



GUS – Anne Lugon-Moulin

# Corruption risks in the health sector in CIS countries

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# Various corruption levels

- State capture/political corruption: occurs when the ruling elite and/or powerful businessmen manipulate policy formation and shape the emerging rules of the game to their own, very substantial advantage.
- Grand corruption: "corruption is the abuse of a public power for private benefit" – at high ranking official level
- Petty corruption: same – at low administrative level
- Conflict of interest: a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties.



# Consequences

## ■ State capture

- Economic resources in the hands of the ruling elite
- Vested interests. Decisions are taken in the interest of the ruling elite
- Reform processes might get stopped.
- Weak oversight mechanisms (SAI).
- Lack of transparency and public control over government activities, spending and decision-making process.



# Consequences

## ▪ **Grand corruption:**

### **Embezzlements:**

- Decreased funding to line ministries from the central budget, and also from central to local level.
- Within the health budget, embezzlements made easy due to the "budget line-item system" (recurrent budget)

### **Bribes:**

- Screwed public procurements and, as a consequence, inefficient resources allocation (investment budget)

- fake tenders
- pre-decisions made
- negotiation on the price to be set by the pre-selected offer
- kick-back payments

- Poor quality of public investments, higher maintenance costs, lower outcomes achieved in social sectors
- Overspending in infrastructures at the expense of "soft" components.



# Consequences

## ■ Petty corruption

- Out-of-pocket payments for service delivery.
  - Bribe to obtain a diploma.
  - Bribe to obtain a job in public service or hospital, and recurrent premium to be paid each year.
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- Service delivery hampered and unaffordable for the poor
  - Transaction cost/added tax without redistributive function
  - Merit-based criteria do not set the frame. Skills are not a decisive criteria.



## ■ Conflict of interest:

Collusion between doctors and pharmacists (everywhere!)

Public doctors working in private clinics

- working time issue
- referring patients to private clinics

- Conflict of interest insufficiently regulated
- Untangible mechanism. Difficult to prove.
- Quality and integrity of health care at stake.



# Solutions

- PFM reforms
- Earmarked budget support?
- Reform of the budgetary and finance procedures of the health system
- Decent salaries (overall development of a country at stake)
- Enforcement of legal means
- Overall governance and Justice reforms (both government and civil society)



Thank you for your attention