

# Ukraine: Combating Corruption Disguised as Charity

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Corruption takes many forms and guises, some seemingly innocuous. When governments fail to provide enough resources to deliver quality healthcare, can't charitable contributions help cover the gap? However, when charitable contributions are made to seem like requirements to receive services, and when the funds involved are opaque and unaccountable, there is cause for suspicion.

This case study describes how health advocates in the Ukrainian city of Poltava created the Institute of Analysis and Advocacy (IAA) to take on entrenched corruption in local health provision. The campaign involved action across different levels of government and service provision, from individual hospitals to the national legislature. Civil society activists also undertook a variety of complementary tactics to uncover and document corruption, and then to address the causes. All of this took place against a backdrop of the toppling of a corrupt regime during Ukraine's Euromaidan Revolution in 2014.

## THE ISSUE: A SOVIET-ERA HEALTH SYSTEM HOBBLLED BY CORRUPTION

The health system in Ukraine is largely based on the Soviet *Semashko* model, a highly centralized system of government-owned medical institutions. Funds to these institutions flow from the central government to regional and local government health institutions.

Ukraine's health system is actually relatively well funded, but inefficiency and corruption have seriously undermined its effectiveness. Health funding has increased since 2000, yet health outcomes have not improved. Ukrainian society is dealing with serious health issues, many due to social problems like very low wages and high unemployment that emerged after the collapse of the Soviet Union.

Part of the problem is that over 80 percent of the budget is consumed by salaries and there is very little flexibility to adjust to emerging health needs. Worse still, corruption has been on the rise. While the Ukrainian system is ostensibly publicly funded and free, the government has always excluded some services from state support, requiring out-of-pocket payments for procedures such as dental services. Simultaneously, charitable funds have been set up to contribute to health facilities. Yet their methods for collecting contributions have at times seemed coercive and there has been very little transparency on how the funds are spent.

Patients effectively pay as many as three times for medical services. They pay for public healthcare through their taxes. They might pay again if they require a procedure or medicine that is not covered by the government health budget. They likely pay a third time when they are asked, often without making clear that it is voluntary, to contribute to the health facility's charity fund.

Despite the growing financial contributions of patients, however, quality of healthcare was in decline at the time of the campaign. This begged the question of whether and how the additional funds were being used to improve health services. Prior to IAA's efforts, no significant attempt had been made to analyze or resolve this situation. The campaigners soon discovered that the issue was not only widespread, but touched the highest levels of government.

## THE CAMPAIGN

In the eastern city of Poltava, Light of Hope — a well-known charitable organization whose work in social services is featured in a separate IBP case study — first took note of the informal payments being made for health services in 2010. While Light of Hope was collaborating with a Poltava health facility, it was asked to make a contribution to a charity fund operating on the premises. Despite offering to make an official contribution directly to the facility, Light of Hope was encouraged to contribute through a charitable fund. As an organization founded to promote transparency, Light of Hope decided to conduct some due diligence on the matter, enlisting the support of the mayor to investigate.

But the investigation seemed to touch a nerve. Shortly after the mayor's enquiries began, he received a phone call from the office of the Prime Minister discouraging him from pursuing the issue any further.

Light of Hope grew concerned that advocating against the corrupt practices of charitable funds could harm its existing relations with health facilities, or lead to worse forms of government backlash, each of which could threaten its primary mission. The organization's leaders consulted other civil society activists in the area, who agreed to take on the issue. As a result, IAA was established in order to thoroughly understand what was transpiring with charitable health donations, and to analyze the legal framework that allowed the situation to persist.

Given the sensitive nature of the topic, IAA and its partners decided that they first needed to gather solid evidence. In the spring of 2013, the organization conducted a survey of 800 individuals as they exited health facilities, collecting the receipts on any payments they had made. During the process, doctors made physical threats against the volunteers conducting the survey, and the executive director of the IAA was threatened with a lawsuit.

To check the results of the survey against official records, IAA attempted to use the Law on Access to Public Information to collect data on funds reportedly transferred from the charities to the health facilities. The health facilities, however, uniformly denied the requests, often with identically worded responses that indicated collusion. As the donations were not part of the government budget, and because providing the information would comprise "commercial secrets" and the "freedom of contract," they claimed they could not divulge the data.

IAA drew upon the experience of allies in other civil society organizations (CSOs) in the region and attempted to instead use the access to information law to request the tax reports of the same health facilities. They also appealed directly to the Poltava City Council's Department of Health. Given the good relations CSOs had maintained with the department, it finally provided information on the total amounts transferred to health facilities by charitable organizations.

When IAA compared the Poltava health department's 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. The key question raised by the IAA was "Where is the remaining 64 percent going?"

IAA also discovered that charitable organizations were not required by law to enter into contracts with the health facilities they support, nor to provide any other accountability or reporting mechanisms.

To draw attention to these problems, IAA turned to the press. They presented the findings alongside a series of messages to dispel popular myths and misconceptions about health charities. For example, that it was impossible to receive care without contributing to charitable funds. Amidst growing public discontent with the Yanukovich regime, the national media picked up the story, and popular concern about the issue began to rise.

Building on the momentum, IAA turned to potential solutions. The organization drew up three distinct proposals for eliminating corrupt charity schemes and then consulted with its networks to thoroughly explore the advantages and disadvantages of each. The resulting strategy was to create a draft contract that health facilities could sign with their respective charitable donors to ensure a transparent reporting mechanism that would allow patients to hold both parties accountable. The health facility directors were not as receptive as they had hoped; indeed, many chief doctors simply refused to show up at scheduled meetings. IAA also found that its support from the city health department was waning.

### TACTICS USED BY THE IAA

- Conducting a survey of out-going patients to independently determine the kinds and amounts of payments made by them.
- Using Ukraine's freedom of information law and political allies to gain comparable data on charitable contributions to hospitals.
- Sharing the findings with the press with messages tailored to dispel popular misconceptions about health charities.
- Using systematic policy analysis and wide consultations to formulate strategies and solutions for addressing the problem.
- Simultaneously lobbying hospitals, municipal authorities, and regional authorities with ready-made solutions to the issue.
- Formulating a draft law for regulating health charities.

Shifting tactics, IAA began to lobby the health department of the Poltava regional government. The head of the department was known as a reformer, and had no known relationships with the health charities. The department head took immediate action and issued an order mandating hospital administrations to provide public access to financial information and prohibited employees from collecting the so-called charitable contributions. Though municipal health

authorities, which operated most of the facilities, were not bound by the order, it was an important symbolic victory.

After securing the regional order, IAA focused its efforts on the new administrator at a hospital in Poltava where corruption concerns had ousted his predecessor. The new administrator was open to the idea and personal lobbying from the head of the regional health department helped to ensure an agreement was put in place. The charitable fund working on the premises, however, refused to sign. As a result, they were forced out and a new fund that was willing to sign the contract was brought in.

While the precedent was important, IAA quickly realized that pushing for such contracts at each and every individual health facility would be an endless task. It refocused its strategy on regulatory reform. Working with legal experts from other CSOs, including Light of Hope, IAA drafted a law requiring all health facilities and charity funds to make their financial transactions transparent and accountable. They presented the draft to numerous parliamentarians, eventually finding one willing to table the bill. It was also included in a list of reforms that CSO coalitions were demanding to be implemented in the wake of the Euromaidan Revolution. IAA and other activist groups continue to work to ensure that it will be.

## EXPLAINING THE CHANGES DURING THE CAMPAIGN

External factors clearly played a role in the success of IAA's campaign. They gained momentum during the Euromaidan Revolution, which began in November 2013, when the government renounced its decision to sign the European Union Association Agreement. An important element in the Euromaidan movement was civil society's demand to eliminate corruption. After a series of government-orchestrated violent attacks on protesters, which killed more than 100 people, President Yanukovich fled the country in February 2014, and an interim government was appointed.

As a result of the movement, civil society was mobilized to fight corruption in all spheres of public life. This widespread sentiment could explain some of the impact achieved through the IAA's campaign. For example, the contract between the regional hospital and the charitable organizations was signed within a week of initial negotiations at the height of the revolution in February 2014. Also, IAA's proposed bill to regulate health charities may not have received so

much attention had it not become part of the national reform movement that followed the Euromaidan Revolution.

That said, the success of IAA's campaign owes much to its strategy. The decision to thoroughly investigate and document the problem, and to analyze the legal and political foundation of the issue, allowed IAA to effectively pursue its advocacy strategies with the press and key decision makers. Understanding the legal aspects of the issue also helped to protect the team from the risks associated with a campaign that threatened powerful interests. IAA also owes some of its success to its extensive network, but also to its willingness to draw on their help and expertise, such as during the formulation of the regulatory proposal submitted to parliament.

## OUTCOMES RELATED TO THE IAA CAMPAIGN

- Providing the first evidence of corruption linked to donations to health charities.
- Raising public concern and awareness of the issue through media coverage.
- An order from the regional health department mandating hospitals to provide financial information and barring state employees from collecting donations on behalf of charities.
- Persuading a hospital in Poltava to put in a contract with its beneficiary charity in place that would ensure transparency and accountability to patients.

## CONCLUSIONS

The IAA campaign demonstrates a viable strategy to tackle entrenched when it is widespread, many interests are implicated in it, and public officials have little incentive to confront the problem. That strategy was founded primarily on thorough and well-documented evidence, and on a solid understanding of the legal issues.

Backlash from powerful individuals, and the unreliable support of former allies, is an inevitable part of such a campaign. The approach requires careful consideration of risk and an ability to nimbly shift strategies when needed.

IAA was also fortunate to catch the tail-wind of a national movement for reform in Ukraine, giving their agenda new urgency and emboldening their supporters. Thus, timing can also be critical to success. Given IAA's ability to seize the opportunity, it stands a reasonable chance of significantly reducing corrupt practices in Ukraine's health system in the near future.