



Independent observer
of the Global Fund

CORRUPTION, FRAUD AND DISINFORMATION DURING THE CORONAVIRUS DISEASE 2019: HEIGHTENED VIGILANCE IS NECESSARY

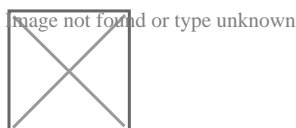
Corruption and development aid are recurring issues in the discussion about the effectiveness of aid, and it is often debated whether aid governance strengthens or weakens transparency and accountability mechanisms. International donors have progressively developed tools to track the use of funding, and analyze and assess the processes that are at high risk of corruption, in particular the procurement of goods and services. To fight the coronavirus disease 2019 (COVID-19), international donors expedited the release of significant funding to cover the purchase of major medical equipment and material, however there have been questions about how these funds are being monitored and controlled.

This article highlights the measures established by the Global Fund to anticipate possible fraud linked to the misappropriation of its funding, and assesses suspected cases of fraud and corruption.

The Global Fund's policy on risk management and fraud anticipation

The Global Fund uses a model comprising three lines of defense, that involves many actors and many concentric processes aimed at preventing, identifying and sanctioning the misuse of funds.

Figure 1: The Global Fund three lines of defense model



Source: The Global Fund presentation

Note: PR: Principal Recipient, LFA: Local Fund Agent,

CCM: Country Coordinating Mechanism, SIID: Strategy, Investment and Impact Department

The Principal Recipient (PR), the Local Fund Agent (LFA), the Country Coordinating Mechanism (CCM), the Secretariat Country Team, and the PR's external auditor are the assurance mechanisms that form the first line of defense.

The second line comprises functions such as the risk or finance departments within the Secretariat. The third line includes functions outside the Secretariat: the external audit of the Global Fund Secretariat, the Evaluation Group and the Office of the Inspector General (OIG). This third line of defense reports to the Board of Directors.

In countries where grant management was poor, the Secretariat puts the Additional Safeguards Policy in place. Its aim is to strengthen overall financial control, at all stages of implementation. This policy enables the Secretariat to choose international entities as PRs to control Global Fund grants; government agencies become sub-recipients (SRs).

In 2016, the OIG launched the "I Speak out Now" tool to encourage grant implementers to declare suspicions of mismanagement such as fraud, corruption, and collusion.

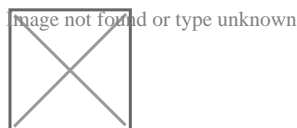
These tools were developed over time and designed for use over a funding cycle (typically a three-year period). As the Global Fund is not intrinsically an emergency donor, few of its current tools are designed to be deployed in contexts that require an immediate response, and where procurement and commitment procedures are almost simultaneous. However, the rapid release of significant funds to fight COVID-19 highlights the increased risks incurred by donors.

The Risk Management Department assessed the risks associated with COVID-19 to the Global Fund, and mapped all the collateral effects of the pandemic:

- Work at Headquarters was suspended for several months (which restarted in July with a reduced staff) and the Secretariat's teams had to work remotely.
- Lockdowns, travel restrictions and curfews limited the action of PRs, SRs and LFAs, as well as fiscal and fiduciary agents in many countries.
- Service and implementation were interrupted, and corrective and acceleration measures would be required to make up for missed opportunities.
- The implementation of quality assurance measures to ensure the purchase of good quality equipment, which met standard technical specifications and complied with procurement standards was hampered.

Finally, the Global Fund offered additional "flexibility" in extending the reporting period on activities such as mosquito net distribution campaigns. The Global Fund made recommendations to and trained financial teams of PRs and SRs, using the methodology presented below:

Figure 2: Understand and Plan for COVID-19 disruption on Global Fund in-country finance



Source: The Global Fund Secretariat

Are existing control mechanisms adapting to the pandemic?

The [Global Fund](#) offered recipient countries the opportunity to use savings from existing grants to fight COVID-19; the amount is estimated at \$500 million. The Global Fund also established a new response mechanism, approved by the Board of Directors on 9 April, to help countries respond to COVID-19 and mitigate the impact on HIV, TB, malaria and health systems; \$500 million was allocated to the newly established COVID-19 Response Mechanism (C19RM).

Other donors are also investing in most of the Global Fund recipient countries. For example, the World Bank has structured its support around a 3-step strategy, which firstly responds to the emergency, then focuses on restructuring, followed by resilient economic recovery. Based on this strategy, the [World Bank plans for an investment estimated at \\$160 million](#), over the next 15 months.

The Global Fund released the C19RM resources in record time (five working days as per the commitment made by the Secretariat). However, this raises questions regarding the ability to monitor the use of these investments in real time. It is important that the Global Fund Secretariat and the OIG guide implementers in adapting their existing control mechanisms to the current situation brought about by the COVID-19 pandemic. This is because cases of fraud, concealment, lack of transparency and corruption are increasing in many countries affected by the pandemic.

Information retention

At the onset of the COVID-19 crisis, Transparency International, the global anti-corruption coalition, identified the potential dangers to existing mechanisms that guarantee the proper flow of information, as well as transparency and traceability of public spending. [In a report published in March 2019](#), the organization expressed concern about the scale of fraud and corruption practices in the field of global health, which is estimated at \$500 billion each year. It is likely that the scale of fraud would increase with the release of additional funding to fight COVID-19.

Most of the governments in countries affected by COVID-19 attempted to withhold information to ensure their influence and participation in decision-making processes. For example, information regarding the availability of personal protective equipment (PPE) such as face masks and screening tests was not disclosed, even false, aiming to avoid general panic. For example, France and Serbia's official communication privileged a certain "discretion" concerning the stocks available, and revealed a clear intention to withhold this information. [In an article published in March 2020](#), Transparency International warned of the dangers of state secrecy justified by the state of emergency and the gravity of the situation: "the meetings of parliament [have been] suspended due to security concerns in some countries, and many normal control and accountability processes have been seriously disrupted. Governments should therefore go to greater lengths to act with integrity and be open to the public. Access to information is essential so that decisions made today can be accounted for in the future."

New risks of corruption and malfeasance

A significant number of cases of corruption have been reported, further weakening a system of governance already undermined by the pandemic. Audit firms such as Deloitte or KPMG, identified four major risks:

- fraud in the purchase, sale and delivery of medical equipment in particular: prices could be grossly inflated; contracts could be awarded to favor certain suppliers; orders could be delivered to illegal recipients
- the introduction of counterfeit equipment and health products (particularly masks and screening tests that do not meet quality standards, and the introduction of drugs with altered expiration dates into the supply chain)
- bribery and corruption: illicit payments, gifts or benefits to regulatory authorities to ensure customs clearance and to hasten the delivery of goods to avoid transit periods of confinement and curfews
- corruption in access to care: extortion of patients by health facilities, or bribes to enable access to screening tests or treatment.

The urgent and massive purchase of materials and equipment through accelerated processes

The first investment was used for the purchase of PPE, laboratory equipment, and emergency equipment for

hospitals: masks, PPE, screening kits, PCR platforms, GeneXpert machines, ventilators, and oxygen devices. Faced with the difficulty of obtaining screening kits and PPE, the Global Fund issued recommendations allowing recipient countries to make local purchases, following transparent quality assurance and procurement rules.

Numerous cases of fraud, which happens quite often in this sector, have been reported in recent months. The United Nations Office on Drugs and Crime (UNDOC) estimates that 10–25% of the funds usually assigned to the purchase of medical equipment and inputs is embezzled. We imagine that this risk has increased tenfold during this exceptional period.

In Brazil, the government is accused of having awarded contracts for the purchase of PPE in a non-transparent manner. The same is true for several Latin American countries, which prompted civil society organizations to react. Thirteen organizations denounced the fraudulent practices, and [developed a simplified guide for the public purchase of equipment and materials needed](#) to fight COVID-19.

In the Democratic Republic of Congo, the Deputy Minister alerted the President of the Republic to the possible mismanagement of COVID-19 funds by the Ministry of Health. He was particularly concerned about the excessive amounts used to purchase beds, ambulances and other equipment, and the possible payment of retro-commissions to selected companies.

[In Kenya, civil society and the press reacted swiftly to suspicions of misuse of COVID-19 funds](#), following the report presented by Mutahi Kagwe, the Cabinet Secretary of Health. The report describes how 1.3 billion Kenyan shillings (KES) (\$12.2 million), mostly obtained from the World Bank, has been used in the fight against the COVID-19 pandemic. This report shows that 42 million KES was used for renting ambulances, 4 million KES for tea and snacks, and 70 million KES for communication (\$1 = 105 KES). Contracts were awarded to telephone companies to set up an awareness campaign, while the national company Safaricom agreed to join the fight for free. In addition, medical equipment donated by Jack Ma and the Alibaba Foundation are unaccounted for and are [suspected to have been stolen](#).

[In Uganda, MPs have reportedly awarded themselves envelopes to the tune of \\$ 2.6 million](#) to raise public awareness of COVID-19. The High Court ordered MPs to hand over \$5 000 given to each of them to fight COVID-19 in their constituency.

Counterfeit medicines

The thorny subject of counterfeit or sub-standard drugs is not new and this market is known to be extremely lucrative and well developed. Recently, [Mali 24 Info newspaper](#) reported that a counterfeit drug being sold by Malian pharmacies, under the name of chloroquine, to fight COVID-19, was actually Metronidazol. According to the article, the drug was purchased and delivered by the central purchasing body of the State. After testing the medication, the national laboratory communicated that the batches should be withdrawn from pharmacies as they were not chloroquine and presented a danger to the health of patients who acquired it to treat COVID-19.

Likewise, clouds of suspicion hang over the current recirculation of expired drugs purchased under the DRC Head of State's 100 days program; there's an investigation into the purchase of \$10 million drugs .

Adapting defense structures to the COVID-19 period

It is likely that the LFAs, internal and external auditors and other investment defense structures will have to do a lot in order to verify the effective use of the additional funding allocated by the organization within the framework of the fight against COVID-19. It is important that these controls are not retrospective, and consequent of extensive fraud. It is important that the Global Fund adapts its procedures not only to recognize the damage within a few months, but to prevent it. Some of these fraudulent activities are difficult to detect. These include the extortion of patients to whom the tests are sold instead of being offered free of charge, and the delivery of equipment in insufficient quantity and quality.

The risks of corruption and fraud are multiplied in emergency periods. The substantial amounts of funds released by donors (the Global Fund, World Bank, International Monetary Funds) make accountability more difficult and emphasize the need for multi-donor verification mechanisms. This situation calls for the strengthening of country-specific institutions, in particular the Court of Accounts or the Supreme Audit Institutions of the recipient countries, or any other mechanism that would enable the coordination of donor efforts and the use of a single verification mechanism with common criteria and tools. Coordination and controls are imperative to avoid fraud and the duplication of funding of the same activities by different donors.

Aidspan will closely monitor the use of funds in countries, as well as the verification methods employed by the Global Fund. Aidspan knows that it can count on [civil society actors who have denounced fraudulent practices](#) and call on donors (in particular the International Monetary Fund) to adopt stricter procedures in monitoring the proper use of funds. While many states have yielded to the temptation to withhold strategic information, the Global Fund will challenge itself to remain faithful to its model of transparency and accountability by ensuring access to information on the use COVID-19 funds.

[Read More](#)
