



Corruption, lack of Transparency and the Misuse of Public Funds in Times of Crisis: An introduction

Ali Farazmand¹ · Elina De Simone² · Giuseppe Lucio Gaeta³ · Salvatore Capasso⁴

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Introduction

The spread of Covid-19 disease has imposed enormous socio-economic losses (Lenzen et al., 2020) over a million human lives and serious distributional conflicts with tremendous inequitable hardships—both mental and financial—on people worldwide (Esseau-Thomas et al., 2022; Furceri et al., 2020). While the rich and well-to-do may have experienced some inconveniences but will continue their lifestyles, life will never be the same for billions of the poor and middle-class people throughout the world. The top responsibilities of all governments are saving and protecting lives and properties and ensuring the basic needs of people are met. Most governments have tried to overcome these dramatic adverse impacts on millions of lives and their daily survival needs. This has been done through a wide range of economic measures whose approval has followed one another during the highly uncertain evolution of the COVID-19 Pandemic. These measures include fiscal interventions such as tax reliefs, additional public spending (also through dedicated extrabudgetary funds), loans and

✉ Elina De Simone
elina.desimone@uniroma3.it

Ali Farazmand
afarazma@fau.edu

Giuseppe Lucio Gaeta
glgaeta@unior.it

Salvatore Capasso
scapasso@uniparthenope.it

¹ Florida Atlantic University, Florida Atlantic University, USA

² Roma Tre University, Roma, Italy

³ University of Naples L'Orientale, Napoli, Italy

⁴ ISMed-CNR and University of Naples Parthenope, Napoli, Italy

loan guarantees¹. While economic measures have helped some affected populations, billions - indeed—are still suffering and struggling to meet some of their basic survival needs, mostly in Africa and Asia. Yet, the million plus lives lost to the Covid-19 will never be recovered (Farazmand, 2023c/forthcoming 2023a,b; Farazmand & Danaeefard 2021).

The extraordinary and sudden nature of the Pandemic crisis has imposed special attention on the size and timeliness of these *ad hoc* fiscal responses meeting “the need of the moment” (Schick, 2010, p. 9). Instead, ensuring public access to clear, comprehensive, reliable and timely information about this fiscal effort was considered a lower priority, at least in the early phase of the pandemic (International Budget Partnership, 2021). This happened, despite transparency being supposedly considered “the most important of the principles for budget making and execution in a democratic nation” (Mikesell & Mullins, 2011, p. 3). Indeed, scholars highlight that government transparency fosters decision makers’ accountability and citizens’ participation (Alt, 2019; Capasso et al., 2021; Cicatiello et al., 2018), thereby determining a wide range of desirable effects (De Renzio & Wehner, 2017).

Carrying out exceptional government expenditures without releasing adequately open and accessible information about them implies a weaker system of checks and balances that reveals “system vulnerabilities” (Heald & Hodges, 2020) and exposes to the risk of corruptive practices (De Simone et al., 2017) or misuse of public funds (De Simone et al., 2019). Indeed, experts highlight that many of the government expenditures made during the Covid-19 crisis experienced this risk (International Budget Partnership, 2021). For example, governments’ need to promptly react to sudden and unprecedented circumstances created room for higher discretion in public procurement of goods and services, making it “vulnerable to issues of agency and moral hazard” (Bandiera et al., 2021, p.VII). The case of healthcare is exemplary in this sense: “bid-rigging in public procurement and kickbacks, embezzlement of healthcare funds, opacity in governance, misuse and abuse of power or official positions, nepotism and favoritism in the management, petty corruption at levels of public/civil service, fraud and theft of medicines and medical devices” were all examples of corruption detected in the healthcare sector (Teremetskyi et al., 2021, p. 26). Efficient government interventions must also entail some forms and intensity of repression of corruption through optimal enforcement of accountability, checks and balances and anti-corruption measures (see, for example, Burlando & Motta 2016; Capasso et al., 2019).

As a whole, the Global Initiative for Fiscal Transparency (GIFT)² has emphasized that the extraordinary governmental spending decisions required by the pandemic challenged the “approaches traditionally used to ensure fiscal transparency, public accountability, and democratic legitimacy.” On the one hand, in times of Covid-19, “a lack of transparency and weak oversight and enforcement have exacerbated the

¹ For a detailed overview of the adopted measures, see IMF (2022). On the same topic, see also the special issue on “Global Responses to the COVID-19 Pandemic” published by *Public Organization Review*. Volume 21, Issue 4, 2021.

² <https://fiscaltransparency.net/the-role-of-civil-society-organizations-in-ensuring-transparency-and-accountability-in-emergency-policy-responses/>.

problems of corruption” (Rose-Ackerman, 2021, p. 20, 30). On the other, malfeasance may have been conducted to a lack of government support and legitimacy, as the OECD recently observed³, and may have exacerbated the economic losses of the most vulnerable parts of the population (Rose-Ackerman, 2021).

The Articles

This POR Special mini-symposium Issue on “Corruption, Lack of Transparency, and the Misuse of Public Funds in Times of Crisis” intends to explore the issues faced by governments’ in combining the timeliness of their fiscal responses and the transparency and accountability of their extraordinary fiscal choices. The subject is exhaustive and case studies might be astronomical in number when reported worldwide. Selected carefully through multiple anonymous reviews, five articles—see below—are published from the many submitted for consideration. These articles cover only some areas of corruption with a focus on selected international cases. We are grateful for the contributions of the authors to this special issue as well as to helping advance the knowledge on the subject on corruption. Publication of this Special Mini-Symposium Issue is just a small step in shedding lights on various forms and nature of corruption and misuse of public funds in modern governments and their administrative systems; it is far from being a comprehensive treatment. Many more publications on the subject will be featured in POR in the years to come.

Beyond this introduction, the article by Bruno Blanco Varela, Maria Quintas Perez, Maria del Carmen Sanchez Carreira, Paulo Jorge Reis Mourao examines the evolutions of public procurement expenditures in four deputations of the Spanish Galicia region during the period running before and after the Covid pandemic. The authors find that the Covid crisis is characterized by an increase in the use of minor contracts and in the concentration of suppliers. Taken together, these findings suggest a higher corruption risk.

One of the viable strategies to avoid this risk is to secure the functioning of normal bureaucratic safeguards during unprecedented circumstances. This subject received much attention in the article by Anaïs Valiquette L’Heureux, which explores a “Case Study of Los Angeles City & County Fraud, Embezzlement and Corruption Safeguards during times of Pandemic.” In this article, the author proposes an exploratory case study to assess the effectiveness of deterrence and preventive measures within the County of Los Angeles to prevent fraud and corruption amid the COVID-19 Pandemic. The analysis offers a careful inquiry into emerging risk factors that threaten process integrity related to crisis response and represents an important benchmark for practitioners and scholars interested in analyzing ethical safeguards and risk-mitigation strategies within and through public organizations.

Along similar lines of arguments, Federica Cacciatore, Fabrizio Di Mascio and Alessandro Natalini examine, in their article, the effects on corruption of the degree of transparency and accountability of the policy measures implemented in Italy in the

³ <http://www.oecd.org/coronavirus/policy-responses/government-support-and-the-covid-19-pandemic-cb8ca170/>.

aftermath of the COVID-19 Crisis. The idea is that, because of many coexisting factors - such as the emergency context and the significant amount of funds being transferred as well as the need to implement swiftly spending measures - the recovery plan may have increased the degree of rent extraction by bureaucrats and, consequently, the incentives to incur in corrupt behavior. The article presents an interesting discussion of the measures attached to the recovery plan in Italy and provides an empirical analysis of those measures in terms of transparency, accountability and other related safeguards.

As Heald (2006) clarifies, the exit from pathological conditions threatening state's financial management is a matter of institutional capacity (Heald, 2006). It is "something that requires significant political will and governance-administrative intolerance in action," because "once institutionalized and settled in the minds of the public as well as politicians, business elites, and bureaucrats, corruption becomes almost impossible to get rid of—it would require a revolution to destroy and eradicate but it will come back in different forms as long as the society and its population put up with it" (Farazmand, forthcoming/ 2023a, b).

In this sense, democratic accountability during Covid-19 is, at first, a matter of trust in institutional checks and balances secured by law of a nation. In their contributing article of this special issue, "Assessing priorities of transparency during COVID-19 Pandemic in Brazil", Maria Paula Almada, Camilo Aggio, Paula Karini Amorim, Nina Santos and Maria Dominguez Costa Pinho analyze the proactive information behavior of Brazilian States during the pandemic. Differently from the Brazilian Federal Government, which has proven itself as denialist and in favor of anti-scientific measures, most State governments "adopted the role of generating transparency about the COVID-19 pandemic" in hope of promoting the diffusion of epidemiological and fiscal information which as rated and analyzed by authors. Conclusions show the importance of the "federal system to protect basic civil rights and to preserve an important level of a federal unit independence from the general Federal Government" as well as the strategic use of digital communication to promote citizens' accountability despite Federal Government's campaign downplaying the severity of the pandemic.

The literature on corruption is certainly one of the most complex, proliferate and voluminous. Yet this issue is still under scrutiny and much work need to be done via deep cases studies, comparative analyses and theoretical formulations to shed light on opaque and unclear features of such a complex phenomenon. As a last contribution, Federico Ceschel, Alessandro Hinna and Fabian Homberg present a meta-analysis of a large number of papers (118) published in the 2000–2020 period studying public measures to curb corruption as implemented around the world. Significantly, they find that despite such a rich set of analyses, the academic research has not fully assessed the nature and extent of corruption risks and, consequently, of the contextualized risk mitigation measures. By highlighting the limitations of this literature, their meta-analysis paves the way for further studies on specific issues related to efficient policy management and opens the doors to new investigations on specific features of corruption.

Concluding Remarks

“Corruption is an extremely complex issue with many dimensions and consequences. They include: human nature, individual or group motivation, lack of adequate understanding of complex legal and institutional measures or safeguards, vagueness and numerous loopholes in anti-corruption measures or laws, cultural differences, moral and ethical belief systems, liberal interpretations of various policies and administrative procedures, contradictory policies or administrative processes, and overlapping or contradictory bases of ethical principles of measures of conducts in public governance and administration systems within single and across countries worldwide. This means a lot more monumental works are need to be done by human agents with high integrity in governments and administrative systems around the world” (Farazmand, 2023b).

The articles in this Special Mini-Symposium Issue show how the recent global health crisis and the related need to timely provide additional resources put significant challenges to policymakers which troubled the functioning of anti-corruption and transparency practices. The unprecedented circumstances arising from the spread of COVID-19 disease evidence the fundamental necessity to find a compromise between the capacity of governments to adopt timely responses and the implementation of appropriate safeguards to ensure transparency and accountability under globalization (Farazmand, 2002), also beyond ordinary practice. Given the multiplication of disastrous events we have unfortunately been witnessing the last two and a half years, this Special Symposium Issue appears to be more than ever extremely relevant for the Post-Pandemic capacity building with necessary mitigating anti-corruption measures, and for future scholarly research. And we always hope the challenges of *corruption as a dangerous chronic disease* as well as other pandemic crises never escape the attention of policy makers and administrative leaders.

Table of Contents

1. Farazmand, A., De Simone, E., Gaeta, G.L., Capasso, S. Corruption, Lack of Transparency and the Misuse of Public Funds in Times of Crisis: An Introduction.
2. Blanco-Varela, B., Quintas-Pérez, M., Sánchez-Carreira, M.C., Reis Mourão, P.J. Covid and Public Funds: More Opportunities for a Misuse? The Case of the Intermediate Governments of Galicia. <https://doi.org/10.1007/s11115-022-00638-5>.
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