

# Transnational Kleptocracy and the COVID-19 Pandemic

## How to Contain the Spread?

By Melissa Aten



Since the onset of the coronavirus pandemic, certain trends are moving with greater intensity and velocity. The dynamics surrounding transnational kleptocracy—a form of supercharged global corruption—are mirrored in the COVID-19 pandemic’s spread from nation to nation in key ways. Given the large sums of international aid and public spending being mobilized abruptly and quickly to meet acute public health needs, the risk of deepening kleptocracy is grave.

Given the importance of the issue and the serious stakes involved, beginning in June 2020, the International Forum for Democratic Studies at the National Endowment for Democracy convened a series of specially designed virtual workshops on how the COVID-19 pandemic is impacting trends in transnational kleptocracy. The essays in this Global Insights series are the result of those workshops, in which leading experts, activists, and journalists assessed the challenge from a number of critical perspectives, offered predictions on the trajectory of kleptocracy in the post-COVID environment, and identified potential opportunities for progress in an otherwise dire situation.

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The authors in this series describe a phenomenon in which there is both good and bad news. The good news is that prior to the pandemic, an important constellation of efforts had taken shape to counter kleptocracy. This includes networked journalistic and civil society initiatives that complement official efforts to contain and roll back kleptocratic networks and their harmful effects on “source” and “destination” countries alike. The bad news is that the challenges posed by modern transnational kleptocracy to date have exceeded and outpaced the democracies’ ability to contain the problem. These challenges are compounded in the difficult context of COVID-19. Coming out of the pandemic, the experts in this series emphasize several critical themes that may help combat kleptocracy’s threat to democracy:

- Citizens in source countries are increasingly frustrated by corruption in their countries, and the COVID-19 pandemic has further emphasized the impact public theft has on the quality and quantity of public services available to them. Well-placed civil society groups should consider harnessing this discontent to advocate for reform.
- Broad, diverse, and specialized international coalitions that connect actors in source and destination countries are necessary in the fight against transnational kleptocracy. These types of coalitions ensure that kleptocracy’s full impact is explained. They also have a multiplier effect in terms of increasing the numbers of advocates for change and attracting the interest of policymakers able to enact reform.
- While independent media will likely face increased funding challenges due to the economic impact of the pandemic, outlets that are flexible and responsive are better suited to adapt to the “new normal” of the post-pandemic world. Crucially, networked journalism, a proven success in the fight against kleptocracy, will allow outlets to share scarce resources and provide an added degree of security for journalists working in closed settings.

## Two potent global ailments

**Nate Sibley** argues that the pandemic has the potential to worsen global trends in transnational kleptocracy at a fundamental level. Before the pandemic struck, leaders in democracies were starting to recognize the corrosive impact that illicit money exerts on their own systems. Important new sanctions regimes, such as the Magnitsky Act, were implemented, and gaping loopholes were targeted for closure to stem the trillions of dollars in illicit money sloshing around the international financial system.<sup>1</sup> Yet, the abrupt and serious impact of the pandemic in public health terms, at least for the time being, has shifted attention away from combating kleptocracy. This loss of international focus, coupled with the massive infusion of public spending and procurement to fight the new coronavirus, provided opportunities for kleptocratic elites to funnel even greater resources to themselves and their allies. Since authoritarianism and kleptocracy often go hand-in-hand, some authoritarian kleptocrats used the public lockdowns designed to curb the spread of the new coronavirus to further repress civil society and independent media—two essential weapons against transnational kleptocracy.<sup>2</sup>

Although source countries of kleptocracy tend to attract much of the focus, **Casey Michel** reveals how the pandemic's economic fallout poses dangers for nonfinancial institutions in democratic rule-of-law destination settings. For example, universities and think tanks, often the recipients of donations from authoritarian sources, may be tempted in the pandemic's tough economic conditions to pursue funding from opaque entities more aggressively as other funding options dry up.<sup>3</sup> Even if academic and research integrity are safeguarded from outside influence, donations of questionable provenance can serve to launder the reputations of kleptocratic figures and legitimize kleptocratic regimes. As Michel points out, this behavior allows kleptocrats to “whitewash their pasts, their practices, and their broader reputations for domestic and international audiences . . . and insinuate themselves into the body politic of democracies.”

Adverse impact on institutions in democracies is not the only concern. **Jodi Vittori** argues that even though kleptocrats have tended to favor rule-of-law settings as safe, stable places to park their resources, a change is underway. Increasingly, authoritarian hubs are gaining favor as destinations for illicit kleptocratic cash because they offer opacity that is consistent with kleptocratic preferences. Hubs in closed systems lack vibrant local civil society and independent media that might expose these activities and advocate for reform. A case in point is the United Arab Emirates (UAE), which had been facing economic challenges before the pandemic hit owing to record-low oil prices and other structural weaknesses.<sup>4</sup> With shrinking oil prices and reduced tourism revenue due to the pandemic, Vittori posits that the UAE may seek to position itself as a haven for illicit finance. As democratic governments make their financial systems less friendly to illicit funds and enact targeted sanctions against kleptocrats, the attractiveness of authoritarian hubs as kleptocratic havens is likely to rise.

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Natural resources are among the main drivers of transnational kleptocracy and pre-pandemic, record-low oil prices were already impacting kleptocratic source countries. **Alexandra Gillies** examines what the future of oil might mean for transnational kleptocracy—one that is not all bad news. If less oil money comes in, then there will be less oil money lost to corruption. The corruption that remains, though, will be even more costly to citizens; as kleptocrats use a larger revenue cut to maintain their patronage systems, public services will receive even less of a share. Moreover, as a smaller pool of investors wields more leverage, they may avoid countries where the political contexts are unfavorable and riskier to their returns and reputations. With climate change concerns prompting more of the world to turn to alternative sources of fuel, it will be important to analyze how these trends play out over the long term in the oil-dependent source countries.

### A silver lining for exposing the scope of the problem

Several authors point out a potential bright side to the pandemic for activists and journalists working to expose and combat transnational kleptocracy. The pandemic has helped ordinary citizens gain a clearer sense of the corrosive impact of kleptocracy on their daily lives. People around the world are experiencing the role of corruption in hobbling governmental responses to the COVID-19 crisis in profound ways, and they are losing patience with governments that prioritize elites' venality over the public good.<sup>5</sup> Civil society activists and investigative journalists are seizing these new opportunities to advance their work.

Noting the dismal pandemic response in the heavily kleptocratic Central African region, **Elsa Peraldi** lays out considerations for activists' response to kleptocracy and the pandemic. Drawing a direct connection between state looting and the hardships ordinary citizens face and communicating these facts through trusted social media and other channels have been key to increased awareness among citizens. Since kleptocracy is a distinctly transnational phenomenon, broad coalitions of actors from both source and destination countries are needed to combat it. These coalitions need to collaborate across borders, professions, and issue areas to paint a bigger picture of kleptocracy's full impact and attract allies from a wide array of advocacy groups. This method has proven effective in exposing kleptocrats and holding them accountable for their misdeeds. Civil society's push for beneficial ownership legislation in the U.S. is an informative example. In this context, a broad and diverse coalition of forces—groups focused on national security, corruption, human rights abuses, business, and law enforcement—united to advocate for reform, pulling in audiences interested in these issues as well as the key policymakers that legislate on these topics.

One Central African country provides a textbook case of a kleptocratic response to a public health emergency. **Lucas Olo Fernandez** points to the pandemic response of the government of Equatorial Guinea, which distorted the number of COVID-19 cases in the country and used the pandemic as cover to crack down on citizens and further misappropriate public funds. Yet, in a country long considered one of the most corrupt in the world,<sup>6</sup> the pandemic has provided small windows of opportunity for well-placed civil society activists to capitalize on the online protests that erupted as a result of the country's pandemic response. These activists need the international support and solidarity of a broad, transnational coalition to help defend against the inevitable heavy-handed government crackdown.

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Flexibility and adaptation are crucial features of successful investigative journalism, especially during the pandemic. **Miranda Patrucic** describes the efforts of new collaborative outlets that have been formed to expose governments' pandemic-related corruption, and how existing outlets adapted to bring citizens fast, reliable information on the status of the health emergencies in their countries. As mis- and disinformation surrounding the pandemic flourished, fact-checking services were able to build on the public trust they had engendered to push out urgent information to the public. Other groups seized on the lack of official information to release their own statistics on the number of COVID-19 cases, death rates, and other pertinent information. Groups that adapted quickly were rewarded with historic levels of readership and an increase in public donations for their work. Yet, journalists operating in highly kleptocratic settings are often those most at risk for state-sponsored retaliation, harassment, imprisonment, and murder. In addition to further financial support, they need *connections* with outlets operating in more open settings to provide a measure of security for themselves and their work.

The COVID-19 pandemic has both exposed transnational kleptocracy and helped illuminate avenues of action for civil society activists and independent journalism. Globalized challenges require a globalized response. Journalists and activists should cross traditional boundaries to make an impact when appropriate. New partnerships among disparate groups should be formed. New methods of addressing the pandemic's inevitable financial fallout must be considered. Kleptocrats are exploiting these new vulnerabilities. Civil society and independent media should also prepare to adapt to the next stage in the battle to expose and combat transnational kleptocracy.

## Endnotes

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- 1 "Tax Abuse, Money Laundering and Corruption Plague Global Finance," United Nations, 24 September 2020, [www.un.org/development/desa/en/news/financing/facti-interim-report.html](http://www.un.org/development/desa/en/news/financing/facti-interim-report.html).
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- 3 Ben Freeman, *Foreign Funding of Think Tanks in America*, Center for International Policy, January 2020, [https://static.wixstatic.com/ugd/3ba8a1\\_4f06e99f35d4485b801f8dbfe33b6a3f.pdf](https://static.wixstatic.com/ugd/3ba8a1_4f06e99f35d4485b801f8dbfe33b6a3f.pdf); and "British Think-Tanks 'Less Transparent About Sources of Funding,'" *Financial Times*, 16 February 2015, [www.ft.com/content/ae6968c4-b5ec-11e4-b58d-00144feab7de](http://www.ft.com/content/ae6968c4-b5ec-11e4-b58d-00144feab7de).
- 4 Matthew Page and Jodi Vittori, *Dubai's Role in Facilitating Corruption and Global Illicit Financial Flows*, Carnegie Endowment for International Peace, 2020, <https://carnegieendowment.org/2020/07/07/dubai-s-role-in-facilitating-corruption-and-global-illicit-financial-flows-pub-82180>
- 5 Sarah Repucci and Amy Slipowitz, *Democracy under Lockdown: The Impact of COVID-19 on the Global Struggle for Freedom*, Freedom House, October 2020, [https://freedomhouse.org/sites/default/files/2020-10/COVID-19\\_Special\\_Report\\_Final\\_.pdf](https://freedomhouse.org/sites/default/files/2020-10/COVID-19_Special_Report_Final_.pdf).
- 6 "Freedom in the World 2020: Equatorial Guinea," Freedom House, 2020, <https://freedomhouse.org/country/equatorial-guinea/freedom-world/2020>.