Chapter 85

Transparency and Accountability in Public Procurement of Essential Medicines in Developing Countries

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ABSTRACT

Pharmaceuticals are an integral component of a health care system; any weakness in governance of the pharmaceutical system negatively impacts health outcomes, especially in developing countries. It is believed that procurement on the concept of essential medicine list and transparency leads to improved efficiency and access to medicines, as has been described for the Delhi model. However, transparency is only the first step; accountability and sustainability are also needed. Information systems create opportunities for transparency and openness through the disclosure of information and improve decision-making and efficiency along the medicine supply chain. With the lessons learned from experiences of many developing countries, technical guidance and tools developed by international agencies, a transparent, accountable, sustainable public procurement system is possible but high-level political commitment is needed to mandate and enforce the system.

BACKGROUND

Access to healthcare is a fundamental human right, safeguarded internationally and recognized by governments throughout the world. Most countries have agreed to at least one global or regional covenant or treaty confirming the right to health (Hogerzeil, 2006). Medicines are fundamental inputs in any public health system and often the most costly. WHO (2000) reports that public spending on pharmaceuticals in developing countries represents the largest health expenditure, after staff salary. The high-income countries have high levels

of prepayment in its health financing mix, through insurance or taxation, or both, resulting in large pools of financial power. Moreover, high-income countries have pharmaceutical evaluation methods for reimbursement or public procurement which are most of the time lacking in developing countries. In developing countries medicines account for 25-70% of overall healthcare expenditure, compared to less than 10% in most high-income countries (WHO, 2004 a, 2004b). Government expenditure on health in low-and middle-income countries is much less than the high-income countries (Creese, Kotwani, Kutzin, & Pillay, 2004) therefore up to 90% of the population in these countries must pay for medicines out of pocket due to lack of social insurance and inadequate publicly subsidized services (McIntyre, Thiede, Dahlgren, & Whitehead, 2006). Hence, governments of developing economies (countries) need to have good medicine procurement policies to purchase quality medicines at a reasonable cost so that medicines are available for their population. In fact, United Nations Millennium Development Goals (MDGs), Target 8 E is to provide access to affordable essential medicines in developing countries, in cooperation with pharmaceutical companies (http://www.un.org/millenniumgoals/global.shtml).

Equally significant, pharmaceutical expenditure is often wasted, particularly when drugs are procured because in many developing countries, drug procurement procedures are inefficient, non-transparent, and probably corrupt because of non accountability (Cohen, 2000). Identifying what constitutes corruption can be elusive. Often it is complicated to separate out inefficient behaviour from corrupt behaviour, particularly in the pharmaceutical sector and for the public sector. This paper describes the common scenario of public procurement price and access to essential medicines in the public sector of developing countries, examples of transparent public sector procurement system, lacunae in these systems and measures suggested by international agen-

cies for transparent, accountable and sustainable public procurement system to improve access to essential medicines for the vulnerable population.

Transparency and Accountability

Transparency and accountability to the citizens are main constituents of good governance, while good governance is a prerequisite for achieving goal of providing healthcare and essential medicines to the population. United Nations Development Programme (UNDP) for the Programme on Governance in Arab Region (POGAR) has aptly defined transparency and accountability and the same we will be considering for the public procurement system (UNDP, n.d.). Transparency and accountability are interrelated concepts and mutually reinforcing. Without transparency there cannot be any accountability. Unless there is accountability, transparency would be of no value.

Transparency refers to sharing information and acting in an open manner. It allows stakeholders to gather information that may be critical to uncovering abuses and defending their interests. Transparent systems have clear procedures for public decision-making and open channels of communication between stakeholders and officials, and make a wide range of information accessible.

Transparency protects against government error, the misallocation of resources, and corruption. External contributors and funding agencies promote transparency and help governments to make budgets and public expenditure programmes more transparent. Procurement in particular offers considerable opportunity for malfeasance.

Accountability can be defined as the requirement that officials answer to stakeholders on the disposal of their powers and duties, act on criticisms or requirements made of them and accept (some) responsibility for failure, incompetence or deceit.

Mechanisms for holding officials accountable can be interorganizational, as between branches of government; intraorganisational, as between

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