



Independent observer  
of the Global Fund

## Disbursements to Zambia MoH Suspended Amid Allegations of Fraud; Change of PR Is Imminent

The Global Fund has suspended disbursements to the Ministry of Health (MoH) of Zambia, which is the principal recipient (PR) for several grants. The Global Fund's Office of the Inspector General (OIG) has concluded that there was fraud in connection with one or more of the grants. Disbursements are being allowed for life-saving interventions (drugs and other directly related costs), but these disbursements are being made directly to procurement agents or suppliers, not to the MoH. Arrangements are now being made to transfer the MoH grants to a new PR, the United Nations Development Programme (UNDP), on an interim basis.

### Background

In May 2009, as a result of a whistleblower allegation, the Zambian Anti Corruption Commission (ACC) launched an investigation into fraudulent practices within the MoH. Most of the reported fraud related to funds that were part of the expanded health basket in Zambia, in which the Global Fund does not participate. However, the investigation also included one fraudulent transaction relating to a Global Fund grant. The ACC searched the offices of the MoH, resulting in the suspension of thirty staff members. As of September 2009, 12 people were in custody in Zambia, charged with offences related to the investigation. All 12 are current or former MoH employees and are charged with offences related to the expanded health basket. Seven of the employees are also charged in relation to the fraudulent appropriation of approximately \$350,000 from the Global Fund grant.

In July 2009, following a mission to Zambia, investigators from the OIG concluded that there was reason to believe that the fraudulent practices within the MoH were more extensive than had been established to date.

The ACC requested assistance from the OIG to strengthen its capacity to undertake a potentially large-scale investigation. In light of this, the OIG contacted a number of other agencies to make arrangements for a series of joint capacity assistance missions to Zambia. (Similar assistance missions have been conducted in Uganda with, according to the OIG, very positive results.)

In September 2009, the OIG began its own in-depth audit of all grant programmes, covering all four PRs in Zambia. During the audit, the OIG uncovered what it believed to be further evidence of irregularities and fraud within the Global Fund grant programmes in the MoH. In particular, the audit team found what appeared to be multiple fraudulent allowance claims by senior MoH personnel. In November 2009, the OIG referred comprehensive evidence to the ACC.

In a report written at the beginning of March 2010, the OIG said that the response from Zambian authorities – the ACC and the police – had been “very disappointing,” explaining that the national authorities “have failed thus far to provide assurances of appropriate action.” The OIG said that it is “unable to provide assurance as to the safety of investing further funds through the Ministry of Health while the issues surrounding the investigations by national authorities remain unresolved.”

The Global Fund has said that it will not proceed with signing any new grants with the MoH until it is satisfied that the situation is under control and that adequate measures are in place to allow for a return to normal arrangements. Furthermore, any activity and spending linked to the grants under the management of the MoH – such as funds for the continuation of treatment – have to be verified and recommended by the local fund agent (LFA) and approved by the Global Fund Secretariat.

This article is based on “The Office of the Inspector General Progress Report for January-September 2009 and 2010 Plan and Budget” and “The Office of the Inspector General Progress Report for October 2009-February 2010,” both available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports), and on the “Report of the Executive Director,” available as document GF/B21/3 at [www.theglobalfund.org/en/board/meetings/twentyfirst/documents](http://www.theglobalfund.org/en/board/meetings/twentyfirst/documents).

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