

Shining Light on Pharmaceutical Governance: An Inventory of Policy and Structural Issues and Corresponding Anti-Corruption Measures

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Highlights from Forthcoming Transparency International Working Paper

- Qualitative methods
- Literature review
- 38 key experts - semi-structured interviews
- NGOs, academia, pharmaceutical industry, international organizations
- Thematic coding

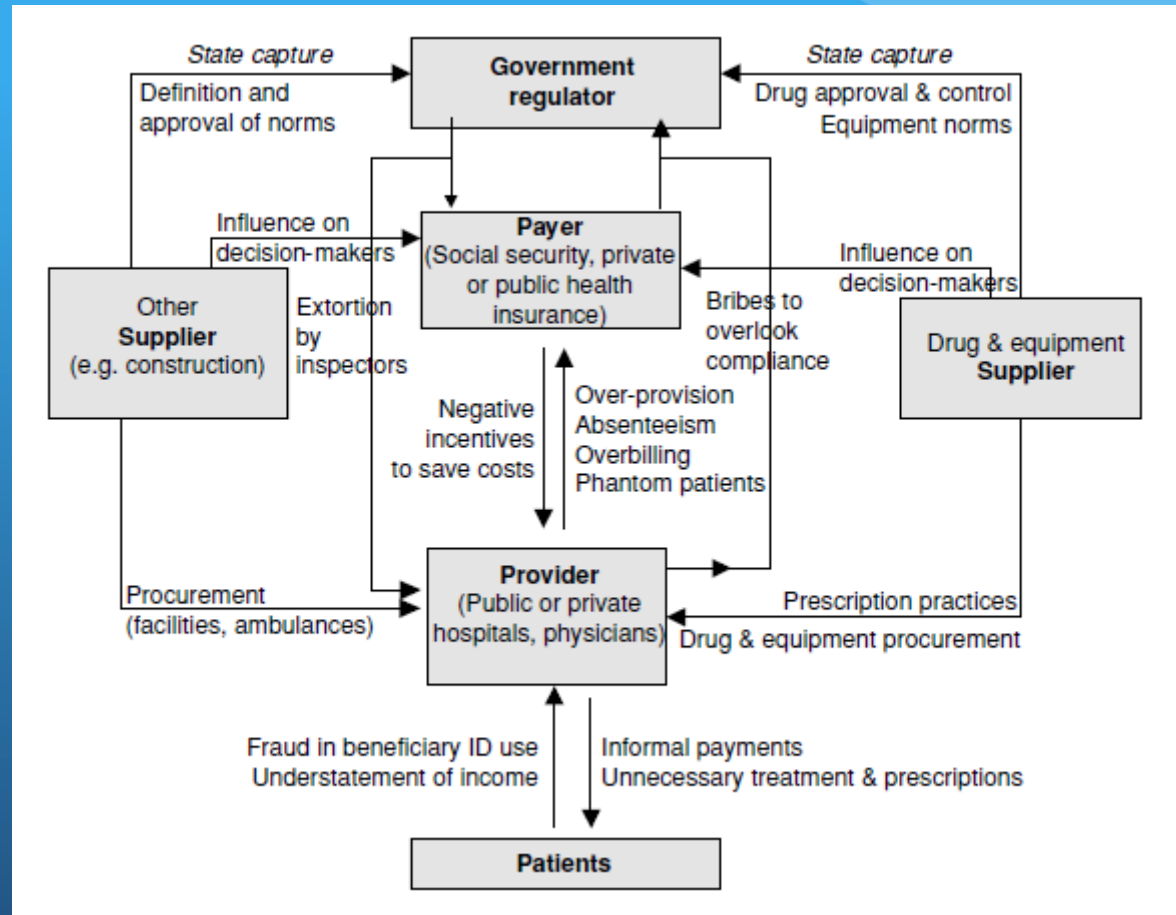
What is Corruption?

- Corruption is defined by Transparency International as the abuse of entrusted power for private gain
- All countries have corruption, though the types of corruption can vary
- The scale of corruption is diverse; it may be “petty”, as in bureaucratic processes, or “grand”, referring to events at the policy or legislative level

The Problem Of Corruption in the Pharmaceuticals & Healthcare Sector

- \$7 trillion annual global spend (WHO, 2012)
- 17% of people worldwide stated they had paid a bribe when dealing with the medical sector (Global Corruption Barometer, 2013)
- Estimated 10-25% public procurement spending is lost to corruption (WHO, 2009)

Overview of Key Actors in the Sector



Source: Savedoff, W.D. and Hussmann, K. (2006): Why are health systems prone to corruption? In: Transparency International (ed.) Global Corruption Report 2006.

Impact of Corruption in the Health Sector

1. **Economic impact** - when large amounts of public funds are wasted
2. **Health impact** - the waste of public resources reduces the government's capacity to provide good quality services and products; patients may turn to unsafe medical products available on the market instead of seeking health services, leading to poor health outcomes for the population
3. **Government trust impact** - inefficiency and lack of transparency reduces public institutions' credibility. This not only erodes the trust of citizens but can also decrease foreign investment in the health sector and levels of health aid

Why Pharmaceuticals Matter?

The “So What” Factor

- Pharmaceutical expenditure is typically one of the largest line items for health budgets
- Pharmaceuticals can prevent or delay health conditions which require more costly care
- One of the top 3 leading causes of health system inefficiencies (WHO, 2010)

Why is the Pharmaceutical/ Health Sector Vulnerable to Corruption?

- Complex sector - uncertainty prevails throughout
- Asymmetric information
- Complex interaction of many stakeholders with different intensities of accountability
- Standard enforcement limited due to limited financial and human resources
- *Corruption versus inefficiency line often blurred*

Corruption Risks

R&D

- Falsifying information
- Selective publication of data
- Research capture and conflicts of interest
- Exploiting relaxed regulations

Marketing

- Direct prescription influencing
- Indirect prescription influencing
- Off-label marketing
- Unethical positive list promotion

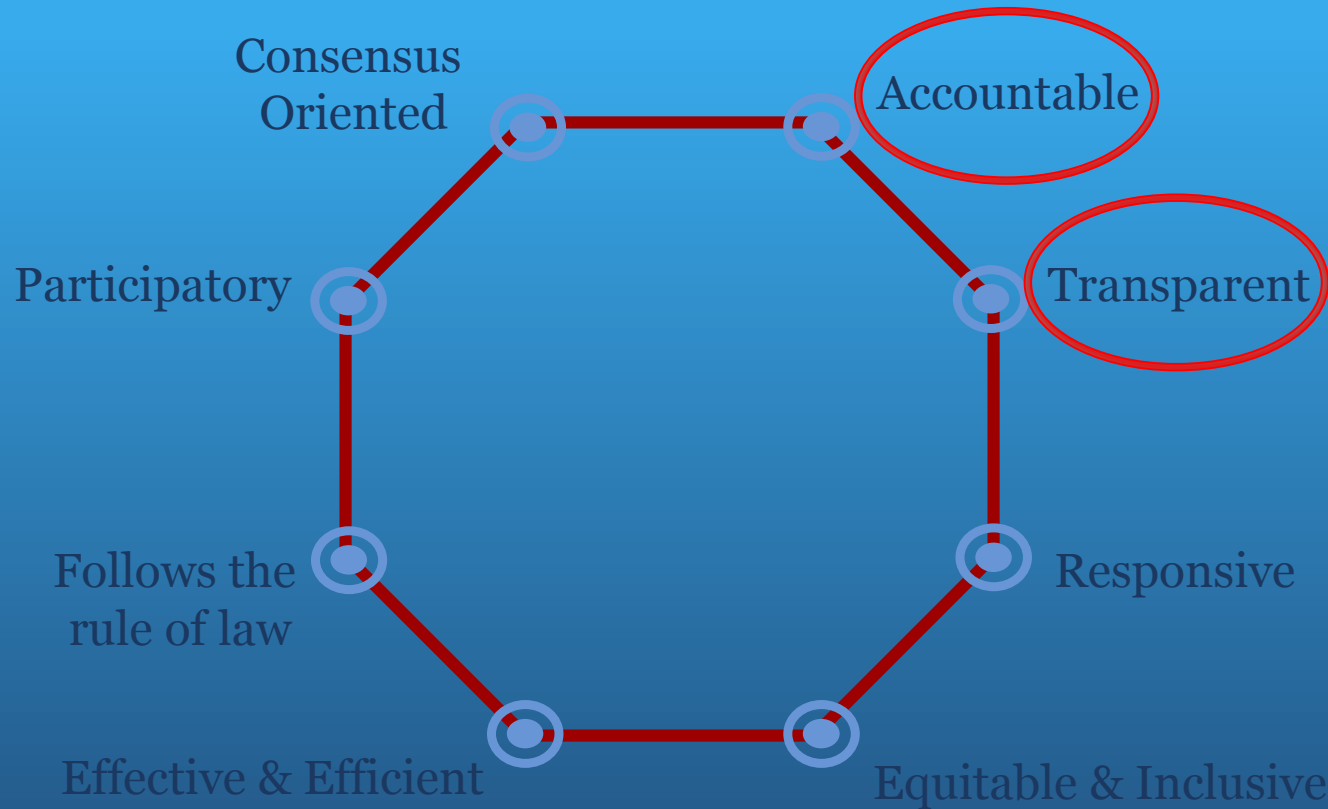
Political

- Nepotism and favouritism
- High level embezzlement
- State capture
- Conflict of interest
- Trading in influence
- Revolving door

Regulation

- Undue influence on health policy
- Undue influence on market regulations

Good Governance



UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) (2012). *What is Good Governance?* [online]. Available at: <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp> [6 October 2015].

Transparency in Focus

- Requires that citizens are fully informed as to how and why public policy decisions are taken
- Understanding how decisions are made requires information about procedures and criteria used by policy-makers to reach decisions
- Understanding why decisions are made requires disclosure of the information drawn on by policy-makers and revelation of the arguments for or against a decision.

Accountability

- Accountability cuts across financial, performance and political/democratic domains
- Includes processes that require institutions or organizations to answer to those who will be affected by decisions or actions taken by them
- Accountability also requires measurement of goals and results, justification for results to internal and external monitors, and sanctions for nonperformance or corrupt behavior

Macro Level Issues

- Low knowledge of corruption in the health sector
- A weak legislative and regulatory framework
- Ineffective global governance
- Weak leadership.

Low Knowledge Levels of Corruption

- Inherent intangibility and invisibility
- Sector is complex and technical
- Cultural tolerance to corruption
- Silo effect of vertical programming

Weak Legislative and Regulatory Framework

- International frameworks are not fit for purpose
- Poor levels of enforcement
- Sector specific regulation fails to capture corruption risks
- Danger of regulatory capture

Ineffective Governance

- Many key decision points lack strong governance
- Extensive lobbying
- Commercialisation of physicians' prescribing habits
- Governance structures not designed to cover corruption risks
- Sector growth has outstripped governance frameworks

Weak Leadership

- At the national level there is often little political commitment or desire to change a beneficial status quo
- Genuine commitment to anti-corruption lacking from national policy makers and regulatory agencies
- Self interested actors co-opting international organisations

Improve Global Governance

- Safeguarding the autonomy of international actors
- Increased accountability of international actors
- The patent system

Leadership

- Global leadership to embolden national leadership
- International cooperation
- Multi-stakeholder alliances
- Committed leadership

Better Use of Technology

- Adopting appropriate technology throughout the pharmaceutical value chain
- Evidence-based decision making
- Open contracting

Accountability

- Ensure accountability through increased monitoring and enforcement
- Governmental internal control mechanisms
- Independent health sector anti-corruption agencies
- The role of civil society

Thank You

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