

100 DAYS OF QUARANTINE PROCUREMENT: HOW THE MINISTRY OF HEALTH, THE MINISTRY OF INTERNAL AFFAIRS AND OTHERS USED THE PANDEMIC FOR MILLIONS' CORRUPTION SCHEMES

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On March 11, [a quarantine was enforced](#) in Ukraine due to coronavirus spread. Within 100 days, the epidemiological situation in the country has changed significantly, and the number of sick persons is growing daily.

Alongside quarantine measures introduced by the government, the Parliament also started applying urgent measures.

Verkhovna Rada [decided](#) to simplify procurement procedure for the purposes of COVID-19 combating: customers were allowed not to hold a standard tender, but to enter into direct contracts with suppliers. Such method of procurement was allowed for goods and services from the [list](#) approved by the Cabinet of Ministers of Ukraine.

The main reason for such changes was the desire to allow the state to quickly procure vital goods to fight the pandemic.

As of June 19, 2020, under this procedure, without conducting a competitive auction, public sector customers have made **33,726 purchases totaling UAH 4.3 billion**.

However, it is highly questionable whether the funds were used efficiently. From start, innovations in the field of procurement were improperly used or seriously abused.

Centralized procurement failed

It was expected that the new procedure would be useful primarily in the healthcare. Under the Ministry of Health, there is a specialized enterprise – “Medical Procurement of Ukraine”, which should have provided centralized large-scale procurement of priority goods to combat the epidemic.

The line ministry, however, completely failed and was able to assign the task for the first procurement only a month after the start of the quarantine on April 10, and only for protective overalls.

Moreover, the Ministry of Health actually stopped the tender of the specialized enterprise and took over this function, overpaying 40% for overalls, when [additional 50 thousand overalls](#) could be purchased for amount of the overpay.

When the state enterprise found and purchased 900 thousand overalls cheaper by 40% and even signed a

contract, “Medical procurement” was forced [to terminate](#) it, because the Ministry of Health did not allocate money for them and did not approve the procurement.

After a number of [high-profile](#) scandals related to MoH fall back to corrupt practices, procurement for countering the epidemic was finally transferred to the company, but only at end of May. After that, the SOE completed successful procurement for almost 10 million.

ЗДОРОВІ ЗАКУПІВЛІ ВІД ДП "МЕДИЧНІ ЗАКУПІВЛІ"

3 договори

Загальна сума - 9 934 784,50 гривень

8 400 000 гривень витрачено на 3 мільйони
масок (по 2,80 грн. за штуку)

1 350 000 гривень пішли на 50 000 респіраторів

184 784,50 гривень — на захисні екрани для
обличчя (12,50 грн за за штуку)

9 934 784,50€

€184 784,50

€1 350 000

€8 400 000

*Інформація станом на 18 червня



14 720
ЗАХИСНИХ
ЕКРАНІВ



50 000
РЕСПІРАТОРІВ



3 МЛН
МАСОК

ЦЕНТР
ПРОТИДІЇ
КОРУПЦІЇ

In other words, the state banally lost two months for scandals, while during this period it was possible to conduct full-fledged transparent tenders. At this time, the main burden of supplying doctors and healthcare institutions fell on volunteers, businesses, local authorities and philanthropists.

Meanwhile, the incidence among healthcare workers continues to grow – 5,650 doctors with a confirmed diagnosis [as of June 17](#).

Chaotic procurement under the guise of the epidemic

In the first weeks of quarantine, Odessa infectious hospital, justifying the non-competitive procurement procedure by the pandemic, started [actively buying furniture](#) and other accessories like cabinets and sofas at very high prices.

In Dnipro, the city clinical hospital No. 8 was intending [to give](#) 2.4 million UAH without a tender for the [repairs of premises](#) and [sewage networks](#). The lack of competitive procurement was explained by the fight against coronavirus, however repairs are by no means included in the list.

The Healthcare Department of Sumy City Council [purchased](#) ventilators, but, judging by the timing, it was not urgent. The manufacturer of perhaps the most affordable ventilators in Ukraine “Juvent-T” “UTAS” company, under the terms of the contract, shall supply the relevant devices within 3 months, which is actually not very fast, given the epidemiological situation.

However, in situations where similar devices were purchased from intermediaries, the delivery time ranged [from 5 to 10 working days](#) from the date of receipt of the order. Moreover, intermediaries as a rule sold such devices at a much lower price: in our case, “Utas” sold ventilators at the price of 647 thousand UAH, when the price of intermediaries ranged from 518 to 548 thousand UAH.

In other words, manufacturers in the context of the pandemic decided to take advantage of their privileged position and the lack of special medical equipment on the market, starting to abuse this, in particular, by raising prices unreasonably.

Cases of overpayments and fraud on the basis of coronavirus are not isolated.

Most customers have started to purchase fuel, works and goods that are not intended to deal with the consequences of the pandemic using a reduced procedure.

For example, the Kyiv District Administration of Odessa City Council [carried out](#) major repairs and replacement of window blocks.

Sosnitsky Literature and Memorial Museum named after A.P. Dovzhenko [concluded](#) a contract under “COVID procedure” for almost half a million hryvnia for major repairs of the roof.

Lymanska District Council of the Odessa oblast [carried out](#) current repairs of offices of the administrative building.

Customers [spent](#) at least UAH 1.9 million on gasoline, which is not included in [the list](#) of goods and services required for measures aimed at preventing COVID-19.

Judging by the dates of delivery specified in the contracts, there is no urgency in carrying out procurement and no need to ignore competitive procedures.

According to the terms of the contract concluded by Melitopol Cancer Clinic ([purchase of medicines for](#) half a million [hryvnia](#)), the deadline for goods delivery from the moment of signing the contract is until December 31, 2020.”

There is a high probability that if the customer held an open auction, he would be able to [purchase](#) drugs (the very same Naloxone) cheaper even in [a retail pharmacy](#), supplying more patients.

“Powerful” expenses of the Ministry of Internal Affairs

More than half a billion hryvnias [were spent](#) by structures subordinated to the Ministry of Internal Affairs for procurement of anti-coronavirus items. The guys of the “powerful Minister” managed to distinguish themselves in that situation.

On March 27, the Service Center of the National Police units [signed](#) a contract for the procurement of protective equipment with the enterprise “Fort” of the Ministry of Internal Affairs, which specializes in the production of firearms.

The “Fort” itself purchased these goods from China, acting as usual shell company, which [cost](#) taxpayers UAH 8 million. As “Fort” bought medical protective items from a British company of Chinese origin cheaper, and sold it at a higher price to the National Police. While the police could buy the goods directly and save funds.

It is also interesting that the overalls for Avakov’s “Fort” were supplied by the same Chinese company, which supplied the “[golden](#)” overalls to Stepanov’s Ministry of Health.

The Anti-Corruption Center filed with NABU a relevant crime report. In general, since the beginning of May, the Anti-Corruption Center challenged COVID-19 procurement for a total amount of at least UAH 91.3 million.

The Central polyclinic of the Ministry of Internal Affairs of Ukraine is [an independent](#) state multi-disciplinary health care institution. This is a healthcare institution that provides outpatient care, and the institution itself employs 114 doctors (249 employees in total).

The polyclinic was involved in very active procurement using “COVID procedures”, that is, entering into direct contracts without applying competitive procurement procedures.

The Prozorro system contains data on 29 contracts totaling just over 60 million hryvnias. The polyclinic spent 27 million on purchasing 2 million MEDICARE medical face masks with rubber loops from the company [“SOFI-MED” LLC](#).

All these purchases were made by the hospital within a few weeks, the price for one mask ranges from 12.50 to 14 UAH per item. A quick [Google search](#) makes it clear that it was possible to buy them much [cheaper](#), especially given the volume of the order.

The polyclinic itself managed to find cheaper option: on May 26, [another agreement](#) appeared on Prozorro for the procurement of 1 million of the very same masks, but from another company at 10.50 UAH per unit, **that is a third cheaper**.

In April, the polyclinic bought another [200,000 masks](#), [2,000 face respirators](#) and 8,000 filters for them. However, another question arises: what for did they buy so many masks for a polyclinic where only 114 doctors work and there is no in-patient department?

It is also important that the SOE “Medical Procurement of Ukraine” [purchased](#) the same masks at [a price](#) of 2.80 UAH per item, which proves the fact of a huge overspend on the part of the Ministry of Internal Affairs’ polyclinic.

There is an advertisement on the [polyclinic’s website](#) about the possibility to [get tested](#) for coronavirus for fee. At the same time, on June 16, the institution [spent](#) almost UAH **9 million from the state budget** to purchase a PCR systems and test cartridges. That is, from the money of taxpayers who are offered to pay

for these tests.

About control, responsibility and State Audit Service

A special supervisory body in the sphere of procurement, in fact, does not monitor such “coronavirus” procedures.

The analysis of the State Audit Service’s responses to our requests demonstrated that COVID-19 procurement can’t be audited by State Anti-Corruption Service because the report on completed contract which shall be published by customers is not a “[procurement procedure](#)” in the definition of the law “On Public Procurement”. All the above mentioned violations can be audited only during scheduled inspections, that is, nobody knows when. It is the routine monitoring that could realistically prevent procurement violations.

This means that most customers will not be held liable for abuse, because only the State Audit Service can draw up an administrative report for violations in such procurement. However, in the course of scheduled inspections this may happen after the expiration of the limitation period for administrative responsibility. After all, from the moment of detection, you can be punished for such violations within 3 months.

Procurement for COVID-19 is also mentioned in [the memorandum](#) with the International Monetary Fund. It says that the State Audit Service with the participation of external / independent auditors should conduct an audit of procurement under the COVID-19 program.

In order for such an audit to be legitimate, the procedure of external experts’ involvement shall be stipulated by the law. After all, the Service can’t monitor this procurement yet, even on its own.

At the same time, the memorandum states that it is necessary to publish in Prozorro all procurement for countering the epidemic and information about the beneficiaries of the bidders. This also means that the approach to procurement requires changes at the legislative level.

Special procurement procedures during the quarantine period, unfortunately, did not work out. Carrying on with this procedure in practice will only contribute to the fact that funds for these purposes will be uncontrollably overspent.

Experience demonstrated that accelerated procurement without competition is quickly abused. Instead, those who want to procure fairly in any case conduct tenders and survey the market.

Anti-Corruption Action Center, for Ukrainska Pravda