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OIG identifies irregularities in the implementation of HIV grants to Kazakhstan

An investigation by the Office of the Inspector General (OIG) into three HIV grants in Kazakhstan administered by the principal recipient, the Republican Center for Prophylactics and Control of AIDS (RCAIDS), has found evidence of attempted misappropriation, misuse of grant funds, misrepresentation and anti-competitive and collusive practices.

A report was released by the Global Fund on 13 December: one of five on “separate subcases” that the OIG is investigating. There has been no further elaboration of the nature of the other cases or when those conclusions will be released.

In 2006, RCAIDS procured \$149,172 worth of the antiretroviral drug Viracept from manufacturer Hoffmann La-Roche, which subsequently issued a global recall due to alleged contamination. Most of the supply purchased by RCAIDS was returned.

In 2009, Hoffmann La-Roche agreed to reimburse the cost of the recalled drugs, initially estimated at \$101,957, to RCAIDS. According to the OIG, the financial manager of RCAIDS, acting on instructions from the then-director general, requested that the reimbursement be made through a transfer to the bank account of a company in New Zealand without informing the Fund.

The company had no apparent relation to Fund-financed activities. To justify the transfer, the financial manager provided a false statement to Hoffmann La-Roche, asserting that the company in question delivered ARV drugs and test systems to RCAIDS in 2010.

Since no reimbursement was made at that time, the OIG characterised this as “attempted misappropriation”.

The reimbursement came in 2012 when \$105,227 was paid into the bank account of RCAIDS. A new director general was now in place, and the OIG said that the reimbursement was classified as a “grant” to RCAIDS and subsequently earmarked for an anti-HIV information campaign: an unauthorised activity that was tendered in a non-competitive procurement process.

Evidence of collusive practices in the award of the three contracts was also uncovered by the OIG; one of bidders was a friend of the director general of RCAIDS. Law enforcement authorities in Kazakhstan have separately launched a criminal investigation into procurement irregularities related to the HIV grants.

RCAIDS committed in September 2013 to reimburse the full amount to the Global Fund Secretariat.

The investigation appears to have already influenced recommendations for future disbursements of grant money to Kazakhstan. As pre-conditions for Phase 2 grant signing, an oversight procurement strategy in place since January 2013 will remain in effect for the foreseeable future, and the director of RCAIDS has effectively been banned from any involvement in, or responsibility for, implementation of Global Fund grants. The Global Fund’s country team was also keenly monitoring the recruitment of a new financial manager RCAIDS, following the resignation in July 2013 of the official involved in some of the irregularities uncovered by the OIG.

The report of the OIG investigation can be found on the Global Fund website [here](#).

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