

# TRANSPARENCY IN HEALTH SECTOR PROCUREMENT

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Procurement is the principal interface between the public system and medicine suppliers and aims to acquire the right quantity of medical products in the most cost-effective manner. It is technically complex, involving multiple steps and requiring the involvement of many individuals with adequate expertise.

An estimated USD5 trillion is spent worldwide every year on providing health commodities and services,<sup>1</sup> with estimates suggesting that 10 to 25 per cent of global spending on public medicine procurement is lost to corruption.<sup>2</sup>

## TRANSPARENCY THROUGHOUT THE HEALTH SECTOR PROCUREMENT CYCLE

Open contracting in tandem with e-procurement, helps increase the transparency of procurement procedures and prices, as it allows for the collection of data on tenders bids, offers of tenders, terms and conditions, contract awards, supplier performance and prices paid, which can be disseminated to all healthcare facilities and the public.

Transparency in health sector procurement minimises waste, preventing corruption and fraud, providing better value for money for governments and ultimately citizens. For example, as well as minimising the risk of procurement corruption in healthcare facilities, procurement officials can make evidence-based decisions concerning medicine pricing as they can compare prices against those offered to other health facilities.

**We recommend that G20 countries should adopt and apply e-procurement and open contracting standards as default in health sector procurement and work with non-G20 countries to do the same. In particular we recommend that:**

- G20 countries should adopt and apply the Open Contracting Principles and the Open Contract Data Standards for health sector procurement.
- G20 countries monitor their progress in implementing the G20 Principles for Promoting Integrity in Public Procurement by assessing their application in their health sectors.
- G20 countries should work with non-G20 countries to encourage and assist the application of the G20 Principles for Promoting Integrity in Public Procurement, the Open Contracting Principles and the Open Contract Data Standards for health sector procurement in those countries.

The procurement process is one of the largest expenditures in healthcare delivery, particularly in low- and middle-income countries. Public medicine procurement is even more vulnerable to corruption than contracting in other services given that medicine volumes are typically large and the contracts are usually quite lucrative. This is due to several factors including the difficulty in monitoring quality standards in medicine provision and the ability for suppliers to use different prices for the same medicine. The procurement of publicly funded medicines is particularly susceptible to corruption when it is poorly documented and there is weak governance in place.

When medicines are effectively procured from reliable sources and are based on international guidelines, such as the WHO's Essential Medicines List, they are ideally of assured quality and more likely to be available at a reasonable price. However, when the procurement process is compromised it can cause medicine shortages, inflated drug prices and the infiltration of falsified and substandard medicines into the health system.

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<sup>1</sup> WHO Global Health Expenditure Database: <http://apps.who.int/nha/database>

<sup>2</sup> WHO. Medicines: corruption and pharmaceuticals, Fact Sheet No 335. December 2009.

Increased transparency in health sector procurement curbs price gouging, price manipulation and overpayments all of which detract funds away from the health sector. However, transparency measures should offer data that is consistently reported, comparable and standardised, reliable in terms of quality and presented in a format that can be easily used to identify potential issues and hold procurement agents accountable. This involves increasing coverage of who is required to disclose information, improving the reliability and accuracy of data, and assuring consistent and reliable access to disclosed information in a practical format. This also includes the constant monitoring of such data to ensure accountability.

Practices such as e-procurement and open contracting ultimately benefit those companies that play by the rules. Those companies that do play by the rules often complain of commercial disadvantage when competing for public contracts against competitors who unlike them do not operate with good anti-corruption practices. Increasing transparency in procurement processes significantly reduces the opportunity for companies to act in a corrupt way, and so levels the playing field and benefits business.

### Case study: Ex-UN consultants rig pharmaceuticals contracts

Two former UN consultants rigged contracts to supply life-saving medicines to the Democratic Republic of Congo in return for bribes. Their company, World Response Consulting, received contracts from the UN Development Programme (UNDP) to tackle HIV and malaria in the country. The pair used their knowledge to leak details to the Danish pharmaceutical company, Missionpharma, so it could win the contract.

In return for helping the company win contracts, the men received £650,000 (US\$1 million) and were set to make £44 million (US\$68 million) from the plot. Evidence showed that the pair were aware that they needed to hide their links to Missionpharma as they promoted it to the UN. This was achieved by using a UK solicitor to set up a network of off-shore companies to disguise their beneficial ownership of them and their links to Missionpharma.

In 2007 the UN launched an investigation into the men and how the contracts were awarded. The men were arrested the following year. One of the consultants was jailed for 15 months and the other was jailed for a year.

Taken from: The Guardian, Ex-UN consultants jailed for bribes over drugs supplied to 'starving Africans' (2015). Available online: <http://www.theguardian.com/uk-news/2015/sep/23/un-guido-bakker-sijbrandusscheffer-jailed-contracts-drugs-congo>

More information about Transparency International's working in the health sector including the latest report 'Corruption in the Pharmaceutical Sector: Diagnosing the Challenges' can be found at <http://www.transparency.org.uk/our-work/pharmaceuticals-healthcare-programme/>