



Investigation Report

# Global Fund Grants in **Zambia**

## **Collusion in a 2020 COVID-19 procurement**

GF-OIG-23-022  
20 December 2023  
Geneva, Switzerland

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# 1. Executive Summary

## 1.1 Investigation at a glance

The Office of the Inspector General (OIG) found that some Procurement and Supply Unit (PSU) staff within the Republic of Zambia's Ministry of Health, the Principal Recipient of Global Fund COVID-19 grants in the country, were involved in collusive practices. These were in connection with the procurement of health commodities, specifically granular chlorine, to support preparedness and response to COVID-19.<sup>1</sup>

The OIG investigation established that in March 2020, PSU staff and three local suppliers colluded to simulate competition and steer the procurement process to a local supplier, Masore General Dealers (Masore), with links to a Ministry of Health (MoH) employee. The OIG confirmed that the two other local bidders involved in the tender were also connected to Masore.

It uncovered that the granular chlorine purchased by the Principal Recipient, as part of the ZMB-C-MOH grant, was above the market value which resulted in the MoH overpaying Masore US\$33,092.<sup>2</sup> The OIG considers the total value of the contract US\$78,030 as non-compliant and US\$33,092 to be potentially recoverable.

During OIG's investigation, the Global Fund Secretariat put into place measures to mitigate the risks of prohibited practices. Starting with NFM2, Local Fund Agent pre-award reviews all procurements above US\$50,000 for no objection, and Pooled Procurement Mechanism and UN channels are used for all strategic and non-strategic health products procurements respectively. These measures came in addition to a national change in implementation arrangements, with the mandate for health procurement shifting in November 2021 from the MoH Procurement and Supply Unit to the Zambia Medicines and Medical Supplies Agency (ZAMMSA), which was established by an Act of Parliament in 2021.

## 1.2 Genesis and Scope

In February 2021, the Global Fund's Local Fund Agent (PwC) reviewed COVID-19 local procurements in Zambia and identified red flags pointing to collusive practices affecting the procurement of granular chlorine by the MoH.

Following the findings of the LFA review, the OIG opened an investigation in February 2022 to establish whether a prohibited practice occurred. Investigators reviewed and analysed relevant procurement documents and conducted market surveys and open-source research. They also interviewed relevant witnesses, including the current leadership of the Programme Management Unit (PMU).

All bidders involved in the tender process and implicated in collusion refused to cooperate with the OIG investigation. They did not make themselves available for an interview and provided no response to the Letter of Findings.

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<sup>1</sup> Granular chlorine is a chemical disinfectant used for environmental cleaning and disinfection.

<sup>2</sup> The OIG used the exchange rate used in the general ledger provided by the Principal Recipient, i.e., US\$1 is equivalent to ZMK 19.55. The full amount in ZMW is 646,953.

## 1.3 Findings

- Principal Recipient staff colluded with a local supplier resulting in US\$78,030 non-compliant expenditure in selecting a supplier of health commodities in response to COVID-19 in March 2020.
- This improper practice was facilitated by the Principal Recipient's weak procurement capacity. Specifically, ineffective checks and controls during the bid evaluation process resulted in the Principal Recipient failing to identify and prevent the collusion.
- The Principal Recipient did not achieve value for money in the selection of the supplier. Grant funds of at least US\$33,092 could have been saved if the Principal Recipient had conducted a market survey at the time of the procurement.

## 1.4 Country context

According to UNDP's Human Development Index Zambia ranks among the countries with the highest levels of poverty and inequality globally. The incidence of poverty worsened with the onset of the COVID-19 pandemic, but it is projected to slowly return to pre-pandemic levels by 2025.<sup>4</sup> Zambia is experiencing a large demographic shift and is one of the world's youngest countries by median age (45% are between 0-14 and 20% between 15-24 years). Its population, much of it urban, is estimated at about 19.6 million (2021) with a rapid growth rate of 2.7% per year, reflecting the relatively high fertility rate.<sup>5</sup> As the large youth population attains reproductive age, the population is anticipated to double in the next 25 years, resulting in additional pressure on the demand for jobs, health care, and other social services.<sup>6</sup> This makes it critical that health programs are adapted to focus on the needs of young adults and children for all three diseases.<sup>7</sup>

country data <sup>3</sup>	
Population	20 million (2022)
GDP per capita	\$1,488 (2022)
Transparency International Corruption Perception Index	116 of 180 (2022)
UNDP Human Development Index	154 of 191 (2022)
Health expenditure (% of GDP)	5.62 (2020)

The World Bank's Data Help Desk classifies Zambia as a lower-middle income country.<sup>8</sup> In 2020, Zambia also became the first country to default on its debt during the COVID-19 pandemic era. It continues to struggle under a debt burden totalling 120% of GDP, with external debt estimated to be in excess of US\$17 billion at the end of 2021.<sup>9</sup>

Zambia had the second largest COVID-19 caseload in southern Africa after South Africa. It faced three waves of COVID-19, each with increased numbers of deaths and cases requiring

<sup>3</sup> <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ZM>, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ZM>, <https://www.transparency.org/en/cpi/2022>, <https://hdr.undp.org/data-center/country-insights#/ranks> and <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=ZM> accessed on 12 September 2023

<sup>4</sup> <https://www.worldbank.org/en/country/zambia/overview>, accessed on 12 September 2023

<sup>5</sup> <https://www.worldbank.org/en/country/zambia/overview>, accessed on 12 September 2023

<sup>6</sup> <https://www.worldbank.org/en/country/zambia/overview>, accessed on 12 September 2023

<sup>7</sup> [https://www.theglobalfund.org/media/12455/oig\\_qf-oig-22-017\\_report\\_en.pdf](https://www.theglobalfund.org/media/12455/oig_qf-oig-22-017_report_en.pdf)

<sup>8</sup> <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>, accessed on 12 September 2023

<sup>9</sup> [https://www.theglobalfund.org/media/12455/oig\\_qf-oig-22-017\\_report\\_en.pdf](https://www.theglobalfund.org/media/12455/oig_qf-oig-22-017_report_en.pdf)

hospitalization. During January-March 2021, Zambia recorded 820 COVID-19 related deaths, compared to 388 deaths during the whole of 2020.<sup>10</sup>

The country was ranked 116th out of 180 countries in Transparency International's 2022 Corruption Perceptions Index.<sup>11</sup>

Since 2003, the Global Fund has signed slightly under US\$1.8 billion and disbursed over US\$1.7 billion to Zambia. This includes active grants which total US\$327 million for the 2021-2023 funding allocation (January 2021 to December 2023 implementation period). Full details on the Zambia grants can be found at the [Global Fund's Data Explorer](#). Zambia's Ministry of Health and Churches Health Association of Zambia (CHAZ) are the Principal Recipients of Global Fund grants. More information on disease burden and key results can be accessed on the [Global Fund Results Report](#).



**1.2 million**

people on antiretroviral  
therapy for HIV



**53,000**

people treated for TB



**952,000**

mosquito nets distributed

The total approved COVID-19 budget for Zambia in 2020 was approximately US\$27 million. The amount allocated to ZMB-C-MOH was around US\$15.5 million. By December 2020, for COVID-19 procurements under ZMB-C-MOH, only approximately US\$6.5 million was spent.<sup>12</sup>

The MoH Procurement and Supply Unit (PSU) is responsible for all MoH-funded procurement processes. The PMU supports the implementation of Global Fund grants and runs the Global Fund budgeted procurements. This may require procurement via different entities, for example MoH-PSU, UNICEF, wambo (i.e. the Global Fund's online procurement platform), UNDP and ZAMMSA, as per the approved procurement channel for the specific good/service. The PMU Senior Procurement Specialist reports to the PMU Grant manager, but functionally there is a dotted reporting line to the Head of the Procurement under the MoH. The PMU Senior Procurement Specialist and their team handle Global Fund procurements within the PMU and liaise with PSU and other procurement entities as needed.

Normally for Global Fund budgeted MoH procurements, the PMU initiates the process including solicitation/bid processing. However, in the case of COVID-19, the MoH had already initiated and identified suppliers for certain items, including granular chlorine, and the Global Fund PMU was requested to facilitate the payments.

A [2022 OIG Audit Report](#) of Global Fund grants implemented in Zambia from 2018-2020, including ZMB-C-MOH, identified significant improvement required in (i) the design and effectiveness of grants implementation, (ii) the adequacy and effectiveness of program and financial management and oversight arrangements and (iii) the design and effectiveness of the procurement and supply chain processes.

To address these issues, the Secretariat committed to implement Agreed Management Actions focused on (i) redesigning the MoH PMU structure and its relationship with the MoH to strengthen operational management by the PMU and oversight by the MoH in time for the next grant cycle beginning 1 January 2024 and (ii) supporting the MoH in strengthening the governance, oversight

<sup>10</sup> [https://www.theglobalfund.org/media/12455/oig\\_gf-oig-22-017\\_report\\_en.pdf](https://www.theglobalfund.org/media/12455/oig_gf-oig-22-017_report_en.pdf)

<sup>11</sup> <https://www.transparency.org/en/cpi/2022> accessed on 12 September 2023

<sup>12</sup> These amounts include grant flexibilities and the COVID-19 Response Mechanism

and roles and responsibilities over health-related procurement and supply chain management processes under the MoH grants.

Regarding action (i), the implementation of this action is currently ongoing. The independent assessment of the PMU MOH operating model has been completed in March 2023 and the PMU structure is currently being redefined further. The implementation of action (ii) is also ongoing. The MoH is operationalizing the National Supply Chain Coordination Unit which acts as a control tower to enhance Supply Chain oversight and coordination.

## **1.5 Impact of the investigation**

The investigation uncovered collusive practices by the Principal Recipient's procurement staff and the local suppliers. The findings exposed weaknesses in the Principal Recipient's procurement capacity that will be addressed through Agreed Management Actions (AMAs).

Specifically, in the context of the procurement process under investigation, the Principal Recipient did not comply with procurement regulations. There was no process in place to verify the adequacy of the selection of the winning bidder through the simplified bidding processes. The lack of controls contributed to the Principal Recipient's failure to identify a manipulated selection process that limited competition to three interrelated companies with no demonstrable experience in the sector. As a result, the lack of oversight and value-for-money evaluations resulted in overpricing.

The OIG identified non-compliant expenditure of US\$78,030 representing the total value of the contract for the supply of granular chlorine paid to Masore. It recommends the recovery of US\$33,092, which represents the difference between the market and paid prices at the time. Further consideration should take into account the market conditions related to supply disruptions and accelerated inflation of the Zambian Kwacha (ZMK) at the time of the granular chlorine procurement.

The challenges of procurement processes in an emergency context, such as COVID-19, are not isolated to the Principal Recipient procurements in Zambia, as has been confirmed by [2021](#) and [2022 COVID-19 Response Mechanism Audits](#). Both audits found the COVID-19 Response Mechanism (C19RM) roll-out to be partially effective in ensuring that funds and commodities are available in the country and are being used on time. Critical issues in Procurement and Supply Chain Management at both global and country levels have impacted the timely use of C19RM 2020 funds and highlighted risks for C19RM 2021 investments.

While the goods were delivered and the collusion scheme uncovered were narrow in scope, given the scale of COVID-19 investments across the Global Fund portfolio,<sup>13</sup> small fraud schemes could add to a significant amount of misuse. The urgent need for medical supplies and personal protective equipment drove procurement teams to prioritize speed, often at the expense of thorough due diligence. Slowing procurement processes to ensure rigorous vetting of suppliers could have delayed critical supplies from reaching healthcare workers and patients, potentially exacerbating the pandemic's impact.

As a result of this case, the OIG and the Secretariat have agreed an AMA to recover the funds associated with the collusive practice. The OIG and the Secretariat also agreed two AMAs to take appropriate action towards the individuals and suppliers implicated in the prohibited practices described in this report. This entails strengthening their policies and procedures around vendor

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<sup>13</sup> The Global Fund provided US\$231.7 million during the first round (Grant Flexibilities), US\$759 million for C19RM 2020 and US\$4 billion for C19RM 2021. Of these amounts, Zambia received US\$ 10.7 million in Grant Flexibilities, US\$ 18.9 million under C19RM 2020 and US\$125.5 million under C19RM 2021.

verification and the key procurement steps, as well as mitigating the risk of the occurrence of prohibited practices.

To mitigate similar risks, the Global Fund Country Team also put into place the following measures:

- (i) From NFM2, the LFA reviews all procurements above US\$50,000;
- (ii) since the start of C19RM 2020, all health procurement for strategic health products are procured via the Global Fund's Pooled Procurement Mechanism/wambo; and
- (iii) as of June 2020, health product procurements for non-strategic product are conducted largely via UN channels.

These measures complement for the change in health procurement management in November 2021 from the MoH PSU to the Zambia Medicines and Medical Supplies Agency (ZAMMSA), which was established by an Act of Parliament in 2021.

## **2. Findings**

### **2.1 Collusion and overpricing in the selection of a supplier of products to support preparedness and response to COVID-19**

From 13 March 2020 to 20 April 2020, the MoH PSU conducted a tender to procure commodities, including granular chlorine, to support preparedness and response to COVID-19 for the total value of US\$271,809.

Zambian Procurement Regulations provide that a procurement unit may use its knowledge of the market or other appropriate sources of information to develop a bidder shortlist. According to the PMU Senior Procurement Specialist, the Principal Recipient used its discretion to select a shortlist of potential bidders.

The Zambian Public Procurement Authority (ZPPA) approved the Principal Recipient's request not to use the standard solicitation documents because of the urgency caused by the pandemic. ZPPA authorized the PR to use simplified request for quotes or simplified bidding for procurements that deal with the COVID-19 pandemic on 14 April 2020.

According to the MoH's Procuring Entities, the Standard Operating Procedures Manual (the Manual) states that simplified bidding does not require the Principal Recipient to include technical specifications when advertising the procurement. The PSU can evaluate offers based on quoted prices, suppliers' tax registration with the Zambia Revenue Authority and certificates of incorporation.

On 19 March 2020, the PSU sent a request for the supply and delivery of granular chlorine to 16 bidders. In response, they received quotations from three local suppliers Masore, Lustan General Dealers (Lustan) and Excella General Dealers (Excella).

On 25 March 2020, the PSU evaluated the bids in compliance with the Manual. An Evaluation Committee at the MoH approved PSU's recommendation to award the contract to Masore. Lustan and Excella did not proceed to the commercial evaluation as they did not comply with all requirements. Masore was the only offer considered at the commercial evaluation stage and was awarded the contract. The Evaluation Committee was composed of three individuals: a Purchasing and Supplies Officer, the Chief Purchasing and Supplies Officer, and the Head of the PSU.

According to a goods acceptance certificate, Masore delivered the granular chlorine to Medical Stores Limited, an autonomous state-owned company, on 20 April 2020. The OIG did not find any indications that there was an issue with the granular chlorine quality.

#### **(i) Principal Recipient staff colluded with local suppliers in a public procurement process**

The PSU did not have proper authorization to use the simplified bidding procurement method. The timeline of the events demonstrates that the ZPPA's approval to use the simplified bidding came almost a month after the PSU raised the granular chlorine request, two weeks after it selected Masore as the winning bidder (on 31 March 2020), and five days after the Principal Recipient signed the contract with Masore.

Moreover, the PSU failed to comply with the Manual's standards – which are intended to ensure transparency and equity in the procurement process – when it did not provide an adequate period for bidders to submit their proposals. According to the Manual, the PSU was required to provide



interested suppliers at least one week from the date of the invitation to bid to submit proposals. However, the OIG identified that the PSU only gave suppliers one day to submit proposals, effectively making it impossible for bidders to submit offers before the bid closing period.

The OIG found that the PSU accepted three undated quotations from Lustan, Masore and Excella and failed to document the time of receipt. As per the Manual, there appears to be no obligation for bidders to date quotations. However, the Manual stipulates that the PSU was required to document the receipt of all submitted bids, including: (i) the name of the Bidder(s), (ii) the date and time of Bid submission and (iii) the method of Bid submission, i.e., hand-delivered, mail, etc.

Separately, the OIG identified sufficient evidence to conclude that Lustan, Masore and Excella are interrelated entities. Analysis of their quotations and Zambian Patents and Companies Registration Agency (PACRA) records confirmed connections between the bidders. For example, Lustan and Excella have the same physical address and contact details. Moreover, the Tax Clearance Certificates provided by Lustan and Excella also contain identical phone numbers and email addresses. Both are linked to Masore and Excella's common shareholder – who is a full-time employee and Assistant Human Resource Manager at the MoH.

The OIG invited the three bidders for an interview. Despite numerous email invitations and phone calls, none of the bidders responded to the OIG. Additionally, none of the three companies could be located at the physical addresses indicated in the bid documents.

The OIG was able to interview the PMU Senior Procurement Specialist, who claimed that the procurement process was in compliance with local procurement regulations. The specialist did not provide any credible response to the narrow and non-competitive bid submission window, nor did they provide evidence that the only three companies to submit proposals were interrelated and linked to a fellow MoH employee.

The OIG notes that the Principal Recipient did not have access to PACRA records during the bid evaluation because they were not required in the invitation to bid. However, Lustan and Excella's quotes clearly referenced a common director, which should have been identified and clarified by the PSU.

Based on the above findings and in accordance with the preponderance of the evidence standard, the OIG finds that there is sufficient evidence to demonstrate that the PSU staff, Masore, Excella and Lustan, engaged in a collusive practice when they formed an arrangement to limit competition and steer the procurement process in Masore's favour.

## **(ii) Challenges achieving value for money during pandemic**

All Global Fund Principal Recipients are required to obtain the best value for money for their expenditures.<sup>14</sup> According to the initial budget approved by the Global Fund, the Principal Recipient intended to procure 500 units (50kg per unit) of granular chlorine at a per unit cost of ZMK 2,400 (US\$123). However, the invitation to bid sent out by PSU on 19 March 2020 reduced the quantities of granular chlorine to 339 units (50kg per unit).

On 25 March 2020, the MoH Procurement Committee approved the request for the supply and delivery of 339 granular chlorine units (50kg per unit), raising the unit cost to ZMK 4,500 (ca. US\$230). This change made the total price 87.5% higher than the budgeted price.

Comparing the above price to a UN entity reference price of ZMK 2,600 for the same unit of granular chlorine in Zambia around the time of the tender, the MoH's purchase appears to be overpriced by

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<sup>14</sup> <https://www.theglobalfund.org/en/funding-model/updates/2020-02-21-value-for-money-resources-for-applicants/>

ZMK 646,953 (US\$33,092).<sup>15</sup> However, the OIG is conscious of the global challenges faced by countries during the pandemic, as well as the high inflation and depreciation of the Zambian Kwacha against the US dollar, which should be taken in consideration by the Global Fund when finalizing amounts to be recovered.

Based on the findings of this investigation, the following Agreed Management Actions have been outlined with the Global Fund's Secretariat.

Action to be taken	Due date	Owner
1. The Global Fund Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.	30 June 2024	Chair, Recoveries Committee
2. The Global Fund Secretariat will ensure that the Principal Recipient takes appropriate action towards the individuals and suppliers implicated in the prohibited practices described in this report.	30 June 2024	Head, Grant Management
3. To better mitigate the risk of the occurrence of prohibited practices, the Global Fund Secretariat will work with the Principal Recipient to further strengthen its policies and procedures around vendor verification and the key procurement steps that ensure transparency and fair competition.	31 March 2025	Head, Grant Management

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<sup>15</sup> The UN entity price catalogue shows the prices at their warehouse and not in-country. Their cost estimate includes a price buffer to cover the fluctuation between the quoted and actual prices.

## **Annex A: Summary of subject responses**

On 15 August 2023, the OIG provided the Principal Recipient and the implicated suppliers with a copy of the Letter of Findings, which represented the full record of relevant facts and findings as they related to them. They were given an opportunity to provide comments and supporting documents on the findings and conclusions. The Principal Recipient provided its response on 8 September 2023. No response was received from the three suppliers.

Below is a summary of the Principal Recipient's response. All points made in the response were duly considered by the OIG and appropriate revisions were made to the findings as part of this final report.

### **Response from Principal Recipient**

The Principal Recipient confirmed that Masore delivered the granular chlorine and advised that Masore offered the market price for the granular chlorine.

The Principal Recipient stressed that during COVID-19 pandemic Zambia had serious economic challenges that weakened its local currency and affected local market prices. Zambia also experienced delays in transportation and availability of products to control COVID-19. These challenges contributed to the demand exceeding the available supply, allowing sellers to charge higher prices at the time, which would justify the price paid for the granular chlorine.

The Principal Recipient also argued that Masore's price should not be compared to a UN agency's price because the latter offers pooled (aggregated demand) prices. Additionally, the referenced UN agency is an international, non-commercial entity, while Masore is a local commercial entity.

Lastly, the product costs included in the grant budget are estimates and differ from the market prices at the time of the tender.

In its response, the Principal Recipient provided no comments regarding the evidence of a collusive practice and the failure of the Principal Recipient or its staff to comply with procurement rules as described in this report.

## Annex B: Methodology

### Why we investigate:

Wrongdoing, in all its forms, is a threat to the Global Fund's mission to end the AIDS, tuberculosis and malaria epidemics. It corrodes public health systems and facilitates human rights abuses, ultimately stunting the quality and quantity of interventions needed to save lives. It diverts funds, medicines and other resources away from countries and communities in need. It limits the Global Fund's impact and reduces the trust that is essential to the Global Fund's multi-stakeholder partnership model.

### What we investigate:

The OIG is mandated to investigate any use of Global Fund funds, whether by the Global Fund Secretariat, grant recipients, or their suppliers. OIG investigations identify instances of wrongdoing, such as fraud, corruption and other types of non-compliance with grant agreements. The Global Fund Policy to Combat Fraud and Corruption<sup>16</sup> outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

- (i) identify the nature and extent of wrongdoing affecting Global Fund grants;
- (ii) identify the entities responsible for such wrongdoing;
- (iii) determine the amount of grant funds that may have been compromised by wrongdoing;
- (iv) place the Global Fund in the best position to recover funds, and take remedial and preventive action, by identifying where and how the misused funds have been spent.

The OIG conducts administrative, not criminal, investigations. It is recipients' responsibility to demonstrate that their use of grant funds complies with grant agreements. OIG findings are based on facts and related analysis, which may include drawing reasonable inferences. Findings are established by a preponderance of evidence. All available information, inculpatory or exculpatory, is considered by the OIG.<sup>17</sup> As an administrative body, the OIG has no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the access rights it has under the contracts the Global Fund enters into with its recipients, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including those disbursed to Sub-recipients and paid to suppliers. The Global Fund's Code of Conduct for Suppliers<sup>18</sup> and Code of Conduct for Recipients provide additional principles, which

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<sup>16</sup> (16.11.2017) Available at [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>17</sup> These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: [http://www.conf-int-investigators.org/?page\\_id=13](http://www.conf-int-investigators.org/?page_id=13), accessed 1.12.2017.

<sup>18</sup> Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at: [https://www.theglobalfund.org/media/3275/corporate\\_codeofconductforsuppliers\\_policy\\_en.pdf](https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf), and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at: [https://www.theglobalfund.org/media/6011/corporate\\_codeofconductforrecipients\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf). Note: Grants are typically subject to either the Global Fund's Standard Terms and Conditions of the Program Grant Agreement, or to the Grant Regulations (2014), which incorporate the Code of Conduct for Recipients and mandate use of the Code of Conduct for Suppliers. Terms may vary however in certain grant agreements.

recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define compliant expenditures as those that have been incurred in compliance with the terms of the relevant grant agreement (or have otherwise been pre-approved in writing by the Global Fund) and have been validated by the Global Fund Secretariat and/or its assurance providers based on documentary evidence.

### **Who we investigate:**

The OIG investigates Principal Recipients and sub-recipients, Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers. Secretariat activities linked to the use of funds are also within the scope of the OIG's work. While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations encompass their activities regarding the provision of goods and services. To fulfill its mandate, the OIG needs the full cooperation of these suppliers to access documents and officials.

### **Sanctions when prohibited practices are identified:**

When an investigation identifies prohibited practices, the Global Fund has the right to seek the refund of grant funds compromised by the related contractual breach. The OIG has a fact-finding role and does not determine how the Global Fund will enforce its rights. Nor does it make judicial decisions or issue sanctions. The Secretariat determines what management actions to take or contractual remedies to seek in response to the investigation findings.

However, the investigation will quantify the extent of any non-compliant expenditures, including amounts the OIG proposes as recoverable. This proposed figure is based on:

1. amounts paid for which there is no reasonable assurance that goods or services were delivered (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
2. amounts paid over and above comparable market prices for such goods or services;
3. or amounts incurred outside of the scope of the grant, for goods or services not included in the approved work plans and budgets or for expenditures in excess of approved budgets.

### **How the Global Fund prevents recurrence of wrongdoing:**

Following an investigation, the OIG and the Secretariat agree on management actions that will mitigate the risks that prohibited practices pose to the Global Fund and its recipients' activities. The OIG may make referrals to national authorities for criminal prosecutions or other violations of national laws and support such authorities as necessary throughout the process, as appropriate.