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Ukraine: Combating Corruption Disguised as Charity

The Institute of Analysis and Advocacy's Work on Local Health Services

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Case Study

CONTENTS

OVERVIEW OF THE 2013 IAA CAMPAIGN AGAINST CORRUPT PAYMENT PRACTICES

The Institute of Analysis and Advocacy (IAA) was established in March 2013 to address the issue of corrupt payment practices in Ukrainian health facilities. The IAA is a Ukrainian civil society organization (CSO) based in the city of Poltava, which works to strengthen the role of civil society in the implementation of local and national policies, particularly in relation to health and social services. The IAA's objectives include building accountability mechanisms to monitor regional programs, increasing the participation of CSOs in decision-making bodies, and combating corruption at the regional and national levels.

This case study documents IAA's first major advocacy campaign against corrupt payment practices in health facilities in the city of Poltava. The campaign focused on payments that individual patients felt obliged to pay to opaque and unaccountable charitable organizations in order to help fund what were meant to be free public health facilities. While the phenomenon of these informal private payments is common throughout Ukraine, to date very little effort has been made to systematically challenge this status quo.

This campaign provided four important lessons for subsequent IAA investigations and advocacy campaigns related to public procurement in the health sector and the transparency of regional programs in a number of other sectors. First, it showed the value of evidence-based advocacy when faced with entrenched government-supported practices of corruption. Second, it demonstrated the need for a legal foundation and legal backing. Third, it showed the value of networking and collaboration with other CSOs that provided the IAA with access to a range of skills and experience. Finally, what initially appeared to be a corruption issue unique to individual hospitals required action and intervention at the municipal, regional, and national level to effectively address. Alongside these positive lessons is a limitation, in that the campaign did not ensure sufficient information dissemination or national media coverage.

This case study provides a detailed description of the IAA campaign to combat informal payments in the health sector, particularly in relation to charitable funds. It examines the goals, strategies, and achievements of the 2013 campaign and draws out lessons for other CSOs. This case study was prepared based on information collected from media publications, gray literature, and in-person interviews with key stakeholders in the IAA's campaign. The interviews were conducted in Poltava and Kyiv, Ukraine, in November 2014.

THE PROBLEM OF CORRUPTION IN MUNICIPAL AND REGIONAL HEALTHCARE FACILITIES

The IAA campaign aimed to address two key issues:

1. The Ukrainian constitution commits the government to provide citizens with free healthcare, yet many patients are still obliged to make private payments. These often consist of donations to charitable organizations linked to the healthcare facilities.

2. Charitable organizations receive payments from patients and provide additional funds to the facilities, but there is a lack of transparency and accountability around these financial transactions.

The health system in Ukraine is largely based on the Soviet *Semashko* model, a highly centralized system of government-owned medical institutions. The *oblast* (regional) health administrations are responsible for implementing national health policies and are accountable to the national health ministry. They are also responsible for the provision of specialized healthcare through regional facilities. At the local level, various tiers of local self-government (district administrations and municipal, city, village, and rural councils) are responsible for the provision of primary and secondary care through a network of polyclinics (primary healthcare facilities that provide outpatient care) and municipal hospitals.[1]

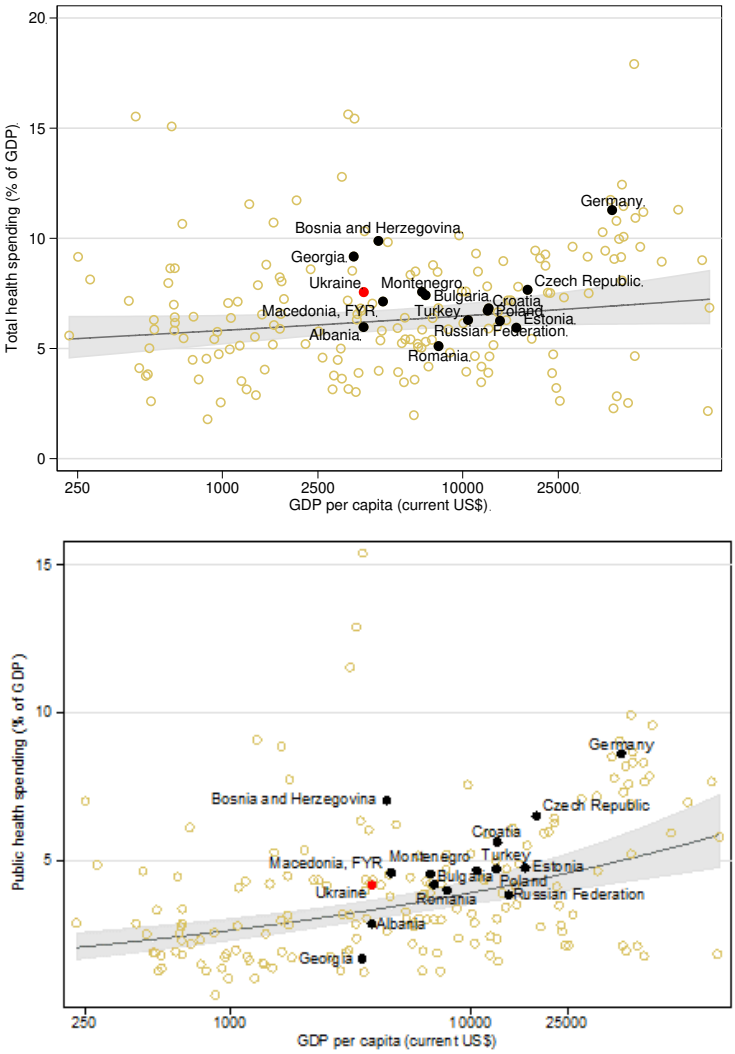
Ukraine spends 7.6 percent of its GDP on health, more that the global average for middle-income countries. Of that figure, out-of-pocket spending accounts for 3.2 percent of GDP and public spending for 4.1 percent. Inefficiencies and corruption, however, restrict the amount of funds that actually reach the health facilities. Despite increases in total health spending since 2000, additional funds have not led to more effective programs or better outcomes.[2,3]

[1]Valery Lekhan, Volodymyr Rudiy, and Erica Richardson, "Ukraine: Health System Review," *Health Systems in Transition* 12 (2010): 1-183; and Paolo Bell, Yuriy Dzhygyr, and Kateryna Maynzyuk, *How Is It working? A New Approach to Measure Governance in the Health System in Ukraine* (Washington D.C.: World Bank, 2013). http://health-rights.org/index.php/cop/item/how-is-it-working-a-new-approach-to-measure-governance-in-the-health-system-in-ukraine

[2] World Bank, "Overcoming Fiscal, Efficiency, and Equity Challenges in Public Education Spending," in *Improving Intergovernmental Fiscal Relations and Public Health and Education Expenditure Policy: Selected Issues*, edited by World Bank. (Washington D.C.: World Bank, 2008), 79-104.

[3] In 2013, Transparency International ranked Ukraine 144th out of 177 countries based on the level of corruption. Corruption in the medical/healthcare system was particularly high with 41 percent of those surveyed reporting paying a bribe to the medical and health services. This share was second highest after police to which almost half of those surveyed had paid bribes. "Global Corruption Barometer," Transparency International, available from: http://www.transparency.org/gcb2013/country?country=ukraine.

FIGURE 1: GLOBAL COMPARISONS OF TOTAL AND PUBLIC HEALTH SPENDING RELATIVE TO GDP PER CAPITA



Source: World Development Indicators and WHO NHA, 2014

Out-of-pocket payments might seem out of place in a purportedly free public health system. Indeed, Article 49 of the Constitution of Ukraine clearly states that healthcare is to be financed by the government budget and delivered free of charge. In reality, however, the health system is largely funded by formal or informal private payments.[4] Certain nonessential services fall outside of the healthcare package that the government has committed to provide. These include dental services, laboratory testing without referral from a health worker, fertility treatment, and abortions (excluding those performed for medical or social reasons).[5] In contrast, informal payments are those made to

[4] In 2012, out-of-pocket payments represented more than 42.4 percent of total health spending and 3.2 percent of GDP. Previous estimates also indicated that 21.4 percent of the population spent more than 40 percent of non-food consumption on health. The high level of out-of-pocket spending creates severe financial barriers for the poor and might lead to catastrophic expenses for those who seek care or need to purchase medicines. Almost 15 percent of households did not access healthcare when needed, with the vast majority (over 80 percent) citing high costs at the point of service.

[5] These were determined by the Cabinet of Ministers Resolution #1138 from 17 September 1996. For the full list of services, see http://zakon0.rada.gov.ua/laws/show/1138-96-%D0%BF).

individual and institutional providers, in kind or in cash, outside official payment channels, or are purchases meant to be covered by the healthcare system. This encompasses "envelope" payments to physicians, "contributions" to hospitals, as well medical supplies and drugs purchased by patients from private pharmacies that should be covered by government-financed healthcare services.[6]

Government attempts to narrow the package of services provided free of charge allowed individual facilities to determine which types of services are covered by the budget and which are subject to user fees. A lack of transparency in this process has contributed to the rise in informal payments.

Results from a recent nationally representative household survey indicate that 53 percent of people had paid for healthcare services informally in cash at some point.[7] Apart from direct informal payments to physicians, contributions to charitable funds are also often considered to be informal payments. In the 1990s charitable funds emerged in the health sector under the pretext of supporting healthcare facilities and generating additional financial resources.

Article 18 of the Law of Ukraine (on the legal foundation of healthcare) states "All healthcare providers have the right to use funds voluntarily transferred by enterprises, institutions, organizations, and individuals." Despite the law clearly stating that charitable contributions are voluntary, patients are often asked to make mandatory contributions in exchange for the provision of services.[8] In addition, the law prohibits charitable organizations from using more than 20 percent of their total income in a given year on administrative expenses. This means at least 80 percent of contributions must be transferred to the health facility. However, the lack of transparency in financial reporting makes it difficult to determine what share of the contributions actually reaches the facility.

Olena Kucheruk, Public Health Program Initiative Manager at the International Renaissance Foundation (IRF), said:

> "Today, it is not a secret for anyone that medical services are not free and individuals must pay for such services out-of-pocket. Essentially, I, as a patient, pay three times. First, I pay when I pay taxes from my salary, which are then transferred through budgetary allocations toward healthcare. Second, I pay when, upon hospitalization, I am asked to make a contribution to a charitable fund for the needs of the health facility. Third, I pay directly when I pay doctors or purchase medicines from the pharmacy. Given these three sources of

[6] Maureen Lewis, "Who Is Paying for Healthcare in Eastern Europe and Central Asia?" (Washington, D.C.: World Bank, 2000).

[7] Tetiana Stepurko et al, "Informal Payments for Healthcare Services – Corruption or Gratitude? A Study on Public Attitudes, Perceptions, and Opinions in Six Central and Eastern European Countries." *Communist and Post-Communist Studies* 46 (2013): 419-431; and Bernd Rechel, and Martin McKee. "Health Reform in Central and Eastern Europe and the Former Soviet Union." *The Lancet* 374 (2009): 1186-95.

8 Valery Lekhan, Volodymyr Rudiy, and Erica Richardson, "Ukraine: Health System Review."

financing, our health system is made from gold. Unfortunately, however, it is extremely ineffective and opaque in the way it utilizes the existing funds."[9]

Tackling these unconstitutional informal payments was the principle issue that the IAA campaign sought to address. Although the practice was common knowledge, no analysis had been done and, prior to the IAA campaign, no significant attempt made to remedy the situation.

THE IAA CAMPAIGN

In Poltava the issue of informal payments was originally placed on the agenda in 2010 by a well-known charitable organization called Light of Hope. Light of Hope was an important player in Poltava's health sector, serving vulnerable populations including women and children, the homeless, former prisoners, people living with HIV/AIDS, tuberculosis patients, individuals with hepatitis, and drug users. It worked closely with public health facilities to ensure the provision of services for its target populations.

One of the collaborating health facilities had asked Light of Hope to make a contribution to a charitable fund to help repair a health facility. Despite offering to make an official contribution directly to the facility, Light of Hope was encouraged to contribute through the charitable fund instead. As Light of Hope was working to establish transparency, it believed that this issue required further attention from the local government. At the time, Maxim Demchenko, the executive director of Light of Hope, was a member of the local district council. He used this position to discuss the issue with the deputy mayor of Poltava, Dionisiy Kaplin, who was responsible for overseeing the health sector.

Believing that the issue required attention from the municipal authorities, Kaplin presented the problem to the mayor of Poltava. While the phenomenon of charitable funds in the health system was common throughout Ukraine, there was only one charitable fund, the International Fund for Traumas and Diseases, which operated in all eight municipal health facilities in Poltava.[10] This fund had a monopoly over all private charitable contributions to health facilities, yet it provided no financial information or reports.

The mayor initially agreed to address this issue. Yet following a meeting with the head of the International Fund for Traumas and Diseases, the mayor received a call from the office of the Prime Minister of Ukraine indicating that the issue should not be pursued further. Under the presidency of Viktor Yanukovych this was not surprising.

[9] Interview, November 19, 2014.
[10] The fund is closely linked to the former Minister of Health, Mykola Polischuk.

Victoria Tymoshevska, Public Health Program Initiative Director with the IRF, explained:

> "Yanukovych established a pyramid to collect corrupt exactions. The lower levels in this pyramid were given guarantees that they would be protected as long as they made a monthly payment of some established amount. Therefore, it does not surprise me that someone from the Prime Minister Azarov's office called in the beginning stages of these efforts and demanded for this issue to be dropped."[11]

Given the difficulty of addressing this issue at the administrative level, Kaplin decided to leak information about the corrupt schemes to the media. This sparked public interest in the issue and several news articles appeared that directed questions at health officials in Poltava. At the same time, patients were beginning to voice their dissatisfaction with the current state of affairs.[12]

While Light of Hope wanted to pursue the matter further, it feared that advocating for greater transparency in charitable funds could harm its relationships with health facilities. Light of Hope received signals that pursuing the issue could threaten service agreements with health facilities and its access to subsidized rent for certain spaces. Fearing negative consequences for Light of Hope's patients, the CSO decided to halt advocacy efforts, at least temporarily, and focus on researching the issue. During this time, Light of Hope consulted closely with its partners and funders, with the IRF, the All-Ukrainian Network of People Living with HIV/AIDS, and Yuriy Nestulya, a civil society activist who had worked with the organization on a number of other issues. To avoid severing ties and losing access to facilities, Light of Hope decided not to advocate on the issue, but serve as a consultant and offer expert advice.

In March 2013 Yuriy Nestulya and Dionisiy Kaplin founded the IAA with the aim of carrying out a high-quality analysis and advocating for greater transparency and accountability in the public sector.[13] The first issue that was addressed by the newly founded organization was the corruption surrounding informal payments in health facilities.

THE IAA CAMPAIGN GOALS AND STRATEGIES[14]

To shed light on the informal payment system, and challenge corruption in Ukrainian healthcare, the IAA sought to make the financial interactions between charitable funds and health facilities transparent and accountable to the public. The campaign focused on corrupt payments to the charitable funds associated with healthcare facilities, because these could be more easily tracked

[11] Interview, November 21, 2014.
[12] See, for example, http://www.poltava.pl.ua/news/1851/ and http://poltava.to/news/14315/.
[13] Due to diverging interests, Kaplin subsequently left IAA and is currently the executive director of the Analytical Center of Civil Society Development (the original name of the IAA).
[14] See Figures 5 and 6 for outlines of the IAA goals, strategies, and theory of change.

than those made directly to doctors. Through its campaign, the IAA wanted to ensure that patients' rights were protected and that access to healthcare was not restricted by a system of corrupt payments.

CONDUCTING RESEARCH AND GATHERING EVIDENCE

Given the sensitive nature of the topic, and based on earlier experience with this issue, the IAA and its partners believed that they first needed to gather evidence regarding the size of informal payments and map out the associated corruption schemes before they engaged directly with government officials. This was identified as a crucial starting point by stakeholders who were interviewed. "Often we [CSOs] speak passionately about certain issues, but when we approach a government official, we fail to provide convincing arguments for change," said Light of Hope Executive Director Demchenko. "We needed clear and concrete arguments as to why this problem negatively affects the health system and why it needs to be addressed."[15]

Having solid information was identified as an important way to minimize risks for the IAA, given the sensitive nature of the issue. "Corruption is a professional business," said the IRF's Tymoshevska, "going in to fight against corruption without a similar professional understanding of all the mechanisms involved would be deadly for an organization and carries serious risks for the individuals involved. Without proper documentation and facts that could be used as evidence in a courtroom, anti-corruption campaigns are doomed to fail."[16]

The IAA collected information in various ways. In 2013 it conducted a survey to gather information regarding the prevalence and average amounts of informal payments. The sample consisted of 800 individuals residing in the Kyiv, October, and Lenin districts of Poltava, and was representative at the city level. The survey was funded by the IRF, a key partner in the campaign.[17] Over the period of a week, volunteers asked patients who were exiting health facilities to pass on receipts of any payments they had made to charitable funds (see Figure 2). This documentation enabled the IAA to estimate the total amount that patients were contributing to charitable funds.

[15] Interview, November 20, 2014.
[16] Interview, November 21, 2014.
[17] The IRF is a CSO funded by George Soros and is part of the Open Society Foundations network. As indicated in its Strategy for 2014-2017, the IRF's mission is to combat government corruption by amplifying public pressure and catalyzing anti-corruption reforms. Public health was identified as one of the three key areas in the anti-corruption field. IAA's strategy aligned well with that of IRF. As a result, IRF funded both the Poltava study and the 11 regional studies. As an established organization with a large network of grantees, the IRF provided invaluable mentoring and technical support throughout the process. At the time the campaign was being developed, IRF's public health program had been primarily focused on aiding CSOs that worked with vulnerable populations. Although this project was outside the scope, the IRF believed the experience with anti-corruption campaigns was crucial and thus entrusted IAA to address this issue at the local level.

FIGURE 2: RECEIPT FROM THE CHARITABLE FUND OPERATING IN A HEALTH FACILITY IN POLTAVA


КВИТАНЦІЯ № 036957

Міжнародний Фонд допомоги хворим з наслідками травм і захворювань

ПІДТВЕРДЖУЄ НАДХОДЖЕННЯ ГРОШОВОГО ВНЕСКУ

В СУМІ ( ) грн.

ВАШІ КОШТИ БУДУТЬ ВИКОРИСТАНІ ДЛЯ ФІНАНСУВАННЯ ЛІКУВАЛЬНОГО ЗАКЛАДУ, В ЯКОМУ ВИ ОБСЛУГОВУЄТЕСЬ

Менеджер Фонда: Тел. /0532/ 53-25-86

Translation: Receipt # 036957. International Fund for Traumas and Diseases. Confirms the receipt of a monetary contribution in the sum of 20 UAH ($1.30). Your funds will be used to finance the health facility, in which you are being serviced.

At least 43 percent of those surveyed indicated that they informally "thanked" the doctor for free medical services, of which 21 percent (9 percent of the full sample) said that they were encouraged to do so. While patients could refuse to pay and demand the right to free healthcare, the study found that such instances were rare, with patients generally paying a "fee" in exchange for the needed services.

During the data collection process, the IAA took steps to protect itself from possible risks associated with uncovering corruption schemes. They studied existing legislation to understand their rights and established a working relationship with local law enforcement agencies. Several threats were reported during the process of data collection. Yuriy Nestulya, the executive director of the IAA, was threatened with a lawsuit, and doctors made physical threats to the volunteers collecting receipts at the health facilities.

To corroborate the results from the individual survey and estimated payments collected through receipts, the IAA also attempted to collect data on the amount of money actually transferred from the charitable funds to the health facilities. IAA used the law on access to public information to solicit information from health facilities and government agencies.

Health facilities and charitable funds, however, resisted.[18] Most health facilities refused to provide any information regarding the charity organizations that operated on their premises and would not disclose financial information. In fact, it appeared that some facilities had coordinated their responses to such requests. Three facilities sent identical responses, arguing were not obliged to disclose such

[18] Government officials were not informed about the individual and patient exit surveys.

information because the funds were charitable rather than public finance. Other reasons to withhold information included the defense of commercial secrets and the freedom of contract. [19, 20]

Given these obstructions, the IAA pursued other avenues to obtain financial information. They worked with the All-Ukrainian Network of People Living with HIV/AIDS,[21] which at the time was collaborating with the Anti-Corruption Action Center (ANTAC) on a campaign related to the procurement of HIV and tuberculosis drugs. The network was able to share its experience, outlining approaches that were effective in obtaining information from government agencies, particularly regarding the use of the law on access to public information and formal inquiries.[22]

Citing the law, the IAA requested access to the health facilities' tax reports, which included financial information. The most fruitful approach, however, was an inquiry made to the Poltava City Council's Department of Health, which provided IAA with the total amount of contributions transferred to health facilities in Poltava.

When IAA compared this figure to the amount of charitable contributions their survey indicated patients were giving, they discovered a massive short fall. Despite the law requiring charitable organizations to transfer at least 80 percent of the contributions, only 16 percent of funds were making it to the facilities, according to the council's records. The key question raised by the IAA was "Where is the remaining 64 percent going?" The IAA presented several common techniques used to disguise and divert these contributions. (A detailed diagram is presented in Annex 1.)

During the analytical work, it was also determined that the charitable funds were not required by law to enter into any contracts with health facilities, nor to establish accountability or reporting mechanisms.[23] While health facilities needed to report additional sources of revenue to the health department, charitable funds were not subject to any reporting requirements. According to Yuriy Romashko, "It is almost impossible to obtain any information regarding the allocation and utilization of contributions to [charitable funds in hospitals]. Any request for such information is usually met with resistance or suspicion."[24]

[19] Article 17 of the law on "Charity and Charitable Organizations," clearly stipulates that the financial information of charitable organizations shall not be treated as a commercial secret.
[20] Under Ukrainian legislation, it is up to the parties involved to decide whether or not they should enter into a contract and what the contract should stipulate.
[21] The network is well known both at the national and regional levels, not only as a service provider but also for its strong advocacy campaigns. Light of Hope belongs to a network of service providers affiliated with the All-Ukrainian Network of People Living with HIV/AIDS.
[22] Through this collaboration, IAA was also able to attend several trainings and workshops conducted by the Anti-Corruption Action Center on various topics related to anti-corruption methods.
[23] In the process, two other resolutions from the Cabinet of Ministers were identified, but after careful analysis it appeared that they were more declarative in nature and did not establish a binding reporting mechanism.
[24] Interview, November 11, 2014.

MAKING USE OF THE MEDIA

The IAA was able to analyze and interpret the evidence provided by the survey to challenge certain myths related to charitable funds and healthcare, and disseminate their findings in the local press. This was an important step towards ensuring that both civil society and government officials understood the main aspects of the problem and that all stakeholders were equally informed. Box 1 summarizes some of the myths challenged through the media.

BOX 1: MYTHS RELATED TO CHARITABLE FUNDS IN HEALTH FACILITIES

Myth 1: Health facilities will not be able to operate without charity funds

The media often reported that donations from charity organizations to health facilities represented 10 to 15 percent of the government budget for the health sector. However, according to the study, transfers from charitable funds to health facilities constituted less than 2 percent of total spending on health facilities.

Myth 2: Charity funds are the only legal means to attract additional financing

Other legal mechanisms are available to raise additional sources. The Resolution of the Cabinet of Ministers 1138 of 17 September 1996, identifies a list of paid services to be delivered at government owned health facilities. Moreover, the legality of charitable funds can also be questioned for a number of reasons. For example, charity funds are forbidden by law to give change on contributions, but such practices are widespread in all health facilities.

Myth 3: All contributions made to the charity funds are used to finance the health facility

Estimates performed as part of the study suggested that a significant portion of contributions to the charity funds is not used to finance the health facility.

Myth 4: Contributions to charity funds improve the quality of medical care

As indicated by various studies, patients did not note improvements in the quality of healthcare over time.

Myth 5: It is impossible to receive care without making a payment to the charity funds

The results of the household survey suggest that individuals, who know their legal rights and do not feel compelled to make contributions to charitable funds, are able to receive medical care free of charge.

Myth 6: Charitable funds have the right to receive payments for medical services

Charitable funds collect charitable contributions and donations. Contributions to charitable organizations cannot be used as payments for medical services.

Source: IAA (2014).

The IAA campaign engaged with the media at every step of the process. The local media continuously covered the issue and referenced the findings from the IAA study on several occasions.[25] The IAA specifically targeted an independent online news source popular with government officials called Poltavschyna. In a meeting with Poltavschyna's health correspondent, the IAA outlined its arguments and presented the findings of its research. Given the relevance of the topic, Poltavschyna was interested in collaborating with IAA on this issue. As part of its media campaign, the IAA emphasized that contributions to charitable funds were entirely voluntary. In order to educate patients on this issue, the IAA distributed information flyers to patients entering a health facility.

In July 2014 the IAA convened a national press conference on eliminating informal healthcare payments at the Ukrainian Independent News Agency (UNIAN) in Kyiv. The panel consisted of Yuriy Nestulya; Dmytro Sherembey, head of Patients of Ukraine; Maxim Demchenko, executive director of Light of Hope; and Olena Kucheruk, Public Health Program Initiative Manager at the IRF.

Given that the IAA was relatively unknown at the national level, Patients of Ukraine helped to publicize the event and act as an expert on the panel.[26] A number of national media sources covered the press conference.[27] For example *Nashi Groshi* (Our Money), a prominent online publication that focuses on the issue of corruption and transparency, picked up the story.[28] However, Oleksa Shalayskiy, chief editor of *Nashi Groshi* argued that, given the relevance and topical nature of the issue, the campaign could have garnered more substantial media attention at the national level. He suggested that the reason for the limited media attention was the absence of a name behind the corrupt schemes. The IAA had decided to avoid using the names of the charitable funds involved in the corrupt schemes. Executive Director Nestulya described the IAA's reasoning:

> "As soon as we started collecting information, charitable funds claimed that we were pursuing this issue and were funded by the International Renaissance Foundation (IRF) because the IRF wanted to enter the playing field and replace the existing charitable funds in Poltava. Of course, IRF was in a completely different line of work, but because of this situation we decided not to publicize the name of the main charitable fund in Poltava. . . . We did not want to turn this into a name game, but instead wanted to focus on achieving systematic change.

[25] For examples, see http://www.poltava.pl/ua/news/26068; http://www.poltava.pl/us/news/27086; and http://www.poltava.pl/us/news/26365.
[26] See http://health.unian.ua/country/938669-u-likarnyah-neobhidno-zaprovaditi-prozoru-sistemu-platejiv-eksperti.html
[27] After the conference, Nestulya and Kucheruk were invited to a radio talk show on Radio Era to discuss the findings of the study. See http://eramedia.com.ua/article/204913-ya_hochu_rozvyati_mf_pro_nedostatnst_koshtv_na_ohoronu_zdorovya/#.U84cngUFX9M.facebook. In addition, Nestulya published a blog entry on a prominent Ukrainian online newspaper Ukrainska Pravda, available at: http://life.pravda.com.ua/columns/2014/07/21/175537/.
[28] See http://nashigroshi.org/2014/07/07/sekrety-likarnyanyh-fondiv/

Moreover, we were not fighting against a specific charitable fund but rather against the phenomenon."[29]

PROPOSING SOLUTIONS TO THE PROBLEM

The IAA consulted several experts to identify potential solutions, including Maksim Demchenko of Light of Hope, and Dmytro Sherembey, the head of Patients of Ukraine.[30] Sherembey was particularly interested in identifying effective bottom-up approaches for anti-corruption campaigns and was keen to work with the IAA to understand local challenges and explore the possibility of replicating such campaigns in other regions.

The IAA analyzed potential solutions to the problem, presenting the advantages and disadvantages of each approach. This was an important step in the campaign; many stakeholders indicated that CSOs often fail to garner the government's attention because they do not provide solutions to the problems they raise. Therefore, the IAA was keen to develop recommendations and justify its proposal. Three approaches to the problem were considered. Table 1 outlines the advantages and disadvantages of each approach.

[29] Interview, November 11, 2014.
[30] Patients of Ukraine had previously focused on corruption issues in the procurement of medicines and had participated in several well-publicized campaigns.

TABLE 1: ADVANTAGES AND DISADVANTAGES OF THE PROPOSED APPROACHES

Approach 1: Eliminate charitable funds on the premises of health facilities and introduce official fees for certain services	
Advantages	**Disadvantages**
Elimination of corrupt schemes related to charitable funds Health facility in control of the additional funds Absence of mandatory "charitable" donations Lower average cost of treatment Higher level of trust toward medical personnel	Absence of additional financing Lower quality of medical care Possible negative attitudes of patients toward their right to free medical care Other non-transparent schemes could emerge to replace the lost financing
Approach 2: Establish new transparent charitable funds to operate in each health facility	
Advantages	**Disadvantages**
Elimination of corrupt schemes related to charitable funds Ability to control the financial activities of the charitable organization Improvement in the quality of interaction between the health facility and the charitable organization Improved quality of care	Increased amount of time needed to monitor the charitable organization Changed health facility leadership could result in changes in the contract Possibility of reverting to non-transparent practices
Approach 3: Introduce a centralized accountability mechanism to monitor charitable funds operating in a defined territory	
Advantages	**Disadvantages**
Elimination of corrupt schemes related to charitable funds Creation of new mechanisms for interaction between the health facility and the charitable organization Greater efficiency of charitable spending Larger amount allocated to the health facility	Possibility of reverting to non-transparent practices Changed health facility leadership could result in changes in the contract Risk of the appearance of non-transparent schemes with changes in political leadership

Source: Institute for Analysis and Advocacy, *Analytical Report on Combatting Corrupt Exactions for free Healthcare Supported by the International Renaissance Foundation* (Ukraine: IAA, 2014).

SEEKING A TRANSPARENT CONTRACT BETWEEN HEALTH FACILITIES AND CHARITABLE FUNDS

Based on a detailed analysis of the advantages and disadvantages of the proposed options, the IAA identified the following principles as important criteria in developing a recommendation: transparency, formal definition of processes, fair conditions, and the voluntary nature of charitable contributions. These principles would establish a formal reporting mechanism with clear responsibilities, allowing patients to hold both parties accountable. As a result of these considerations, the IAA proposed a strategy that combined all four principles: the signing of a contract between the health facility and the charitable fund to ensure transparency and fairness and to clearly define activities. The IAA decided that this would be the best strategy to pursue to address this problem in the short-to-medium term.

Initially, the IAA targeted the chief doctors at health facilities and the municipal department of health. Based on the available financial information and responses to official inquiries, the IAA identified three key targets for its strategy: municipal hospital #1, municipal hospital #4, and Poltava's City Council Department of Health. The two hospitals received the largest amounts of financial contributions from

the charitable organization, and the IAA believed that at least one of them was responsible for coordinating with the other facilities. Moreover, some of the responses to the IAA's inquiries for public information were inconsistent with information provided by the facilities themselves. The IAA Deputy Executive Director Yuriy Romashko recalls:

> "One day, we opened the online news source *Poltavschyna* and saw that the chief doctor of the fourth municipal clinical hospital said that charitable funds are necessary and that without them health facilities would not be able to function. The following day, we sent an official request to the fourth municipal clinical hospital asking them to provide information as to how the charitable fund had helped them in the past. In other words, how much money or other resources did the facility receive from the charitable fund? To which we received the following reply: 'We did not receive any money or help from the charitable fund. Please contact the fund for any information.' That is, yesterday they say that we can't function without the charitable funds because they provide essential support, but in the official reply they state that they did not receive any support from these funds. We understood that we needed to target this facility and to obtain more information to understand the full extent of the facility's involvement in such schemes."[31]

The IAA published the results of the study and presented the findings to the municipal and regional departments of health. Based on meetings and discussions with the IAA, the municipal department established working groups with the chief doctors of Poltava's health facilities. However, the chief doctors often failed to show up at these meetings or were reluctant to cooperate. When they did attend, they gave evasive answers that did not allow the IAA to identify the true beneficiaries of these schemes. The IAA Executive Director Yuriy Nestulya also found the head of the Poltava City Council Department of Health quite passive in his support:

> "We took a tougher stance at the municipal level as compared to the *oblast* level, but the response was still minimal. We wrote to the prosecutor's office and submitted complaints regarding chief doctors who were hiding public information, but in turn we simply received a response from the local government stating that such activities would be reviewed and we would be informed about the result of the investigation within 20 days. Of course, we never received any subsequent notifications."[32]

Given the obstructions at the municipal level, the IAA decided to temporarily switch tactics and establish a strong working relationship with Viktor Lysak, head of the Department of Health of Poltava

[31] Interview, November 11, 2014.
[32] Interview, November 10 2014.

Oblast.[33] Many referred to Lysak as a reformer, noting his commitment to reforming the existing health system and implementing new models of health service delivery.[34] It also appeared that he did not have any direct ties with the charitable organizations and thus no conflicts of interest. At the *oblast* level, the reaction was almost the exact opposite to that of the municipal officials, as Lysak was keen to address the issue. The IAA's findings were presented along with ongoing complaints from patients regarding the operations of the charitable funds.

After numerous meetings with the IAA, spurred on by hearing patient complaints, Lysak issued Order #924 regarding voluntary contributions and donations to healthcare providers. This order mandated hospital administrations to publish financial information and prohibited employees from collecting charitable contributions. It also stressed the voluntary nature of such contributions and made clear that donations to charitable organizations should not be treated as payment for medical services. In addition, it stipulated that a charitable organization could not be located on the grounds of a health facility. The order demonstrated the commitment of the regional department to combatting this issue and placed it at the top of the region's health agenda. Lysak fully supported the IAA's efforts to establish transparent and accountable public health services.

Although Order #942 was an important signal and a key achievement of the campaign, it had little binding authority, particularly for the municipal health facilities. While municipal health facilities are technically under the governance of the *oblast* health department, direct financial control falls to the municipal government. In practice the municipal department of health is able to exert more pressure on municipal facilities than the regional department of health.[35]

One of the IAA's goals was to set a precedent by getting at least one hospital to sign a transparency contract with a charitable foundation and make financial information publicly available. To achieve this, the IAA targeted Grygoriy Oksak, the newly appointed chief doctor of the Poltava Regional Hospital of M.V. Sklifosovskogo. The hospital's previous chief doctor had resigned amid corruption allegations. The IAA saw this as a window of opportunity and was determined to convince Oksak to sign the proposed contract with the charitable organization.

Lysak was also keen to establish a precedent and urged Oksak to sign a contract. Oksak, in turn, believed that the charitable funds were an important source of additional financing. Given the rigid

[33] Lysak first joined the Department of Health of Poltava Oblast' in 1999 when he was appointed the first deputy head of the department. In 2004, he was appointed as the head of the department and has held the position ever since, except for a minor break in 2010, when he served as the deputy Minister of Health.
[34] In 2011, three *oblasts* (Vinnytska, Dnipropetrovska, and Donetska) and the city of Kyiv were selected to pilot models of health systems reform, including the restructuring of primary care to roll out family medicine. The pilot regions were given additional funds from the budget to implement these reforms. Despite not being designated a pilot region, Lysak decided to pledge Poltava Oblast to pilot primary healthcare reforms. As a result of positive changes, Poltava has been identified as one of the leaders in health reform. See http://www.kmu.gov.ua/control/publish/article?art_id=247648798
[35] See http://www.poltava.pl.ua/news/27650/

constraints of the government line-item budget, the hospital was often unable to perform unexpected repairs on equipment or purchase expensive medication on short notice. The donations from the charitable organizations were a flexible source of funds that the facility could spend according to its actual needs. Oksak fully supported the IAA's initiative, believing that making the charitable funds transparent may help to attract more voluntary contributions, as patients would see improvements in the quality of care.

However, the charitable organization which was operating on the premises of the Poltava Regional Hospital refused to sign the contract. The hospital responded by severing ties with the organization and bringing in a new charity, the Association of Family Doctors, that was willing to sign. The contract was drafted by the IAA and was signed by both parties on 17 February 2014. It outlined the responsibilities of the charitable fund and the health facility for attracting additional financial resources and for improving the effectiveness and efficiency of using the funds to provide citizens with high quality healthcare.

The contract specified that the collection of funds must be done in accordance with legislative requirements through such means as self-service terminals, charity boxes, and deposits at local bank branches. The contributions were to be donated to the health facility and the charitable fund could use up to 20 percent of the total amount of contributions for administrative purposes. It also required both sides to report on the amount donated to the health facility each month. The health facility was also required to report its expenditures. A committee, consisting of the chief doctor, employees of the facility, and a representative from the charitable fund, would determine how the funds were spent. To ensure transparency and public awareness, representatives of CSOs and the media would be invited to attend the joint sessions.

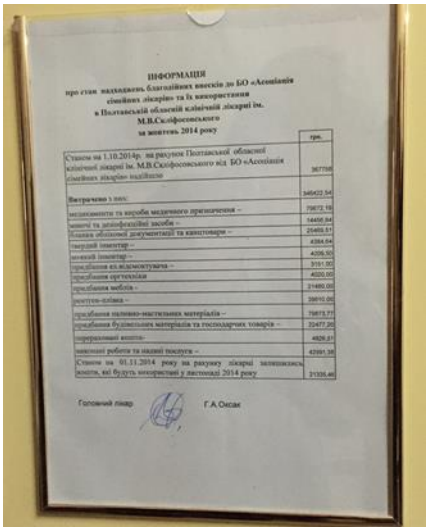
Responding to problems encountered in the past, the IAA insisted that the contract explicitly stating the structure and size of revenues and expenditures of the charitable fund, and the conditions for their use, were not commercial or trade secrets. The charitable fund was also required to respond to inquiries and provide appropriate information requested by government officials or legal entities.

The regional hospital now publishes monthly reports on the sum of contributions received from the charitable fund and the corresponding expenditures. The reports are posted on the hospital's website and on a bulletin board in the hospital (see Figure 4).[36] Between February and October 2014, the hospital received 367,758 UAH (US$24,517) from the charity. The IAA understands that the contract is not a panacea, as there remains a risk that the charitable organization and health facility will not

[36] See http://okl.poltava.ua/доступ-до-публічної-інформації

comply with the terms of the contract. Therefore, it continues to monitor these reports and to verify the information to the extent that is possible.

FIGURE 1: BULLETIN BOARD IN POLTAVA REGIONAL HOSPITAL DISPLAYING FINANCIAL INFORMATION RELATED TO THE CHARITABLE FUND



The IAA hopes that the experience of the regional hospital will encourage other health facilities to enter into contracts with charitable funds. Executive Director Nestulya sums up the experience:

> "Chief doctors feared that they would lose contributions from charitable funds if they were forced to sign a contract. The experience with the *oblast* hospital, however, showed that transparency does not hinder cooperation between the health facility and the charitable fund. In fact, the oblast hospital is now able to control how and when it spends the money from the charitable funds and is able to access the money directly from its own account. This serves as an example for other facilities, and we hope that other facilities will be more likely to follow suit."[37]

ADVOCATING LEGAL REFORM

Faced with problems in addressing this issue at the local level, and lacking a legal foundation to secure its efforts, the IAA knew that bringing about change in other regions of Ukraine would be even more challenging. Even in Poltava, it had been difficult to align the activities of the municipal and regional health authorities. Instead of trying to tackle the issue in other regions on a case-by-case basis, the IAA decided to draft a national law on "Ensuring Transparency of Charitable Funds Operating in the Health Sector" which would require all health facilities and charitable funds to make

[37] Interview, November 10, 2014.

their financial transactions transparent and accountable. The IAA Deputy Executive Director Romashko explained why a firm legal foundation was important in going forward:

> "Without a legal basis, there is room to maneuver. The contracts [between the health facility and the charitable funds] do not fully solve the problem. Tomorrow, for example, they can terminate the contract or change its stipulations. If there is a law, however, then facilities and charitable funds must report and be held accountable regardless of whether they have entered into such contracts."[38]

The draft law was initially developed by the IAA's Nestulya and Romashko; by Light of Hope's Demchenko, who is also head of the legal department at the IAA; and by Dionisiy Kaplin, executive director of the Analytical Center of Civil Society Development and a former member of the IAA. Given that the law had to be registered by a member of parliament, the IAA solicited support from parliamentarians whose constituents were in Poltava by sending them a draft of the law and an analytical note explaining its significance. Sergiy Kaplin was the only parliamentarian who responded to the request and fully supported the initiative. Kaplin subsequently registered the draft of the law #4019a in parliament on 5 June 2014.[39] As key stakeholders agreed in interviews, Kaplin had a history of supporting anti-corruption initiatives, and thus it was not surprising that he supported this draft law.[40] The draft law was still under review at the time of writing.

THE CAMPAIGN ACHIEVEMENTS WITHIN THE BROADER POLITICAL CONTEXT

The advocacy campaign gained momentum during the so-called "Euromaidan Revolution," which began in late 2013 when the government renounced its decision to sign the European Union (EU) Association Agreement. Civil society demands to eliminate corruption were an important element of the movement. After a series of government-orchestrated violent attacks on protesters, which killed more than 100 people, President Yanukovych fled the country on 22 February 2014, and an interim government was appointed.

As a result of the revolutionary movement, civil society was mobilized to fight corruption in all spheres of public life. The widespread support for cleaning up government likely explains some of the success of the IAA's campaign. For example, the contract between the regional hospital and the charitable organization was signed at the height of the revolution in February 2014. As one stakeholder said: "Society clearly actualized the demand to eliminate corruption. It thus became politically inappropriate to actively work against anti-corruption campaigns. Politicians quickly understood how they should

[38] Interview, November 11, 2014.
[39] See http://espreso.tv/news/2014/06/10/nardep_vid_udaru_proponuye_uzakonyty_pobory_v_likarnyakh
[40] For example, in 2013, he established an organization called People's Anti-Corruption Army to fight against issues of corruption. See http://poltava.to/news/20457/.

and shouldn't act with regard to such campaigns. Society's tolerance for corruption decreased substantially."

In this political climate civil society movements and anti-corruption campaigns gained a more prominent role in decision-making processes. After registering the draft law related to charitable fund payments to health facilities in the parliament, the IAA pushed for it to be included in the Reanimation Package of Reforms (RPR), a prominent initiative of civil society activists, experts, and journalists. The RPR supported progressive draft laws to be passed in the parliament. With the help of Iryna Ageyeva of the All-Ukrainian Network of People Living with HIV/AIDS, and Vitaliy Shabunin, an external adviser to the Anti-Corruption Action Center and a member of the RPR, the IAA was invited to present at the RPR civil society forum in July 2014. Representatives of the civil society voted for it to be included as part of the package of anti-corruption legislation and it was included as part of the package of healthcare reforms.

LESSONS FROM THE IAA CAMPAIGN

There are several elements of the IAA campaign that have significantly contributed to its success and impact. First, the IAA's decision to research, document, and analyze the financing of health facilities enabled it to challenge commonly-held claims relating to informal medical payments. It also led to the exposure of systemic corruption.

Second, the IAA had a strong network of organizations and individuals with links to local officials. The organization had important relationships with key CSOs (especially Light of Hope) as well as with relevant decision makers in the Potava region.

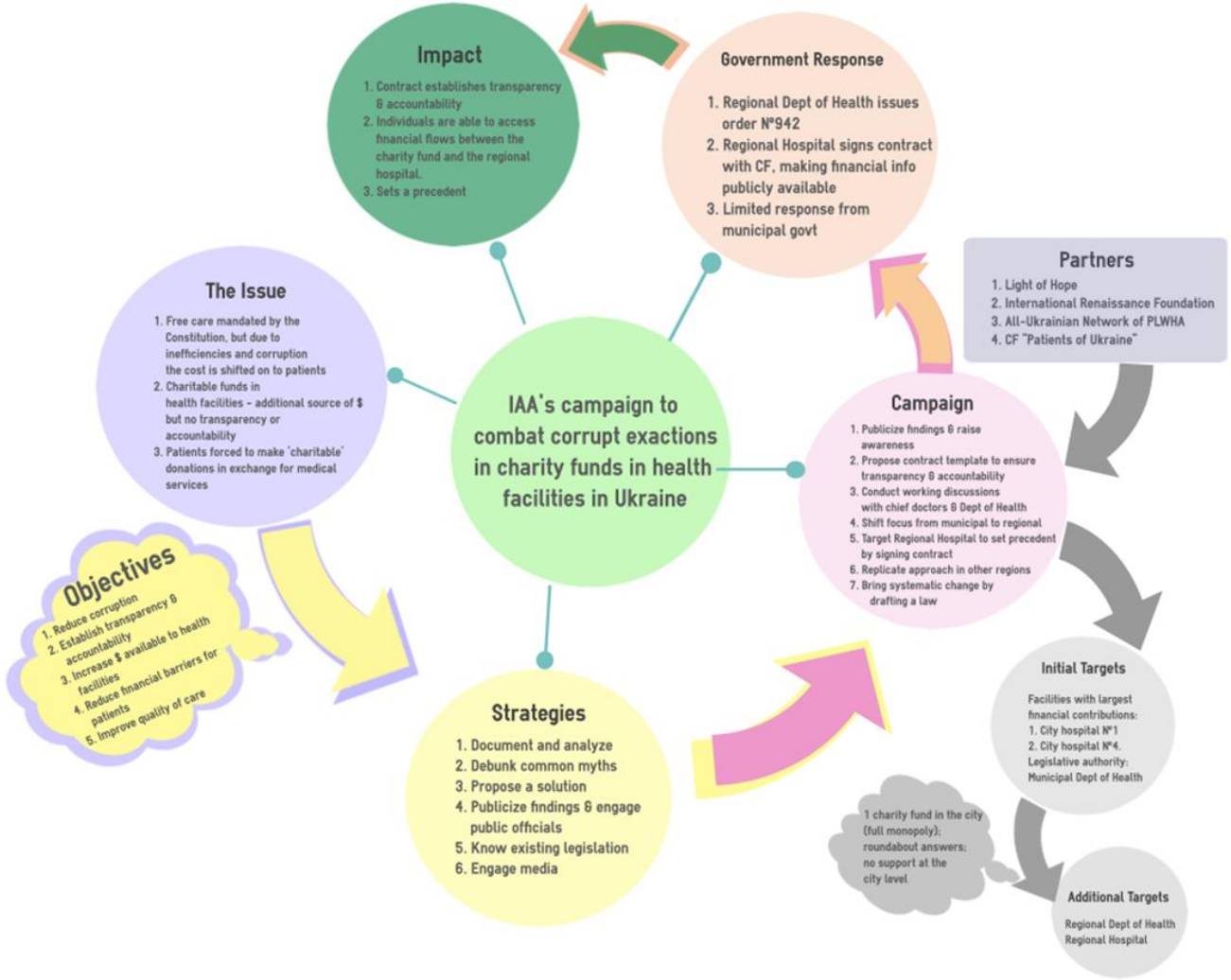
Third, the way in which IAA worked across levels of government is instructive. When they could not get traction with local hospitals, they started working at regional level. Once they had made some progress at regional level, they shifted attention to the national level to push for system-wide change. This shows how work across all levels of government may be required at different stages of campaigns. This examples provides support to recent debates related to the vertical integration of CSO campaigns.[41]

Finally, as noted above, political context was important. Progress would likely have been more limited if not for the "revolution," which changed the government and the general incentives of decision makers throughout the country. IAA was able to successfully leverage this shift to advance its agenda.

[41] Jonathan Fox, "Social Accountability: What Does the Evidence Really Say?" *GPSA Working Papers* 1 (2014). International Bank for Reconstruction/The World Bank.

One lesson that the IAA should take note of for future campaigns relates to the dissemination of information. The informational campaign could have been stronger and less localized. The IAA did not hire a public relations manager until September 2014, instead relying on the assistance of the informational networks of the IRF and Light of Hope. While collaboration and cooperation are important, having a centrally directed information campaign can be critical.

ANNEX 1: THE IAA CAMPAIGN



ANNEX 2: IAA'S THEORY OF CHANGE

Needs/Problem

- Despite the constitutional mandate of free healthcare, patients are forced to pay for services
- High levels of out-of-pocket payments, including contributions to charitable funds in health facilities exert financial barriers to access healthcare
- Patients are not able to track where the money goes.
- Lack of transparency and accoutnabiltiy, particularly in relation to the operations of the charitable organizations
- While the law grants individuals the right to inquire financial information from the charity funds, such requests are left unaswered and no enforcement mechanism is available
- The relationship between the health facility and the charitable organization is not clearly defined
- Low levels of quality of care and lack of improvement over time suggest that the donated money does not always reach the facilities
- Despite common knowledge of the phenomenon of informal payments, no systematic evidence or analysis of the situation had been conducted

Intervention

- Document the situation in Poltava. Conduct a household survey and analyze financial information to determine the extent of the problem.
- Develop and propose a solution to the problem - a draft agreement that clearly outlines the responsibilities of the charity fund and the health facility and establishes a transparent accountability framework
- Publicize findings from the study in Poltava and promote the need for a transparent accountability mechanism
- Work with local government officials to encourage facilities to make financial data publicly available
- Collect data in other regions in Ukraine

Output Indicators

- Head of the Department of Health in Poltava issues an order requiring facilities to make financial reports on donations/charitable contributions publicly available, re-emphasizing the voluntary nature of charitable donations, and prohibiting health workers from collecting such contributions
- A national press conference is conducted that garners attention to this isue at the national level

Outcome

- Poltava Regional Hospital of Sklifosovskogo makes financial statements availbale
- Poltava Regional Department of Health and the IAA sign a memorandum of cooperation and the Regional Council issues a letter of support of IAA's activities to establish additioanl sources of financing in education, health, and social protection

Impact

- Patients are able to monitor the financial flows between the charity fund and the Poltava Regional Hospital of Sklifosovskogo
- A precedent is set demonstrating that the contract does not hinder the relationship between the charitable organization and the health facility and establishes a transparent source of additional financing

Long-Term Goal

- Reduce corruption
- Establish transparency and accountability
- Increase the amount of additional funding for health facilities
- Reduce financial barriers to access healthcare
- Improve the quality of care