

Many different players have capitalised on the pandemic to spread misinformation for the purposes of advancing their own agendas, which include political aims, self-promotion and attracting attention as part of a business marketing strategy. According to a report by the European External Action Service’s anti-disinformation taskforce, EUvsDisinfo, trending false narratives range from COVID-19 being a hoax to a biological weapon deployed alternatively by China, the United States, the UK or Russia.

In the short term, the glut of competing narratives seems likely to obfuscate efforts to embed anti-corruption provisions in responses to the public health and economic crises triggered by COVID-19. In a media landscape where independent editorialised journalism is at best sidelined by social media platforms and at worst maligned or even supressed, holding those in positions of power to account will become increasingly difficult.

There is clear evidence that governments have attempted to silence whistleblowers reporting on the management of the pandemic, perhaps most notably Doctor Li Wenliang in Wuhan. Where states withhold information in an attempt to manage the crisis, this could also have a chilling effect on the ability of anti-corruption activists and practitioners to perform their oversight function.

Long-term impact on governance and anti-corruption

The longer-term view is perhaps more encouraging. Citizen demands for timely and accurate information with regards to their governments’ policies and effectiveness could lead to growing pressure on states to be more transparent and to proactively disclose more data, in line with freedom of information laws. Part of the implication for transparency and accountability activists is, as UNESCO makes clear, the need to frame “free and professional journalism as an ally in the fight against disinformation” which undermines the effectiveness of state responses to COVID-19. Likewise, the hostile culture that typically confronts whistleblowers may ease as more becomes known about their role in alerting populations to the real and present threat posed by COVID-19.

Even where states are able to rebuff popular demands for transparency, at the micro-level more citizens may come to realise the need for caution when it comes to their news consumption, as various hoaxes and conspiracy theories are exposed over time as baseless. In addition, the widespread disdain for experts and scientists in public discourse in some countries may wane as these figures take a leading role in managing the crisis. It is to be hoped that these factors come together to result in societies that are more resistant to fake news and more prepared to demand accurate information and accountability from those in power.

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Although the paralysis of much economic activity at a global scale during the COVID-19 pandemic has put many businesses in a vulnerable position, the crisis is a golden time for tech companies, as technology has become the only way to communicate. Other non-state actors, such as big corporations and billionaires, have come to the front line to help governments without enough capacity to respond to the pandemic. They have in some cases clubbed together to find innovative ways to minimise the impact of the pandemic on public health and the economy.

In a dramatic change from only weeks before, news about big tech has taken an overwhelmingly positive turn. The COVID-19 pandemic and the widespread lockdowns imposed by governments all around the world have given platforms such as Facebook and Twitter a new boost. Facebook has established itself as one of the main outlets for news consumption. The overall traffic from Facebook to other websites also increased by more than 50 per cent in a week, dubbed as an “unprecedented increase in the consumption of news articles on Facebook” by the company’s own data scientists. Since the outbreak of the virus, some of these companies have also made efforts to actively engage in the COVID-19 crisis by donating tens of millions of dollars to relief efforts, contributing large stocks of supplies to medical organisations and adding sections to their apps highlighting accurate news about COVID-19. As unemployment surges in the United States, Facebook has pledged US$100 million in grants to small businesses, while Amazon has said it will hire 100,000 people.

The fight against COVID-19 has evidenced the complex relationship between the state, society and the big-tech companies. Social media platforms such as Facebook and Twitter have, once again, proven their added value by granting citizens easy access to trusted sources of information and providing tools to communicate with friends and family during lockdown. Meanwhile, allegations around their abuse of private information to make profit, their active role in political mis-information campaigns, their use of aggressive tax planning and avoidance schemes, and their disregard for employee wellbeing linger in the background.

Evidence and arguments for improvement

COVID-19 may have reshaped the way public-private partnerships can best be used to face crises. Government and business have undertaken concerted action in manufacturing and distributing essential medical equipment. Big companies and foundations have lent financial support to boost scientific research and emergency responses – for example, Mastercard, The Bill & Melinda Gates Foundation and the Wellcome Trust created the COVID-19 Therapeutics Accelerator in the World Economic Forum’s COVID Action Platform. This collaboration has accelerated innovation through technology hubs providing a fertile environment for cross-pollination of ideas among companies, research universities and skilled young professionals.

228 Facebook paid just £28m tax after record £1.6bn revenues in UK, The Guardian, 2020
229 Jeff Sorensen, “Facebook’s fake news problem is bigger than you think”, The Verge, 2020
230 Russell Brand, “Facebook mis-information problem runs deeper than you think”, The Verge, 2020
231 Mark Sweeney, “Facebook paid just £28m tax after record £1.6bn revenues in UK”, The Guardian, 2019
232 Ben Arnoff, “Can Silicon Valley workers reign Big Tech from within?”, The Guardian, 2018
233 Hannah Kuchler, “Gates Foundation and Wellcome Trust to fund Covid-19 drug trials”, Financial Times, 30 March 2020: www.ft.com/content/7bbdf1ae-fcd9-458f-a3b4-a78cb9c2cb2
talent for products, services and solutions to combat COVID-19 or mitigate its impact. Big tech has also taken the opportunity to detoxify its relationship with society and improve its bad press by making similar generous contributions to the efforts against the pandemic and highlighting tech companies’ value as information hubs.\textsuperscript{238}

The crisis could renew calls for business leaders to invest more in committed corporate social responsibility and to act with integrity for the benefit of society, thus adding value to their brands.\textsuperscript{239} COVID-19 could help raise awareness in the private sector of the importance of the human face of business, its environmental and social impacts, and strong corporate governance. This recognition could set the table for discussions on the roles and responsibilities of the business community vis-à-vis society and the state. The shift from “shareholder capitalism” to “stakeholder capitalism” might gain momentum.\textsuperscript{240} After the pandemic, one of the questions that will need answering is how both business and government play a role in building a fairer and more resilient economic system.

In terms of corruption, a potential legacy of the COVID-19 crisis is an acceleration away from the corporate paradigm focused on individual profit and shareholders, to one with the common good, social welfare and stakeholders at its centre. If so, the resulting innovations in integrity practices within corporations could have wide-ranging effects, from reducing bribery to lessening undue influence over policy.

Evidence and arguments for deterioration

The crisis has highlighted privacy and security concerns, as well as inadequate labour standards, in the big-tech industry. There is a risk that legitimate concerns around labour rights, taxation, privacy and anti-monopoly regulation will be forgotten or minimised as a result of “good behaviour” during the pandemic. This means there is a chance that big-tech companies will emerge from the COVID-19 crisis stronger than before, with more market and political power, which would allow them to continue leveraging their influence and lobbying for lax regulation in the sector. Tech innovations might also open up new and unregulated terrain, for which governments are not prepared.

More broadly, the scope and pace of economic recovery depends on the ability of business to resume operations and reactivate supply chains. This in turn depends on regulatory and financial support from governments – a mutual dependency that entails several corruption risks. The most salient risk is rent-seeking opportunities through corporate political engagement with senior political officials, advocating favourable treatment in anything from bids for government contracts or tax arrangements, to exceptions or further deregulation.

Short-term impact on governance and anti-corruption

In the short term, the impact of the pandemic might shift the focus away from measures to regulate the sector to protect data privacy and security, and ensure that tech giants pay their fair share of taxes in countries where they operate. The opportunity the crisis provides to clean tech companies’ image could be accompanied by aggressive lobbying efforts that could result in policies and regulations that protect the interests of these companies, rather than that of the general public. Lobbying efforts by the big-tech sector were already on the rise before the pandemic. In 2018, for example, companies such as Facebook, Google, Apple and Amazon spent record amounts on lobbying efforts in the United States in response to the increased level of scrutiny of their activities.\textsuperscript{241} Data from Transparency International’s Integrity Watch also shows that companies like Facebook, Microsoft and Google are among the top 10 organisations that


\textsuperscript{239} Ralph Hamann, “Coronavirus will have long-term implications for business leaders”, The Conversation, 2 April 2020: \url{https://theconversation.com/coronavirus-will-have-long-term-implications-for-business-leaders-here-are-the-top-five-135064}

\textsuperscript{240} Adele Peters, “How businesses could emerge better after COVID-19, according to B Lab”, Fast Company, 31 March 2020: \url{www.fastcompany.com/90483730/how-businesses-could-emerge-better-after-covid-19-according-to-b-lab}

\textsuperscript{241} AJ Dellinger, “Tech Companies Spent More than 64 Million on Lobbying in 2018”, Endgadget, 2019
regularly meet with representatives from the European Commission. These circumstances may further exacerbate the privileged access to policy making that these companies enjoy.

Long-term impact on governance and anti-corruption

In the long term, a powerful tech sector dominated by a few players with almost monopolistic powers in their respective service and with market capitalisation that exceed the GDP of some industrialised economies could greatly alter policy outcomes for decades to come. Their increased political power will require updated anti-corruption approaches in response, to place greater emphasis on big tech’s accountability to its users and regulators. One particular area of concern is online political advertising, which has been recognised for some years now as a corruption risk due to the ease of concealing certain types of political donations online. These risks may grow further unless big tech companies work together with governments and civil society to identify these gaps and address them.

Rebalancing power asymmetries between big tech, governments and societies will require more sophisticated capacities and commitment from social and political actors, not only in jurisdictions where companies are incorporated, but also in countries where their relative political and economic power poses wider governance risks.

242 See data here.
The coronavirus is upending established political norms and highlighting the necessity of well-funded public services in both advanced and developing economies. Before the COVID-19 crisis, there was increasing recognition of the impact of illicit financial flows, tax evasion and tax avoidance on states’ ability to provide public and social services – as well as of indirect impacts on inequality and trust in the government and state effectiveness, particularly in developing countries. The pandemic shines a light on these impacts, showing that taxes and public resources that could have served to improve health care systems or contain the economic crisis did not arrive or were embezzled from public coffers, ending up in tax havens or invested in luxury properties across the world. Estimates show that US$8-35 trillion are stashed offshore. The lack of transparency in tax structures, the abuse of anonymous companies, and negligent professional facilitators – such as banks, lawyers, accountants and estate agents – are enabling much-needed funds to be hidden abroad.

With greater resources released to fight the pandemic, and often inadequate transparency and accountability mechanisms in place, the risks that funds should be used to mitigate the crisis are embezzled and laundered increases. A recent paper published by the World Bank suggests that previous aid disbursements have triggered significant money flows to offshore bank accounts. If financial institutions and competent authorities – including customs, financial intelligence and law enforcement – are not alert to these risks, the flow of dirty money is likely to increase in the coming months.

Evidence and arguments for improvement

The 2008 financial crisis led to significant changes in global governance. There was recognition of the need for coordinated action at the global level to tackle many of the issues that had led to or exacerbated the crisis. Transparency in beneficial ownership, country-by-country reporting, the role of banks and supervision, and the overall role of secrecy jurisdictions dominated the agenda. While much progress was made to address many of these issues, particularly in the form of international and country commitments, implementation of these measures has been much slower than the urgency of the issues requires.

The COVID-19 health and economic crises again call for a more ambitious agenda to solve these problems. Experts believe that funds stashed in tax havens should be used to pay for the crisis. There are also related proposals that “the poor and vulnerable should pay less and receive more, while rich people and strong, highly profitable corporations should pay more – a lot more”. Calls for a wealth tax have gained momentum. In the UK alone, experts estimate that a wealth tax could generate £174 billion (US$213 billion) a year to help cope with the COVID-19 crisis. To implement these measures, it is crucial to know who owns assets and where they are located. Countries will need to know who the beneficial owners of companies are and be able to verify all assets – including banks accounts, derivatives, properties, yachts and jets – owned by these companies and individuals. Beyond calls for transparency in beneficial ownership, this crisis reactivates the debate on the need for and feasibility of a global asset registry. For the first time in the international debate, the recently formed Financial Accountability

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248 Shaxon, N., 2020: 245  
Transparency and Integrity Panel considers a global asset registry as one of the possible avenues to tackle corruption and illicit financial flows.

Evidence and arguments for deterioration

The European Banking Authority has advised that while most economies are facing a downturn and financial flows are likely to diminish, “experience from past crises suggests that in many cases, illicit finance will continue to flow”. Criminals have been quick to seize opportunities to exploit the crisis to make short-term gains. Europol’s initial analysis of current developments shows an increase in cybercrime, fraud and trading of counterfeit goods. Corrupt officials are also likely to take advantage of the situation.

At the same time, due to the pandemic and lockdown, financial institutions are facing major operational challenges that could impact their ability to conduct checks and report suspicious transactions. Supervisory and law enforcement authorities have also had to make adjustments to inspections and have limited information available to conduct investigations, as reporting obligations have been delayed or suspended. These institutions have been encouraged to rely on technology to conduct checks and collect information. They are also under increased pressure to monitor fraud and cyberattacks related to the pandemic, often having to prioritise resources. This could lead to financial institutions failing to identify suspicious transactions, and authorities failing to detect and stop money laundering, including related to corrupt deals. Additional resources that should be used to support service delivery and economic recovery could end up embezzled and laundered through the financial system.

Social distancing and the lockdown are also accelerating changes expected in the long term. For instance, financial institutions are encouraged to broaden the use of technology in the delivery of financial services (fintech) and in compliance with regulatory requirements. Supervisory authorities are encouraged to use technology to the fullest extent possible in their oversight of financial institutions. The increased reliance on technology in financial institutions and supervisory authorities due to the crisis could be problematic, as the risks in these sectors are still largely unknown and mitigation strategies might not yet be in place in most countries. A sudden shift in approach could therefore entail additional risks and end up facilitating money laundering.

Impact on governance and anti-corruption

The COVID-19 crisis will certainly have both short- and long-term impact on governance and anti-corruption measures in issues related to illicit finance and dirty money.

Companies that pay little to no taxes in countries where they are incorporated or operate, often due to abusive tax arrangements, are now requesting government support or bailouts, opening the debate about the adequacy and equity of existing tax systems and the role of tax havens. As a response, countries like Denmark, Poland and France are proposing to exclude companies that operate in offshore tax havens from COVID-19 bailouts. Others, such as Canada, have rejected such provisions, saying government bailouts are to protect employees and such measures would have a negative impact for those working for these companies.

250 The FACTI panel was established to address gaps, impediments and vulnerabilities in international frameworks to help the world prevent financial crimes, end financial opacity, create level playing fields and mobilise public resources equitably. The General Assembly resolution 74/206 includes an invitation to the President of the General Assembly and the President of the Economic and Social Council to give appropriate consideration to the importance of combating illicit financial flows and strengthening good practices on asset return to foster sustainable development. The President of the General Assembly and the President of the Economic and Social Council welcome this call, www.factipanel.org/about


These suggested measures are important to highlight the role of tax havens and put the issue on the agenda. However, if not designed adequately, they may also turn into populist, window-dressing initiatives that will not only fail to fix the problem, but will block debate of measures that would have a real impact. The main problem is that the proposed measures use the European Union’s definition of a tax haven and limit the application of the rules to countries listed by the EU as non-cooperative tax jurisdictions.254 This list has been heavily criticised, as it excludes important players,255 such as Switzerland, the UK and the United States, in addition to EU countries known to play important roles in tax evasion and avoidance (such as Luxembourg and the Netherlands). Recent research by the Tax Justice Network shows that EU countries are losing over US$27 billion in corporate tax a year to the UK, Switzerland, Luxembourg and Netherlands.256

The role of other secrecy jurisdictions, attractive less from a tax avoidance perspective than from a corruption and money laundering perspective, should not be forgotten. Funds used to pay bribes or that are embezzled by public officials rely on secrecy in company ownership and assets provided by different jurisdictions across the globe.

When it comes to short-term gains during the COVID-19 crisis, fraudsters and organised criminal groups are not the only actors likely to exploit the pandemic. Corrupt officials and businesses are perfectly placed to do so. The situation offers new opportunities for rent-seeking, as more domestic and foreign resources are made available to fight the pandemic, with greater discretion in decision making and allocation of resources, fewer transparency and accountability mechanisms, and limited supervision and enforcement. Given the gaps and weaknesses in various countries’ anti-money laundering systems, 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 – particularly while they assume that resources and attention are focused elsewhere.

Challenges related to the supervision of financial institutions and the ability and willingness of banks to stop illicit financial flows are not new. However, the fact that institutions are operating at reduced capacity during the crisis could lead to increased risks that corrupt funds are moved and laundered. In addition, other professionals such as estate agents and dealers in luxury goods – also considered gatekeepers of the financial system – might have fewer incentives, due to the economic challenges of the pandemic, to scrutinise the sources of funds presented by customers wishing to buy luxury properties and goods.

The coronavirus pandemic has unfolded into a global crisis that calls for urgent global solutions, enhanced international cooperation and worldwide solidarity. A striking feature of the COVID-19 response is the absence of anything like that degree of coordination. In such a crisis, it would be expected that multinational bodies would take the lead in coordinating action and responses. However, in this case, multinational bodies have so far failed to drive the agenda. The UN Security Council has not produced any action or statement on the coronavirus crisis. G7 foreign ministers convened via videoconference to discuss political and security dimensions of the pandemic, but failed to release a joint communiqué. The European response to the COVID-19 outbreak has been described as “disjointed and insufficient”. The dispute in the European Union has widened into an ugly battle between northern and southern Europe over the issuance of common debt, or the conditions that could be set for any credit issued by the eurozone bailout fund. The United States announced that it is halting funding to the World Health Organisation (WHO), while Australia calls for an international investigation into the coronavirus pandemic and for the WHO to be given the same powers as weapons inspectors, allowing experts to enter virus-stricken countries to help prevent future pandemics. The UN secretary-general, António Guterres, has said: “The relationship between the biggest powers has never been as dysfunctional. COVID-19 is showing dramatically, either we join [together] ... or we can be defeated.” Rather than cooperate to defeat a shared threat, nations have repeatedly taken unilateral steps to shield themselves and engaged in counterproductive sniping over who is to blame for the pandemic.

Like the fall of the Berlin Wall or the collapse of Lehman Brothers, this pandemic is a world-shattering event whose far-ranging consequences we can only begin to imagine. The potential effects of COVID-19 are magnified by the fact that the global system was already in the midst of realignment. The United States has failed to bring other nations together and has stirred up international resentment, whereas China has kicked its diplomatic machine into high gear to position itself as leading the international responder to potential widespread outbreaks of COVID-19 on the African continent. Organisations like the Crisis Group suggest two competing narratives, one in which countries will come together to find solutions to COVID-19, and another in which countries stand apart in order to better protect themselves from the pandemic. There are many open questions. How countries and multilateral bodies respond will determine the future of multilateralism and whether or not we will see a new world order shape. Are the current
multilateral bodies fit for purpose or will this episode show that different initiatives are necessary? There are
already efforts to start or revive regional initiatives to discuss coordination and economic relief (such as the
South Asian Association for Regional Cooperation). Will COVID-19 offer opportunity for new forms of
cooperation?

The pandemic also underscores some of the limits of globalisation. It highlights how vulnerable global
supply chains and distribution networks are, and how a crisis of this nature can affect the world’s financial
and economic system. It creates more pressure on corporations to weigh the efficiency and cost/benefits
of a globalised supply chain system against the robustness of a domestic supply chain. These potential
shifts in the supply chain create new challenges and exacerbate risks, such as sourcing from regions
where labour or other human rights abuses are common, or increasing corruption risks in procurement by
sourcing from new suppliers not yet fully vetted and screened.

Evidence and arguments for improvement

History shows that crises and disasters have continually set the stage for change, often for the better. After
this global health crisis, we might be able to see strengthening of global public health governance.
Gordon Brown has urged world leaders to create a temporary form of global government to tackle the twin
medical and economic crises caused by the COVID-19 pandemic. Keeping this in mind, the role of
multilateral fora like the G7, the G20, the International Monetary Fund (IMF) and the World Bank, as well as
new ones, could be used in preventing further damage to the livelihoods of people everywhere.

UN secretary-general António Guterres has launched a US$2 billion appeal to member states to support a
coordinated Global Humanitarian Response Plan to fight COVID-19. The scheme aims to ensure that the
world’s most vulnerable populations are not abandoned to face the pandemic alone. The UN General
Assembly has adopted a resolution by the 193 member states that highlights the need for international
cooperation to ensure global access to medicines, vaccines and medical equipment to address COVID-
19. Twenty-four governments – including Canada, Ethiopia, France, Germany, Mexico, the Netherlands,
Norway, Spain, Sweden and the UK – came together in a joint declaration by ministers of foreign affairs to
launch a “wake-up call for multilateralism” to tackle the COVID-19 pandemic. The Spanish Minister of
Foreign Affairs called for reforming and reinforcing the institutions and mechanisms that underpin
cooperation, as this “will be our best defence against future global threats”.

The World Bank and the IMF were also particularly active and released a joint statement calling on all
official bilateral creditors to suspend debt payments from borrowing countries that request forbearance. The
IMF pledged to make US$50 billion available through its emergency financing facilities for low-income and
emerging-market countries that seek support in fighting coronavirus. The World Bank has approved an
extra US$14 billion of financing to assist companies and countries in their efforts to tackle the pandemic. If
these calls are heard, multilateralism would be strengthened.

Evidence and arguments for deterioration

266 Sharma, Akanksha, “Will COVID19 crises rejuvenate the coalition of SAARC nations?”; Observer Research Foundation, 23
267 Foreign Policy 2020: 266
268 “Coronavirus Will Change the World Permanently. Here’s How”, Politico, 19 March 2020,
269 Foreign Policy, 2020: 266
270 Elliot, Larry, “Gordon Brown calls for global government to tackle coronavirus”, The Guardian, 26 March 2020,
272 United Nations, Resolution A/74/L.56 on International cooperation to ensure global access to medicines, vaccines and
273 Alliance for Multilateralism, COVID-19 – Joint Declaration of the Alliance for Multilateralism, 16 April 2020,
274 González Laya, Arancha, “Coronavirus: Could the pandemic revive multilateralism?”, World Economic Forum, 20 April 2020,
However, there are major concerns that the world will return to the idea of mutually beneficial globalisation that defined the early 21st Century. 277 During the 2014 Ebola crisis, the United States assembled and led a coalition of dozens of countries to counter the spread of the disease. However, the Trump administration has so far shunned a similar leadership effort to respond to COVID-19. 278

This pandemic has the potential to wreck havoc in fragile states and unresolved conflict zones, trigger widespread unrest and severely test international crisis management systems. 279 Yet multilateral bodies have so far failed to agree on a common response to these challenges. During the last G20 extraordinary summit, leaders did not address the IMF’s request that G20 nations double its resources to US$2 trillion. 280 They also declined the World Bank and IMF request to allow poor nations reeling from the pandemic to suspend repayment of their debt obligations.

Short-term impact on governance and anti-corruption

Multilateral bodies such as the IMF and others planning relief programmes have a good opportunity to introduce stricter transparency and accountability mechanisms for the management of funds. However, most IMF programmes, 282 for example, those providing remedial assistance, are characterised by their speed and flexibility, as well as limited transparency and conditionality, making it difficult to ensure resources are not misused or embezzled. 283

Among the instruments of modern foreign policy are loans and other funds, which can force a country into financial dependency on its debtor. China’s “Belt and Road” initiative is already subject to corruption scandals, with alleged cases of public officials being bribed so that their countries adopt these financial instruments. 284 China may use the pandemic crisis to expand its foreign policy and start deals with new countries, positioning itself as a leading global power. It has already announced assistance to 82 countries, the WHO and the African Union. 285 Russia is also increasing its presence in Africa. 286 In Transparency International’s most recent Exporting Corruption report, which measures enforcement of laws against foreign bribery, both China and Russia have “zero or no enforcement” level. 287 This means that both countries’ current exports to Africa carry with them a high risk of corruption. 288 It is therefore essential that regional and international organisations from the European Union to the UN muster a coordinated response and continue supporting anti-corruption policies, particularly in developing countries.

Apart from direct short-term impacts on anti-corruption and governance, COVID-19 could also have an indirect effect by severely weakening the capacity of international institutions to serve conflict-affected areas. The WHO and other international bodies fear that restrictions associated with the disease will

277 Foreign Policy, 2020: 266
279 Crisis Group, 2020: 269
282 More than 90 countries have already requested emergency assistance including through the IMF’s Rapid Credit Facility (RCF), Rapid Financing Instrument (RFI) programs and Catastrophic Containment.
impede humanitarian supply chains, creating fertile ground for fraud and corruption. Humanitarian agencies are not the only parts of the multilateral system under pressure due to the pandemic.289 Travel restrictions have begun to weigh on international peacemaking efforts. UN envoys working in the Middle East have been blocked from travelling to and within the region due to airport closures. More broadly, the disease means that international leaders, focused as they are on dramatic domestic issues, have little or no time to devote to conflicts or peace processes.290 Due to the close relationship between conflict and corruption, these developments can further exacerbate corruption in affected areas.

Long-term impact on governance and anti-corruption

A further deterioration of multilateralism could have an impact on the anti-corruption agenda, particularly because multilateral bodies have in recent years played a key role in setting anti-corruption standards and driving collective action. If multilateral bodies fail to respond to the current health and economic crisis, a scenario of fragmentation already envisaged due to shifts in power dynamics could become likely and trigger the long overdue reform of multilateral institutions.

International Organisations and international fora must play a key role in ensuring that the fight against corruption and bribery remains high on the agenda. Increased involvement of less accountable international donors could facilitate more corruption and undisclosed contracts with governments, which could lead to control of key sectors and natural resources (such as land, water or energy). As the fight against corruption has so far relied on peer pressure for enforcement, the current absence of leadership will cause a decline in pressure to comply with norms291 and even existing integrity and accountability standards will become largely ineffective.

289 Crisis Group, 2020: 269
290 Crisis Group, 2020: 269
291 Transparency International, Vision 2030, August 2019
CONCLUSION

The COVID-19 pandemic has upended many assumptions about how the world works, from the global economy and governance, to domestic politics, the role of business and technology in our lives and the relationship between citizens, the state and the market. Anti-corruption is embedded and featured in all these factors and relationships.

Many of the key trends of the pre-pandemic era are simply accelerating as a result of the health and economic crisis. Weakened cooperation at the international level results in ineffective responses to transnational corrupt networks, the continued flow of illicit finance and decreased appetite for the enforcement of international anti-corruption and anti-bribery treaties and conventions. Efforts to seize and recover assets of kleptocrats around the world may also suffer as a result, leaving plundered countries with few resources to face the health and ensuing economic crisis. In most countries, the health and economic crisis are hitting the poorest and most marginalised communities hardest due to their lack of access to healthcare and secure income, widening the ever-increasing inequality gap. All these factors together contribute to further economic inequality between and within nations, leading to acute power imbalances, rife with corruption risks.

All these challenges are compounded by authoritarian tendencies displayed by governments around the world, as they accumulate more powers to fight the spread of the pandemic. A suppression of civil and political rights as well as concentration of power in the executive branch makes it difficult for citizens, civil society and media, as well as accountability and oversight institutions such as courts, to mitigate corruption risks. Most existing anti-corruption mechanisms rely on a combination of rule of law and public demand for accountability and integrity. Both dimensions would suffer if emergency powers outlast the pandemic itself.

In certain contexts, where states and their institutions suffer in the face of the pandemic, organised crime and violent groups come in to exploit the power vacuum, leading to more instability and violence, a reality worse than corruption itself. Increased social tensions may be exacerbated by mistrust in the times of social distancing and the competition for scarce resources.

In addition to the acceleration of existing challenges, the pandemic is ushering in new ones, most of which are connected to the unprecedented economic downturn that most countries are likely to face. The International Monetary Fund, for example, has warned of the harshest recession since the great depression. As governments design new economic policies to mitigate the effects of the COVID-19 pandemic, new governance and anti-corruption challenges arise. Large quasi-discretionary stimulus packages bring opportunities for kickbacks and favouritism, which are difficult to control at a time when disbursing much needed funds has the highest priority. Monetary and fiscal policies need to work for everyone, but the risk of undue influence by strong vested interests increases in times when many such decisions are taken in urgency and with less scrutiny. Finally, the economic crisis is likely to increase the share of the informal economy, which correlates highly with higher levels of corruption and inefficiency of anti-corruption measures.

As is often the case, in times of crises there are also opportunities. There are two clear opportunities that emerge from the early days of the new reality unfolding in front of us. Firstly, citizens and activists are increasingly able to use online tools to participate in public life and to organise. Increased digital literacy and access to tools that provide collaborative working and video-conferencing functions are enabling fruitful engagement while the potential of participatory processes, such as online citizen assemblies and participatory budgeting may offer even more opportunities in the near future. Early, albeit uncertain, signs of more critical consumption and reception of information on online sources, despite increased attempts at disinformation, may provide hope for a future with more informed and engaged societies.

Secondly, the current crisis also provides an opportunity to re-think basic concepts, such as the common good. While there may never be agreement as to what that means, it is becoming increasingly more evident that everyone should be entitled to basic support, including healthcare, employment support or basic income and in some parts of the world even more basic needs such as guaranteed sick leave. These were some of the basic preconditions needed to deal with the pandemic that were found lacking even in the most developed countries in the world. In parallel, the assumption that companies are run to serve their shareholders are being seriously questioned, with governments and activists alike arguing that companies receiving state subsidies should prioritize continued production and high employment over executive and shareholder
rewards. Many digital services, often provided by big tech companies, are proving to be so central to our daily lives that they cannot simply be left unregulated, particularly in the absence of competition within their respective markets. This provides fresh opportunities, including to rethink digital rights, data privacy and the role of big tech companies in democratic processes such as elections.

Handled well, if both these potential opportunities became reality they would provide great momentum to anti-corruption efforts in the short and long term. Better citizen engagement and participation in public policy, coupled with a shift in attitudes from governments and businesses on the common good, would greatly contribute to systems where power is exercised and held accountable to benefit societies rather than vested interests.