

Managing Risks of Corruption in the Health Sector

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Preface

Health Governance International, LLC exists to enhance wise, smart and ethical governance and advance the performance of public and private health sector organizations. We draw upon decades of experience in over 50 countries with USAID, UNDP, World Bank, and WHO and a diversity of private sector companies and nonprofit organizations. HGI is leveraging innovative approaches and practical tools to enhance governance structures, processes and practices, as well as strengthen accountability, foster integrity and mitigate risks of corruption.

This paper describes insights on an approach we have distilled from our support of health sector policy makers and governing bodies as they assess and manage the risks of health sector corruption for the benefits of their systems and organizations.

Questions and feedback are welcomed and may be directed to the author Dr. Mostafa Hunter at mhunter@health-governance.com

Managing Risks Of Corruption In The Health Sector

Corruption is global in reach and can cut across all sectors and negatively affects the security, development, and economic growth of societies.¹ While the extent of corruption can be difficult to measure due to its typically concealed nature, its impact is dire and broad - from education to health to economic performance.² It is estimated that the cost of corruption is more than USD 2.6 trillion globally, with more than USD 1 trillion paid in bribes annually.³ According to the World Economic Forum, corruption increases the cost of doing business by up to 10 per cent, and the African Union estimates that 25 per cent of the GDP of African states is lost to corruption each year.⁴ Specifically, “corruption strains public coffers, undercuts value for money in public procurement, distorts decision-making, and compels state institutions to cater to personal interests and clientelist networks instead of serving the public interest and the common good”. Corruption also has a disproportionate effect on the most vulnerable populations due to increases in costs and the creation of access barriers across sectors. Studies show that these vulnerable populations might use a higher percentage of their income in bribes as they are seen as powerless in a corrupt system. Misdirected money due to corruption can therefore condemn further inequities.⁵

The impact of corruption on health is clear and evident. It undermines the functioning of the health sector in many ways as it diverts resources, causes negative health outcomes, threatens lives, and erodes trust in public and private institutions. Corruption leads to waste of financial and non-financial resources and exacerbates health inequities. The quality of health services and products diminishes, their costs increase, and access to them is hampered. The health workforce is strongly affected resulting in insufficient staffing and poor performance of a nation’s human capital. Prevalence and death from noncommunicable diseases have been shown to have a positive correlation with corruption.⁶ Furthermore, there is a significant correlation between corruption and the mortality rate of children under five.⁷ As such, corruption is seen to have a substantial, if not the biggest, threat to future health globally.⁸

Understanding Corruption as a Risk

CORRUPTION:



“Corruption is the abuse of entrusted power for private gain”

–Transparency International

Corruption is defined by Transparency International as, “the abuse of entrusted power for private gain”. To understand corruption, we need to probe the key components of the definition, namely:

- Entrusted power
- Abuse
- Private Gain

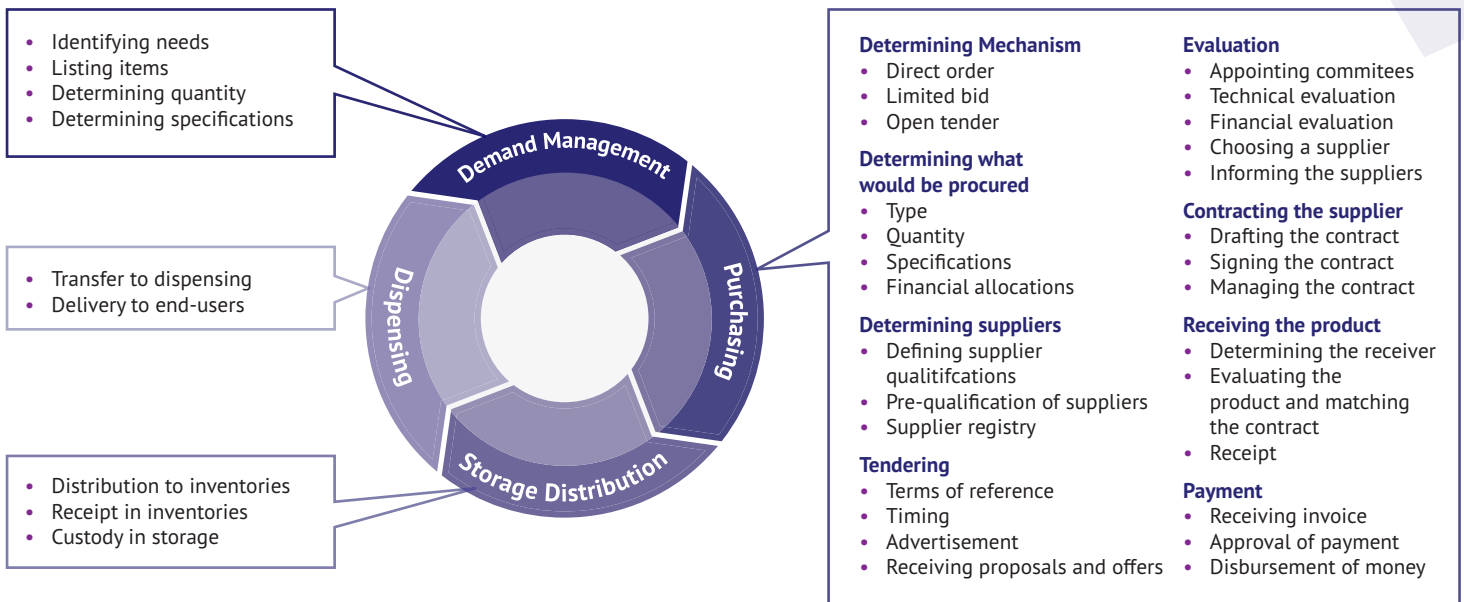
Power is defined as the “possession of control, authority, or influence over others.”⁹ The first dimension of power is a focus on behavior in decision-making regarding an observable issue.¹⁰ Decision-making is the process whereby an actor, such as an individual or an organisation, considers their situation and acts upon a course they have determined.¹¹ Different definitions of power revolve around ability to do something, have control over something or somebody, and act in a particular way.¹² This sets up the core principle that **power is about the authority to decide, act and influence individuals or systems**. Consequently, the essence of power is decision-making and action-taking, hence **it revolves around action points with their respective decision-makers/actors**.

The concept of entrusted power could be elaborated through the **principal-agent theory**. In principal-agent models, some actor (or group of actors) called an agent undertakes an action on behalf of another actor (or group of actors) called a principal. The theory encompasses the rational choice modeling, meaning that the principal provides incentives for the agent or agents to make decisions that the principal prefers. This theory therefore focuses on the responsiveness of the agent to the principal’s objectives. **Principals entrust agents with powers to achieve their objectives.**¹³

Based on this definition of power and principal-agent model of entrusted power, the overarching concept in understanding corruption as a risk is **that agents are entrusted to decide and act in line with a certain mandate assigned to them, utilizing certain powers granted to them by the principal, to realize value and achieve the legitimate and ethical objectives set by the principal**.

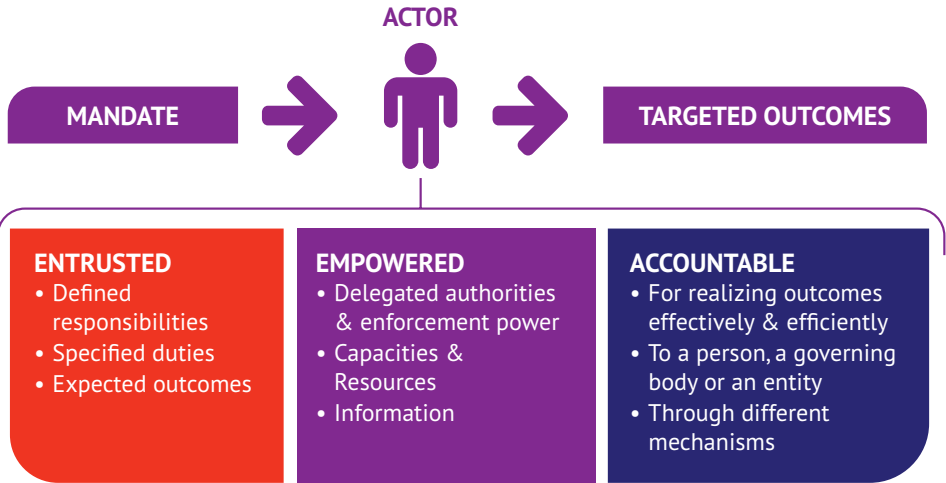


Decision-making and action-taking happen across all systems, at all levels, from the top of policymaking to the final points of services. As depicted in the figure above, a series of action points exist within any function, entity, program, or procedure within the health system. The diagram below elaborates on an example of breaking down the supply cycle of medical products into domains and action points.



Ideally, each of such action points would have a set of roles and responsibilities assigned to them by the principal with corresponding predefined targeted outcomes. These targeted outcomes collectively contribute to the achievement of the overall targeted objectives of the function, entity, program, and/or procedure and consequently, to the overarching purpose of the system. At each of these action points, single and multiple actors are entrusted with power and mandated the roles and responsibilities assigned to the action point. They are expected to achieve the targeted outcomes and contribute to the achievement of the overall targeted objectives.

Entrusted actors are the agents who are assigned specific roles and responsibilities within the system. Such roles and responsibilities should be clear, specific, well formulated, and outline the expected outcomes that the actor is working toward; how they fit into the bigger picture; and how they would achieve the overall objectives. The agent should also be empowered with the delegated authorities and enforcement powers, capacities, resources, and information necessary to undertake their entrusted responsibilities and achieve the targeted outcomes. Finally, the actor should be held accountable – to an entity or a person – for their compliance with their assigned duties and their performance to realize value. **The actors are therefore 1) Entrusted, 2) Empowered, and 3) Accountable as elaborated below.**



The general assumption is that the actor makes decisions and takes actions effectively and efficiently within the mandate to contribute to the targeted outcomes. However, at times, the entrusted agent commits corruption, abuses the entrusted authority, and does not act according to this sequence, a resulting failure to achieve the targeted outcomes.

Abuse is defined as “the use of something for the wrong purpose in a way that is harmful or morally wrong”.¹⁴ In corruption, the abuse is of the entrusted power, and the harm is generated through undermining achievement of targeted outcomes and overall objectives, in addition to different forms of harm to trust, equity, and performance.

Private gain could take different forms including financial gains, business opportunities, power, sex, and improper access to decision-making networks. In this context, corruption is tangible and concrete and revolves around (a) one or more people (b) entrusted to make a decision or take an action, (c) at a specific decision/action point, (d) within a certain system or a part thereof, including procedures, projects, programmes, entities, and functions in any system or sector (e) who abuse their delegated authorities to generate private gain.¹⁵

Other forms of intentional misconduct

In addition to corruption, there are **different forms of intentional misconduct**. While this misconduct could take place independently, they often happen in conjunction with corruption.

Examples of misconduct are:

- **Fraud** is “any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.”¹⁶
- **Forgery** is a “crime of falsely and fraudulently making or altering a document.”¹⁷
- **Counterfeit** is when a product is “made in imitation of something else with intent to deceive”.¹⁸
- **Theft** is “the felonious taking and removing of personal property with intent to deprive the rightful owner of it”.¹⁹
- **Smuggling** is “to import or export secretly contrary to the law and especially without paying duties imposed by law”.²⁰
- **Collusion** is a “secret agreement or cooperation especially for an illegal or deceitful purpose”.²¹
- **Undue influence** is “improper influence that deprives a person of freedom of choice or substitutes another’s choice or desire for the person’s own”.²²

It is worth noting that all these forms of intentional misconduct have a certain form of abuse of power, however, some of such powers might not be “entrusted”. It is important to understand the difference between corruption and other forms of intentional misconduct when managing corruption risks.

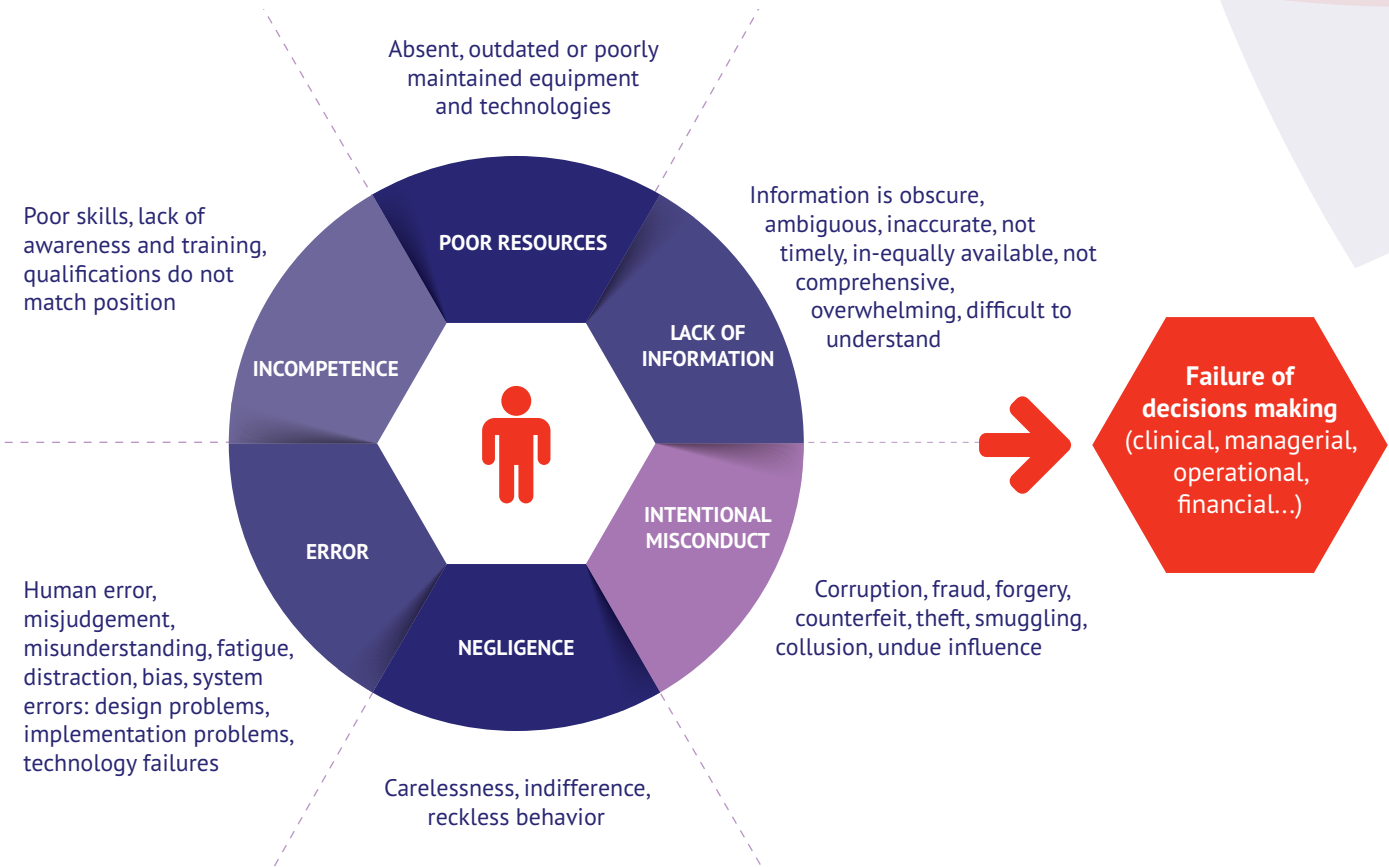
It is also worth noting that some forms of failure of decisions and actions do not happen because of intentional misconduct, but rather due to other reasons.

Other forms of decision failure

When a person is entrusted, they must be empowered with capacities, resources, and information. The person should have the necessary competencies, skills, training, guidance, and supervision to conduct their role. Incompetence would mean that they have poor skills, they are underqualified, their qualifications do not match their role, or they lack awareness and training. This would result in them having limited capacities for effective decision-making and action in line with the mandate and would result in failure of their actions.

Additionally, they might be constrained by poor resources like absent, outdated, or poorly maintained equipment and technologies, limited availability of finance or overloads of work that does not match the individual and institutional capacities.

Moreover, effective decision-making is extremely dependent on availability of information. When the information is obscure, ambiguous, inaccurate, not timely, unequally available, not comprehensive, overwhelming, and/or difficult to understand, this automatically leads to poor decision-making. Wrong decisions and actions could also result from negligence which encompasses carelessness, indifference, noncompliance and/or reckless behavior. Finally, failures could happen because of human or system errors. It is important to understand the difference between these forms of failure and intentional misconduct when assessing corruption risks.

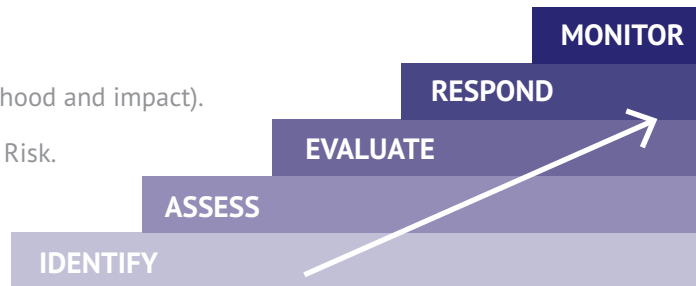


FUNDAMENTALS OF RISK MANAGEMENT

To reduce corruption, health sector leaders must understand and manage “risks”. According to the Institute of Internal Auditors (IIA), “*Risk is the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of likelihood and impact.*”²³ Risk management is defined by the IIA as “*A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives.*”

Risk Management has five steps:

1. Identify the Risk.
2. Analyze the Risk (likelihood and impact).
3. Evaluate and Rank the Risk.
4. Treat the Risk.
5. Monitor the Risk.²⁴



MANAGING CORRUPTION RISKS:

Based on these definitions, corruption as a risk is understood as ***an adverse event that threatens the achievement of a sector’s, institution’s, or project/programme’s objectives.*** Corruption Risk Management would consequently include the 5 steps of: ***1) identification, 2) analysis 3) evaluation and ranking, 4) treatment and 5) monitoring.***

1. Identifying Corruption risks:

Wherever entrusted power exists there is a risk of corruption, which means that there is a risk that this entrusted power could be abused by the agent to generate private gains.

As elaborated earlier, entrusted power exists around action points. Consequently, ***the risk of corruption would always exist around such points. The risk is that the action will be deviated towards private gain not in compliance with the mandate to realize the targeted outcomes.*** Irrespective of the type of private gain, the nature of corruption will be the same generating a negative impact that would undermine the objectives. Examples of different forms of corruption around decision points from the supply cycle of medical products elaborated earlier are represented in the table below.

“Risk is the possibility of an event occurring that will have an impact on the achievement of objectives.

Institute of Internal Auditors

Action Point	Examples of an identified corruption risk
Determining specifications	<ul style="list-style-type: none"> Intentionally drafting the specifications of medical equipment in a way that would cater for a single product from a specific supplier.
Determining procurement mechanism	<ul style="list-style-type: none"> Intentionally steering the procurement process towards direct order to give the flexibility to grant the contract to a preferred party without going through competitive procedures. Breaking the contract into small chunks to bypass the tendering process and grant the contract through direct orders to preferred suppliers.
Supplier Registry	<ul style="list-style-type: none"> Denying registration and requesting facilitation payments Intentionally delaying the registration of suppliers to prevent them from becoming eligible for a tender in favor of another supplier.
Advertising the tender	<ul style="list-style-type: none"> Advertising the tender in newspapers that are not popular and through venues that are not publicly known. Shortening the period between advertising and the tender while informing a preferred supplier before the advertisement.
Receiving the product	<ul style="list-style-type: none"> Receiving a product that is not the same to the one in the contract. Accepting products that are damaged or of poor quality. Accepting less quantities than in contract or forging the amounts and embezzling the products.
Payment	<ul style="list-style-type: none"> Extorting the supplier to release the money. Prioritizing suppliers over others in the disbursement of money, especially when resources are limited. Accelerating the payment process for a specific supplier.
Custody of product	<ul style="list-style-type: none"> Embezzlement

2. Analyzing Corruption Risks:

As previously elaborated, risk analysis has two components, which are the likelihood and the impact.

a) Assessing the likelihood:

Likelihood is the probability of occurrence of a specific event. The likelihood of corruption is understood as the probability of the entrusted power to be abused.

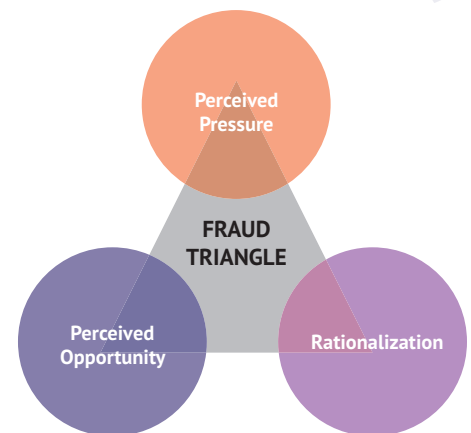
There are several attempts to dwell into such assessment. For example, **Klitgaard** highlights that corruption is dependent on three variables: “monopoly (M) on the supply of a good or

service, the discretion (D) enjoyed by suppliers, and the supplier's accountability (A) to others," expressing corruption (C), as: $C = M + D - A$.²⁵

Additionally, Albrecht et al identify three elements consistent to all instances of fraud: perceived pressure; perceived opportunity; and a rationalization of the fraud as aligning with one's personal code of ethics, which make up the **Fraud Triangle**.²⁶ In every instance of fraud, the possible perpetrator faces a variation of *perceived pressure*—which is not necessarily a real pressure-- most commonly involving a financial need. Similarly, a perceived opportunity needs to coexist. When a perpetrator believes they will be able to conceal the fraud, they are likely to cave into the perceived pressures.²⁷

Moreover, the **UNDP methodology for Corruption Risk Management** defines a set of drivers and restraints. This idea states that the probability that corruption will occur could happen due to an increase of the drivers, and/or absence and weakness of the restraints. In this context, drivers can include:

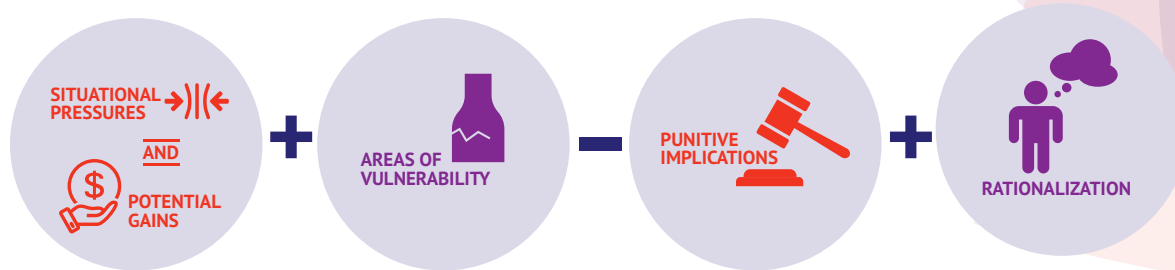
- “A polarized political situation where there is pressure to serve the political interest of one's own group or undermine that of the opponent.
- Low remuneration where the decision-maker perceives the need for a boost in income.
- Lengthy procedures that create a propensity to circumvent the red tape.
- •Ambiguous procedures which create room for interpretation of the requirements and thus discretion in applying the procedures
- Sizeable transaction value that increases the potential benefit from corrupt activity.
- The presence of informal institutions and related practices and norms that are inherently more difficult to identify and control”²⁸



Restraints can include:

- “An anti-corruption policy.
- Ethical leadership/ ‘tone-at-the-top’.
- Strong governance systems and related internal controls that reduce the likelihood that corrupt activity will go undetected coupled with active enforcement of anti-corruption legislation.
- Declaration of assets and interests.
- Policies and procedures to prevent and manage conflicts of interest.
- Whistle-blowing protection and mechanisms: which encourage more people to expose corruption.
- A functioning legal system so that if people blow the whistle, there is likelihood of investigation, prosecution, and conviction. The size of the penalties should be relative to the context and material enough to deter corrupt behaviour.
- Effective auditing.²⁹

Based on the identified concepts, and the formulae reviewed above, **the following formula is proposed by the author to assess the likelihood of corruption.**



The formula indicates that situational pressures and potential gains, combined with areas of vulnerability, poor or absent punitive implications and rationalization are collectively linked to an increased likelihood of corruption.

Situational pressures:

This encompasses the contexts where the actor may feel pressured to commit corruption. The higher the pressures, the higher the likelihood of corruption. Examples are:

- Social, cultural, ethnic, and political networks where pressures generated by family members, ethnic group members and political parties push individuals to commit corruption.
- Peer pressure especially when corruption is the norm in an organization. In such cases there is usually pressure from colleagues, peers, and superiors to force everyone to be part of the corrupt pact.
- Financial hardships and economic instability as individuals may feel that they are not well remunerated or at a very high financial risk and seek to secure financial resources for survival and financial security.
- Lengthy regulatory hurdles create pressures to circumvent procedures and/or accelerate them.
- Supply-demand disparities create pressures on access to essential products and services.
- Extortion, blackmail, and security threats on individuals in power forcing them to commit corrupt acts.

Potential Gains:

Corruption is always linked to a form of private gain. The higher the potential gain, the higher the likelihood for corruption as there is a clear incentive for the perpetrator that makes corruption worth committing. There are different forms of private gain as for example:

- **Financial gains:**
This could be in the form of soliciting bribes, kickbacks, corporate shares, deal cuts, expensive gifts, and assets. Financial gains could also be generated through getting business opportunities, related party transactions, senior board positions, luxury trips and any other form of direct and indirect monetary privileges to the perpetrators and/or their family members. It could also be generated through embezzlement, misappropriation of assets, siphoning of resources, and misuse of confidential information to generate personal opportunities.
- **Work opportunities and career advancements:**
This could be in the form of job appointments and promotions for the perpetrators, their family members, and their networks. This is manifest in favoritism and nepotism.
- **Influence and networks:**
The gain could be in the form of votes that result in political positions, networks that generate stronger political powers, corporate and business networks that expand business opportunities, stronger tribal and family ties, and any other connection that would serve the perpetrators' interests.
- **Sexual favors:**
This form of gain happens in cases of sexual bribes as well as sextortion and other forms of sexual abuse.
- **Trade of benefits:**
This exists when there are exchanges of benefits between different actors.

Areas of vulnerability:

For corruption to happen, there must be existent areas of vulnerabilities. These areas of vulnerability influence two factors:

- **Feasibility** is the ability of the perpetrator to commit the corrupt act. If the corrupt act is complex and difficult to pursue, this would either deter actors from doing it or prevent them from executing it. For example, when the actor does not have access to all what is needed to commit the act and if there is segregation of duties requiring collusion between different actors. The greater the vulnerabilities in a system or process, the more feasible corruption would be.
- **Perception of detection** is when an actor would consider the probability that the corrupt act would be detected. The actor would ask him/herself the question "If I commit this act will it be detected?". If there is a high probability of detection, this would deter him/her from acting on it. The greater the areas of vulnerability, the easier it would be to conceal the act.

Areas of vulnerability exist because of a multiplicity of factors including:

- Guidelines, policies, and procedures are absent with high level of discretion in decision making.

- Poor governance and governing structures.
- Consolidated authorities, monopolies over decision-making, lack of segregation of duties and absence of checks and balances.
- Weakness of controls and poor accountabilities.
- Absence of internal and external audit, lack of their independence or their underperformance.
- Poor potential for standardization.
- Transactions are complex and difficult to trace and move across different processes, departments, and organizations.
- Absence of a well-governed automated system
- Beneficiaries cannot participate in the decision-making process and there are no complaint, redress, and grievance mechanisms to give them voice.

Punitive implications:

One of the key deterrents for corruption is the existence of punitive implications. Punitive measures include:

- Disciplinary measures like loss of employment, transfer, delay of promotion, ban from working with the organization and financial punishments such as fines and deductions from remuneration.
- Criminal charges that may result in imprisonment, asset confiscations, and large fines.

Punitive measures, their nature, their scale, and the potential for their application shape the **perception of enforcement** of any entrusted actor. Perception of enforcement is closely linked to the perception of detection. The actor would ask him/herself the question “If I get detected would I be punished for that and how big is the punishment?”. If there is no expected punishment, there is a low probability that the punishment will be enforced, and/or the punishment is trivial in relation to the potential gain from the act, then the deterring effect to corruption would be low.

Low perception of enforcement is common in contexts with low levels of rule of law. It is also common in contexts where corruption is widespread and systemic, as it makes it difficult to impose sanctions simultaneously on many people, which creates a vicious circle in which the greater spread of corruption increases the likelihood of corruption.

Rationalization:

Rationalization represents “mental strategies that allow employees (and others around them) to view their corrupt activities as justified”.³⁰ Rationalization allows the corrupt individual to lessen or neutralize the attendant feelings of guilt or anxiety.³¹ Awareness, training, and mechanisms to foster personal integrity play a major role in reducing rationalization and their absence in an organization are a proxy for a higher risk of corruption.

b) Assessing the impact:

'Impact' is the significance of a specific event on the outcomes of a process or system. In the context of corruption, the impact is the impact generated by the deviation of action from the targeted outcomes towards private gain through a corrupt act.

As previously explained, **when entrusted power is abused for private gain, the action at any action point is deviated from the achievement of the targeted outcomes and consequently a negative impact is generated that undermines the realization of objectives.** There are several areas that can be affected by a deviated decision and/or action. These areas might be interconnected or overlapping. Some examples of negative impacts generated by a deviated action across decision points in a health system might include:

- Resulting in poor quality of the process, service and/or product.
- Creating access barriers to a product and/or service.
- Contributing to exacerbating inequities for certain vulnerable populations.
- Recruiting unqualified professionals and losing talents affecting the human capital.
- Wasting financial resources and other assets.
- Producing damage to the environment, for example, in the case of waste and hazardous material.
- Undermining competitiveness of industries and markets and preventing level playing field.
- Eroding trust in the government and other actors.

The effects of results such as these are borne out at both an individual and collective level. Collectively, they undermine the effectiveness and efficiency of a process and consequently result in lower performance. To determine the collective impact of corruption risks on a given action point, it is necessary to analyze the range of possible impact areas affected by the deviation of actions at that point. Some examples of potential areas of impact and how they are affected is presented in the table.

Area of Impact	Examples that can affect this area of impact
Quality	<ul style="list-style-type: none">• The registration committee accepts a bribe and registers a low-quality ineffective vaccine allowing it on the market.• A procurement officer accepts the purchase of low-quality ultrasound machines from a company owned by his wife.• An inspector writes a report in favor of a facility because the manager is her cousin, even though the quality was found to be low during the inspection.• An officer issues a license for a physician even though he has poor qualifications and does not fulfill the requirements because he gets a recommendation from a senior official to favor him.
Access	<ul style="list-style-type: none">• A mother is forced to pay a bribe to get her child into the hospital, limiting her access to the service.

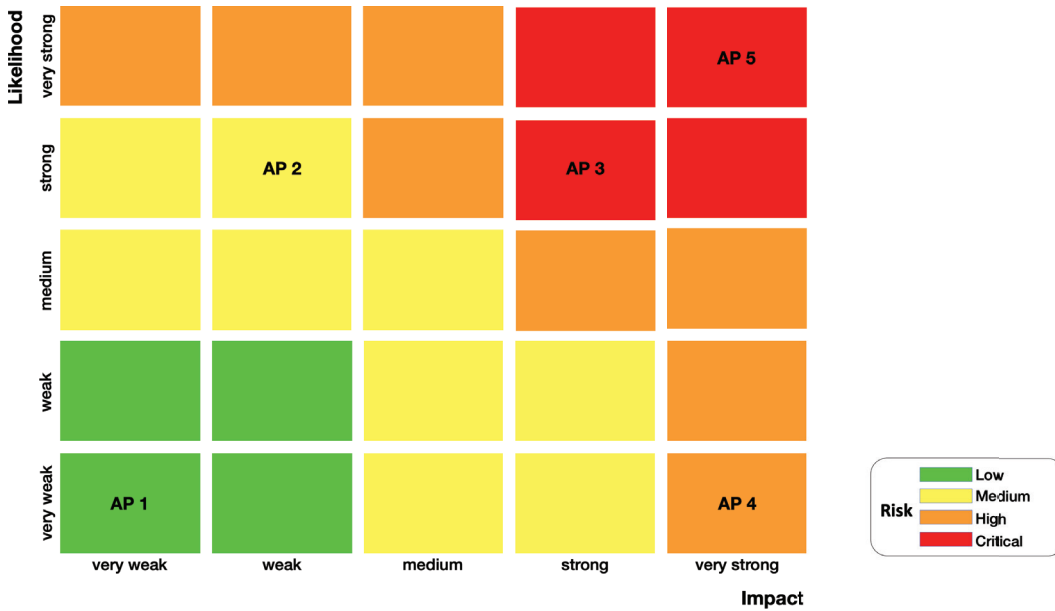
Equity	<ul style="list-style-type: none"> • A politician directs subsidized medications to his own ethnic group to favor them and gain their political support, which makes the medications unavailable to other groups. • A vaccine is distributed to powerful and rich people limiting its availability to lower socioeconomic classes.
Human capital	<ul style="list-style-type: none"> • An under qualified manager is appointed to a hospital because she is a relative of a senior official. • A highly qualified nurse is not employed in the hospital because she refuses to yield to a sexual bribe to a manager.
Finance	<ul style="list-style-type: none"> • A physician prescribes unneeded expensive medications to patients because he is sponsored in lavish trips by the pharmaceutical company. • An inventory keeper embezzles medications and sells them to private pharmacies. • A procurement officer settles an agreement with direct order to a company at a much higher price than if it were done through a tender and receives a bribe. • A minister sets a policy for building several hospitals that are not needed in favor of a relative owning a construction company. • Salaries are transferred to the accounts of an HR manager through accounts for ghost employees.
Environment	<ul style="list-style-type: none"> • An inspection officer allows hazardous material to go out of the hospital in regular garbage without safety precautions in exchange for a bribe.
Competitiveness	<ul style="list-style-type: none"> • A registration unit delays the registration files of vaccines from several companies except one. • A company offers physicians kickbacks to keep prescribing and promoting its medicines against other medicines of similar quality and price. • A procurement committee puts out tight specifications only fitting one company.
Trust	<ul style="list-style-type: none"> • Widespread corruption in public hospitals undermines the trust of its patients.

In addition to the nature of the impact, two other factors determine the magnitude of the impact, namely the scale of influence and frequency of occurrence.

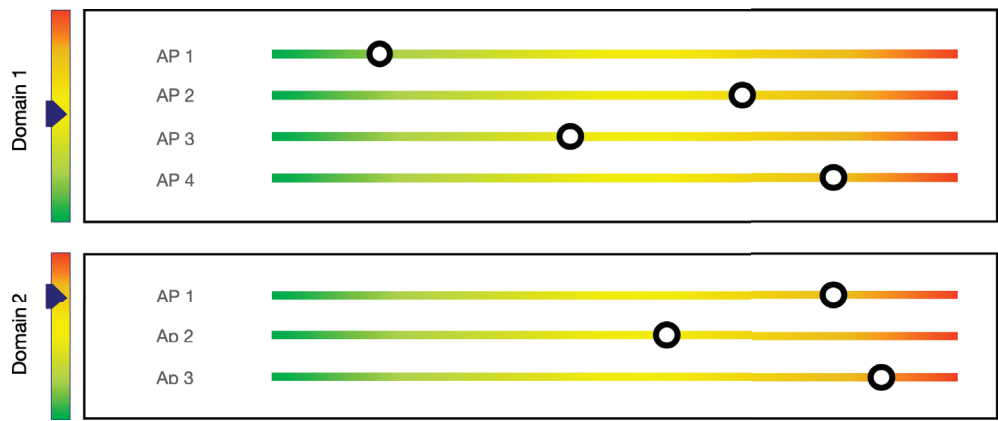
- The **scale of influence** at any action point is directly proportionate to the magnitude of the impact. If an actor has a very high level of authority abuses the entrusted power, the magnitude of impact is grave. For example, if a public official is responsible for the procurement of vaccines for a whole country commits a corrupt act, the influence might affect the whole population and consequently the magnitude of impact is strong.
- The other aspect is the **frequency of occurrence**. If there are numerous transactions happening frequently the overall impact could be high even if the impact per transaction is limited and low. For example, if patients must pay a small bribe to access essential health services in public hospitals, the amount of impact per action point is small and is limited to a single individual. However, if the act is pervasive and happens to hundreds of patients every day in most of health facilities, then the magnitude of the impact would be strong.

c) Illustrating results of risk assessments:

There are several ways of illustrating the results of risk assessments. **Risk heat mapping** is a common way of illustrating risks. A risk heat map presents the results of a risk assessment process visually in an easy way that allows better understanding and ranking of risks. Risk heat maps illustrate the risk on two coordinates: Likelihood and Impact. Both could go on a scale from very weak to very strong while the risk level, which is the combination of likelihood and impact, moves on a scale of low, medium, high, and critical, from lower left to upper right of the chart. The risk profiles of the action points (APs) are assessed as elaborated earlier and mapped on the risk heat map as depicted in the diagram.



Another way of illustrating risk is through **risk exposure**, which is generated by the multiplication of the likelihood and impact and illustrating them on scale as elaborated in the diagram below.



3. Risk Evaluation and Risk Ranking:

A key step following risk analysis is risk evaluation. “The evaluation of risk is concerned with issues relating to how those affected by risks perceive them, the value issues underlying the

perceived problem and the trade-off between the perceived risks and benefits. Risk evaluation attempts to define what the estimated risk actually means to people concerned with or affected by the risk.” This evaluation depends largely on how people perceive risks.³² Several factors are involved in this process, which include **risk perception, risk appetite, cost-benefit analysis, and professional judgement.**³³ Risk evaluation might also involve the allocation of weights to certain domains, functions, processes, impact areas, etc.

Risk ranking depends on both the risk assessment and the risk evaluation, and it paves the way for prioritization of risks.

4. Risk Response:

The next step after risk ranking is to develop risk responses for priority risks. Risk responses are intended to keep the risks within the risk appetite of the organization. There are four main options or alternatives to respond to a risk and treat it. These are:

- **Reduce** the risk by reducing likelihood of occurrence or reducing the losses generated by the negative impact.
- **Share/transfer** the risk with other parties through insurance or different forms of contractual arrangements and organizational partnerships.
- **Retain** the risk or the residual risk (the risk remaining after the application of mitigation measures) and keep moving in the operations while bearing the risk.
- **Avoid** the risk by stopping, postponing, or canceling the activity that bears the risk.

A key factor in designing risk responses is cost-benefit analysis. An important rule is that the **cost of risk response and the potential negative impact generated by it should not exceed the cost and negative impact of the risk itself.** Controls are key in reducing risks. Several controls might be needed to tackle one risk and one control could tackle several risks. A **risk control matrix** is helpful in that. It is important to **consider performance when designing controls**, as some controls might reduce certain risks but might hamper performance. Controls might also shift the risks to other areas of the operations or reduce some risks while exacerbating other.



5. Risk Monitoring:

There are two key perspectives to monitor the risk.

- **Monitoring the risk level** measures the change in the risk profile after the implementation of the risk response and risk reduction measures. It is measured by the change in the likelihood and impact of the corruption risks at a certain action point.
- **Monitoring the change in the performance** links changes in risk profile to the changes in the outputs of a process. Examples of that could be number of patients served, or amount of money spared.

CONCLUSION:

Corruption has dire impacts on health. Consequently, it is important to prevent corruption before it happens; and risk management sciences provide for such prevention. This document adapts risk management to the unique threats of corruption, and offers a methodology to address the root causes of such corruption. Whereas several international approaches to health sector corruption are too general, this HGI methodology provides practical strategies to identify, assess, prioritize, and respond to the corruption risks. The focus on specific action points helps to navigate the complexity of health systems and structures in a disciplined manner.

This document offers a conceptual structure to minimize corruption, and will be supplemented by additional HGI products including implementation guides, checklists, surveys, training materials and capacity building activities to support public and private users to apply them within their own contexts. HGI intends to engage stakeholders in a constructive process to better understand health sector corruption risks, design specific interventions to reduce them, and then monitor the results for continuous health system performance improvement.

NOTES

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