

UNDP Ukraine



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 (**insufficiencies**) 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**)

Sector Integrity Vulnerability Assessments

Step 1: Develop an overall view of the business process/operations within the institutions/sector. **Policy and Practices**

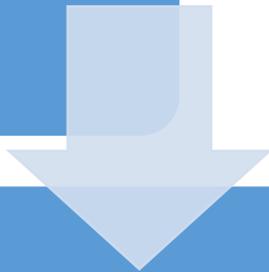
Step 2: Identify key experts for each institution/sector

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

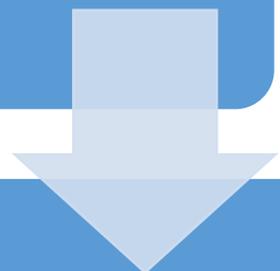
Step 4: Verify and rank level of vulnerability

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)**.