



TRANSFORMING  
THE SUPPLY CHAIN

# Better Enforcement of Anti- Corruption Measures is the Way Forward for Efficient Pharmaceutical Procurement Systems

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## Summary

Corruption is a multi-layered challenge and is not restricted to one level of bureaucracy. It pervades large parts of the state administration and has long-lasting impacts on a country. Failure to penalise the perpetrators creates a general disregard for existing laws. Corruption in procurement defeats the purpose of serving the citizenry and attempts to curb corruption by implementing anti-corruption measures into the procurement procedures can, therefore, appear optimistic in such a setting.

This report discusses the instances of corruption in procurement and how it can have a negative trickle-down impact on a country. It identifies a list of red flags in the form of simple questions to support policymakers and procurement officials to detect corruption and overcome the necessary bottlenecks. It supports the establishment of an independent procurement unit of professional officials. Furthermore, all relevant information should be made available to all interested parties in the same way to ensure transparency. Transparency in procurement also implies clear, simple rules; and adopting standardised contracts and international price benchmarks, as well as exploring digital procurement platforms, prove critical.

Finally, the report amplifies political commitment and community engagement in procurement as the most important contributions to reducing the problem of corruption.

## Abbreviations

OECD	Organisation for Economic Co-operation and Development
GDP	Gross Domestic Product
LMICs	Low-and middle-income countries
KEMSA	Kenya Medical Supplies Authority
OAS	Organization of American States
PACI	Partnering Against Corruption Initiative
UNCAC	The United Nations Convention against Corruption
CSO	Civil Society Organizations
GGM	Good Governance for Medicines
NMSF	National Medical Supplies Fund

# 1 Introduction

Procurement plays a significant role in ensuring effective control and supply of inputs that are important for all levels of a country. Public procurement is the acquisition of any type of work, asset, service and good by purchase, rental, lease, license, tenancy, franchise, or by any other contractual means. Public procurement refers to all the stages of the contracting process, covering the initial needs assessment, budget allocations, and initial market research through to the preparation of the tender, evaluation of applications, and award of contracts. Procurement is crucial to promoting good management that minimises the potential of corruption in the use of public resources (OECD, 2007). The availability of the right materials, at the right time, with good quality and quantities at good prices requires regulations that provide performance standards that can continuously be monitored and evaluated. Procurement is a key economic activity of any government that significantly impacts how taxpayers' money is spent and is the function that remains most vulnerable to corruption. This form of government spending can amount to about 18% to 20% of the gross domestic product (GDP) of most countries (OECD, 2018). It is for this reason that advocates contend that public procurement should be a transparent process that has integrity.

Public procurement is a process starting with procurement planning and proceeding in sequence to advertising, invitation to bid, bid evaluation, contract award, and contract implementation. Three core phases can be identified in this process and they are the pre-tendering phase, the tendering phase, and the post-tendering phase, as illustrated in Annex 1. Corruption can occur at any of these stages and in various forms (Mantzaris, 2014).

## 1.1 Background and rationale

There has been significant international focus on corruption as a threat to economic and human development. Many international agencies have been working hard to implement anti-corruption strategies, but there has not been much success in this regard. The strategies take time to implement, and they have historically been undermined. Successful implementation also requires a cultural and mindset transition, especially in resource-constrained contexts. Corruption in procurement can have an impact on the quality of assets procured and incur costs. Moreover, corruption in the health and the procurement of health commodities can endanger patient safety and reduce health outcomes.

The COVID-19 pandemic has reinforced the need to establish resilient national health systems, but such extraordinary outbreaks also expose cracks in existing health systems; highlighting the risks of corruption,

which can undermine countries' pandemic responses. The health systems are overwhelmed by the number of patients seeking medical care, and there is a dire shortage of medical professionals, testing facilities, and resources. Unfortunately, corruption often thrives during crises; reports show that the Ebola epidemic resulted in the diversion of funds, misrepresentation of salaries, delayed payments, and bribery of health professionals (U4 Brief, 2015). Corruption in the health sector costs \$500 billion per year and dramatically impacts the quality of care (Transparency International, 2019). Experts believe that the pandemic has provided an added opportunity for looting public funds, since the national procurement system has become the epicentre of such malpractices across all countries.

In Africa, the outbreak presents an opportunity for grifters to misappropriate public funds and defraud citizens. In Kenya, there were allegations of graft in June 2020 over the procurement and supply of Covid-19 equipment by the Kenya Medical Supplies Authority (KEMSA). Paracetamol tablets sold at 40 shillings per pack were bought for 66.50 shillings during the pandemic, while alcohol-based sanitizers priced at 313 shillings were purchased at 495 shillings. Instances of graft in the procurement of COVID-19 resources have been visible also in Uganda, Nigeria, and Somalia, where officials were involved in the misappropriation of pandemic relief funds (Schipani et.al., 2020). Likewise, in South Africa the national procurement system has been hit by allegations of corruption. The graft involves overpricing, substandard products and services, and giving tenders to those connected to the government and the ruling party (Muvunyi, 2020). Such concerns existed before the pandemic, but with the current situation, this has led to low public confidence and leaders are having to face public outrage.

Under this backdrop, this study is a necessary step in establishing stronger evidence on corruption, especially in the African context. It explores the challenges of corruption in the public procurement of health commodities, and why decision-makers urgently need to move beyond the ad hoc anti-corruption measures of the past, and instead make curbing corruption an integral part of wider efforts to strengthen health systems. It also identifies red flags that can be used to detect corruption and discusses anti-corruption strategies.

## 1.2 Methodology

The methodology includes the review of the literature search, along with the main concepts and themes of corruption and procurement. The search included a review of 86 sources, including academic papers, policy reports, and international briefs to understand the context of corruption in procurement. The main theme of the review was related to analysing corruption and other sources focused on procurement practices, types of corruption, determinants, and red flags.



The report is structured into the following sections: Section 2 discusses the dynamics of corruption; Section 3 enumerates the determinants of public procurement corruption; Section 4 investigates the existing anti-corruption initiatives; Section 5 presents the role of technology in improving transparency; Section 6 focusses on the red flags of corruption; Section 7 recommends tools to overcome procurement corruption; and Section 8 concludes the report.

## 2. The dynamics of corruption

Corruption is defined differently in various jurisdictions. However, there are common elements that can be found in most of these definitions. It can be understood as the abuse of public office for private gain and involves an activity where both the public and private sector participate, and in most instances, it is based on greed and not on need (Opperman, 2014). Corruption is the act where public officers use power for personal advantage, contravening the rules and regulations (Jain, 2001). It is accompanied by the misallocation of resources and leads to financial misappropriation and inequalities at various levels (Tanzi, 1998). The corruption that prevails is a clear indicator of the profound moral crisis that many societies are experiencing. Most people are exposed to corruption when they must pay a bribe for services which should be a right for citizens; similarly, corruption occurs when bureaucrats interfere with the implementation of decisions. Lack of integrity, seen as bribery, collusion, conflict of interest, and trading influence, is perceived to be the greatest contributing factor of corruption in government institutions (OECD, 2009).

Corruption fosters an anti-democratic environment characterised by uncertainty, unpredictability, declining moral values and disrespect for constitutional institutions and authority. Corruption may destabilise the economy by undermining public confidence in the government, which may lead to further corruption. A pervasive level of corruption in the economy may also abate international interest in both trade and foreign direct investment (Wei, 1999), resulting in little GDP growth and a reduction in qualified competitors for procurement projects. Corruption may lead the economy into a vicious cycle in which honesty is too costly, with a general disregard of the law, a higher level of criminal activity, and individuals who are busy making the most for themselves, with no sense of obligation to their country (Annex 2). This situation is often referred to as a corruption-trap (Søreide, 2000).

### 2.1 Types of corruption

Literature notes that corruption differs from one form to another as far as the sort of choices that are impacted by corruption and by the source of the power of the leader. There are two broad types of corruption that can be distinguished. *Petty corruption* is small-scale corruption practised by lower-level public servants who extort bribes for their services and who often perceive and justify their corrupt behaviour as a survival mechanism to compensate for low salaries. *Grand corruption* alludes to the demonstrations of the political world whereby national interest is at risk (della Porta and Vannucci, 1997). This can include bureaucratic corruption, denoting bureaucrats' corrupt deeds in their dealings with various stakeholders; and legislative corruption, which suggests the means by and degree to which the voting conduct of lawmakers can be affected.

## 2.2 Corruption in healthcare

Corruption in healthcare reflects poor governance and accountability challenges (Vian, 2007). It reduces the resources available for health, thereby impacting health outcomes. Evidence also suggests that there is a direct correlation between a higher incidence of corruption and higher rates of infant mortality (Gupta et.al., 2000). Corruption also affects the availability of funds from health budgets to pay salaries, fund operations and conduct maintenance, leading to lower quality of care and reduced service availability (Lindelow and Sernells, 2006). There is evidence suggesting that reducing corruption in health can increase the effectiveness of public expenditures (Azfar, 2005). Research also reveals that the countries that tackle corruption and improve their rule of law can increase their national incomes and significantly reduce child mortality (Government of Bhutan, 2009).

## 2.3 Corruption in pharmaceutical sector

The degree of growth in the global pharmaceutical sector has been greater than the growth in the total health expenditure and GDP growth rate. According to the PwC report, Pharma 2020, by 2020 the pharmaceutical market is anticipated to be valued at USD \$13 trillion. Such large amounts of money are an attractive target for abuse, corruption, and unethical practices. Resources that could be used for clinical trials, training personnel, and buying medicine are wasted due to corrupt practices, which leads to prolonged illness in patients and delays in cures. The pharmaceutical sector is very complex and involves many different steps, each of which is vulnerable to unethical behaviour and corrupt practices. Information imbalance between various stakeholders, counterfeiting, and unregulated medicine can severely damage patient health (WHO, 2006).

Unethical drug promotions and conflicts of interest among physicians can have negative effects on health outcomes (Kassirer, 2006). Other forms of unethical practices include theft in the distribution chain or collusion in bid rigging during procurement by providing vendors with confidential and privileged information. In sum, corruption in the public pharmaceutical sector is endangering the health of millions of people worldwide.

## 2.4 Corruption in procurement

Public procurement corruption provides the funds, which are laundered through formal and informal channels. It further appears that there is a strong link between procurement fraud and money laundering, as proceeds of procurement fraud are most likely to be laundered. This process creates a cycle in which one

activity feeds the other, with public procurement fraud facilitating money laundering and money laundering encouraging public procurement fraud (Levi, 2010).

Evidence suggests all three phases of the procurement cycle are vulnerable to corruption, although most responses indicated that the tendering phase is the most vulnerable to abuse by public authorities (ESAAMLG, 2019). In the pre-tendering phase, the definition of procurement requirements and needs assessment stages are more prone to abuse. Within the tendering phase, the most vulnerable stage to corruption is the award process, followed closely by the evaluation stage. In the post-tendering phase, contract management can present problems, especially where there is ineffective supervision of work or collusion between the contractor and the project manager.

Poor governance and corruption remain main obstacles to economic development (Shah, 2012). The process of bidding involves other intermediaries such as joint venture companies and private companies that may facilitate corruption by agreeing to the illegal acquisition of funds. Corruption increases the cost of public procurement and can have a trickle-down effect, especially in the health sector where the supply of counterfeit health commodities can prove fatal. The cost is borne by the poor, who cannot compete with the rich who pay bribes. This can increase social and economic inequality, thereby intensifying conflict in a country. Global policy circles note that there is a need to ensure that taxpayer money has an impact on the country's development.

Corruption in public procurement can be carried out by cheating on the procurement rules, and through legitimate deviations from the existing rules. The choice of contract can be very important to induce cost-efficient behaviour and reduce the opportunities for corruption (McAfee and McMillan, 1988). The size and complexity of the project or product in question also influence the degree of corruption. Therefore, the risk of corruption in public procurement depends on the amount of money involved, the complexity of the technology involved, the urgency to acquire the goods or the immediacy of the project, as well as the discretionary authority among the public officials.

Public officials often decide which enterprises to invite to the tender. One option to ensure the bribing company wins the tender is to limit the call for bids, as well as keep the project/acquisition secret if possible (Andvig, 1994). Another method corrupt official use is to design the tender so that qualifications are requested, representing comparative advantages held by the bribing company (Rose-Ackerman, 1999). There are numerous ways for public officials holding confidential information to misuse their positions. Accordingly, the procurement procedure may appear competitive although it is still vulnerable to corruption.

A common justification is the preference for a previous supplier whose performance has been satisfactory (Moody-Stuart, 1997). Speed is already mentioned as a corruption-motivated reason to deviate from the rules. In some cases, the project is urgent, for instance after an environmental disaster or another sudden event. It is a recognised problem that companies who long for monopoly eliminate or reduce competition. Certain bidders can also subvert competitive processes and create unfair biases. Also, corrupt procurement processes will always involve some form of collusion between the buyer and the supplier (Lambert-Mogiliansky and Sonin, 2003).

## 2.5 Corruption risks during disease outbreak

This section discusses types of corruption that are more evident during a disease outbreak, especially in a resource constrained set-up. The high frequency of these can have significant cumulative damage on health, often leading to disastrous outcomes at the individual, regional, and national level.

- *Absenteeism* occurs when public sector employees are away from their working hours, either due to private engagement, or unauthorised leisure time. This can be either voluntary or involuntary resulting in either not working for the entire day or a few hours in a day (Belita et.al., 2013; Lewis, 2006). The reasons for absenteeism in LMICs are less researched, however low and unreliable pay for medical and support staff are frequently cited as the most important root causes (Tweheyo et al. 2017; Yamada et al. 2012). Many health systems do not effectively monitor attendance and employees face little or no consequences for being absent (Zamboni et al., 2018; Kisakye et al., 2016). Absenteeism may also be allowed if recruitment is politically motivated (Friedman 2018).

Other factors, such as opportunities in private practice, poor working conditions, lack of incentives, excessive workload, fear of getting infected (especially during a pandemic), rural services, and possibly public recruitment of individuals later proving to be misfits aggravate absenteeism in the health system (Iles, 2019; Kisakye et. al., 2016; Chaudhury et. al., 2006; Hanna et. al., 2018). Absenteeism can differ at the regional level, reflecting the rural-urban divide (Fujii, 2018). Evidence from Uganda's health sector identifies low salaries and non-payment, poorly maintained staff accommodation, underfunding of health units, desire to seek supplement income, pursuit of better education, weak supervisory structure, and socio-cultural norms as key drivers of absenteeism (Tweheyo et al., 2017). Qualitative research suggests that in some treatment contexts, it may be the leading cause of avoidable mortality (Ackers et al. 2016). This can worsen the shortage of trained healthcare professionals increasing the workload of the remaining staff, which in turn can lead to burnout and willingness to stay away from work (Kisakye et al., 2016). This can also have economic costs and cause capacity

constraints. Absenteeism can negatively affect patient outcomes and increases healthcare costs (Bouchard et al. 2012).

- *Informal payments from patients* is a popular practice observed in many countries. The diversity of this practice makes it difficult to gauge the level of corruption and/or the intention to engage in corrupt practices (Gaal et.al., 2010). Hence, clear lines are difficult to draw. Informal payments are more widespread in health systems which are underfunded, and the healthcare profession is characterised by low pay (Habibov et. al., 2017). Additional drivers include cultural norms, staff capacity, lack of private sector alternative for wealthier patients, etc (Allin et. al., 2006). Moreover, lack of transparency and information asymmetry can create multiple opportunities for informal payments in the health system. Unfortunately, in many LMICs these payments also act as an important source of healthcare financing and removing them could lead to the collapse of the system (Marquette et al., 2019). Therefore, this acts as “survival corruption,” but informal payments can also deter or prevent patients from accessing services.
- *Theft and misappropriation of funds and other medical resource* is widespread in many countries (McPake et. al., 1999). This also introduces counterfeit health commodities into the system, compromising the patient outcomes at various levels (Onwujekwe et. al., 2018). It has been observed that private sector collaboration and/or coercion also plays a significant role in promoting this type of corruption. Low motivation and poor supervisory structure often lead to embezzlement, especially in a resource-constrained set-up (Serneels et. al., 2018). Public sector human resource policies that make it difficult to sack employees, likewise, make it difficult to curb this issue (Couffinhal et al. 2017). For end users, it is impossible to understand if stockouts at the facility level are caused due to higher demand, or misappropriation caused by healthcare professionals along the different stages of health supply chains. In case of non-communicable diseases, supply gaps can lead to disease progression and lower survival rates. For infectious diseases, missing healthcare, drugs and medicine kits can lead to further spread of infection and drug resistance (Nayyar et. al., 2012).
- *Prejudice* occurs when healthcare providers give preferential treatment to patients with whom they have social connections, at the expense of services provided to other patients. Social connections and personal networks supported favouritism. It will affect how managers cope with expectations of favouritism during human resource planning (Rahmani et. al., 2013; Stephens et. al., 2017). This often results in making poorer communities, women, and patients in rural areas more vulnerable.
- *Manipulation of healthcare data* often results in expensive bills and “phantom” patients (Savedoff, 2007). In this form of corruption, the victim is typically not the individual patient, but the taxpayer. This can have serious ramifications on national health budgets and can cause high economic costs.



## 3. Determinants of public procurement corruption in Africa

Low and middle-income countries (LMICs) face the ever-growing issue of corruption due to lack of transparency and accountability and weak judicial and legislative systems. The challenge has pushed the issue of corruption to the forefront of development agendas in LMICs, which are characterised by central direction and regulations. Paradoxically, legislative, and judicial systems in developing countries are the very institutions that provide fertile ground for corruption to thrive (Myint, 2000). Knowledge of the causes of corruption and the factors contributing to it will therefore determine the policy instruments used to end corruption (de Graaf, 2007). One single factor therefore cannot explain the phenomenon, and several factors contribute to public procurement corruption (Serra, 2006). Unequal income distribution, level of human capital development, demography, etc. also tend to impact corruption in public procurement (Paldam, 2000; Ali and Isse, 2003; Knack and Azfahar, 2003).

### 3.1 Economic factors

These factors explain procurement corruption to a greater degree, since economic measures of corruption have been tested over time (Basheka, 2011). Economically, corruption contributes to the unjust distribution of income, discourages investment, and distorts economic growth and development. In the long run this will affect the efficiency of health supply chains and will undermine the effectiveness of pharmaceutical trade. The various government activities create an environment conducive to the growth of corruption. Monopoly and discretionary power of government officials act as the main drivers of corruption. The general public and bureaucrats contribute to the demand and supply side of corruption in procurement (Olken and Pande, 2012). The supply side of corruption is driven by practices in bureaucracy, levels of wages, culture of conduct over time, and the existence of fines and penalty systems, among other institutional factors that require transparency among and within parties. The public side will often be faced with institutional systems, such as tax systems, certain kinds of regulations in the market that require adherence, certain lifestyles and expenditure behaviour, and market price controls (Iyanda, 2012). These factors can affect the levels of investment, business, innovation, design and implementation of rules and regulations that relate to the economy.

### 3.2 Organisational factors

The causes of corruption can be rooted in the complex systems of organisations in a country, which make remedial efforts difficult. Differing moral standards across countries make it difficult to establish benchmarks for comparisons to eradicate corruption in public procurement. In this context, the organisational culture of



an institution affects ethical standards in public procurement (Basheka et.al., 2010; Mlinga, 2006). Studies discovered that an authoritative culture is measurably impactful concerning the reasons for corruption in procurement. The examination inferred that hierarchical determinants are the central factors, which represent the expanding patterns of procurement corruption. Environmental, political, and social variables play a significant role in determining ethical standards and influence morality of public sector procurement (Piff et. al., 2012). Evidence shows that organisational culture also affects moral engagement and procurement planning behaviours (Ntayi et. al., 2010). Acute incapacities in the sector have hampered public procurement and regulatory reforms, anti-corruption, and development cooperation, which have in turn hindered international and regional development (Odhiambo and Kamau, 2003). Also, standard operating practices of continuous audits and rewards to employees affect adherence to ethics, noting that better-paid officers tend to observe ethical codes of conduct (Ogachi, 2011).

### 3.3 Political factors

Evidence suggests that the biggest cause of corruption, especially in a resource-constrained set-up, is the lack of political leadership at the national level. Complex and inefficient political systems can lead to lack of policies on procurement, poor planning, overspending, poor project monitoring, wastage, collusion in the tender evaluation and award, and inadequate training of procurement officers. Also, the opening up of political space in some countries has contributed to increased levels of procurement corruption.

### 3.4 Social factors

Societal influences like gender disparity, level of literacy, etc can also influence corruption in public procurement. Evidence highlights that higher female participation can reduce corruption (Swamy et.al., 2001). Surprisingly, national culture is also considered to contribute to corruption (Treisman, 2007). Other societal factors like religious affiliations, traditional beliefs, social tolerance for corruption, etc. are key contributors to the rise of corruption (Ntayi et al., 2013).

## 4. Background to anti-corruption initiatives

Good governance has become critical to overcoming corruption since the late 1990s. This realisation at a global level has also stimulated many countries to develop anti-corruption strategies, both at the regional and national levels. A major advance was the call for the public disclosure of clinical trial results (Moorthy et.al., 2015). Another was the demand for transparency on medicine production costs to provide a basis for fair pricing (Hill, 2015). However, evidence suggest that there was no uniform conceptualisation or understanding of transparency or accountability either across countries or among stakeholders within individual countries (Vian and Kohler, 2016). In many countries, it was unclear what transparency and accountability meant and how they could be achieved.

### 4.1 International anti-corruption strategies

Many regional, national, and international agencies have designed strategies and frameworks to eradicate corruption, including:

- The Inter-American Convention Against Corruption, approved by 34 members of the Organization of American States (OAS) in 1996;
- The Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed by the 29 members of the OECD, along with five non-members in 1999;
- The African Union Convention adopted an Anti-Corruption covenant signed in March 2003;
- The World Economic Forum Partnering Against Corruption Initiative (PACI), formally launched by Chief Executive Officers from the Engineering and Construction, Energy and Metals and Mining Industries in January 2004;
- The United Nations Convention against Corruption (UNCAC) adopted by the United Nations General Assembly Resolution 58/4 of 31 October 2003, published in September 2004.

The OECD and OAS Conventions are regional in scope, while UNCAC is global in reach. The process of enforcing UNCAC began in December 2005. Systematic monitoring and reporting by civil society organisations (CSOs) and by the press are essential to promote awareness of corruption issues and to mobilize public support and political will be necessary for the successful enforcement of these conventions.

### 4.2 Good Governance for Medicines (GGM) programme

It is in this context that the Good Governance for Medicines (GGM) programme draws great support for its activities in promoting good governance in the pharmaceutical sector. In the WHO GGM programme, good governance refers to the formulation and implementation of appropriate policies and procedures that ensure the effective, efficient and ethical management of pharmaceutical systems, especially in medicine regulatory and supply systems, in a manner that is transparent, accountable, follows the rule of law and minimises corruption. The GGM programme is implemented in a 3-step strategy to institutionalise good governance in ministries of health.

In Phase I, independent national assessors evaluate a country's vulnerability to corruption guided by the assessment instrument *Measuring Transparency in the Public Pharmaceutical Sector*. This acts as the baseline assessment to monitor the progress of the country over time. For Phase II, the model framework serves as a guideline for countries to develop their own national good governance framework, integrating the top-down and bottom-up approaches necessary to promote good governance and to reduce corrupt practices. Lastly, Phase III involves implementation of the national programme and focuses on translating the guidelines. GGM is also strengthening WHO's current health systems by promoting transparency and leadership, thus preventing corruption in the medicines sector, and maximising the use of limited resources. The increase in the level of consciousness and ethical leadership will help promote higher standards of transparency.

### 4.3 Components of the GGM framework

The basic components of the framework include two broad categories: value-based and discipline-based. The value-based strategy includes key ethical principles, codes of conduct, socialisation of key ethical principles and promoting ethical leadership. The discipline-based strategy encompasses enforcement of existing anti-corruption legislation, mechanisms for whistleblowing, sanctions on reprehensible acts based on anti-corruption legislation, and transparent and accountable regulations and administrative procedures. Two cross cutting components include collaboration among anti-corruption agencies, civil society organisations and the private sector, in addition to management, coordination, and evaluation.

#### *Value-based strategy*

- Key ethical principles are closely linked to the cultural context of a nation, and each key ethical principle has a set of moral values that are seen more clearly when practising the capabilities of ethical leadership.

- Codes of conduct are established by some national governments as a measure to prevent public servants' unethical behaviour as they perform their duties. There is a logical and consistent link between values, principles, and a code of conduct.
- Socialisation refers to the process by which moral values, ethical principles and a code of conduct can be learnt, internalised, applied, and promoted by a group of key actors until they become fully integrated into the institutional culture.
- Promoting ethical leadership is key to fostering good governance and reducing unethical practices. There is a lack of people willing to exercise ethical leadership, which has contributed to increased corruption, especially in a resource-constrained set-up.

#### *Discipline based strategy*

- The GGM programme draws on existing anti-corruption legislation in each country to support the integrity of the system and the implementation of its administrative and technical measures. For example, in Mongolia, the Government has imposed the legal incorporation of the code of conduct and declaration of conflicts of interest.
- Most cases of responsible whistleblowing are courageous acts performed by public servants who place the public interest above personal self-interest and so assume the risks of retaliation in various forms, such as victimisation. For example, the Malaysian government instituted various initiatives to ensure that the fight against corruption was effective. Key components of this effort include whistle-blower legislation, which was passed in 2010, and improved transparency in government contracts.
- Sanctions on reprehensible acts can include either internal sanctions implemented by institutions or external sanctions implemented by the legal system. Decisions regarding the type of sanctions to be applied depend on the nature and gravity of the corrupt act.
- Governments have two core responsibilities in the pharmaceutical system to establish transparent policies. First, they are responsible for regulating the manufacture, distribution, sale, and use of pharmaceutical products. Second, public purchasers are responsible for the selection, purchase, and logistical management of medicines for use through the public healthcare system. For example, Lebanon maintains transparency by creating a strong system of drug inspection and training pharmacist inspectors locally and abroad; cooperating closely with the Division of Research for smuggling at the Lebanese Customs and the Criminal Investigation Department in the Internal Security Forces; preventing the retail of smuggled pharmaceutical products or counterfeits; withdrawing these from the market; informing the relevant authorities (particularly WHO) and publishing related decisions.

#### *Cross-cutting strategies*

- The GGM programme cannot achieve its objectives without effective collaboration and coordination of efforts. It is important that the Ministry of Health in each country is proactive—from the beginning and at every stage of the programme—in establishing alliances and strengthening linkages.
- Management, coordination, and evaluation of the GGM programme must be carried out from the programme's inception and throughout the whole process. It includes improving the management system, fundraising and resource mobilisation, as well as constant monitoring and evaluation.

The first version of the programme's assessment tool has been used in 38 countries (Baghdadi-Sabeti et. al., 2009). An evaluation of the GGM in 2012 confirmed that it was instrumental in increasing awareness of transparency and good governance in the pharmaceutical system, both globally and in individual countries, and that it increased transparency through the publication of previously unavailable pharmaceutical information (Martin and Ollier, 2013).

## 5. The role of information in improving transparency and accountability

After 10 years of experience with the Good Governance for Medicines programme, WHO recognised that improvements were needed to simplify the assessment method and to clearly define which aspects of governance should be assessed. Many countries lack practical approaches for identifying information that should be made public and for demonstrating how such information could be used to strengthen accountability. This section of the study identifies the key information that should be made transparent to foster multi-stakeholder accountability.

Transparency informs stakeholders and, thereby, facilitates their participation in policy processes, which enables accountability (Fox and Aceron, 2016). Hence, when institutions make information publicly available, stakeholders can use this information to call those responsible in institutions. Transparency is understood as governments making information publicly available so that their actions and decisions are visible and understandable to the public.

## 5.1 Key types of information in the pharmaceutical sector

Making standards and commitments public enables stakeholders to understand who is accountable for what. In the pharmaceutical sector this can include pharmaceutical laws and regulations for ensuring manufacture, trade and use of medicine are consistent with the delivery of safe and effective products. National medicine policies align national priorities with short-term and long-term goals. In addition, an essential medicines list can also be considered as a commitment to making medicine available. Likewise, publication of government decisions, meeting records, audit reports and monitoring and evaluation data provide the information needed to scrutinise whether the results achieved are consistent with standards and commitments. The final prerequisite for establishing accountability is the provision of information that enables stakeholders to understand the consequences of any deviations from agreed standards and commitments, and to be aware of the responsive actions taken by governments when these deviations occur. Moreover, publication of the responsive actions taken by governments demonstrates to stakeholders that public institutions are accountable. The following table lists the key information in the pharmaceutical sector that should be made transparent to avoid unethical behaviours and corrupt practices.

<b>Pharmaceutical-related function</b>	<b>Key information that should be publicly available</b>
Medicines policy	National medicines policy and progress reports.
Codes of Conduct	Whistle-blower policy, and reports on monitoring and evaluation.
Conflict of interests	Policy to manage conflicts of interest and descriptions of how conflicts of interest were mitigated or resolved.
Registration/Market authorisation	Guidelines and procedures and regulatory decision summaries for drugs.

<b>Pharmaceutical-related function</b>	<b>Key information that should be publicly available</b>
Licensing	A list or database of pharmaceutical establishments with a licence or operating permit, and a list of pharmaceutical establishments that had their licences revoked or were closed.
Inspections	Summary findings of audit reports of inspectorates and corrective actions taken based on inspection results.
Clinical trials	Decisions on applications for clinical trials and information about research misconduct and corresponding corrective actions.
Medicines selection	Criteria for recruiting medicines selection committee members and statements made by public bodies, non-governmental organisations, and other interested parties.
Procurement	Terms of references, list of contracts for publicly procured medicines exempted from tendering, and documents detailing the corrective measures that were enforced following an audit.
Distribution	Information system for performance monitoring, and list of suppliers that were suspended for not having respected their contracts.

Source: Adapted from Paschke, A. et al., 2018.

## 5.2 Factors affecting transparency

There are several factors that can foster or hinder transparency and accountability to eradicate corruption. First, poor-quality information, or an overload of undigested data, may create confusion and hinder transparency (Walkowiak and Putter, 2011). Second, publishing information should be complemented by efforts to build civil society capacity (Vian et al., 2017). Finally, another obstacle to promoting transparency is the presence of differing stakeholder interests. Transparency about vested interests is especially important where the private sector is involved in implementing medicine policies. Transparency is difficult to achieve in the absence of political will and leadership that seek to enable public participation and improve health outcomes.

## 6. Red flags (indicators) of corruption in public procurement

The identification and use of warning signals to separate corrupt from non-corrupt public procurements within the same sector and country can be useful. Understanding corrupt behaviours that leave traces can provide red flags for corruption (Kenny and Musatova, 2011). These are primarily aimed at helping practitioners, investigators, and policymakers estimate the probability of corruption in a certain procurement case and lay the foundation for a new, evidence-based approach to fight corruption. However, this approach can suffer from systematic selection bias. There have been multiple attempts to create such a list of indicators by the Association of Certified Fraud Examiners in 2008, and the European Commission in 2009. Moreover, the OECD (2007) and Ware and colleagues (Ware et al., 2007) presented some of the most observed forms of corruption and suggested a list of red flags. Furthermore, in 2010, the World Bank issued a guide for the ten most common red flags of fraud and corruption in procurement for bank-financed projects. The red flags we use and describe in this section are broadly organised along these lines of the public procurement process to capture the risks of corruption more accurately. The red flags are designed as questions that have either ‘yes’ or ‘no’ responses, where a ‘yes’ indicates an increased chance of corruption and ‘no’ indicates a decreased probability of corruption.

List of red flags	Rationale explaining corruption
Is there an inclination towards the composition of an evaluation team?	The team members routinely rotate to make it harder for corrupt official to develop strong ties to certain clients.
Is there evidence suggesting any conflict of interest for members of the evaluation team?	Conflict of interest is a clear red flag for corruption.
Are there multiple contact offices/persons?	Middlemen are often used by tender suppliers to intermediate the flows of money. The existence of multiple contact offices or people not employed by the tender provider could point to their position in the tender process as middlemen.
Is the contact person not employed by the tender provider?	



<b>List of red flags</b>	<b>Rationale explaining corruption</b>
Are there any elements in the terms of reference that point at a preferred supplier?	This can be a preferred supplier indication.
Was there a shortened time span to the tender?	Corruption caused by artificially shortened bidding processes that favour certain companies
Is the size of the tender unusually large?	Bribes are usually calculated as a percentage of the total contract value.
Are bids that are submitted after the admission deadline still accepted?	Points towards collusion and evasion of procedures.
Are there any (formal or informal) complaints from non-winning bidders?	Indicative of existing appeal mechanisms and the level of transparency.
Are all bids higher than the projected overall costs?	High prices and similar bids are expected to strongly signal collusion
Are all bidders informed of the contract award and on the reasons for this choice?	One should look at whether the tender formulates strict requirements for justification of the award and whether these reasons are presented in due time to all other bidders.
Are the contract award and the selection justification document all publicly available?	A lack of transparency could indicate corruption.
Are there substantial changes in the scope of the project or the project costs after award?	It is important to investigate any changes in the scope of the project compared to the original design, as well as changes in quoted prices as compared to the original quotations
Are audit certificates issued by an unknown/local auditor with no credentials?	The monitoring entity can be corrupt or negligent such that the poor performance of the contractor is not recorded or is diluted. It is therefore important to look at audit assessments.

## 7. Tools to overcome corruption and improve the procurement process

When it comes to corruption, the ambiguity between simple rules and discretionary authority implies a certain challenge. A desire to regulate all procurement situations arises, making the procedure automatic in most cases. However, when rules become more complex, more reasons to deviate from them usually arise as well. This section outlines important strategies to reduce the opportunities for corruption in public procurement.

### 7.1 Political will

The fight against corruption must start with an explicit commitment from the country's leaders. Ending the pettier forms of corruption in bureaucracy is difficult if grand political corruption persists. Accordingly, political commitment is a necessary condition for successful procurement reform. To reduce the level of bureaucratic corruption it will therefore be important to reduce the existing extensive regulatory framework that monopolises authority, while improving, as well as executing, anti-corruption laws. The culture of concealment, prevalent in many corrupt bureaucracies, need to be replaced by a 'culture of transparency'. Many national governments address this issue by providing support for procurement, especially for the domestic supplier base. Improved techniques for buying goods and services using modern quality standards and business practices can help improve the efficiency of local suppliers as they compete for government

contracts. The experience of several countries, such as India, South Africa, and Hungary, in using targeted and untargeted assistance to help develop local industry has included mentoring programs, sub-contracting opportunities, payment of price preferences and premiums, and set-asides for small businesses.

## 7.2 Capacity development

It is believed that improving indigenous capacity is essential to curing the system of its faults. This includes implementing a feasible compensation framework that encompasses and targets all staff members to ensure that public/state officers are adequately remunerated as per their job descriptions and in line with similar jobs in the market. The combination of higher payment and larger risk of being caught was a central element in the successful anti-corruption reforms carried out in Singapore and Hong Kong. It is also important to empower employees to have input in decision making at departmental and function levels. Training programmes for procurement personnel in Uganda and Gambia have proved beneficial to improve outcomes.

## 7.3 Designing robust public procurement systems

- *Performance rating* would reduce malfeasance and improve efficiency for many developing countries with limited capacity to carry out complex bidding procedures. At its best, it would encourage good performance on both sides.
- A well-functioning *procurement unit* of few but well-trained officials could be established to curb corruption. Independence is important for protection against corrupt politicians and high-level officials. Professionalism is, however, difficult to obtain when the general level of education is low and when jobs are better paid outside the state administration. A common way to reduce the opportunities for corruption is to separate the evaluation work in the purchasing organisation, so that the economic department receives the price information in the bids while the technical department evaluates the quality specifications of material solutions. The International Trade Centre supported the establishment of a new central procurement office at Guinea Bissau to develop policies, training programs, oversee selected contract award decisions, and install management information systems.
- Procurement authorities should maintain a *blacklist of companies* for which there is sufficient evidence of involvement in corrupt activities and debar them from public tenders for a specified period. Procurers should thoroughly vet bidders to exclude shell companies and private companies with secret owners who may facilitate criminal activities and money-laundering.

## 7.4 Establishing standard operating practices

- *Rotating public officials* responsible for procurement could be an important measure in this respect. In countries experiencing rampant corruption, the benefits of reducing the opportunities for corruption may be superior to those obtained by keeping each official with a permanent area of responsibility.
- *Time limits* by which a given request must be rejected or accepted must be strictly respected, though still broad enough to allow reasonable time for interested suppliers to prepare and submit bids.
- International prices should be applied as *benchmarks* as far as possible.
- Compulsory *standardised contracts* should apply at the contract execution stage. However, this comes at a cost: less room for local or specific information in the agreements. It may therefore be advisable to use an intermediate approach: standard contracts where procurers may introduce changes if they justify and record them.
- Issuing of *thresholds* so that procurements above the set thresholds are subject to further review before award of the contract.

## 7.5 Transparency

- The *underlying rules must be clear and simple*, so that people know what an honest system is supposed to produce. Ambiguous rules can create opportunities for corruption. Any changes to the rules should also be published immediately.
- *Access to information* should be a number one rule in the procurement procedures, while the information still confidential should be treated respectfully according to the given routines. Structure communication channels vertically and horizontally, at departmental and functional levels to ease the flow of information. Local solutions such as notice boards, local radio stations and community forums can be used to increase reach of such information. Unsuccessful bidders should be provided with an explanation of the rejection and relevant information about the tender. Extended freedom to the press is an important element to establish such a new culture. Also, a way to report detected corruption should be established and made known. At the National Medical Supplies Fund (NMSF) in Sudan, bids of suppliers are displayed in front of the representatives of bidders in a transparent manner. All representatives also express their appreciation of this level of transparency maintained at NMSF. This system has inspired confidence among bidders in the NMSF's tendering system, thereby reducing opportunities for fraudulent activities (NMSF, 2015).

## 7.6 Codes of conduct and integrity pacts

- Recognising the importance of integrity for good governance and trust in public institutions, countries apply *national integrity standards* for all public officials, for example through civil service regulations or generic codes of conduct outlining the standards and expectations for the conduct of civil servants. Rules to ensure integrity make it easier for public officials to renounce corruption. Codes of conduct are ‘compulsory’ for any procuring institution. Codes of conduct are supposed to serve as an obstacle for private interests to interfere with those of the government. Often, a dedicated government department is responsible for developing, updating, and diffusing the code of conduct, and may provide tailored advice, guidance and practical examples supporting the implementation of the code. In addition to procurement-related standards, some countries have developed standards to fight forms of fraud as part of a broader corruption prevention framework in the public sector.
- *Integrity pacts* are another tool used to facilitate public oversight in procurement. Integrity pacts are a form of contract signed between an authority and the bidding candidates. The pact binds the parties to put in place reciprocal controls to prevent any form of corruption between the parties. The integrity pact concept was tested in public procurement in Rwanda between 2012 and 2013, and findings indicated that indeed the integrity pact improved transparency and accountability in procurement and contract performance (Berth, 2007) (Annex 3).

## 7.7 E-procurement

Digitised procurement simplifies information exchange and transactions through streamlined online communication systems. It facilitates internal anti-corruption controls, making it easier to detect integrity breaches. For example, at NMSF in Sudan, an e-procurement system has been developed as a component of the ERP system. This has ensured high levels of security and efficiency. It has also reduced the lead time from a period of 90 days to 15 days, which in turn reduces the inventory required, leading to a reduced cost. Likewise, in Kenya, the Makueni County’s *Open Contracting Portal* will improve essential in curbing rampant corruption and holding elected leaders accountable for how they use resources, according to the area’s governor (Government of Makueni County, 2019). The platform, which has been in use since late last year, involves public disclosure of information at all stages of the procurement process, from planning, tendering, awarding, contracting, and implementing to oversight. The use of open contracting will not only reform procurement but deliver quality goods and services to Makueni residents and urge the national government and other counties to follow suit and adopt the system. Ukraine also supported its procurement practices first by passing a law that supports transparency and promotes fair competition in the public procurement systems. This created a reformed procurement process that resulted in a centralised e-procurement system, known as ProZorro.

## 7.8 Monitoring and evaluation

All kinds of procurement decisions must be monitored in some way. While elements such as technical value, times of execution, and costs of utilisation can, to some extent, be monitored objectively, there will often remain some individual bias. Monitoring must occur in an inclusive manner that is sensitive to malpractice. The most important way to enable inspection is, however, record keeping. Proper records should be kept of the entire procurement process, including decisions and actions taken.

## 7.9 Community engagement

- There is opportunity for *public participation* in the entire procurement cycle. The cycle typically involves a planning and preparation stage, advertisement, evaluation, award, and post-contracting evaluation. Citizens can detect, prevent, and reduce wastage and corruption in public procurement by getting involved throughout the whole cycle.
- *Civic education* is paramount to learners and educators on issues of peace, justice, freedom, and security to realise good governance without corruption and conflict. Students' and educators' interests in understanding the complicated topic of corruption in service delivery is a ray of hope for any country's future. The government and policymakers in the public sector should enhance their efforts to strengthen the anti-corruption culture through awareness creation, sensitisation, and capacity development.

## 8. Conclusion

The complexities of the health system require tailored governance approaches to identify vulnerabilities to corruption and fraud. Anti-corruption efforts that embed good governance principles are the standard for tackling sector vulnerabilities. Corruption significantly undercuts public health goals, including ensuring access to essential medicine. Greater transparency in the pharmaceutical procurement process allows healthcare facilities to make more informed decisions and can, over time, lead to greater purchasing power to negotiate prices with suppliers. Importantly, data can illuminate patterns and outliers, which may suggest that there are overpayments, collusion, or bribes in the procurement process. Good governance has thus become an accepted conceptual framework for international institutions and their member governments to use in their efforts to promote accountability and transparency.

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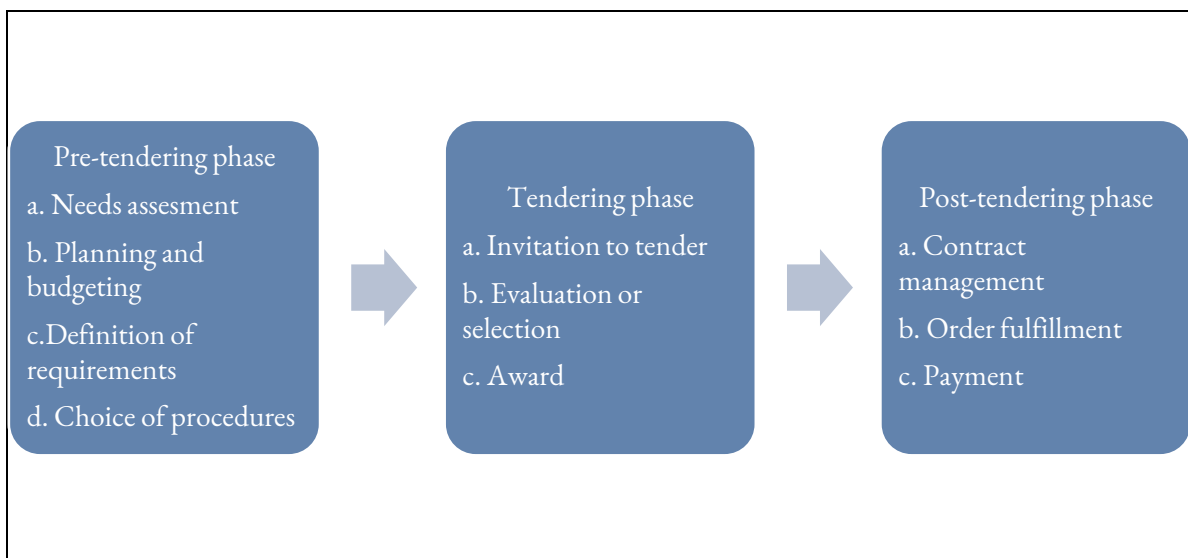
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## Annex 1: The Procurement Process



Source: OECD Principles of Integrity in Public Procurement, 2016.

## Annex 2: Adverse impacts of corruption

### *Financial impacts*

- Escalated cost of purchases, investments, services, or diminished income from licences, permits and concessions.
- Poor quality of goods or works, not justifying the price paid.
- Burdening a government with financial obligations for purchases or investments that are oversized, not needed or not economically justified.
- Governments forced to commit resources for repairs needed due to poor construction of roads or buildings.
- Public investments/purchases made that do not benefit the country's economic development.

### *Environmental impacts*

- Environmental impact of projects overlooked or inadequately considered.
- Failure to meet proper environmental standards, or to achieve environmental goals, set in the project during implementation of contracts.
- Illegal or irresponsible use of natural resources.

### *Societal impacts*

- Sub-standard products increase health and safety risks.

- Sub-standard construction of buildings, roads and bridges leads to dangerous accidents.
- Public funds that could be used to provide or improve essential amenities and services, such as healthcare, access to clean water and education, are lost to corruption in procurement.

***Impact of innovation***

- Failing to provide for competitive procurement limits access to innovative solutions and products.
- Inhibiting competition reduces market access and discourages investment in innovation by potential bidders.

***Erosion of trust***

- Corrupt behaviour by government officials or toleration of corrupt behaviour encourages bad practice by companies and citizens.
- Lack of integrity in procurement decreases the validity of government decisions in other areas and diminishes trust in other government processes.

## Annex 3: Integrity pacts in various countries

In addition to procurement-related standards, some countries have developed standards to fight forms of fraud, as part of a broader corruption prevention framework in the public sector

Germany	An integrity pact has been implemented for the construction of the Schönefeld International Airport in Berlin, a project worth €2.4 billion.
India	Integrity pacts are an essential part of the Draft National Anti-Corruption Strategy. The Central Vigilance Commission (CVC) issued Directive 008/CRD/013, which refers to the implementation of integrity pacts as ‘standard operating procedure’ in procurement contracts of any major government department.
Indonesia	Integrity pacts have been adopted and applied to local government contracts in up to 20 districts.



Italy	Integrity pacts have been introduced mainly at the municipal level in the Milan City Council.
Korea	The Korean pact model emphasises the protection of whistle-blowers and the creation of an ombudsman system to carry out independent external monitoring.
Mexico	Transparencia Mexicana has implemented integrity pacts in over 100 contracts, worth approximately USD \$30 billion in total.
United Kingdom	Integrity pacts have been adopted and implemented with particular focus on the defence sector.