

Investigation Report

Proactive Investigation into Anti-Malarial Product Theft

from Public Health Facilities in Malawi

GF-OIG-17-017
10 August 2017
Geneva, Switzerland

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The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

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Investigations Report

OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

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1. Executive Summary

1.1. Summary

This investigation report contributes to the growing body of work by the OIG focusing on the materialization of supply chain risks. The investigation leveraged data gathered from an OIG audit in Malawi in 2016, as well as evidence gathered during the course of this investigation. While the OIG intends to support the Secretariat in managing operational risks associated with supply chain management, this report focuses on avenues by which products – namely anti-malarial medication known as Artemisinin-Combined Therapy (ACTs) – are stolen from the public health system. In 2015, Malawi was faced with the prospect of withdrawal of United States Agency for International Development (USAID) funding of malaria medicines due to widespread theft. In the spirit of the Global Fund's principle of country ownership, the Global Fund OIG has worked closely with Malawian authorities and other donor organizations to detect those responsible for product theft, to engage the public in reporting wrongdoing and to support capacity building for national authorities to prevent further leakage.

The OIG considers this to be a proactive engagement. Reactive investigations are typically triggered by whistle-blowers, or information reported by the Secretariat. The aim of a proactive investigation is to introduce an intelligence-led component to identify high fraud risk areas and determine if they have materialized. Impact is gauged, root causes identified and actions agreed to prevent recurrence. This type of engagement is not dependent solely upon an individual whistle-blower allegation or Global Fund Secretariat report. The OIG will investigate if available intelligence indicates that a proactive intervention is likely to find evidence of fraud and identify perpetrators.

This proactive investigation involved working closely and sharing information with partner donor organizations to encourage reporting of thefts of anti-malarial products from health facilities by reaching out to the Malawian public through various media channels as part of the OIG *"I Speak Out Now!"* anti-corruption campaign. This report documents work conducted to date by the OIG in Malawi, specifically regarding drug thefts. The OIG is committed to continuing sustainable engagement with its partners in-country and with other donor organizations to detect and disrupt theft where it occurs and, importantly, to prevent it from happening at all.

1.2. Main Findings

Theft of ACTs in Malawi has been well-documented since 2010, when it was identified as one of several countries leaking donor-funded anti-malarial commodities across borders and into illicit retail markets. In response to concerns regarding the Ministry of Health's supply chain, the Global Fund partnered with USAID in 2011 to establish a third party logistics system to handle all in-country supply chain to the health facility level. In 2014, the Global Fund contracted its own third party logistics provider, under the National AIDS Commission (NAC), for commodities to treat AIDS, tuberculosis and malaria.

The continual availability of stolen Global Fund and USAID donor-funded ACTs in the Malawi retail market since early 2015 is evidence that the public health system remains vulnerable to theft. "Not for retail sale" donor-financed ACTs have been found in market surveys across Malawi, indicating that the problem is widespread and pervasive. Establishing the cause is an ongoing collaborative effort between the Malawian authorities, the Global Fund, USAID and other significant donors.

Since the Global Fund secured its own separate supply chain in Malawi, the OIG visited the provider in May 2015 and reviewed the policies and processes of the provider at the central warehouse. In-depth examination of the delivery system was also undertaken during the Global Fund OIG Audit in 2016.

OIG Investigators visited a health clinic in Blantyre which was stocked out of ACTs and had turned away hundreds of malaria patients in the last week as a result. Health workers told patients to go to

the pharmacy to buy ACTs which should have been available for free at the clinic. OIG investigators were able to purchase at a nearby pharmacy ACTs funded by USAID President's Malaria Initiative (PMI) and not intended for retail sale. The "Not for Retail Sale" logo had been erased from the packaging to conceal its origin, indicating a pre-determined intent to sell stolen commodities.

In September 2015, the OIG received reports that stolen drugs were being diverted to private clinics in Malawi. A targeted market survey in November 2015 found that 35% of the private clinics tested sold stolen donor-funded ACTs with Global Fund-financed ACTs found in 19% of the clinics. The highest price paid for ACTs during this survey was US\$11, indicating a strong financial incentive to steal medicines for retail sale.

The majority of vendors selling donor-funded commodities during the market survey sold either Global Fund or USAID-financed ACTs. In only two outlets were both donor ACTs found. The reasons for this are not yet known, but may include separate delivery schedules for each donor, due to different logistics providers and delivery requirements, leading to availability of one or another donor's product.

As a result of the widespread theft of ACTs, in November 2015, the United States government aired its serious concerns, and Malawi faced the prospect of the withdrawal of US funding. In recognition that not only Global Fund-financed malaria treatments were being stolen from the public health system, the OIG engaged with USAID OIG and in-country partners to encourage country ownership of the problem.

The Global Fund OIG launched jointly the "*I Speak Out Now!*" campaign in April 2016 with a USAID OIG campaign called "*Make a Difference*", which also targets drug theft. Both campaigns actively promoted a reporting hotline owned by the Malawi Pharmacy Medicines and Poisons Board (PMPB). To date (April 2016 to April 2017), 114 reports have been received of which 62 relate to the theft of ACTs from Malawi's public health system.

The PMPB which now focuses on hotline reports concerning the illegal handling and sale of medicines, has investigated 57 of the hotline reports resulting in 12 prosecutions with fines of up to K200,000 (US\$273).¹

The OIG, working together with USAID OIG and the Malawi Drug Theft Investigation Unit (DTIU), analysed information received by the hotline to target further market surveys and support subsequent enforcement action in the form of joint DTIU and Malawi Police Service search, seizure and arrests of suspect premises and individuals. To enable the DTIU to conduct its work, the Global Fund has provided US\$200,000 towards its costs in grant funding. The OIG has also committed to promoting the hotline, analysing incoming hotline information to prioritise action and conducting market surveys to test the availability of public sector ACTs in the private market.

Between August 2016 and April 2017, the DTIU in conjunction with the Malawi Police Service took action against 62 individuals suspected of stealing and/or selling medicines from the public health system. Sixteen of those were public health workers subsequently prosecuted for theft of medicines. Three of whom have been convicted to date.

¹ Information provided by PMPB to OIG on 19 July 2017

Together with the “*I Speak Out Now!*” and USAID “*Make a Difference*” campaigns, the Malawi news media has also been reporting incidents of theft of ACTs and the arrests of those responsible. This has strengthened the message of the donors, may have assisted in consistent levels of public reporting to the hotline and helps to reduce social tolerance of drug theft from public and free to access health facilities.

The availability of stolen ACTs in the private retail sector is symptomatic. Not all root causes are known, since the issue is widespread and complex. However, a number of vulnerabilities have been identified by both the DTIU and the Global Fund OIG audit in 2016. These vulnerabilities and red flags include non-reconciliation of stock data between deliveries, stock counts and stock cards, inadequate and ineffective systems and processes to account for commodities, coupled with inadequate storage facilities and conditions to accommodate stocks.

Stock-outs of ACTs occurred all over Malawi in 2016, with some districts more affected than others. The reasons for this are unexplained; they may be symptomatic of the vulnerabilities described above, but might also be a manifestation of pervasive theft.

While these vulnerabilities themselves do not prove theft, they are capable of providing the conditions for theft and concealment of wrongdoing at the facility level. Stock-outs also create a market demand for medicines, thereby creating an incentive for theft. All of these issues combined lend themselves to perpetuating the private demand for ACTs which are sometimes unavailable at many health centres for free.

As evidenced by the DTIU’s arrest data, public health workers may account for a percentage of ACT theft. However, the OIG and its partners have not yet been in a position to definitively determine one cause over another. Rather, a set of circumstances demonstrate that a demand exists, and due to the level of profit to be made on donated anti-malarial medicines, some exploit that demand through criminal means.

The OIG is committed to supporting Malawi and its donor partners in a sustainable way to address the challenges of balancing enforcement action against vendors of illicit medicines against gathering intelligence as to who is responsible, upstream, for the thefts. For this reason, the “*I Speak Out Now!*” campaign has been prolonged into 2017 and the OIG continues to support the analysis of the information received and prioritisation of local enforcement action.

2. Context

2.1. Country Context

Malawi's health sector is mostly funded by donors. To date, the Global Fund has provided over US\$1.24 billion in grants to Malawi, including five grants totalling US\$167.5 million² in support of Malawi's National Malaria Control Program (NMCP). The program is dependent on the procurement and distribution of essential commodities, including anti-malarial drugs.³ Between 2009 and 2016, over US\$26M of malaria grant funds were used to purchase over 7.5 million blister packs of ACTs,⁴ the most effective treatment for uncomplicated malaria.⁵

The theft of ACTs from the public health sector across Africa has been a concern to the donor community and has been documented for several years. In 2010, a study by Bate et al. reported that development programs, including those financed by the Global Fund, were potentially being adversely impacted by the theft and diversion of ACTs from the public to the private sector in a number of countries.⁶ In December 2010, the then Executive Director of the Global Fund acknowledged theft of medicines in a press release and committed that *"no single institution can act on its own. We can only solve this challenge if we all work together."*⁷ Additionally, the Report of the Executive Director for the 22nd Board Meeting of the Global Fund in December 2010⁸ stated that *"the OIG has identified five countries where measures to protect Global Fund-financed drug shipments from theft need to be implemented. Principal recipients in these countries will be asked to submit a short term plan to secure drug supplies by mid-December [2010] and longer term plans by March 2011."*

At that time, it was recognised that donated products stolen in one country were being sold in another – some being transported from East to West Africa. Malawi was specifically identified as one of the source countries of stolen products being illicitly sold for profit in East African countries. All medical products financed by the Global Fund and its partners, including PMI were being handled by the Malawi Ministry of Health Central Medical Stores, which could not demonstrate capacity to prevent theft or other product leakage.

To address the issue of theft of medicines from the central level, in 2011 the Global Fund partnered with USAID, which had established a parallel supply chain with a third party logistics provider in Malawi. All Global Fund products previously handled by the Malawi National Malaria Program and Central Medical Stores would now be stored and distributed through this new model.

USAID and the Global Fund shared the same parallel system to stock and deliver malaria commodities directly to public health facilities throughout Malawi, until September 2014, when a new warehouse and distribution supplier became the Global Fund's third party logistics provider. The National AIDS Commission is responsible for contracting the Global Fund's parallel supply chain (including for malaria products), and the supplier was contracted as a result of an international open tender and bidding process, for which it scored higher than its competitors in terms of capacity and value for money.

² Global Fund Malaria Grants: MLW-202-G02-M-00 (US\$18M); MLW-708-G05-M (US\$56.4M); MLW-911-G08-M (US\$68.6M); MWI-M-MOH (US\$28M); MWI-M-WV (US\$5.5M)

³ Government of Malawi Ministry of Health Malaria Strategic Plan 2011-2015 P.30.

⁴ Global Fund Price and Quality Reporting (PQR) data.

⁵ World Health Organization – Overview of Malaria Treatment 18 March 2016:

<http://www.who.int/malaria/areas/treatment/overview/en/>

⁶ Bate, R., Hess, K., Mooney, L. (2010) *Antimalarial medicine diversion: stock-outs and other public health problems*. Dove Press [Online]. Research and Reports in Tropical Medicine 2010:1, pages 19-24. Available at: <https://www.dovepress.com/antimalarial-medicine-diversion-stock-outs-and-other-public-health-pro-peer-reviewed-article-RRTM> [Accessed 14 June 2017]

⁷ <http://www.fightingmalaria.org/press-releases/1550.html>

⁸ https://www.theglobalfund.org/media/3885/bm22_03executivedirector_report_en.pdf

Global Fund-Financed ACT Logistics in Malawi

- Malawi is divided into 28 health districts, and a total of 679⁹ public health facilities
- Each district is coordinated by a District Health Office (DHO)
- Health facilities in each district send details of stocks of medicines to their respective DHO, which in turn sends the details to the NMCP to construct a distribution plan for action by the logistics provider
- Distribution is an informed ‘push system,’ with the supplier directly delivering ACTs to up to 740 sites every two months, depending upon the NMCP distribution plan
- Additional health facilities that the supplier delivers funded ACTs to are accounted for by sector-specific health facilities that fall outside of the Ministry of Health’s ownership. These include prisons, clinics for plantation workers, and hospitals for police officers and city council staff. Eligible patients are able to access health care at these centres free of financial cost.

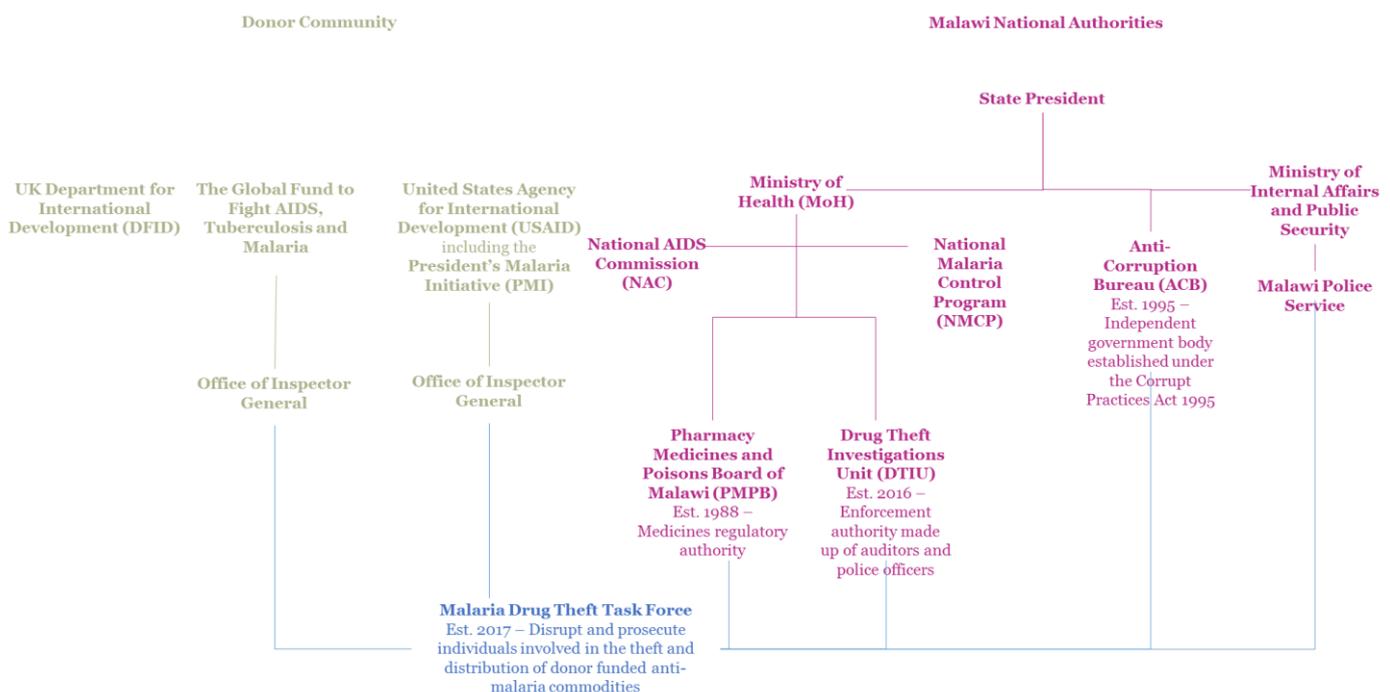


Figure 1 Key organizations in the fight against drug theft

Drug Theft Investigations Unit (DTIU)

The DTIU was created by the Ministry of Health in 2016 in response to widespread concern that medical products are being stolen from the public health supply chain, which adversely affects the availability of medicines to public health facilities. The DTIU’s mission is to:

- reduce the theft of drugs in the public health sector
- fast-track criminal and disciplinary investigations into those suspected of stealing drugs
- improve supply chain management to prevent theft of drugs.

⁹ USAID President’s Malaria Initiative Malawi Malaria Operational Plan FY 2017 (page 14)

2.2. Differentiation Category

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed as a Challenging Operating Environment or a country under the Additional Safeguard Policy. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a particularly risky environment.

Malawi is:

 Focused: (Smaller portfolios, lower disease burden, lower mission risk)

 Core: (Larger portfolios, higher disease burden, higher risk)

 **High Impact:** (Very large portfolio, mission critical disease burden)

 *Challenging Operating Environment*

 *Additional Safeguard Policy*

2.3. Global Fund Grants in the Country

The Global Fund has been a partner in Malawi since 2003, and to date the Global Fund has disbursed over US\$975 million towards HIV/AIDS, malaria, tuberculosis, and combined TB/HIV programs.

Currently, there are four active grants in Malawi totalling US\$ 348 million, managed through three Principal Recipients: The Ministry of Health (malaria grant and a combined TB/HIV grant); Action Aid (combined TB/HIV grant) and World Vision (malaria grant).

2.4. The Three Diseases



HIV/AIDS: Malawi has HIV prevalence of about 10 per cent and the disease account for about 27 percent of deaths in the country. The Global Fund investments in Malawi focus on reducing the burden of AIDS-related illnesses and deaths by supporting prevention and treatment of the disease.

590,000 People currently on antiretroviral therapy.



Malaria: Malaria is a major cause of death, accounting for about 10 percent of deaths. Global Fund investments in Malawi go toward accelerating the implementation of artemisinin-base combination therapies (ACTs) and universal coverage of mosquito nets.

7,740,000 Insecticide-treated nets distributed.



Tuberculosis: Tuberculosis remains one of the major public health problems in the country; it is one of the leading causes of morbidity and mortality, especially with young people living with HIV/AIDS.

17,000 tested and treated for TB.

2.5. Genesis of the Investigation

2010: start of the wrongdoing

2010-2017: OIG alerted to wrongdoing

Source of the alert:

-  **Secretariat**
-  Principal Recipient
-  Sub-Recipient
-  Local Fund Agent
-  Anonymous whistle-blower
-  Audit referral
-  **Other**

2.6. Type of Wrongdoing Identified

-  Coercion
-  Collusion
-  **Corruption**
-  **Fraud**
-  Human Rights Issues
-  Non-Compliance with Grant Agreement
-  **Product Issues**

2.7. Progress on Previously Identified Issues

A 2016 audit of Global Fund grants in Malawi included the following Agreed Management Action: “The Secretariat will follow up with the Ministry of Health and partners to strengthen the oversight of the Drug Security and Availability plan that was developed in December 2015. The Secretariat will ensure that the implementation of the Action Plan is delegated to a focal person in the Ministry of Health who will be responsible for planning and coordinating the actions, monitoring progress, mobilizing resources, reporting and ensuring the overall success of all interventions.” As of the date of this report, the OIG confirms that the Ministry of Health has assigned the monitoring and coordination of the implementation of the plan to the DTIU, has assigned a focal person and that progress is being made.

Previous relevant OIG work

[GF-OIG-16-024 Audit of Global Fund Grants to Malawi](#)

3. Findings

3.1. 2015 – Scoping the Problem

In response to a reliable report in February 2015 that Global Fund ACTs intended specifically for Malawi were available for private sale in Zambia, the OIG undertook a mission to Malawi in May 2015 to establish at which point in the supply chain the products may have been removed.

During this mission, the OIG reviewed the practices, policies and procedures of the current parallel supply chain supplier. The OIG found it to have robust internal controls with both warehousing and deliveries properly managed and documented to the ‘last mile’. However, the OIG did not conduct in-depth testing of the distributor’s port-to-health facility supply chain management.

In the same mission, while visiting a local public health facility in Blantyre, the OIG was informed that the facility was experiencing a stock out of ACTs and that hundreds of patients were being told to buy their medicines from a local pharmacy. The OIG then went to a pharmacy to test the availability and ease of purchasing ACTs. Without a prescription or a positive malaria test result, investigators were able to purchase ACTs which were later confirmed as having been procured by USAID, PMI. The “*not for retail sale*” warning originally printed on the product packaging had been erased.

In 2015, the OIG also commissioned market reviews to identify instances of theft of ACTs from Malawi’s public health system and their diversion to the private sector for sale. The reviews identified ACTs originally delivered to public health facilities for sale in pharmacies, private clinics and market stalls across Malawi. These surveys demonstrated that ACTs were being stolen from the supply chain within Malawi, not just for export to other countries as noted in previous years, but also for the domestic market.

Market Survey 1

In September 2015, an OIG-commissioned market survey of 192 informal or private vendors and pharmacies in 11 cities in Malawi found donor funded ACTs for sale in 14 of them (7%). These products were considered to have been stolen from Malawi’s public health system.

To corroborate the reports of stolen drugs being diverted to private clinics, the OIG obtained details of all registered private clinics, of which the majority were in the urban centres of Lilongwe (115) and Blantyre (84). ACT delivery data from the logistics provider was analysed to determine which public health facilities received the largest deliveries, and the OIG established which of those facilities were in close proximity to private clinics. This information was used to develop a list of private clinics to target during the market survey.

One third of the registered 466 known private clinics charge patients for all medication, including anti-malarials.¹⁰

Market Survey 2

In November 2015, a second OIG-commissioned market survey targeted 201 private sector pharmaceutical vendors across Malawi, including 95 private clinics (not all of those identified above were accessible at the time of the survey), as well as pharmacies, general retailers, street hawkers and mobile sellers. Of the 201 vendors visited, one third (67), including 33 private clinics sold, donor-funded ACTs originally intended for public health facilities. This was a higher proportion of vendors found selling donor-funded medicines than in the September 2015 survey.

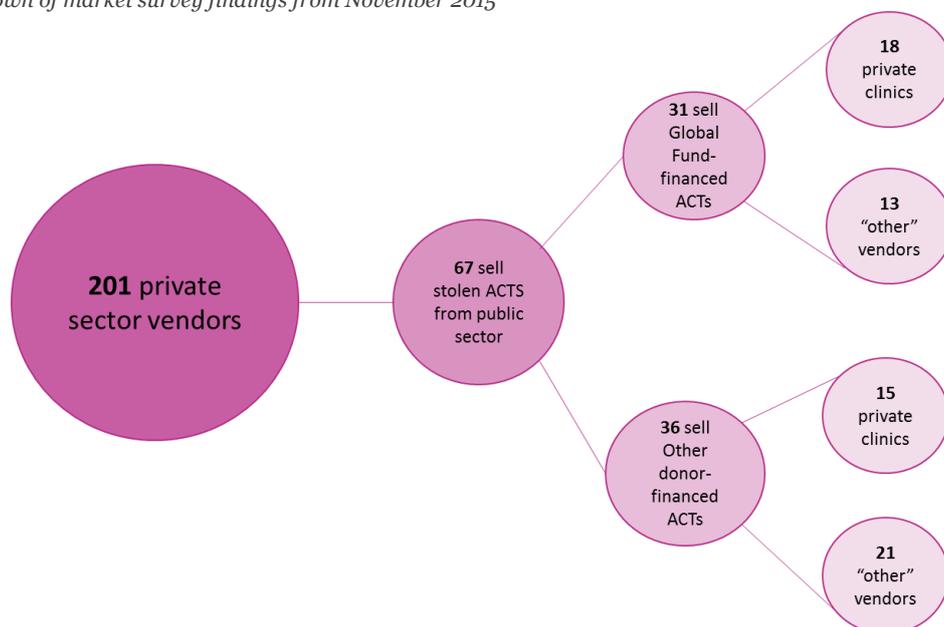
¹⁰ USAID – Malawi Private Health Sector Mapping Report – January 2013. Prepared by Andrew Carmona for the Strengthening Health Outcomes through the Private Sector (SHOPS)

This market survey found that 35% of the private clinics tested sold stolen ACTs that were donor funded and originally intended for the public health sector. 19% of the private clinics tested sold ACTs that were procured with Global Fund finance specifically. Two private clinics sold investigators a mixture of Global Fund and other donor-financed anti-malarial medicines.

During this survey, the average price paid for ACTs was USD 3.37. However, the highest price paid was USD 11, and the lowest was USD 1. All stolen donor-funded ACTs are intended to be dispensed at no cost to the patient through the public health system.

Since Global Fund commodities are not mixed with other donors' commodities in the supply chain up to the health facility level, the market survey finding that most vendors – whether private clinics, pharmacies or more informal outlets – sell only product from one donor or another might be expected. However, while the market survey confirmed the availability of stolen donor-financed product on the open market and in private clinics, this form of test purchase operation cannot inform on the illicit channels through which these commodities have passed.

Figure 2 Breakdown of market survey findings from November 2015



Also in November 2015, the US Embassy issued a statement that “as a leading donor of malaria treatment drugs and other supplies in Malawi, the U.S. Government is extremely concerned about any diversion of donated medicines that are meant to be freely prescribed to the people of Malawi... This theft and corruption are serious issues particularly since resources available to fight malaria are insufficient. We need drug theft to stop and we need the public to play a role in identifying it, reporting it, and holding the people responsible accountable.”¹¹ This was widely understood to represent a potential withdrawal of US funding for malaria treatments if theft of ACTs remained unchecked.

¹¹ <https://mw.usembassy.gov/u-s-concerned-drug-theft-malawi/>

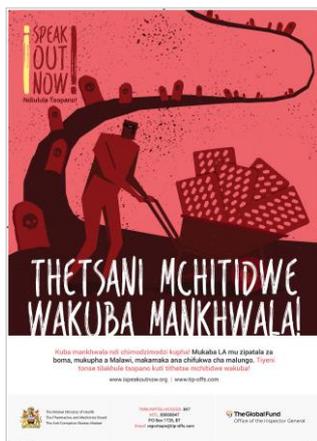
Since the OIG review in 2015 had determined confidence in the Global Fund’s parallel supply chain with storage and distribution being effectively managed by its logistics provider, a working hypothesis was that local health facilities were more likely to be the origin of thefts of ACTs. This led to the formation of OIG activities relating to drug theft in Malawi in 2016.

3.2. 2016 – Country Ownership, Stakeholder Collaboration and Intelligence Gathering

Several activities were developed to establish facts, to encourage reporting to the authorities and to support subsequent enforcement action and, ultimately country ownership of the problem. In recognition of the fact that Global Fund-financed malaria treatments were not the only ones leaking from the public health system, all the activities included close partnership with various partners: USAID, the UK Department for International Development (DfID), the Malawi Ministry of Health (MoH), Malawi Police Service, Malawi Anti-Corruption Bureau and the Malawi Pharmacy, Medicines and Poisons Board.

I Speak Out Now!

Figure 3 Poster from the OIG campaign 'Stealing drugs leads to death!'



Recognizing that stolen medicines were available for sale and potentially not reaching beneficiaries, the OIG launched an anti-corruption campaign called “*I Speak Out Now!*” The objective of this campaign was to encourage the population of Malawi to speak out against drug theft.

This campaign was coordinated with USAID’s “*Make a Difference*” campaign, also targeting drug theft, and the Malawi Ministry of Health. The two campaigns were launched together in April 2016.

The OIG and USAID promoted the same local hotlines, owned locally by the PMPB to receive calls from reporters with information about drug theft. The OIG promotion campaign included newspaper and radio advertisements, billboards, media outreach, and (through the use of the logistics provider distribution fleet) mass distribution of posters and leaflets in Chichewa, Malawi’s most widely known language.

Within the first six months of the OIG campaign, the hotline received 24 reports. To date, 114 reports have been received, with 62 of these relating specifically to the theft of ACTs. Information from the hotline is shared within the sphere of the OIG, PMPB, MoH, DTIU and USAID. This information is then processed and returned as actionable intelligence for the DTIU and/or the PMPB to take local enforcement action upon. Such enforcement actions include obtaining search warrants for premises, search and seizure of property, prosecution of individuals where theft of public health commodities is in evidence.

At the same time as the “*I Speak Out Now!*” and “*Make a Difference*” campaigns were launched, the Anti-Malaria Drug Theft Task Force was formed. This group comprises the Ministry of Health’s DTIU, PMPB, Malawi Anti-Corruption Bureau, Malawi Police Service, Global Fund OIG, USAID OIG, USAID PMI, US Embassy Malawi. The task force is an informal strategic oversight body whose objective is to support or take executive action to disrupt and prosecute individuals involved in the theft and distribution of donor-funded anti-malaria commodities.

The OIG’s role in the Task Force to date has been to:

- 1) Promotion of the PMPB drug theft hotline
- 2) Conduct analysis on information supplied through the hotline to support in-county authorities such as the Anti-Corruption Bureau, DTIU and PMPB to take enforcement action

- 3) Conduct market surveys to corroborate reporter information and enable focused targeting of law enforcement action

Market Survey 3

From the first six months of reporting to the PMPB-owned hotline, 25 vendors were identified as selling stolen ACTs privately. All vendors were general sellers, none were private clinics.

In order to assist Malawian authorities in developing the information received, the OIG commissioned a market survey in August 2016 to make test purchases of ACTs at the named 25 vendors. This market survey included a sample of 32 vendors (including seven additional) and found that nine (28%) sold stolen donor-funded ACTs from the public health system. Five of these (16% of the sample) sold stolen Global Fund-financed ACTs.

Evidence of the purchases was provided to the Anti-Corruption Bureau through USAID, enabling eight search warrants to be obtained.

Arrests Resulting from Hotline Information

On two occasions in 2016 and 2017, a total of 11 arrests were made by the Malawi Police Service on behalf of the DTIU regarding theft and illicit sales of ACTs from the public health sector, in partnership with the Global Fund OIG and USAID OIG.

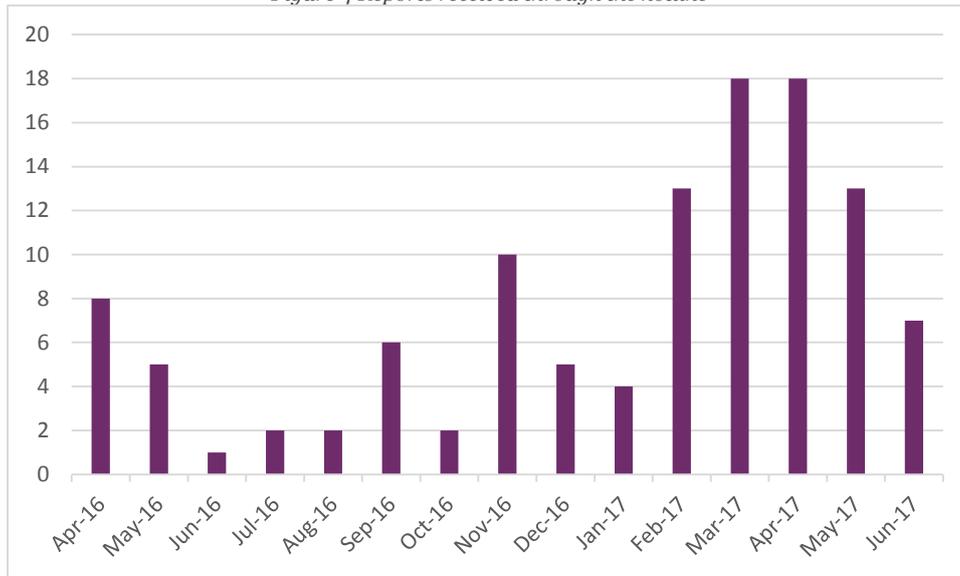
On 31 August and 1 September 2016, the Anti-Malaria Drug Task Force took action to secure evidence of theft, diversion and resale of USAID and Global Fund-financed anti-malaria commodities. The action included execution of the eight search warrants obtained as a result of hotline information, corroborated by the third OIG market survey (see above). This action resulted in the arrest of six individuals by the Malawi Police Service at five locations. These individuals were prosecuted by the PMPB. One person was convicted and sentenced to two years' imprisonment with hard labour. The remaining five received fines of between MK 50,000 to MK 300,000 (US\$69 to US\$415) or, in default of fines, between three and 12 months' imprisonment. All of these individuals were private-resellers of the medicines and were not responsible for the theft of the commodities.

In March 2017, the Malawi authorities arrested two public sector health workers (both Health Surveillance Assistants) and one other individual, all identified through information received by the hotline. One Health Surveillance Assistant currently awaits charges, while the other was charged with "*Theft by Public Servant.*" The individual was charged with "*being found in possession of property suspected of having been stolen or unlawfully obtained*" and subsequently convicted – being ordered to pay a fine of MK 65,000 (US\$895) or, in default, serve nine months in hard labour.

Results of PMPB Hotline Reporting

From its launch in April 2016 to June 2017, a total of 114 reports were received by the hotline, of which 62 related to the theft of ACTs from the public health system. Reporting to the hotline pertained to 22 of Malawi's 28 districts.

Figure 4 Reports received through the hotline

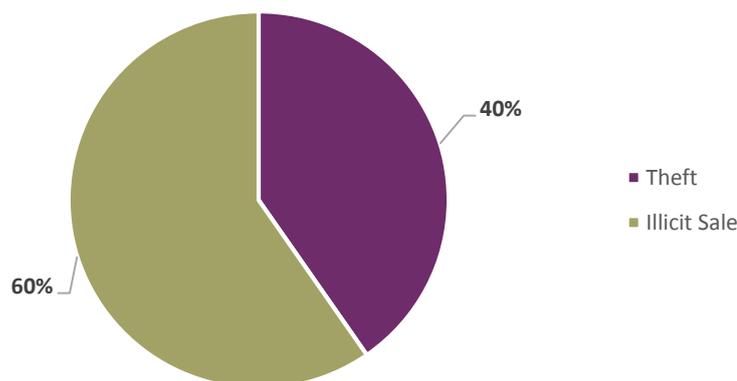


The figure shows how reporting to the hotline has increased over time – perhaps as a result of increasing awareness of the population due to sustained promotion of the hotline on billboards and other media channels, including radio, by both the Global Fund and USAID. Peak reporting from November 2016 to April 2017 coincides with Malawi’s rainy season when incidence of malaria is more prevalent than the rest of the year.

The type of drugs and medical products which are allegedly stolen and sold in parallel markets have been identified in approximately 90% of the reports received. The “*I Speak Out Now!*” campaign specifically targets the theft of ACTs (in the form of Lumefantrine Artemether). Around 70% of the reports received specifically mention the theft and / or sale of Lumefantrine Artemether.

Some reports received identify individual suspects committing theft of ACTs, as well as the precise location of re-sale. This information assists investigators in the ongoing prevention and disruption of the thefts. As can be seen in figure 3, below, however, more reports relate to the illicit sale, rather than the theft, of ACTs.

Figure 5 Breakdown of reports: ACT theft or illicit sale



While investigations, which focus on the illegal sale of stolen medicines can eventually identify the related source(s), this identification often requires additional investigative steps, as well as additional time and resources. The Global Fund OIG is therefore continuing to support the PMPB by analysing the information received through the hotline and prioritising those reports, detailing where thefts are taking place and by whom, for local enforcement action.

Malawi Media Reporting

Throughout 2016, the Malawi news media reported arrests of government health workers at a number of hospitals and District Health Offices in connection with the theft of drugs. Some of those arrested were reported as convicted and received prison sentences of between three and 16 years. The Malawian President, Peter Mutharika, was quoted as stating *“we’ll deal with you, even those who steal a pill of malaria [sic] will not be spared. This is not just criminal. It is inhumane, sinful and it endangers lives. It must stop and stop forthwith.”*¹²

These media reports, while not verified by the OIG (and it is not clear whether they represent any of the arrests made on behalf of the DTIU mentioned in this report), indicate theft of ACTs from public health facilities. However, reporting of this issue in the media strengthens the message of the Global Fund’s *“I Speak Out Now!”* and USAID’s *“Make a Difference”* campaigns, by reinforcing social intolerance of theft of medicines. Combined, local news reporting as well as donor advertising to report theft may also have had an impact upon the levels of reporting to the PMPB hotline.

Further Arrests in Connection with Theft of Medicines

In the course of their routine duties between December 2016 and April 2017, the Malawi Police Service made 51 other arrests on behalf of the DTIU in connection with the theft and illicit resale of medicines stolen from the public health sector¹³.

Of the total arrests, 14 were public servants who were charged with *“theft by person employed in public service.”* One public servant was additionally charged with *“operating a private clinic without authority from the Medical Council of Malawi and operating a clinic at unauthorized premises.”* Of the 14 public servants arrested, three were convicted and sentenced to a range of 3 years’ hard labour, or fines of between MK 100,000 and MK 500,000 (US\$138 to US\$690). In default of fines, those convicted will be sentenced to between 21 and 24 months’ imprisonment. Five individuals were acquitted and six cases are pending.

A further ten people faced a total of 13 charges related to operating a private clinic without authority from the Medical Council of Malawi, operating a pharmacy business contrary to the Pharmacy, Medicines and Poisons Board Act, and practising as a medical practitioner without license. Of the seven convicted, sentences ranged from fines of between MK 20,000 and MK 250,000 (US\$28 to US\$345) or, in default, up to two years’ imprisonment. Two of these cases are pending.

The remaining charges were primarily relating to selling or supplying medicinal products without license, illegal possession of medical drugs and being found in possession of medicinal products identified to belong to the government of Malawi and suspected to have been stolen or unlawfully obtained. Twenty-seven convictions resulted from these charges, with similar sentences to those above.

From the data available, it appears that public servants are more likely to be acquitted than other suspects (21% or three out of 14 public servants charged are currently convicted). The conviction rate for other suspects is significantly higher at 92% (34 people convicted out of 37 charged). The reasons for this variance in conviction rates is unknown.

Arrests and prosecutions without specific support from donor agencies are, however, evidence that Malawi is taking ownership of the problem of thefts of all medicines from its public health facilities.

The Global Fund OIG and USAID OIG continue to support the enforcement activities of the DTIU and the PMPB in Malawi on an ongoing basis. This support is in the form of financing targeted

¹² <http://www.nyasatimes.com/16-year-jail-term-k2-4m-drug-theft-mzuzu-central-hospital-worker/>

¹³ Arrest data supplied by DTIU to the OIG 3rd May 2017

market surveys, the nature and locations for which are determined through information received via the hotline, the logistics provider delivery data, stock out data and other information. Additionally, the Global Fund has planned in-country capacity-building (including analysis training to ensure that future activities are intelligence-led and prioritised).

3.3. Enabling Factors for Theft of Malaria Commodities in Malawi

Health-facility vulnerabilities

Audits undertaken by Malawian authorities and the Global Fund OIG in 2016 identified a number of weaknesses within the supply chain for health products, which may produce conditions to enable the theft of ACTs for onward sale in the private sector.

In 2016, DTIU undertook drug theft audits at nine District Health Offices, 45 health centers and one rural hospital, covering 12 of Malawi's 28 districts. The audits found discrepancies in anti-malarial stocks at all 55 sites visited, totally 11,592,247 anti-malarial tablets valued at MK 551,161,743 (US\$ 755,000).

Global Fund OIG Auditors¹⁴ visited 30 public health facilities including hospitals and health centres in eleven of Malawi's 28 districts. The audit found that:

- Health facilities had ineffective systems and processes to account for commodities, coupled with inadequate storage space and conditions to accommodate commodities received
- Forty-five percent of the facilities had unexplained variances between the quantities of ACTs delivered versus the quantity recorded on stock cards.
- All facilities visited had unexplained variances between stock card balances of anti-malarial drugs and physical stock counts performed by the OIG audit team.

Stock-Outs

The OIG investigation also found all 28 districts were, at some point through 2016, stocked out of ACTs. There is currently no evidence to establish a correlation between stock outs at health facilities and theft of medicines. However, the high number of patients at some facilities, combined with issues in accurately forecasting the needs of health facilities, and bi-monthly (Global Fund) deliveries of medication are possible causes of the stock outs that have been observed.

As witnessed by the OIG in May 2015, stock outs can create a market demand for medicines in secondary markets, thereby creating an incentive for theft. The secondary retail price of ACTs recorded by OIG market surveys also indicates an incentive to profit financially from donated products.

Legislative and Regulatory Framework Vulnerabilities

Due to the lack of qualified prosecutors in some local courts, drug theft cases have been treated as cases of common theft and prosecuted by the Police instead of the leading regulatory bodies. The Ministry of Health's "*Drug Availability and Security Action Plan*"¹⁵ includes actions to strengthen justice. One example is for the government, through the Ministry of Justice and the Office of the Attorney General, to build capacity in local courts to adequately prosecute cases of drug theft. The Ministry of Health's plan also calls for the revision of the Pharmacy Medicines and Poisons Board Act 1988, which is used to prosecute persons illegally possessing or selling medicines. The Act provided for the establishment of the PMPB, the key function of which is to license all traders in

¹⁴ https://www.theglobalfund.org/media/2665/oig_gf-oig-16-024_report_en.pdf

¹⁵ The Drug Availability and Security Action Plan was issued in December 2015 by the Ministry of Health

medicines and poisons, including pharmacists, and to ensure compliance with all aspects of laws relating to drug handling and use in Malawi. The Act's penalty provisions are considered too lenient to deter drug theft and illegal vending. A revised Pharmacy Act has still yet to be passed into law.

Information received by the hotline and the arrests conducted by DTIU indicate that health centre workers may, in part, be responsible for theft of medicines, including donor-funded ACTs. It is estimated that 20% of private health workers also work in the public health system.¹⁶ During a visit to Malawi in February / March 2017, OIG Investigators visited four large public hospitals, but were unable to obtain any declarations of conflict of interest by public health employees at any of these locations. To the OIG's knowledge, there are no national or district-level registers detailing any interests that public health workers possess in the private health sector.

¹⁶ USAID – Malawi Private Health Sector Mapping Report – January 2013. Prepared by Andrew Carmona for Strengthening Health Outcomes through the Private Sector (SHOPS)

Figure 6 Summary timeline of ACT thefts, prevention and enforcement activity

