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## OIG INVESTIGATION INTO THE PROCUREMENT OF SUB-STANDARD LONG-LASTING INSECTICIDAL NETS

On 26 February 2021, the Office of the Inspector General (OIG) published its report on the findings of its investigation into the procurement of sub-standard, long-lasting insecticidal nets (LLINs) from TANA Netting, a manufacturer based in Pakistan.

### Background

TANA Netting, a subsidiary of NRS International, had been a supplier of nets under Global Fund grants since 2009. In February 2013 TANA, subcontracted manufacture to a fellow subsidiary company, HSNDS, and later assisted the latter to expand its manufacturing capacity.

The investigation was initiated after OIG had received information – the source of which is not quoted – that between January 2017 and April 2018, TANA manufactured LLINs using unapproved manufacturing methods to bind insecticide to the net, and that there had been a deliberate attempt to falsify manufacturing data to cover up the non-conformity. As the report's Executive Summary states: "TANA did not adhere to approved manufacturing requirements and failed to control product quality of over 52 million Dawa Plus 2.0 LLINs costing \$106m, in violation of the Supplier Framework Agreement."

In 2019 TANA ceased bed net production and transferred ownership of the product to another company. It is unclear if this was in any way connected to the sub-standard production of the Dawa Plus 2.0 LLINs.

The findings are clear on some issues but, as explained in the report, some questions remain unanswered.

## Investigation findings

### The investigation was obstructed

The first main finding is that TANA and HSNDS obstructed the investigation by failing to provide access to records and data, thereby preventing the OIG from establishing the full extent of non-conformity and wrongdoing. All relevant records had disappeared or been destroyed, which is why it was impossible for the OIG to determine the extent of the manufacturing deficiencies or who was responsible. OIG had to draw its conclusions using retrospective laboratory testing, the results of which are set out in the report.

However, a statement in the report hints that the problem of quality may have extended beyond the 52 million LLINs produced between January 2017 and April 2018. Beyond the insecticidal quality issue, the report states that “The OIG also gathered witness testimony of weaknesses that could have significantly impacted the quality of the HSNDS-produced nets, such as raw fabric being stored uncovered and exposed to sun and rain, the use of uncalibrated scales to measure binders and pesticides, and untested water being used for net manufacturing”. The report also refers to a former HSNDS manager who said he had witnessed deficient fabric, which should have been rejected, being used to manufacture TANA nets. These additional manufacturing shortcomings, the consequences of which could not be assessed, could have prevailed before and after the period under review.

### Manufacturing changed and was uncontrolled

The second main finding is that TANA did not control the manufacturing processes of its nets, resulting in substandard products. The supply chain, manufacturing processes and quality control and quality assurance processes at HSNDS were flawed but TANA failed to control and ensure the required quality of the Dawa Plus 2.0 LLINs manufactured by HSNDS. The OIG investigation attempted to identify who was responsible for what had occurred. While blame for sub-standard treatment of nets appears to be placed on a former HSNDS manager, it does not – nor should it – exonerate TANA who had contractual responsibility.

### The Global Fund's quality control mechanisms are inadequate

Underlying the TANA case was a lack of quality control. The third main finding is that “The Global Fund's quality control mechanisms are inadequate, and ineffective in identifying substandard LLINs”. The report goes on to explain that: (a) deficient quality control impeded the identification of non-conforming nets; (b) there are oversight weaknesses in Global Fund Quality Assurance processes; and (c) the Secretariat was aware of quality issues with Dawa Plus 2.0 LLINs as early as November 2017. This latter issue is perhaps of more significance than the report attaches to it. If the quality issue of the LLINs, highlighted by tests in Rwanda in November 2017 and again in Afghanistan in June 2018, had been fully investigated and followed up earlier – and before the TANA/HSNDA manufacturing records had been removed – it is conceivable that the extent of the deficiencies and who was responsible could have been identified.

### Agreed management actions

Management actions to address these deficiencies have been agreed. The first agreed action is: “Based on the findings of the report, 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.” This will be complex, difficult and costly to do; and the full extent to which TANA nets did not conform to specifications is unknown. While evidence of fraud is clear, its value is not; and that means that the Global Fund will be unlikely to recover the full value, which should also include the cost of the OIG investigation and the added costs to be incurred by the Global Fund Secretariat and its Recoveries

Committee. With such levels of uncertainty regarding what can be claimed, from whom and how it can be enforced, it might be wise to set a cost limit for this action.

This case may have been costly but will be worthwhile when the other agreed actions are fully operationalized and applied to other procurement, as appropriate, thus avoiding a similar recurrence. These are:

1. The Secretariat, in consultation with the OIG, will report findings of supplier misconduct for potential referral to the Sanctions Panel;
2. The Secretariat will review and report on Principal Recipients' and the PPM procurement agent's compliance with the Global Fund Quality Assurance requirements for the period July 2019 – June 2020; and
3. Based on the findings of the report, the Global Fund Secretariat will formalize: (i) guidance for the pre-shipment inspection, sampling, and testing of LLINs; (ii) guidance for post market surveillance that covers all Insecticide-Treated Nets procured through the Global Fund; and (iii) internal verification process of the ITN quality control testing practices by the PRs and the PPM procurement agent.

#### Action already taken

It is reassuring to note that the Global Fund has already taken action in response to the OIG's investigation into TANA Netting. Following the OIG's investigation, the Secretariat has enhanced its Quality Assurance requirements of the LLIN Supplier Framework Agreement stipulating that suppliers must inform the Global Fund of any critical deficiencies identified. It has also strengthened the requirements of manufacturers' quality management systems, use of subcontractors, and product quality requirements within framework agreements.

In addition, the Letter from the Executive Director dated 25 February 2021 concerning the OIG report states that "The Global Fund worked closely with the respective national programs and partners in the countries affected to weigh the risks and benefits of using the nets. Many national programs decided to distribute the nets to ensure populations at risk were protected. .... We take some reassurance in the fact that the type of quality failings seen mean that the families still benefited from significant levels of protection from these nets." The Letter goes on: "The Secretariat has also selected a panel of suppliers to undertake quality assurance, quality control and risk management services, and is revising its operational guidelines for pre-shipment inspection, sampling and testing".

#### Observation

The salutary lesson of this case is that the sub-standard LLINs could – and should – have been identified much earlier on; hence Global Fund procurement quality control mechanisms must be strengthened and applied consistently. Even so, a significant omission in the OIG report is mention of how the deficient LLINs may have affected implementation of malaria programs and the potential health impact – and that is even more difficult to place a value on. That is all the more surprising because it was the impact of low standard nets on malaria programs that really initiated the investigation; yet that impact appears to have been ignored or sidelined.

An Aidspace source had raised the subject in October 2019, stating that communities in several countries had complained that some (but not all) the mosquito nets received during nets campaigns in the then current cycle and the previous one were not of the same quality as those received in 2010-2012. The quality issue was both in terms of touch and feel (less solid) and in terms of the dosage of insecticide.

The source quoted a user who had said: “before we couldn’t hear or see any mosquitoes at all in the room when the nets were out: now we hear them inside.” The source wanted to know if others had heard of similar complaints from communities about LLIN quality.

A theory put forward at the time by the source was that 60 million nets which had been “in quarantine” were finally used and given to communities anyway: ” that is 120-180 million people covered by those low standard nets; perhaps it is why some communities are now complaining.”

The source had suggested that the issue be raised with the OIG who should: (a) conduct an investigation into whether the nets “in quarantine” had finally been distributed to communities in countries and why? (b) examine and report on the quality check of nets distributed (countries’ reports vs Geneva reports); (c) look into why companies who are found guilty of cheating on net dosage are able to change their name, pre-qualify again by WHO, and be used again by some partners and in tenders, when such companies who are caught should be blacklisted for life; and (d) investigate what had happened in the communities where the deficient nets had been sent. These communities were in: Afghanistan, Angola, Benin, Cameroon, DRC, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Philippines, Rwanda, Somalia, South Sudan, Sudan, Togo, and Zambia. The source had also noted that malaria cases had risen almost everywhere since 2015 and that the low standard nets were damaging progress made in getting people to use nets and reduce malaria cases and deaths.

We shall await with interest to learn of the outcome of the follow-up actions that have been agreed.

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