Sector Integrity Vulnerability Assessment Health Product Procurement

Ministry of Health October 10, 2016
Sector Integrity Vulnerability Assessments

• The Sector Integrity Vulnerability Assessments (SIVA) considered “Corruption Prevention 2.0” or a second generation of corruption risk assessment.

• It identifies where weaknesses exist within specific institutions i.e. and sectors that allow corruption to occur.

• It is a qualitative methodology.

• Uses semi-structured interviews of practitioners who know the institutions/sectors best and who have long-term experience and first hand knowledge of the area to be examined.

• Only requires small numbers (20-30) of interviewees if they have the required knowledge of how things ‘really’ work.
Integrity Vulnerabilities

Integrity vulnerabilities include:

• misuse of office/power based on insufficient management and control in the current system (inefficiencies);
• misuse of office/power by officials based on insufficient budget/means to execute normal operations (insufficienies) and
• misuse of office/power to obtain funds beyond those necessary for normal operations and are for private gain (malfeasance/corruption)
Typology of Malfeasance

• A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party. (Bribery)

• A corrupt practice that benefits associates or politically exposed persons close to political elites for private gain rather than the public (Nepotism/Patronage)

• A fraudulent practice is any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation. (Fraud)

• A coercive practice that is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party. (Extortion)
Typology of Malfeasance

• A coercive practice that involves the involuntary or illegal obtainment of property of an individual or the state. (*Theft*)

• A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party. (*Collusion*)

• Efforts of firms to shape the laws, policies, and regulations of the state to their own advantage by providing illicit private gains to public officials (*State capture*)
Step 1: Develop an overall view of the business process/operations within the institutions/sector. Policy and Practices

Step 2: Identify key experts for each institution/sector

Step 3: A series of individual expert interviews with practitioners to identify integrity vulnerabilities.

Step 4: Verify and rank level of vulnerability
Sector Integrity Vulnerability Assessments Follow Up

**Step 5:** Develop checklist is developed based on Integrity Vulnerabilities Matrix to provide a self assessment tool for the relevant agencies.

**Step 6:** Development of Integrity Vulnerabilities Mitigation Plan that will close opportunities for corruption.

**Step 7:** Monitoring of reduction of identified vulnerabilities and/or emergence of new ones.
What was done

• Methodology amended to accommodate specifics of the health product procurement.

• Over 30 Key Informant interviews conducted with MoH officials, other Ukrainian officials, private sector (pharmaceutical producers and distributors), international organisations and civil society.

• Deeper discussions and verification with experts to understand their perspective.

• SIVA drafted and translated.

• Vulnerability matrix is completed and recommendations prepared.
Selected SIVA Findings

• There is continued undue influence of pharmaceutical producers and distributors on the regulations of health products.

• ProZorro has been implemented in some regional procurement and creates more transparency and lowers costs of procurement but has not eliminated vulnerabilities.

• Corruption risks are still in place with the new procurement system some ‘old’ schemes such as collusion still possible and new forms such as dumping potentially occurring.

• Competition for health product procurement is still limited.

• The revolving door of senior policy makers between pharmaceutical firms; associations; Ministry of Health and international organisations presents a clear conflict of interest and may facilitate corruption.
Recommendations

• Establishing an **independent health procurement agency** that has an oversight body that involves both national and international members who are vetted as well as undergo regular conflict of interest checks.

• Develop an **independent and effective Regulatory (anti-monopoly) Agency** that assumes some of the functions of anti-monopoly committee of the Verkhovna Rada as well as stronger investigative powers. In an interim measure a sub-structure of the business ombudsman could be established to focus on the pharmaceutical sector. Also to establish a user-friendly **mechanism to report anti-competitive behavior**.

• **Encourage new entries (firms)** into the procurement system through outreach to international companies and a campaign to inform the private sector of the new ‘rules of the game’ in the international procurement process.
Recommendations

• A comprehensive system for preventing corruption in the health product procurement be developed by the National Agency for the Prevention of Corruption that includes:
  • Submission and verification of asset declarations by all public officials including Deputies of the Verkhovna Rada involved in the regulatory and legislative processes.
  • Submission and verification of conflict of interest declarations by all public officials including Deputies of the Verkhovna Rada and the relevant politically exposed people (PEPs) around them, involved in the regulatory and legislative processes.
  • A civil oversight body that involves both civil society and international organisations.

• A targeted campaign of corruption investigation based on analysis (including this SIVA) by the National Anti-corruption Bureau of Ukraine (NABU).