

**Theft, bribery and extortion rob millions of proper healthcare,
says *Global Corruption Report 2006*
*Counterfeit drugs kill thousands each year and
accelerate spread of drug-resistant diseases***

1 February 2006, Berlin / London – Corruption in the health sector deprives those most in need of essential medical care and helps spawn drug-resistant strains of deadly diseases, says Transparency International's *Global Corruption Report 2006*, published today.

For the millions of poor held hostage by unethical providers, stamping out corruption in health care is a matter of life and death. "Corruption in health care costs more than money. When an infant dies during an operation because an adrenalin injection to restart her heart was actually just water -- how do you put a price on that?" said Huguette Labelle, Chair of Transparency International. "The price of corruption in health care is paid in human suffering."

Haemorrhaging health systems

The report shines a powerful light on the global US \$3 trillion health sector, exposing a maze of complex and opaque systems that are a fertile field for corruption. While the majority of people employed in the sector perform their functions with diligence and integrity, there is evidence of bribery and fraud across the breadth of health services, from petty thievery and extortion to massive distortions of health policy and funding fed by payoffs to officials.

Corruption permeates the provision of health care, whether public or private, simple or sophisticated.

- Public health budgets become subverted by unethical officials for private use.
- Hospitals function as self-service stores for illicit enrichment, with unclear procurement of equipment and supplies and ghost employees on the payroll.
- Health workers demand fees for services that should be free. In **Bulgaria**, as in much of South East Europe, doctors frequently accept small informal payments or gifts for medical treatment. This can be anything from between US \$10 – US \$50 and in some cases can rise to US \$1,100.
- In the **Philippines**, a 10 per cent increase in the extortion of bribes by medical personnel was shown to reduce the rate of child immunisation by up to 20 per cent.
- In **Cambodia**, certain health indicators have worsened partly because of direct embezzlement of public health funds and despite increased health aid. In contrast, in the United Kingdom tighter control mechanisms have reduced losses to corruption by US \$300 million since 1999.
- In **Costa Rica**, nearly 20 percent of a US \$40 million international loan for health equipment wandered into private pockets.

“Corruption eats away at the public’s trust in the medical community. People have a right to expect that the drugs they depend on are real. They have a right to think that doctors place a patient’s interests above profits. And most of all, they have a right to believe that the health care industry is there to cure, not to kill,” said David Nussbaum, Chief Executive of Transparency International.

Market distortions and counterfeit drugs

Aggressive marketing techniques buy physicians’ support for specific drugs, leading to a high rate of prescriptions that are not always based on patient need. With individual “blockbuster” drugs pulling in tens of billions of dollars each year for pharmaceutical companies, ballooning marketing and lobbying budgets have outpaced the research and development outlays necessary to create new and critical medicines that could save lives in low-income countries.

Corruption underpins a lucrative counterfeit drugs trade. Payoffs at every step of the chain smooth the flow of counterfeit drugs from their source to the unwitting consumer. With pharmaceuticals often the largest household health expenditure in developing countries – estimated at 50-90 per cent of total individual out-of-pocket health expenses – corruption in the pharmaceutical industry has a direct and painful impact on people struggling for survival.

Undermining the fight against HIV/AIDS

Corruption has hampered the success of global efforts to reign in the HIV/AIDS pandemic. The international response to the growing crisis has been to scale up aid in order to fund prevention programmes and the disbursement of life-saving anti-retroviral medications. Increased aid alone will not be effective if corruption is not curbed. Accountability mechanisms need to be introduced to prevent money from leaking at every level.

- Theft by ministries and national AIDS councils of funds allocated for treatment leave sufferers without critical care. **Kenya’s** National Aids Council was hijacked by a few high-level civil servants, diverting critical resources through shell organisations expressly formed to siphon off public funds.
- Corruption can contribute directly to infection when relatively low-cost measures, such as sterile needles and screening of blood donations, cannot be carried out because a corrupt procurement or distribution process holds up supplies.

Millennium Development Goals under threat

Corruption is undermining progress towards the United Nations’ Millennium Development Goals, in particular the three related directly to health: reduced child mortality; improved maternal health; and the fight against HIV/AIDS, malaria and other diseases. With the target date for achieving the goals just nine years away, the global community is already off target to meet them – and corruption is one of the primary causes.

“Poor families, particularly in rural areas, who cannot afford private health care face the agonising choice of food or medicine. Feed your child or cure his illness, but not both? No parent should face that awful choice,” said Huguette Labelle.

Transparency International recommendations

The cure for corruption in the health care industry starts with transparency.

- Donor and recipient governments should grant easy access to information on key aspects of health-related projects, budgets and policies. Budget information should be available on the internet and subject to independent audits.
- Adopt and enforce codes of conduct for health workers and private sector companies and provide ongoing anti-corruption training.
- Incorporate conflict-of-interest rules in drug regulation and physician licensing procedures.
- Public health policies and projects should be independently monitored, both at the national and international level, and their reports should be open to public scrutiny.
- Procurement processes should be competitive, open and transparent, and comply with Transparency International's Minimum Standards for Transparency and Public Contracting. Rules on conflicts of interest must be enforced and companies that engage in corruption debarred from future bidding. No-bribe pledges such as TI's Integrity Pact should be adopted to level the playing field for all bidders.
- Rigorous prosecution will send the message that corruption in health care will not be tolerated. To facilitate this, there must be robust whistleblower protection for both government employees and private sector health, pharmaceutical and biotech employees.

State of corruption worldwide

The *Global Corruption Report 2006* also presents reports on the state of corruption and governance in 45 countries around the world, including troubling evidence of financial irregularities in post-tsunami relief operations. The report's final section surveys the cutting edge in corruption research.

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Transparency International is the global civil society organisation leading the fight against corruption.

Media Contacts:

Jesse Garcia
Sarah Tyler
Tel: +49-30-3438 2019/45
Fax: +49-30-3470 3912
press@transparency.org

TRANSPARENCY INTERNATIONAL

Alt Moabit 96
10559 Berlin, Germany
Tel: +49-30-3438 2061/19
Fax: +49-30-3470 3912
<http://www.transparency.org>

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