



Crisis Management: Anti-Bribery and Anti- Corruption Concerns for Latin American Businesses

Cafecito con Ropes & Gray

With Nick Berg and María Calvet

- **The Current State of the COVID-19 Crisis**
- Past Corruption Arising from Emergency Situations
- Key Risk Areas

The Current State of the COVID-19 Crisis

March 15 20 25 30 April 5 10 15 20 25 30

Argentina



Mar. 19: The Argentine government announced obligatory quarantine from 3/20-3/31. The government also unveiled an \$11.1 billion stimulus package.

Apr. 7: The national quarantine is extended through April 23.

Brazil



Mar. 11: Brazil's federal government dedicates at least \$1 billion of a budget bill to the Health Ministry

Mar. 16: Brazil announced a \$30 billion stimulus package

Apr. 8: A Supreme Court Justice held that President Bolsonaro is prohibited from interfering with states' social distancing measures.

Chile



Mar. 18: President Piñera declared a nationwide state of catastrophe for 90 days.

Mar. 19: President Piñera announced an \$11.75 billion stimulus package.

Mar. 25: The government announced a seven-day quarantine for seven municipalities, which was extended for another seven days on March 31 and April 6.

Colombia



Mar. 20: Institution of a nationwide quarantine to last through April 13.

Apr. 6: The national quarantine was extended through Apr. 27.

Apr. 8: Bogota's mayor, Claudia Lopez, announced an allocation of \$128 million to a project aimed at providing 500,000 impoverished families with financial support

Mexico



Mar. 23: Social isolation measures in effect through April 30.

Apr. 2: Bank of America forecasted a GDP contraction for Mexico of 8%.

Apr. 3: President Lopez Obrador canceled government public trusts and ordered that the more than \$10 billion in funds be redirected to the Federal Treasury for use in social programs, economic recovery and credit lending, support for Pemex, and public debt payments.

Peru



Mar. 15: President Vizcarra declared a state of emergency to last 15 days, and has been extended through Apr. 26.

Mar. 19: President Vizcarra announced that 3 million low-income households would receive payments of roughly \$100 to cover two weeks' worth of basic goods.

Apr. 2: Peru announces it is preparing a stimulus package equal to about 12% of the country's GDP.

Apr. 6: The government launched Reactiva Peru, which aims to guarantee up to 98% of business loans totaling at \$9,000 or less for companies needing to pay employees or suppliers.

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Past Corruption Arising from Emergency Situations

Dec. 23, 1972

Earthquakes strike Managua, Nicaragua

The U.S. Agency for International Development provided \$80M to Nicaragua in loans. Former President Anastasio Somoza funneled AID-funded contracts to personal contacts and companies he owned.



1996

Oil-for-Food Program

Saddam Hussein's exploitation of the program resulted in \$1.7B in kickbacks and surcharges and \$10B in illegal oil smuggling.



Aug. 29, 2006

Hurricane Katrina strikes Louisiana

New Orleans's mayor accepted money, vacations, and services in exchange for city contracts to rebuild the city.



2008

Institution of TARP

\$20B of relief had been paid to executives of the bailed-out companies in bonuses within a short time after TARP's release.



A magnitude 7 earthquake strikes Haiti

Nearly \$125M of Red Cross funds to address the crisis in Haiti were used for internal management costs, salaries, and travel expenses, among other internal expenses. Petrocaribe designated \$3.8B in oil loans to fund infrastructure projects in Haiti only to embezzle and steal the funds.

Jan. 12, 2010



El Niño

A criminal group in Peru posed as a Peruvian government agency carrying out an infrastructure project to address flooding and landslides. The group earned money during a bidding process by soliciting bribes from between 50 and 100 contractors and providing them sham services.

2017



Hurricane Maria strikes Puerto Rico

In Sep. 2019, a former Federal Emergency Management Agency official was arrested for allegedly funneling contracts to repair Puerto Rico's shredded electrical grid to Cobra Acquisitions LLC in exchange for numerous personal benefits.

Sep. 20, 2017



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Key Risk Areas

<p>Healthcare</p>	<ul style="list-style-type: none"> Companies providing healthcare services and goods in times of heightened demand and lowered supply Embezzlement or misappropriation of donated medical equipment and parts to foreign governments 	
<p>Public Procurements</p>	<ul style="list-style-type: none"> 10–25% of money spent on procurement globally is lost to corruption Price gouging as markets shift in favor of suppliers Increased bribery risk as pressures increase on government officials and private entities to accommodate tighter timelines and heightened demand 	<p>Prosanis</p> 
<p>Sales Organizations</p>	<ul style="list-style-type: none"> Navigating shelter-in-place and quarantine orders Pressures to keep business operating smoothly and avoid closure Manipulation of books and records in order to qualify government aid or rig contracts 	
<p>Customs</p>	<ul style="list-style-type: none"> Customs clearance was the second-highest cause for the payment of bribes behind government procurement (2014, OECD) Travel restrictions and border closures can render customs processes slower and more complicated, and social isolation can make it harder to monitor. 	 

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