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Nation's sickest fall victim to corruption

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By Daria Kaleniuk, Halyna Senyk



The director of state-run pharmaceutical company Indar, Liubov Vyshnevskya, recently came under a criminal investigation after she refused to provide information on certain medicines that the company allegedly makes and which it successfully sells to the health ministry for millions of hryvnias.

The investigation was the result of watchdog activity by the Anti-Corruption Action Center in partnership with Ukrainian lawmakers who are members of the Global Organization of Parliamentarians Against Corruption.

Indar was established in 1997 exclusively to produce affordable and inexpensive insulin, which the company did until 2012. But that year Indar started to win health ministry bids for the supply of new, yet untypical medicines for the plant, in particular medicine for antiretroviral therapy and tuberculosis treatment.

Several public statements by the director, Vyshnevskya, accompanied this new development and claimed the plant's production line of medicines had been expanded. In particular, Vyshnevskya more than once announced that the plant would start producing medicine locally for the Chicago-based pharmaceuticals company Abbott Laboratories.

Apparently, Indar had passed Abbott company inspections and arrangements were made to gradually start making the American company's medicines at Indar in Ukraine.

The Anti-Corruption Action Center could not confirm whether Abbott had conducted an inspection of Indar. Indar did, however, start re-packaging medicines, in line with Vyshnevskya's proclamations of localizing production.

The meteoric rise of Indar to become the leader of Ukraine's pharmaceutical market also coincided with substantial changes that took place in public procurement laws in the last year that favored Indar.

In July 2012, the public procurement law ceased being applicable to Indar and any other state enterprise. Thus, in the Ukrainian pharmaceutical business, this meant complete secrecy for how and from where the state-enterprise Indar procures the medicine that it, in turn, sells to the health ministry: does it make the medicine or re-sell it from another supplier?

Then in April 2013 a bill was passed which gave Indar the green light to a wider circle of health ministry orders. The draft law allows public procurement clients to include "the presence of our own manufacturing facilities" as a qualification criterion on medical bids, the same thing of which the Indar director had boasted.

We took an interest in Indar Plc following a TVi cover story into the company's uncanny ability to "forsee" public procurement tenders of the health ministry.

According to the investigation, on June 11, 2012, Indar Plc signed a contract with Altona Trade Agency LLP to purchase glucose test strips. The contract was worth \$1.93 million. On that serendipitous date, the Ministry of Health announced a call for proposals to purchase glucose test strips for the same exact quantity. On Aug. 23, 2012, the ministry named Indar the bid winner and gave the company a 100 percent advance payment. In turn, Indar Plc transferred this money to Latvia in September 2012, where Altona Trade Agency LLP had its bank account in Privat Bank in Riga. As soon as the money reached Latvia, Altona Trade Agency LLP started its liquidation process.

Our quick research of Altona Trade Agency LLP found that this company was established by Intera Limited in Denver, Colorado, a small mass-production company, and London-based Croftex Ltd. After signing the contract with Indar Plc, Altona Trade Agency changed its founding members to two companies belonging to the same person, Ruairi Laughlin-Mccann.

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Then, Laughlin-McCann's companies were changed to two Belize-based companies Corporex Limited and Integrex Limited, which filed for Altona's liquidation, making it impossible to prosecute Altona Trade Agency LLP for assisting in money laundering.

Thus, the test strip case clearly shows that the proceeds from the purchase of medicines by the health ministry from the state enterprise Indar, sits in foreign bank accounts that belong to foreign proxies, who in turn, disappear after they receive the money.

Our research also show that state suppliers of medicine purchase drugs at inflated prices from offshore proxy companies, who in turn, buy medicinal drugs from stock residues or directly from the manufacturer.

Accordingly, state suppliers of medicine like Indar don't make a profit since the entire profit is kept out-of-country, and so they don't have money with which to invest into the development of pharmaceutical production in Ukraine.

In addition, large pharmaceutical companies cannot bid for health ministry public procurement orders, which would positively impact the value of and the quality of medicinal drugs. Furthermore, the biggest victims from corruption in medicinal public procurement are the nation's sick who receive low-quality, expensive drugs.

The Anti-Corruption Action Center took an interest to find evidence of – aside from Vyshnevskya's statements in the media – whether the Indar plant has "its own manufacturing facilities." Together with parliamentarian Lesya Orobets, we submitted a lawmaker's inquiry to the director of Indar requesting a list of drugs manufactured at the plant that it supplies to the health ministry.

In violation of the law, Vyshnevskya declined to provide a complete response to this and a repeat inquiry. In turn, Viktor Chumak, the head of the national branch of GOPAC, the Global Organization of Parliamentarians Against Corruption, requested that law enforcement bring the director of Indar to justice for obstructing the work of a member of parliament. As a result, criminal proceedings were launched against Vyshnevskya who faces up to three years in prison if found guilty.

Civil society in Ukraine will closely follow the criminal case and will continue to demand that Indar's management provide a complete and exhaustive reply concerning which drugs the plant makes, and what it sells to the health ministry.

The Anti-Corruption Action Center in cooperation with GOPAC will also monitor other suppliers of drugs to the health ministry since we believe that a systemic problem exists in the use of public procurement money in Ukraine, which only enriches a small circle of individuals at a time when seriously ill people receive less medicine than what is critically needed, or in poor quality. We believe that corruption is unacceptable when death is a threat.

Halyna Senyk is member of the board of Anti-Corruption Action Centre, a non-government organization. Daryna Kaleniuk is CEO of the same NGO.

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