



## Investigation Report

# Global Fund Grants to Tajikistan

## Procurement Irregularities by the Committee for Youth, Sports and Tourism

GF-OIG-15-006  
26 March 2015  
Geneva, Switzerland

Estimated non-compliant expenditure: US\$ 116,726  
Proposed recoveries: US\$ 116,726

Categories: Fraud – misrepresentation of information  
Collusion – bidding and tender irregularities

 **The Global Fund**

Office of the Inspector General

# Table of Contents

I.	Background and Scope .....	3
II.	Executive Summary .....	4
III.	Findings and Agreed Actions .....	7
01	Finding 1 – Non-competitive procurement process conducted by CYST .....	7
02	Finding 2 – Overpricing and non-delivery of products procured by CYST .....	13
03	Finding 3 – Non-compliant procurement process conducted by CYST .....	18
IV.	Conclusion .....	22
V.	Table of Agreed Actions .....	23
VI.	Summary of Subject Responses .....	23
VII.	Annex A: Exhibits .....	24
	Exhibit 1 – Signatures of former First Deputy of CYST, as recorded on five ‘Request for Quotation’ documents provided by CYST .....	24
	Exhibit 2 – Photographs of two bid evaluation reports from CYST procurement files .....	25
	Exhibit 3 – Comparison of LFA, UNDP PIU and OIG market price analyses for products procured by CYST .....	26
	Exhibit 4 – Proof of purchase documents from Komyob for products included in Q3 2011 contract .....	27
	Exhibit 5 – Cost of undelivered products procured in Q3 2011, Q1 2012, Q2 2012 and Q4 2012 .....	28
	Exhibit 6 – Unit price comparison of price paid by CYST to Komyob .....	29
	Exhibit 7 – Overpaid amount of delivered products by CYST for Q3 and Q4 2011 .....	30
	Exhibit 8 – Overpaid amount of delivered products by CYST for Q1 and Q2 2012 .....	31
	Exhibit 9 – Overpaid amount of delivered products by CYST for Q3 and Q4 2012 .....	32
	Exhibit 10 – CYST’s Conception of Procurement document (Tajik version) .....	33
	Exhibit 11 – CYST’s Conception of Procurement document (English version) .....	33
	Exhibit 12 – Photo of legally registered address of Komyob (CYST address) .....	34
VIII.	Annex B: Methodology .....	35

# I. Background and Scope

As of 23 December 2014, the Global Fund has made commitments under nine grants to the Republic of Tajikistan totaling US\$ 141.02 million, of which US\$ 139.19 million has been disbursed. The United Nations Development Programme (UNDP) has been a Principal Recipient of Global Fund grants in Tajikistan since May 2003 and currently manages three active grants fighting HIV/AIDS, malaria and tuberculosis. The Projects Implementing Unit (PIU) of UNDP conducts the implementation of the Global Fund programs managed by UNDP in Tajikistan.

In May 2013, the Global Fund Secretariat (Secretariat) highlighted to the Office of the Inspector General (OIG) potential irregularities that had been identified by the Local Fund Agent<sup>1</sup> in the Round 8 HIV grant TAJ-809-G07-H<sup>2</sup> from July 2011 to November 2012. The Local Fund Agent conducted a review of Progress Update/Disbursement Requests that examined procurement activity conducted by the Committee for Youth, Sports and Tourism (CYST), a government committee that acted as a sub-recipient of Global Fund grant TAJ-809-G07-H from July 2011 to September 2013.<sup>3</sup> The Local Fund Agent assessed the procurement process, reviewed procurement documents and conducted a market price analysis of products procured by CYST. The agent found irregularities related to a lack of transparency in procurement activities, potentially fictitious suppliers, overpricing, non-competitive procurement processes, missing procurement documentation and possible conflicts of interest by CYST.

The Investigations Unit of the OIG carried out an investigation into CYST's procurements financed by the Global Fund. The investigators focused on six contracts awarded to a supplier, LLC Komyob 2010 (Komyob), between August 2011 and November 2012 valued at US\$ 300,269.<sup>4</sup> The contracts were for the supply of non-health products, including stationery, small electrical goods, and sports equipment, with some of the products destined to be used as incentives at HIV awareness programs for the youth population throughout Tajikistan. The OIG collaborated with the UNDP's Office of Audit and Investigations with regard to the irregularities found at CYST and conducted a joint mission to Dushanbe in August 2014.

---

<sup>1</sup> Finconsult Ltd is the Local Fund Agent in Tajikistan and has been performing this role on behalf of the Global Fund since 2009.

<sup>2</sup> Global Fund grant TAJ-809-G07-H was implemented to strengthen the supportive environment and scaling-up prevention, treatment and care to contain the HIV Epidemic in the Republic of Tajikistan.

<sup>3</sup> CYST ceased to be a sub-recipient of the Global Fund on 30 September 2013.

<sup>4</sup> The cumulative value of six contracts awarded to Komyob is TJS 1,428,937.60. The rate of exchange from TJS to US\$ is taken from the National Bank of Tajikistan (<http://www.nbt.tj/en/kurs/?c=4&id=28&lang=en>) as of the date of each contract.

## II. Executive Summary

The investigation found evidence of fraudulent practices and procurement irregularities by sub-recipient CYST between July 2011 and November 2012, which compromised six contracts totaling US\$ 300,269. The OIG finds that the total of non-compliant<sup>5</sup> expenditures is US\$ 116,726, corresponding to overpricing or lack of proof of delivery for non-health products, which is the total amount of proposed recoverable expenditures. Specifically, this investigation makes the following findings:

### Non-competitive procurement process

The OIG determined that CYST did not conduct a competitive tender process for six procurement contracts that were directed towards a preferred vendor, Komyob. Documents presented by CYST contained many inconsistencies and different versions were provided to the OIG at different times of the investigation. Documents were tailored towards Komyob, and the OIG did not see any evidence of Request for Quotation documents being sent to any other competing vendors, despite CYST claiming the contrary. This is consistent with the accounts obtained from the supposed competing vendors who could not provide the OIG with any documentation to prove their involvement in any of the six procurements organized by CYST in 2011 and 2012. As such, there is no evidence of a competitive bidding process.

### Overpricing and non-delivery of products procured

The OIG determined from signed contracts that CYST overpaid Komyob by a total of US\$ 109,541 (36% of total price) for products delivered throughout Tajikistan. The price paid by CYST for products procured where there is no proof of delivery documents is US\$ 7,185, resulting in a total amount of non-complaint expenditures of US\$ 116,726.

According to a Standard Letter of Agreement, UNDP PIU and CYST have to ensure that product procurement is based on the principle of efficient implementation and spending of Global Fund money.<sup>6</sup> The unit price of products procured by CYST from Komyob increased over the six contracts, with some products trebling in price compared to the first contract. Based on the Local Fund Agent's market price analysis, value for money was not achieved by CYST.

The OIG found that UNDP PIU's market price analysis was not in line with market rates of Dushanbe at the time it was conducted, as well as not being reasonable or justifiable. Based on the comparable market price analysis conducted by the Local Fund Agent and the OIG, UNDP PIU's market price analysis was not representative of the cost of products procured by CYST from Komyob.

### Non-compliant procurement process

CYST unilaterally created its own procurement guidelines without seeking authorization from UNDP PIU, which makes them unenforceable.<sup>7</sup> There was a close relationship between CYST and Komyob during the time of the procurements at issue, with Komyob officially registered at the same government office occupied by CYST. Furthermore, Komyob's former accountant was part of a committee that selected the members of CYST's tender evaluation committee, thus creating a possible conflict of interest that could have affected the transparency of the procurement process by which Komyob was selected. There was improper contact between CYST and potential bidders

---

<sup>5</sup> As per Article 18 and 21 of the Standard Terms and Conditions of the Global Fund grant agreement with the Principal Recipient, UNDP.

<sup>6</sup> Amended Standard Letter of Agreement between UNDP and CYST (Article 7), dated 16 May 2012.

<sup>7</sup> As per Article 18 of the Standard Terms and Conditions of the Global Fund grant agreement with the Principal Recipient.

with bid prices and products discussed during a tender process and with CYST improperly completing bid documents on vendors' behalf and offering a future contract.

### Root causes

The investigation identified several factors that contributed to the non-compliant expenditures resulting from the procurement activity conducted by CYST. The investigation highlighted that there was inadequate oversight of the sub-recipient operations by the Principal Recipient UNDP, including the lack of monitoring of CYST's expenditure in line with the market rates of Dushanbe and the lack of inspection of CYST's procurement files to monitor compliance with procurement laws and regulations.

The investigation further identified that the procurement controls were deficient at the sub-recipient level, with CYST defining its own rules for conducting procurements and ignoring procurement value thresholds. There were inconsistencies in the documentation kept at CYST, including missing bid documentation, lack of proof of delivery documents and documents altered after the fact. There was also a close relationship between CYST and supposed competing vendors, which included improper contact.

### Actions already taken

Learning from the issues identified by the Local Fund Agent, and as proved by the OIG during the course of its investigation, the Secretariat (the Tajikistan Country Team) and UNDP PIU have implemented a range of additional safeguard measures, including:

- To prevent further non-compliant procurement activity and to ensure value for money was achieved, UNDP PIU took over the management of all procurement activity from CYST from Q1 2013 and all funds allocated to CYST for procurement activity were returned to UNDP PIU and deducted from future disbursements.
- UNDP PIU took over any high-value procurement activity above agreed sub-recipient thresholds for CYST, including payments made to suppliers.
- CYST ceased to be selected as a sub-recipient of Global Fund grants as of 30 September 2013 and its contract has not been renewed.
- The Local Fund Agent has increased oversight, monitoring and review of expenditures and procurement activity at the sub-recipient level during the verification of Progress Update/Disbursement Requests across the grant portfolio managed by UNDP. The Local Fund Agent has increased the verification of health products during each Onsite Data Verification and has conducted spot-checks to ensure training activities are being implemented.
- A risk-based approach was applied to the overall grant portfolio management, with routine spot-checks conducted by the Secretariat at the sub-recipient level and sub-recipient procurement reviews conducted by the Local Fund Agent.
- The incentive initiatives for HIV prevention activities funded by the Global Fund will end in September 2015, under the current Transitional Funding Mechanism.
- In response to Secretariat management letters, UNDP PIU formalized its oversight of sub-recipient management in the first quarter of 2013, including budgetary checks, capacity assessments and with particular focus of procurement activity, including a review of amounts to be undertaken and the introduction of standard operating procedures for procurement activity. UNDP PIU formally communicates with each sub-recipient on quarterly basis, including management letters describing achievements and shortcomings, based on quarterly financial and programmatic assessments of each sub-recipient.

- UNDP PIU has introduced formal sub-recipient training sessions, including on-the-job training activities covering procurement & supply management and financial management.
- UNDP PIU has introduced minimum standards for quotations for all sub-recipients and an increase in the practice of random document checks as part of routine sub-recipient monitoring visits.

### Further agreed actions

In addition to the actions already taken to strengthen the implementation arrangements for the Tajikistan grant portfolio, the OIG proposed a number of further actions that were agreed by the Secretariat and are fully described in Section V of this report. In summary, the 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.
- Consider taking actions, including but not limited to appropriate actions and/or restriction measures, towards entities and/or individuals identified in the report, as deemed appropriate.
- Reiterate the Principal Recipient's responsibility for overseeing sub-recipient activities, as per the contractual obligations of the Program Grant Agreement (TAJ-809-Go7-H).
- Request the Principal Recipient to share the actions and/or systems in place for ensuring that any sanctioned companies are not contracted by the Principal Recipient and sub-recipients, operating under Global Fund programs in Tajikistan.
- Request the Principal Recipient to provide a risk mitigation plan, which addresses weaknesses identified in sub-recipient capacity and systems for the receipt, storage and distribution of non-health products. This plan should include measures to improve Principal Recipient oversight at the sub-recipient level such as regular spot checks of non-health procurement activity and training/sensitization to ensure sub-recipients are aware of governing procurement laws and regulations.

### III. Findings and Agreed Actions

This investigation found evidence of fraudulent practices and other irregularities in the procurement of non-health products, including stationery, small electrical goods and sports equipment by CYST, a sub-recipient of UNDP in Tajikistan.

The findings in this report pertain to six contracts awarded to Komyob over a period of 18 months. In this report the contracts are referenced to the quarter in which the contract was signed, as follows:

- First contract awarded to Komyob on 22 August 2011 is referred to as Q3 2011
- Second contract awarded to Komyob on 21 November 2011 is referred to as Q4 2011
- Third contract awarded to Komyob on 9 March 2012 is referred to as Q1 2012
- Fourth contract awarded to Komyob on 5 June 2012 is referred to as Q2 2012
- Fifth contract awarded to Komyob on 22 August 2012 is referred to as Q3 2012
- Sixth contract awarded to Komyob on 22 November 2012 is referred to as Q4 2012

#### 01 Finding 1 – Non-competitive procurement process conducted by CYST

##### Bid-rigging

During the course of the investigation, the OIG determined that CYST did not conduct a competitive tender process for the six procurements subject of this investigation and that contracts were directed towards CYST's preferred vendor, Komyob.

During its mission to Dushanbe, the OIG met with individuals and companies (vendors and suppliers) recorded by CYST as participants in tenders for procurement contracts conducted by CYST in 2011 and 2012. The investigation established that three representatives from CYST visited one vendor and hand-delivered completed bid documents that included price information and required only a signature and company stamp from the vendor. The vendor was also promised a future contract as a result of its participation in the tender process. None of the supposed competing vendors could provide any documentation to the OIG to prove or confirm their participation in the bidding process for the six tenders offered by CYST. Furthermore, there was evidence of non-compliance with procurement laws and regulations<sup>8</sup> when it was established that senior officials within CYST contacted a vendor during the course of the tender process.

The vendors gave different accounts of how they became aware of the tenders announced by CYST, as follows:

- One vendor said that they responded to an advertisement placed in a newspaper for each tender they participated in (CYST placed only one mass media advertisement in a national newspaper).
- One vendor said they received an e-mail from CYST with an invitation to bid containing a bid proposal document.
- One vendor said that they received a letter of invitation from CYST containing a bid proposal document.

---

<sup>8</sup> Article 40 - Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services and Article VII; Standard Letter of Agreement between UNDP and CYST.

The Vice-Chairman of CYST said that bid documents were mailed to its list of approved vendors. CYST could not provide the OIG with any evidence of bids documents sent to approved vendors, other than documents tailored for Komyob.

The vendors gave different accounts to the OIG of how they received bid proposal documents from CYST and of their interaction with CYST as follows:

- One vendor said that representatives from CYST visited the vendor's premises and hand delivered a bid proposal document.
- One vendor said it visited the premises of CYST in order to collect a bid proposal document for each tender it participated in.
- One vendor said it attended the premises of CYST in order to have bid proposal documents put onto a USB memory stick. The same vendor said that once it had completed its bid proposal, it returned to the premises of CYST and handed the USB memory stick to a representative of CYST.
- One vendor said it was invited to CYST's office in order to present samples of products and to discuss prices.

When shown copies of bid documents that had been presented to the OIG by CYST, one vendor said the prices offered on a document containing its company name were high and that it would not offer such high prices.

CYST's Vice-Chairman told the OIG that they offered potential competing vendors the opportunity to visit their office in order to show the products offered and to discuss prices. Moreover, CYST's Vice-Chairman told the OIG that on occasion they called vendors to clarify the prices offered. This evidence shows that there was direct and improper contact from CYST with potential competing vendors and that CYST did not conduct a competitive tender process throughout the six procurement contracts. In response to these findings, CYST told the OIG that it contacted vendors, usually by phone, in order to determine arithmetical errors in bid submissions and to clarify excessively inflated or understated prices offered.

The OIG finds CYST's actions are contrary to the Laws of Tajikistan, which state "*The tender commission may request the suppliers (contractors) to provide clarifications of their bids to facilitate the examination, evaluation and comparison of the bids. No change in a matter of substance in the tender, including changes in price and changes aimed at making an unresponsive tender responsive, shall be sought, offered or permitted. All inquiries for clarifications and clarifications themselves shall be made only in the written form.*"<sup>9</sup>

### Irregularities and inconsistencies in procurement files (fabricated documents)

The OIG notes that CYST's procurement files:

- contain incomplete records;
- are missing competitive bid information;
- contain different information at different points in time;
- contain documents that appear to have been created after the date they were purported to be created on;
- contain documents tailored to the winning vendor, Komyob; and
- contain documents that would not allow for a competitive bidding process based on the dates on the procurement documents.

---

<sup>9</sup> Article 42 - Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services.



When reviewing CYST's procurement files, the Local Fund Agent found that none of the procurements at issue in this report contained any competitive bid documents from the supposed competing vendors or bid evaluation reports, with the exception of the first procurement conducted in Q3 2011. The subsequent five procurement files only contained a bid proposal document, a contract, an invoice and a payment order, all pertaining to Komyob. There were no competitive bid proposals from any of the supposed competing vendor in the procurement files.

Between March and May 2014, the OIG gave CYST the opportunity to provide evidence of a competitive bidding process for each of the six contracts awarded to Komyob in 2011 and 2012. CYST provided the OIG with bid proposal documents from Komyob for procurements conducted in Q4 2011 and Q1 to Q4 2012. CYST did not provide any other evidence of bids from other supposed competing vendors for these contracts.

However, when examined during the OIG's in-country mission, CYST's procurement files contained bid proposals from three competing vendors per contract, and also contained bid evaluation reports for each of the contracts awarded to Komyob in 2011 and 2012. This was the first time that such documents had been seen in the procurement files of CYST.

According to the signed Standard Letter of Agreement between UNDP and CYST, CYST "*shall maintain supporting documentation for each disbursement, including original invoices, bills, and receipts.*"<sup>10</sup> The OIG concludes that the competitive bid proposals and bid evaluation reports for the contracts awarded to Komyob in Q4 2011 and from Q1 to Q4 2012 were created after the fact to give the impression of a competitive bidding process.

#### Lack of technical specifications in procurement documents

The OIG requested technical specifications from CYST for products included in the six contracts awarded to Komyob. CYST stated that technical specifications were provided as part of the bid proposal documents sent to approved suppliers. Furthermore, the Request for Quotation documents provided by CYST on 2 May 2014 stated that technical specifications were included in the Request for Quotation documentation. The OIG found no evidence in any of CYST's procurement files that technical specifications had been provided to approved suppliers for products included in the six contracts. In fact, CYST failed to present the OIG with technical specifications for the six procurements at any point during this investigation, with the exception of reference to a 4GB memory stick as listed in Request for Quotation documents and contracts.

In December 2014, CYST sent the OIG an undated and unsigned document containing price analysis and technical specifications for the same type of products procured from Komyob that could not be linked with certainty to any of the procurements at issue in this report. CYST's failure to provide technical specifications to any competing bidders is significant as it demonstrates that bidders would not have had the necessary information to fairly offer a competitive price for the necessary products.

Referring to the requirements and conditions pertaining to the supply of goods, it is CYST's responsibility to ensure that the winning bidder provides technical specifications of products and goods supplied, including quantity, price, product model, capacity (digital storage), and other relevant details.

UNDP did not properly oversee this aspect of the sub-recipient's procurement process. UNDP Tajikistan has acknowledged insufficient oversight of CYST's procurement process.<sup>11</sup>

---

<sup>10</sup> Standard Letter of Agreement between UNDP and CYST (Attachment 5, Amendment 1, Standard Terms and Conditions, Article X - Maintenance of Books and Records, para. 1).

<sup>11</sup> Letter from UNDP Tajikistan to the OIG, dated 28 January 2015.

## Documents tailored to Komyob

The OIG found that procurement documents were tailored to its preferred vendor, Komyob. The documents provided by CYST on 2 May 2014 contained five blank Request for Quotation documents for the procurement contracts awarded to Komyob from Q4 2011 and Q1 to Q4 2012. CYST did not provide this document for Q3 2011, when the first of the six contracts was awarded to Komyob.

The OIG observed a clause inserted on page two of all five Request for Quotation documents provided by CYST on 2 May 2014. This clause is specific to Komyob and refers to the original contract awarded to Komyob on 22 August 2011. The clause is as follows:

**Figure 1 – Extract from Q4 2011 Request for Quotation template provided by CYST**

В соответствии Контракта № CYST/YR/SH/2011/07-01, от «22» августа 2011 года, заключенное между Комитетом по делам молодежи, спорта и туризма при Правительстве Республики Таджикистан и ООО «КОМЕБ 2010» Вам предлагается представить конкурсное/ценовое предложение на *закупку канцелярских товаров, продукции и товаров призового характера* в соответствии *Технических спецификаций, цены и график поставки*, прикрепленных в разделе «УСЛОВИЯ И СРОКИ ПОСТАВКИ».

Below is the English translation of the text in Figure 1 above:

- In accordance with the Contract №CYST/YR/SH/2011/07-01 of 22 August 2011, concluded between the Committee for Youth, Sports and Tourism and LLC “Komyob 2010”, you are invited to submit a quotation for the procurement of goods, stationery, and products for prizing purposes as per technical specifications, prices, and supply/delivery schedule, attached in the section “Terms and Conditions of Supply”.

The OIG further observed a similar clause inserted on page 4 each the five Request for Quotation documents provided by CYST on 2 May 2014. This also refers to the contract awarded to Komyob in 22 August 2011. The clause is as follows:

**Figure 2 – Extract from Q4 2011 Request for Quotation template provided by CYST**

ДАННИЙ КОНТРАКТ номер CYST/YR/SH/2011/11-02, составленное «\_\_\_» \_\_\_\_\_ 2011 года между Комитетом по делам молодежи, спорта и туризма при Правительстве Республики Таджикистан (здесь и далее «Покупателем»), с одной стороны, и ООО «КОМЕБ 2010» (здесь и далее «Поставщиком») с другой стороны, основывается на Контракт от «22» августа 2011 года №CYST/YR/SH/2011/07-01.

Below is the English translation of the text in Figure 2 above:

- This Contact №CYST/YR/SH/2011/11-02, concluded in \_\_\_\_\_ 2011 between the Committee for Youth, Sports and Tourism (hereinafter the Buyer) and LLC “Komyob 2010” (hereinafter the Contractor), is based on the Contract of №CYST/YR/SH/2011/07-01 of 22 August 2011.

CYST management told the OIG that they included the references to the previous contract awarded to Komyob in Request for Quotation documents in order to encourage a good business relationship with Komyob. Furthermore, CYST told the OIG that only Komyob had received Request for Quotation documents that contained references to the previous contract it had won. CYST said that the Request for Quotation documents sent to other competing vendors did not contain any reference to the previous contract awarded to Komyob. In fact, the OIG found no evidence that Request for Quotation documents were ever sent to other vendors aside from Komyob.

The OIG finds that the five Request for Quotation documents provided by CYST were created to give the impression of a competitive bidding process. (See “Lack of Consistent Documentation”, *infra*). The Request for Quotation documents were not in the procurement files that were reviewed by the Local Fund Agent between March and April 2013 and were not shared with the OIG when requested in March 2014.

### Non-competitive tender evaluation

While CYST’s procurement files contain evidence that there were four bidders for the first procurement, CYST did not conduct a competitive tender evaluation process for the remaining five contracts awarded to Komyob from Q4 2011 to Q4 2012.

The procurement file for the first contract awarded to Komyob in Q3 2011 contained a bid evaluation report, which was signed and dated by members of the tender evaluation committee. However, during the Local Fund Agent’s review and during the pre-mission dialogue between CYST and OIG, no evidence was found or presented of any bid evaluation process or bid evaluation report for subsequent contracts. It was only during the OIG’s in-country mission that such documents were found in CYST’s procurement files. As such, the OIG finds that they were created after the fact in order to give the impression of a competitive bidding process.

On further analysis of the bid documents contained in CYST’s procurement files during the OIG in-country mission, it appears that the dates contained on the bid submission documents, when compared to the contract award dates, would not allow for a competitive evaluation process to have taken place. This was evident for the contract awarded in Q4 2012 with Komyob’s bid proposal, as well as bids from two other supposed participating vendors, dated 11 November 2012 (Sunday) and the contract signed the following day on 12 November 2012 (Monday).

On inspection of the bid evaluation reports (see Annex A, Exhibit 2), the OIG noted the following:

- A PIU staff person is recorded as a participant of the tender evaluation committee in Q3 2011, which is a violation of Art. 27 (b) of the Grant Agreement between Global Fund and UNDP and of UNDP’s policies and procedures.<sup>12</sup> UNDP PIU asserts that this staff person was not employed as a full-time UNDP staff member, but on a contract basis. However, the OIG deems that this person performed duties directed by, and on behalf of, UNDP PIU.
- The bid evaluation documents for contracts awarded in Q1 to Q4 2012 were signed but not stamped or dated, meaning there is no record of when they were created.
- The bid evaluation documents for contracts awarded in Q1 to Q4 2012 were cut in two pieces on the page containing the signatures of the bid committee members, with attempts to either glue or stick the pages back together.
- One signature on each of the bid evaluation documents in 2012 had been removed and replaced with another signature.

Regarding the third observation, two CYST employees provided the OIG with different explanations about the tampered documents. The Vice-Chairman said that the documents had been altered during an audit process and were found to be cut in two when the documents were returned to CYST. A Program Coordinator said that the same PIU staff person who had been listed on the Q3 2011 bid evaluation report as a participant had removed his/her name and signature from each of the subsequent bid evaluation reports. Furthermore, this person relinquished their duties to UNDP PIU in September 2013. Based on evidence obtained by the OIG during this investigation, and in light of these conflicting explanations, the OIG finds that this was done in order to remove the name of the PIU staff person.

---




<sup>12</sup> UNDP, ‘Programme and Operations Policies and Procedures’, 2008, available at: <http://content.undp.org/go/userguide>

UNDP PIU, responsible for the actions of its employees (contractors and full-time staff), did not take the necessary precautions to avoid a PIU staff person sitting on a tender evaluation committee which decided on the awarding of a contract to a supplier of a sub-recipient. This action is non-complaint with UNDP's procurement rules.<sup>13</sup> Furthermore, UNDP PIU was non-compliant with the Grant Agreement between the Global Fund and UNDP, which states “*the Parties agree that it is important to take all necessary precautions to avoid conflicts of interest and corrupt practices. To this end, the Principal Recipient shall maintain standards of conduct that govern the performance of its staff, including the prohibition of conflicts of interest and corrupt practices in connection with the award and administration of contracts, grants, or other benefits, as set forth in the Staff Regulations and Rules of the United Nations, the UNDP Financial Regulations and Rules, and the UNDP Procurement Manual.*”<sup>14</sup>

### Lack of consistent documentation

CYST has been offered three opportunities to have its procurement files reviewed at different times. The OIG found that at each point CYST presented different versions of documents. In May 2014, CYST provided the OIG with Request for Quotation documents from Q4 2011 and again at two different times during the OIG in-country mission. As this document relates to the same tender organized by CYST, the OIG finds that it should have been identical each time it was presented by CYST. See Figure 3, *infra*, for the inconsistencies found in the three Request for Quotation documents for Q4 2011:

**Figure 3 – Comparisons of three Q4 2011 Request for Quotation documents provided by CYST**

Obtained from CYST letter to OIG 2 May 2014	Obtained from CYST procurement files 20 August 2014	Obtained from CYST Financial Unit files 21 August 2014
<b>1. Front Page Title (page 1)</b>	<b>1. Front Page Title (page 1)</b>	<b>1. Front Page Title (page 1)</b>
a) The title of the document - RFQ is written in Cambria (12) and Calibri (14) bolded font.	a) Only Cambria font is used.	a) Cambria bolded font is used.
<b>2. Letter of Invitation (page 2)</b>	<b>2. Letter of Invitation (page 2)</b>	<b>2. Letter of Invitation (page 2)</b>
a) The date 04.11.2011 is written in Calibri (14). b) The letter is not directed to Komyob and the space provided for the bidder's name is blank. c) Paragraph one refers to the 1st contract CYST/YR/SH/2011/07-01 concluded between CYST and Komyob in August 22, 2011.	a) The date <i>04.11.2011</i> is written in italicized bolded Calibri (14). b) The letter is directed to Komyob and in the space provided for the bidder's name there is written "LLC KOMYOB 2010". c) Paragraph one refers to the 1st contract CYST/YR/SH/2011/07-01 concluded between CYST and Komyob in August 22, 2011.	a) The date <i>04.11.2011</i> is written in italicized Calibri (14). b) The letter is not directed to Komyob and the space provided for the bidder's name is blank. c) Paragraph one is short and does not mention the first contract.
<b>3. Signature (page 3)</b>	<b>3. Signature (page 3)</b>	<b>3. Signature (page 3)</b>
		
<b>4. Contract Form (page 4)</b>	<b>4. Contract Form (page 4)</b>	<b>4. Contract Form (page 4)</b>
a) This form states that the contract CYST/YR/SH/2011/11-02, which is based on the first contract, is concluded between CYST and Komyob. The date of contract's conclusion and the total amount of procuring money is not mentioned.	a) This form states that the contract CYST/YR/SH/2011/11-02, which is based on the first contract, is concluded between CYST and Komyob. The date of contract's conclusion and the total amount of procuring money is not mentioned.	a) The form uses the word 'agreement' rather than contract; and the main fields (date, name of winner, and total amount of procuring money) are blank.

<sup>13</sup> UNDP, 'Programme and Operations Policies and Procedures', 2008, available at: <http://content.undp.org/go/userguide>.

<sup>14</sup> Grant Agreement between the Global Fund and UNDP - Art.27 (b) Conflicts of interest; Anti-corruption, p.18.

The OIG observed different stamps, formatting, fonts, words and signatures on what should be the same document. CYST presented the OIG with documents that appeared to have been created after the fact, such as the five Request for Quotation documents they provided in May 2014 (See Annex A, Exhibit 1, for a comparison of signatures on Request for Quotation documents provided by CYST on 2 May 2014).

The signature on each of the five Request for Quotation documents provided by CYST is identical, whereas this same individual's signature can be seen on other Request for Quotation documents but with slight differences (See Figure 3, *supra*). As these Request for Quotation documents are dated over a period of 12 months, yet appear to contain identical signatures, the OIG finds that these documents were created after the fact.

Pursuant to the sub-recipient agreement, "*The sub-recipient shall keep accurate and current books and records, and other documents (the "SR Records") in respect of all expenditures incurred with SR Funds, reflecting that all such expenditures are in accordance with the Work Plan. The sub-recipient shall maintain supporting documentation for each disbursement, including original invoices, bills and receipts.*"<sup>15</sup> The inconsistencies in documentation presented by CYST show that accurate records have not been maintained by CYST and that documents appear to have been created or altered.

*Agreed action 1: The Secretariat will reiterate the Principal Recipient's responsibility for overseeing sub-recipient activities, as per the contractual obligations of the Program Grant Agreement (TAJ-809-G07-H).*

*Agreed action 2: The Secretariat will request the Principal Recipient to share the actions and/or systems in place for ensuring that any sanctioned companies are not contracted by the Principal Recipient and sub-recipients, operating under Global Fund programs in Tajikistan.*

## 02 Finding 2 – Overpricing and non-delivery of products procured by CYST

As non-competitive tender evaluation, bid-rigging and lack of consistent documentation are often red-flags for over-pricing, the investigation also analyzed pricing.

### Local Fund Agent, UNDP PIU and OIG market price analyses

In May 2013, the Local Fund Agent conducted market price analysis for the products procured by CYST from Komyob in Q3 2011 and Q2 to Q4 2012. Although no technical specifications of procured products were provided by CYST or Komyob, the Local Fund Agent's analysis took into account the price and quantity of procured products among a range of prices for each product type. The Local Fund Agent's price analysis is based on the average price from the range obtained. The Local Fund Agent conducted its analysis at comparable shops and bazaars to those where Komyob had purchased products which it then supplied to CYST. These shops included Sultoni Kabir Bazaar, which is a similar wholesale market to Korvon Bazaar where Komyob purchased products in Q3 2011, when comparing product choice and discount prices. The Local Fund Agent compared the retail market price of each item procured to the cost of each item paid by CYST and found that the sub-recipient had overpaid Komyob by TJS 423,064 (US\$ 88,944)<sup>16</sup>.

In May 2013, UNDP PIU responded with its own comparison of the retail unit price compared to the paid by CYST for the same product type, subject of the Local Fund Agent's price analysis. UNDP PIU did not obtain market price information from any shop where Komyob had purchased products supplied to CYST. Instead, UNDP PIU obtained price information from shops in

<sup>15</sup> Standard Letter of Agreement between UNDP and CYST, Attachment 5, Amendment 1, Standard Terms and Conditions, Article X. Maintenance of Books and Records, para 1.

<sup>16</sup> The rate of exchange from TJS to US\$ as recorded at the National Bank of Tajikistan (<http://www.nbt.tj/en/kurs/?c=4&id=28&lang=en>) as of 8 May 2013.



Dushanbe, including ones selling international branded electronics goods and leading European cosmetics brands, which offer higher prices compared to the market location used by Komyob and the Local Fund Agent. A spreadsheet provided by UNDP PIU to the Secretariat recorded that there was no overpricing of any product CYST purchased from Komyob. UNDP PIU stated that its market analysis demonstrated that the prices offered by Komyob were competitive and that value for money was obtained. However, the market price analysis conducted by the Local Fund Agent shows that the prices offered by Komyob did not provide CYST with the best value for money (See Annex A, Exhibit 3, for a comparison of Local Fund Agent, UNDP PIU and OIG price analyses).

In April 2014, the OIG conducted its own independent market price analysis at the same shops where UNDP PIU had conducted its analysis in order to verify and validate the price analysis presented by UNDP PIU. The OIG's price analysis covered the same time and product type in the price analysis conducted by UNDP PIU. The OIG considered both historical (2012) and current (2014) price information. The results show that UNDP PIU's price analysis was not reflective of market prices in Dushanbe at the time of the analysis, and appear to have been inflated to justify the high prices paid by CYST. As such, UNDP PIU's market price analysis cannot be relied upon as an accurate reflection of the market prices available in Dushanbe. Similarly the shop selection by UNDP PIU is not representative of the Bazaar used by Komyob to purchase products (See Annex A, Exhibit 3, for a comparison of Local Fund Agent, UNDP PIU and OIG market price analyses).

During the course of the investigation, the OIG determined that UNDP PIU's price analysis was much higher than the market price available at the time the analysis was conducted in Dushanbe. Therefore, the OIG relies fully on the market price analysis conducted by the Local Fund Agent, who met the required assurance and functional expertise in the areas of finance, procurement and supply management for non-health products and who had the capacity and resources to effectively deliver the requested services in a quality, consistent, reliable and timely manner to meet the Global Fund's information and risk management requirements.

In December 2014, CYST provided the OIG with its own price analysis of items procured from Komyob. CYST presented comparable prices from two shops in Dushanbe; one from Korvon Bazaar, where Komyob purchased products to fulfill the Q3 2011 contract, and the other from a stationary shop, which was listed as one of the supposed losing bidders for the first contract in Q3 2011. The OIG found CYST's price analysis unreliable and inaccurate for the following reasons:

- the price analysis included taxes, which are exempt from Global Fund programs;
- the price analysis was obtained from a supposed losing bidder in a previous contract awarded by CYST to substantiate the prices paid to Komyob;
- the price analysis was not dated or signed;
- the price analysis did not include all items procured by CYST.

#### Amount overpaid and value of non-delivered products across six contracts awarded to Komyob

Through these analyses, the investigation identified that CYST overpaid Komyob US\$ 109,541 (TJS 521,375)<sup>17</sup>, corresponding to prices above the market rates in Dushanbe, for six contracts (see Figure 4, *infra*) for products it then delivered throughout Tajikistan (see Annex A, Exhibits 7, 8 and 9). In its calculations, the OIG has taken into account a profit margin of 10% for Komyob as a reasonable gain for the supplier, as was evident in the Q3 2011 contract. The OIG has added 10% to the Local Fund Agent's prices when calculating the value of all items procured by CYST. Additionally, there were a number of products for which CYST could not prove delivery. The value of the products procured by CYST where no proof of delivery documents exist is valued at US\$ 7,185. The total amount of non-complaint expenditures related to these six procurements is US\$ 116,726.

---

<sup>17</sup> The rate of exchange from TJS to US\$ as recorded at the National Bank of Tajikistan (<http://www.nbt.tj/en/kurs/?c=4&id=28&lang=en>) as of the date of each contract.

**Figure 4 – Percentage of overpaid amounts by CYST to Komyob for products delivered by CYST**

	<b>Q3 2011</b> <b>22 Aug 2011</b>	<b>Q4 2011</b> <b>21 Nov 2011</b>	<b>Q1 2012</b> <b>9 Mar 2012</b>	<b>Q2 2012</b> <b>5 June 2012</b>	<b>Q3 2012</b> <b>22 Aug 2012</b>	<b>Q4 2012</b> <b>22 Nov 2012</b>	<b>Total for</b> <b>6 Contracts</b>
Contract amount (US\$)	61,055.34	49,305.50	49,367.26	45,568.54	50,143.23	44,830.06	300,269.92
Overpaid amount (US\$)	18,286.28	12,039.88	21,563.66	15,429.03	23,478.93	18,743.48	109,541.26
Percentage of overpayment	30%	24%	44%	34%	47%	42%	36%

#### UNDP PIU market price compared to actual paid price in Q3 2011

The OIG obtained proof of purchase documents<sup>18</sup> for products directly purchased by Komyob from Korvon Bazaar, which were re-sold to CYST to fulfill the Q3 2011 contract. The invoices provided by Komyob show that it purchased products using cash as the payment method.

When comparing the amounts paid by Komyob to the market price analysis conducted by UNDP PIU on the same quantity, the OIG determined the following relating to the Q3 2011 contract:

- contract value paid to Komyob = US\$ 61,055;
- purchase price of all products paid by Komyob = US\$ 54,740;
- profit margin of Komyob = US\$ 6,314 (10%);
- purchase price of products purchased in Q3 2011 using market price analysis of Local Fund Agent (including 10% profit margin for Komyob) = US\$ 42,453;
- purchase price of products purchased in Q3 2011 using market price analysis of UNDP PIU = US\$ 102,967;
- difference in price paid by Komyob and the UNDP PIU market price analysis = US\$ 48,227.

The OIG determined that the prices provided by UNDP PIU were not in line with the market rates of Dushanbe for the products procured by CYST and therefore were not reliable for this analysis. The amount of US\$ 48,227 represents a difference of 53% in the actual price paid by Komyob compared to the market price information presented by UNDP PIU. CYST did not achieve the best value for money, which is further evidenced when using the Local Fund Agent's market prices. When including a 10% profit for Komyob for the products supplied for the Q3 2011 contract, it represents a difference of US\$ 18,602 (30%) to the price Komyob charged CYST.

#### Price increase of products procured by CYST over six contracts

The prices CYST paid for the same type of products increased over the duration of the six contracts awarded to Komyob (See Annex A, Exhibit 6, for a comparison of unit prices paid by CYST across the six contracts awarded to Komyob). For example, with reference to the purchase of MP3 players, which saw an increase in price of 118% within 12 months, the following prices were paid by CYST:

- Q3 2011 – 232 MP3 players at a unit price of TJS 64.25;
- Q4 2011 – 290 MP3 players at a unit price of TJS 65.50;
- Q1 2012 – 232 MP3 players at a unit price of TJS 120;
- Q3 2012 – 116 MP3 players at a unit price of TJS 140.

The Local Fund Agent's market price analysis showed that the unit price of an MP3 player was TJS 31.67. However, the UNDP PIU market price analysis for the same product type showed that the

<sup>18</sup> Proofs of purchase receipts were presented to the OIG by Komyob's Accountant, which were for the purchase of products supplied to CYST to fulfill the Q3 2011 contract. The only known location used by Komyob to procure products was Korvon Bazaar. Komyob did not have receipts for products purchased to fulfill the five subsequent contracts awarded by CYST.

unit price was TJS 150. For the MP3 players alone, this represents a 400% difference in the unit price when comparing the market analysis of the Local Fund Agent to that conducted by UNDP PIU. The overpaid amount for MP3 players purchased by CYST, when compared to the Local Fund Agent's prices, including a 10% profit margin for the supplier is US\$ 9,968<sup>19</sup> (TJS 47,437)<sup>20</sup>.

In May 2013, UNDP PIU described to the Secretariat the increase in the price of goods as “a normal process in the economies with the high/moderate inflation”, while in August 2014 CYST management, when explaining the increase in prices between 2011 and 2012, referred to the quality of products procured as being the most important criterion when conducting procurements. As no information was provided by UNDP or CYST regarding the type or quality of products, the quality of these products cannot be evaluated.

The OIG compared the unit price of products procured by CYST to those in the market price analysis of the Local Fund Agent and UNDP PIU. There was a significant increase in prices paid by CYST on many products procured over the six contracts that are not consistent with the Local Fund Agent's and OIG's price analysis.

#### Komyob proof of purchase documents for Q3 2011 contract

During the in-country mission, Komyob was only able to provide the OIG with proof of purchase documentation pertaining to the first procurement conducted in Q3 2011. Komyob was not able to provide any other proof of purchase documents for products purchased to fulfill the five subsequent contracts awarded by CYST in Q4 2011 and Q1 to Q4 2012. Moreover, when analyzing the proof of purchase documents provided by Komyob for the Q3 2011 contract, the OIG noticed a discrepancy between the quantity of products purchased by Komyob and the quantity of products that CYST paid Komyob for. The discrepancies were as follows:

- Komyob only had proof of purchase documents for 127 DVD players. CYST procured 232 DVD players;
- Komyob only had proof of purchase documents for 444 hygiene kits. CYST procured 580 hygiene kits;
- Komyob only had proof of purchase documents for 213 clear files. CYST procured 232 clear files;
- Komyob did not have proof of purchase documents for any badges. CYST procured 1500 badges;
- Komyob only had proof of purchase documents for 242 document case/bags for volunteers for Inter-ministerial Commission. CYST procured 580 document case/bags.

Komyob was paid for the full amount of items procured by CYST. However, when requested in person, Komyob could not provide the OIG with proof of products purchased to fulfill each contract. Furthermore, the dates on two proof of purchase documents presented by Komyob were dated before the date the contract had been awarded to Komyob (22 August 2011), with one dated three days after CYST had placed the advertisement announcing the Q3 2011 tender (See Annex A, Exhibit 4, for proof of purchase documents from Komyob for items included in the Q3 2011 contract). This shows that Komyob purchased the same products required for the Q3 2011 contract before CYST had awarded them the contract and before the bid evaluation process, dated 11 August 2011 (See Annex A, Exhibit 2, for Q3 2011 Bid Evaluation Report).

---

<sup>19</sup> The rate of exchange from TJS to US\$ as recorded at the National Bank of Tajikistan (<http://www.nbt.tj/en/kurs/?c=4&id=28&lang=en>) as of date of each contract.

<sup>20</sup> TJS 6,588.51 in Q3 2011, TJS 8,892.27 in Q4 2011, TJS 19,757.82 in Q1 2012 and TJS 12,198.91 in Q3 2012.



On 7 January 2015, CYST provided the OIG with over 150 pages of new evidentiary documents obtained from Komyob via a request made by UNDP PIU to the Ministry of Foreign Affairs in Tajikistan. The documents provided pertained to Komyob's proof of purchase of items supplied to CYST for the five contracts awarded by CYST from Q3 2011 to Q3 2012.<sup>21</sup> Among the provided documents, Komyob's proof of purchase for items procured to fulfill the contract awarded in Q4 2012 were missing. The OIG found the documents provided were not reliable, as important information, such as the date of purchase, was not recorded or visible on many of the documents. Furthermore, the purchase dates on some receipts predated the contract signing date, meaning Komyob was purchasing the same products required for contracts with CYST before they had been selected as the winning vendor.

The OIG determined that Komyob did not maintain complete and accurate records to confirm the products that were purchased to fulfill the five contracts awarded from Q3 2011 to Q3 2012, and that they did not have any documentary records to confirm what products were purchased to fulfill the contract awarded in Q4 2012.

### CYST proof of delivery documents for six contracts

CYST provided the OIG with proof of delivery documents for products purchased from Komyob across the six contracts and distributed throughout Tajikistan to be used as incentives at HIV awareness programs for the youth population. The OIG's analysis, which included reviewing 334 delivery summary documents covering 58 districts and eight sub-districts (Jamoats) across the six contracts, shows that CYST did not have proof of delivery documents for 414 products, representing 3.6% of the quantity of all products procured.

The cost of the 414 products<sup>22</sup> at the price paid by CYST per contract is US\$ 7,185 (see Annex A, Exhibit 5). The OIG determines the value of these non-delivered products to be non-compliant expenditure. UNDP PIU has accepted the amount of non-compliant expenditure for items procured by CYST where no proof of delivery documents exists.

### Best value for money

UNDP's sub-recipient Management Toolkit<sup>23</sup> and the laws of Tajikistan<sup>24</sup> highlight that CYST must comply with the principle of 'best value for money'. The Standard Terms and Conditions of the sub-recipient Agreement also state that *"to the extent that the sub-recipient has been authorized in the Work Plan directly to procure any sub-recipient resources, the sub-recipient shall ensure that the award of contracts and the placement of orders will accord to the principles of highest quality, economy and efficiency, and will be based on an assessment of competitive quotations, bids or proposals, unless UNDP agrees otherwise in writing."*<sup>25</sup> Following the rules determined by the sub-recipient agreement between UNDP and CYST, UNDP is responsible for overseeing sub-recipient activities and will ensure whether the principle of best value for money, which comprises highest quality, economy and efficiency (lowest price), has been obtained by CYST.

Although some of the products purchased from Komyob were to be used by CYST to incentivize the youth population at HIV awareness programs, the Program Budget (Annex A of the Grant Agreement between the Global Fund and UNDP) does not indicate that the sub-recipient is eligible

---

<sup>21</sup> Proof of purchase receipts provided by Komyob via UNDP PIU on 7 January 2015, record that Komyob purchased products from a named losing bidder in contracts awarded from CYST to Komyob.

<sup>22</sup> The 414 items have not been included in the overpricing analysis as CYST has no proof they were delivered.

<sup>23</sup> Part 2, section 6 of UNDP sub-recipient Management Toolkit for UNDP Country Offices for HIV/AIDS, available at: <http://www.undp.org/content/dam/undp/library/hiv/aids/English/Sub-recipient%20Management%20Toolkit%20for%20UNDP%20Country%20Offices%20-%20UNDP%202011.pdf>

<sup>24</sup> Article 42, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services, available at: [www.amcu.gki.tj/eng/images/stories/law\\_of\\_goods\\_works.doc](http://www.amcu.gki.tj/eng/images/stories/law_of_goods_works.doc)

<sup>25</sup> Standard Letter of Agreement between UNDP and CYST, Attachment 5, Amendment 1, Standard Terms and Conditions, Article VII. SR Resources, Procurement, para 2.

to buy expensive models of such incentive products. The findings in this report show that the best value for money was not achieved. Moreover, neither CYST nor UNDP PIU provided the OIG with any records of the quality of items purchased; therefore, no assessment of “quality” of goods procured can be undertaken.

*Agreed action 3: The 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.*

*Agreed action 4: The Secretariat will request the Principal Recipient to provide a risk mitigation plan, which addresses weaknesses identified in sub-recipient capacity and systems for the receipt, storage and distribution of non-health products. This plan should include measures to improve Principal Recipient oversight at the sub-recipient level such as regular spot checks of non-health procurement activity and training/sensitization to ensure sub-recipients are aware of governing procurement laws and regulations.*

### 03 Finding 3 – Non-compliant procurement process conducted by CYST

CYST awarded procurement contracts to Komyob valued at US\$ 300,269 that were not compliant with UNDP’s procurement regulations or with the procurement laws of Tajikistan that CYST are legally obligated to follow. This was confirmed in August 2014 in a meeting in which CYST’s Vice-Chairman told the OIG that CYST must conduct procurement activity in line with public laws of Tajikistan.

However, in December 2014 CYST told the OIG that it did not have any direct or immediate obligation to use UNDP procurement guidelines, as well as the laws of Tajikistan. Furthermore, CYST told the OIG that it had not been informed of its requirement to follow the UNDP procurement manual (UNDP sub-recipient Management Toolkit). Nevertheless, pursuant to the Grant Agreement between the Global Fund and UNDP, UNDP’s “*accountability and reporting shall encompass the funds disbursed to all Sub-recipients and to the activities Sub-recipients carry out using Program funds.*”<sup>26</sup> Furthermore, pursuant to the sub-recipient agreement “*The sub-recipient shall ensure that it complies with all relevant domestic and international laws, including, but not limited to, labor and taxation laws.*”<sup>27</sup>

#### Lack of tender advertisements

CYST only advertised the first tender conducted in Q3 2011 in the Asia Plus newspaper on 25 July 2011. CYST did not advertise the following five procurements conducted from Q4 2011 to Q4 2012. On CYST’s official webpage under the section ‘Competitions’,<sup>28</sup> a General Notification relating to the Global Fund Grant 00072826 could be found, stating that, “*tender submissions for procurement of stationary, products, and goods for prizes must be sent to the CYST address in each quarter in November 2011, February, May, August, and September 2012.*” This General Notification requesting that bid submissions be made to CYST every quarter until September 2012, was not mentioned in the Asia Plus advertisement mentioned above.

Throughout the six procurements, different products were added to the tenders conducted by CYST in 2011 and 2012. The OIG’s analysis showed that 21 products types (11,828 additional product items across five contracts) were procured by CYST in addition to products procured in the Q3 2011 contract. As new products were added, CYST’s requirements changed. As a result, CYST should

<sup>26</sup> Grant Agreement between Global Fund and UNDP. Article 10.b.(2).

<sup>27</sup> Standard Letter of Agreement between UNDP and CYST, Attachment 5, Amendment 1, Standard Terms and Conditions, Article IV. SR General Responsibilities of the Parties: Contracts, para 6.

<sup>28</sup> CYST’s official webpage contains an advertisement to procurement announcements, available at: <http://www.youth.tj/tj/concurs/otrasl.php>, accessed on 17 October 2014.

have conducted a new tender process, as per UNDP’s legal framework.<sup>29</sup> This would have required a new bid, a new advertisement, a new Request for Quotation, a new evaluation committee, a new selection process and a new contract. The five tenders offered by CYST subsequent to Q3 2011, should have been advertised and should have involved a new selection and evaluation process, yet there is no evidence in CYST’s procurement records of this happening.

### UNDP sub-recipient Management Toolkit<sup>30</sup> and procurement guidelines

CYST spent over half of its contract amount on procurement activity between Q3 2011 and Q4 2012 (see Figure 5, *infra*). UNDP procurement guidelines prohibit sub-recipients from procuring large value non-health products or any health products. Furthermore, these guidelines prohibit sub-recipients from spending more than 10% of their budget or US\$ 100,000, whichever is less, on procurement activity.<sup>31</sup>

UNDP PIU did not implement proper oversight on the sub-recipient operations<sup>32</sup> and, in particular, on CYST’s procurement processes carried from July 2011 to November 2012.

**Figure 5 – Value of CYST’s procurements compared to contract amount (%)**

	<b>Q3 2011</b> <b>22 Aug 2011</b>	<b>Q4 2011</b> <b>21 Nov 2011</b>	<b>Q1 2012</b> <b>9 Mar 2012</b>	<b>Q2 2012</b> <b>5 June 2012</b>	<b>Q3 2012</b> <b>22 Aug 2012</b>	<b>Q4 2012</b> <b>22 Nov 2012</b>	<b>Total for</b> <b>6 Contracts</b>
Contract amount (USD\$)	84,353.00	89,979.50	90,545.50	89,819.50	73,173.00	87,079.50	514,950.00
Procurement amount (USD\$)	61,055.34	49,305.50	49,367.26	45,568.54	50,143.23	44,830.06	300,269.92
Percentage procured (USD\$)	72%	55%	55%	51%	69%	51%	58%

### CYST’s internal procurement guidelines

The OIG’s investigation determined that CYST created an internal procurement guidelines document to validate its non-compliant procurement activity conducted in 2011 and 2012.

The ‘Conception on Procurement of Implementation of Goods, Works, and Services from Non-budget Resources’ (Conception document), dated 10 January 2011, was approved by CYST’s Director and contains the company stamp (see Annex A, Exhibit 10 (Tajik) and Annex A, Exhibit 11 (English)). The last page of the Conception document is signed by the former CYST Chairman, the Head of the Social Department, the Head of the Finance Department, a Logistics Department Specialist and a lawyer. During the investigation, CYST confirmed that this was the document that governed procurement exercises conducted by CYST.

The Conception document states that “*the Committee independently prepares the procurement of goods, works and services through competition and by establishing an Evaluation Commission, unless otherwise required.*”<sup>33</sup> This allows CYST to run its own procurement processes as well as define and establish the members of the Evaluation Commission on its own, which is in contradiction to UNDP’s sub-recipient Management Toolkit, the governing procurement policy for Global Fund grants managed by UNDP in Tajikistan.<sup>34</sup> Specifically, this provision enabled CYST to

<sup>29</sup> UNDP, ‘Programme and Operations Policies and Procedures’, 2008, available at: <http://content.undp.org/go/userguide>

<sup>30</sup> UNDP sub-recipient Management Toolkit for UNDP Country Offices for HIV/AIDS, available at:

<http://www.undp.org/content/dam/undp/library/hiv/aids/English/Sub-recipient%20Management%20Toolkit%20for%20UNDP%20Country%20Offices%20-%20UNDP%202011.pdf>

<sup>31</sup> UNDP sub-recipient Management Toolkit for UNDP Country Offices for HIV/AIDS, part III, section 2 ‘Procurement by sub-recipient’, (p.26), dated September 2011, available at: <http://www.undp.org/content/dam/undp/library/hiv/aids/English/Sub-recipient%20Management%20Toolkit%20for%20UNDP%20Country%20Offices%20-%20UNDP%202011.pdf>

<sup>32</sup> As per UNDP’s Programme and Operations, Policies and Procedures and sub-recipient Management Toolkit.

<sup>33</sup> Article 5 of CYST’s ‘Conception document’, dated 10 January 2011.

<sup>34</sup> Article 13, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services, available at: [www.amcu.gki.tj/eng/images/stories/law\\_of\\_goods\\_works.doc](http://www.amcu.gki.tj/eng/images/stories/law_of_goods_works.doc)

conduct the six procurements at issue in this report, which account for over 50% of its budget – something expressly prohibited by UNDP’s sub-recipient Management Toolkit.<sup>35</sup>

Significantly, UNDP’s sub-recipient Management Toolkit states that “[a]ny substantive departure from the SR Agreement, which is for use by an SR in Global Fund programmes agreed with the Global Fund, must be approved by Bureau of Development Policy for operational issues and by the Legal Support Office for legal issues.”<sup>36</sup> The OIG found that conducting high-value procurements, such as these six procurements, was a substantive departure from the sub-recipient Agreement.

Both UNDP and CYST agree that CYST did not seek approval or authority from UNDP to create the Conception document or to alter the terms of UNDP’s sub-recipient Management Toolkit in this manner. Furthermore, CYST held a meeting with UNDP PIU in May 2013 for the purpose of discussing its procurement rules and regulations. CYST did not share or discuss the Conception document with UNDP PIU staff during this meeting. In fact, in November 2014 UNDP PIU told the OIG they were not aware of this document until informed of its existence by the OIG.

The Conception document was not a valid instrument as it was unilaterally created and imposed by CYST, was not authorized by UNDP PIU, nor was it made available or shared with the Local Fund Agent or the Global Fund Secretariat. As such, it was not binding or enforceable and therefore cannot be used to justify CYST’s undertaking of high-value procurements.

#### Close relationship between CYST and Komyob

The address of Komyob listed on the bid submission document for Q3 2011 is a residential address. The inhabitant at the address had no knowledge of Komyob despite living at this location for many years. The current operational address of Komyob is Apartment 1, 6 Aeroport Street, Dushanbe, which is a different residential address than the one stated in the company’s Q3 2011 bid documentation. The current legally registered address of Komyob is yet another location: 112 Rudaki Street, Somoni District in Dushanbe (See Annex A, Exhibit 12). This address is one of the known government offices of CYST.

A CYST Program Coordinator, who was part of a committee that selected the members of CYST’s tender evaluation committee and who was working at the company during the period at issue, previously worked as an accountant for Komyob. In December 2014, CYST informed the OIG that the Program Coordinator was in post from 2 January 2013 through 30 September 2013 as a contractor and that, as such, was not CYST staff. This meant that CYST did not have any legal responsibility for this person. CYST further stated that the Program Coordinator at issue was not currently employed by CYST. The OIG dismissed this as the person was performing duties directed by and on behalf of CYST, pursuant to the sub-recipient agreement, which states “*The sub-recipient shall be fully responsible and liable for all services, including SR Activities, performed by its employees, agents, contractors, consultants or Sub-sub-recipients (“SR Personnel”).*”<sup>37</sup>

The investigators observed that on or about November 2010, Komyob moved its physical business operations to 112 Rudaki Street, one of CYST’s operational buildings, for about three months. During this time, the individual who later served as CYST’s Program Coordinator also had an office in the same building and facilitated the move of Komyob to this location while serving as Komyob’s accountant. Komyob’s owner told the OIG that the CYST Program Coordinator, in his capacity as

---

<sup>35</sup> UNDP sub-recipient Management Toolkit for UNDP Country Offices for HIV/AIDS, part III, section 2 ‘Procurement by sub-recipient’, (p.26), dated September 2011, available at: <http://www.undp.org/content/dam/undp/library/hiv/aids/English/Sub-recipient%20Management%20Toolkit%20for%20UNDP%20Country%20Offices%20-%20UNDP%202011.pdf>

<sup>36</sup> UNDP sub-recipient Management Toolkit for UNDP Country Offices for HIV/AIDS, part III, section 1 ‘The sub-recipient Agreement’, (p.25), dated September 2011, available at: <http://www.undp.org/content/dam/undp/library/hiv/aids/English/Sub-recipient%20Management%20Toolkit%20for%20UNDP%20Country%20Offices%20-%20UNDP%202011.pdf>

<sup>37</sup> Standard Letter of Agreement between UNDP and CYST, Attachment 5, Amendment 1, Standard Terms and Conditions, Article V. SR Personnel, para 1.

Komyob's Accountant, prepared the first bid document submitted by Komyob to CYST on 5 August 2011. This individual was present during the OIG meetings at the offices of CYST and provided CYST's proof of delivery documents in August 2014.

The OIG concluded that there was a close relationship between CYST and Komyob, which calls into question the legitimacy and transparency of CYST's selection of Komyob in Q3 2011 and beyond.

### Tender Evaluation Committee irregularities

CYST's tender evaluation committee consisted of four people (See Annex A, Exhibit 2), as opposed to an odd number of members which is recognized as best practice and is required under the procurement laws of Tajikistan.<sup>38</sup> According to the Q3 2011 bid evaluation document, the tender evaluation committee was made up of three members from CYST and one from UNDP PIU, which is non-compliant with UNDP's procurement rules.<sup>39</sup>

The OIG notes that the four members of the tender evaluation committee did not initial each page of the bids submitted by supposed competing vendors or on bid evaluation reports, as required under the procurement laws of Tajikistan.<sup>40</sup> Nor did the investigators see any evidence of minutes taken during the bid evaluation meetings.

The altered bid evaluation documents, which were cut in two and spliced back together with a signature removed, for procurement activity conducted in Q4 2011 and throughout 2012, contained only names and signatures of the same three CYST representatives (Annex A, Exhibit 2). As stated above, the OIG concluded this was because the UNDP PIU representatives' signature was removed from subsequent bid documentation.

Bid documents received by CYST were not always kept sealed and unopened until the tender evaluation committee met to review submitted bids, as required by the laws of Tajikistan.<sup>41</sup> CYST management told the OIG in August 2014 that on some occasions, bid documents received from competing vendors were opened at the time of receipt. Furthermore, the same people from CYST evaluated all four of the 2012 tenders, which is contrary to proper procurement practices.<sup>42</sup>

The OIG concluded that CYST did not comply with procurement laws and regulations as required. Moreover, CYST created its own set of guiding principles, which were not approved by UNDP PIU or the Global Fund.

*Agreed action 5: The Secretariat will consider taking actions, including but not limited to appropriate actions and/or restriction measures towards entities and/or individuals identified in the report, as deemed appropriate.*

---

<sup>38</sup> Article 13, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services, available at: [www.amcu.gki.tj/eng/images/stories/law\\_of\\_goods\\_works.doc](http://www.amcu.gki.tj/eng/images/stories/law_of_goods_works.doc)

<sup>39</sup> UNDP, 'Programme and Operations Policies and Procedures', 2008, available at: <http://content.undp.org/go/userguide>; see also footnote 25, *supra*.

<sup>40</sup> Article 14, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services.

<sup>41</sup> Article 41, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services.

<sup>42</sup> Article 13, Law of the Republic of Tajikistan on Public Procurement of Goods, Works and Services.



## IV. Conclusion

The OIG investigation confirmed non-compliant expenditures and proposed recoverable expenditures of US\$ 116,726, comprising US\$ 109,541 of overpricing and US\$ 7,185 of products purchased with no proof of delivery. Inadequate oversight of a sub-recipient's operations by the Principal Recipient UNDP was found, resulting in misuse of grant funds that could have been used for essential grant activities.

Based on the preponderance of evidence, the OIG concluded that UNDP did not fully comply with the Standard Terms and Conditions of the program grant agreement of Global Fund grant TAJ-809-G07-H, specifically Articles 2 and 10.b. Furthermore, in accordance with Article 10.b, the ultimate accountability for the use of grant funds by the sub-recipients remains with the Principal Recipient, UNDP. In accordance with Article 8, the Global Fund may require the Principal Recipient to refund grant amounts that were not used in accordance with these agreements.

Figure 6, *infra*, summarizes the proposed recoverable expenditure relating to each of the six procurements subject of this investigation.

**Figure 6 – Proposed recoverable expenditure in TJS and US\$**

<b>Contact awarded to Komyob</b>	<b>TJS</b>	<b>US\$</b>
Q3 2011 – Overpriced amount	86,706.24	18,286.28
Q3 2011 – non-delivered goods	7,140.00	1,505.82
Q4 2011 – Overpriced amount	57,326.67	12,039.88
Q1 2012 – Overpriced amount	102,627.92	21,563.66
Q1 2012 – non-delivered goods	160.00	33.62
Q2 2012 – Overpriced amount	73,557.92	15,429.03
Q2 2012 – non-delivered goods	24,192.00	5,074.36
Q3 2012 – Overpriced amount	111,863.00	23,478.93
Q4 2012 – Overpriced amount	89,293.92	18,743.48
Q4 2012 – non-delivered goods	2,724.60	571.91
<b>Total</b>	<b>555,592</b>	<b>116,726</b>

## V. Table of Agreed Actions

<b>No.</b>	<b>Category</b>	<b>Action</b>	<b>Due date</b>	<b>Owner</b>
<b>1</b>	<b>Governance, Oversight and Management Risks</b>	The Secretariat will reiterate the Principal Recipient's responsibility for overseeing sub-recipient activities, as per the contractual obligations of the Program Grant Agreement (TAJ-809-G07-H).	30 June 2015	<b>Head of Grant Management Division</b>
<b>2</b>	<b>Governance, Oversight and Management Risks</b>	The Secretariat will request the Principal Recipient to share the actions and/or systems in place for ensuring that any sanctioned companies are not contracted by the Principal Recipient and sub-recipients, operating under Global Fund programs in Tajikistan.	30 June 2015	<b>Head of Grant Management Division</b>
<b>3</b>	<b>Fraud and Misrepresentation</b>	The 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.	31 December 2015	<b>Recoveries Committee</b>
<b>4</b>	<b>Governance, Oversight and Management Risks</b>	The Secretariat will request the Principal Recipient to provide a risk mitigation plan, which addresses weaknesses identified in sub-recipient capacity and systems for the receipt, storage and distribution of non-health products. This plan should include measures to improve Principal Recipient oversight at the sub-recipient level such as regular spot checks of non-health procurement activity and training/sensitization to ensure sub-recipients are aware of governing procurement laws and regulations.	30 June 2015	<b>Head of Grant Management Division</b>
<b>5</b>	<b>Governance, Oversight and Management Risks</b>	The Secretariat will consider taking actions, including but not limited to appropriate actions and/or restriction measures towards entities and/or individuals identified in the report, as deemed appropriate.	31 December 2015	<b>Head of Grant Management Division</b>

## VI. Summary of Subject Responses

The Resident Representative of UNDP in Tajikistan and the management of CYST were provided with a copy of the OIG's statement of findings and supporting annexes on its investigation of procurement activity conducted by CYST. They were also afforded the opportunity to provide comments and supporting documents on the report's content, findings and conclusions. The OIG's statement of findings represented the full record of all relevant facts and findings considered in support of this final report. UNDP PIU provided its response to the OIG's findings on 25 November 2014 and submitted further documentary evidence on 7 January 2015. CYST provided its response to the OIG's findings on 15 December 2014. The OIG then proceeded to the next stage of the investigation as per its Stakeholder Engagement Model. Although CYST provided several supporting documents to its response to the OIG, UNDP PIU did not provide any documents with its response.

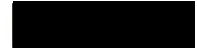
All points made by the respondents were duly considered by the OIG and appropriate revisions were made to its findings as part of this final report.

## VII. Annex A: Exhibits

Exhibit 1 – Signatures of former First Deputy of CYST, as recorded on five 'Request for Quotation' documents provided by CYST

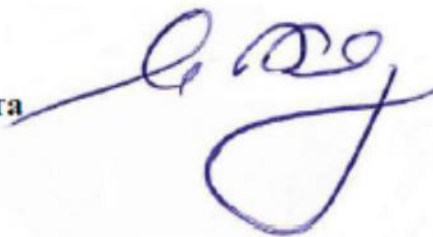
**RFQ Q4 2011 - CYST/YR/SH/2011/11-02**

С уважением,  
Национальный Координатор Проекта



**RFQ Q1 2012 - CYST/YR/SH/2012/03-03**

С уважением,  
Национальный Координатор Проекта



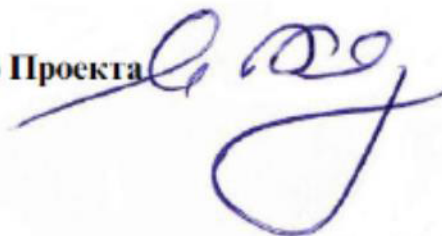
**RFQ Q2 2012 - CYST/YR/SH/2012/06-04**

С уважением,  
Национальный Координатор Проекта



**RFQ Q3 2012 - CYST/YR/SH/2012/08-05**

С уважением,  
Национальный Координатор Проекта



**RFQ Q4 2012 - CYST/YR/SH/2012/11-06**

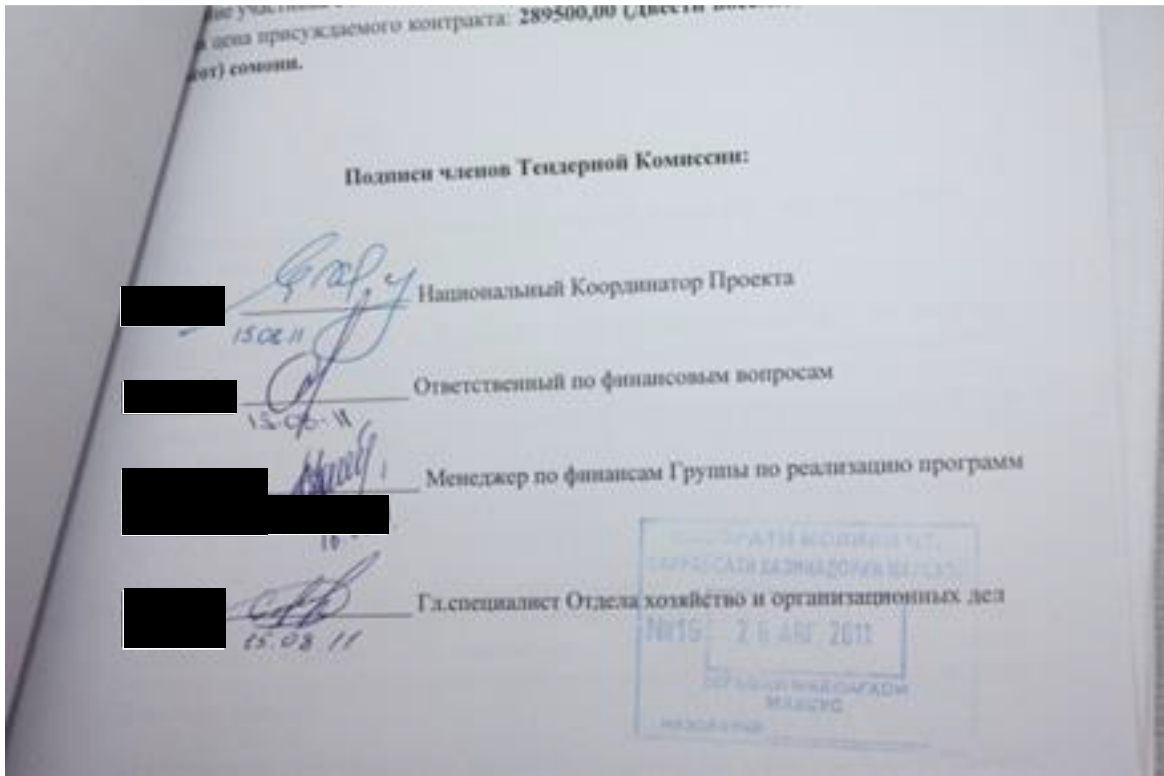
С уважением,  
Национальный Координатор Проекта



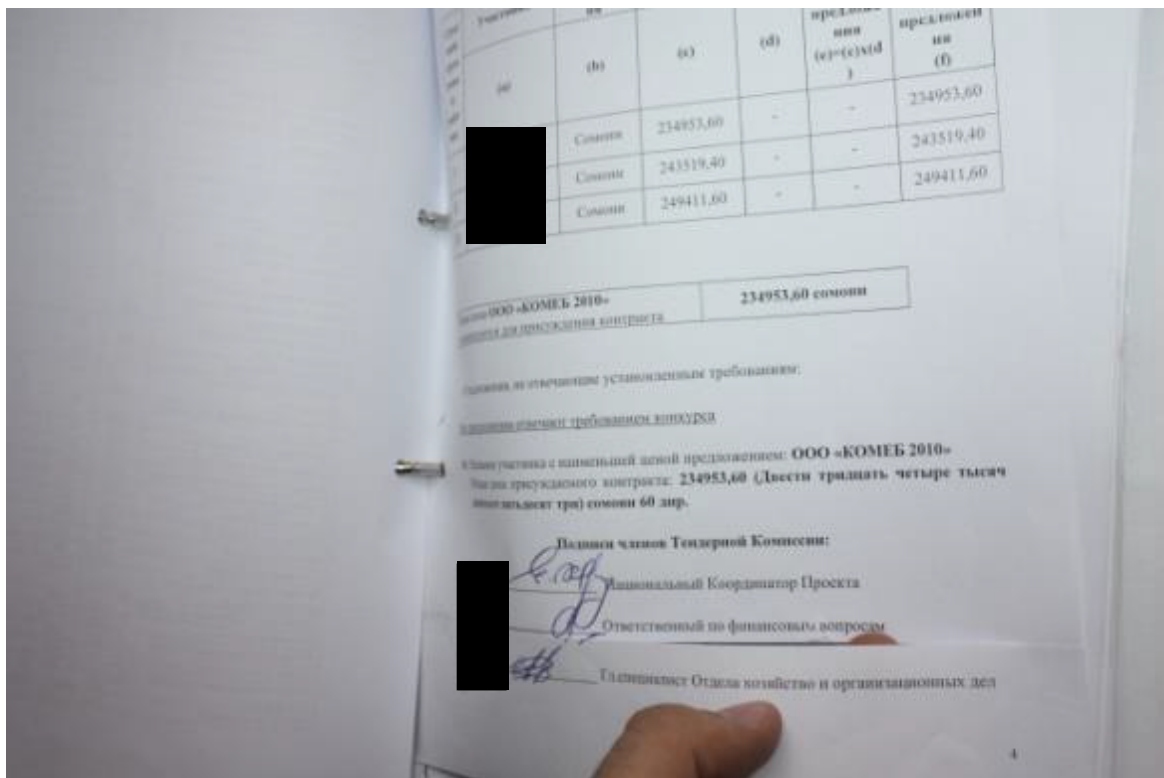


Exhibit 2 – Photographs of two bid evaluation reports from CYST procurement files

**Q3 2011** Bid Evaluation Report (stamped, signed and dated)



**Q1 2012** Bid Evaluation Report (cut in two, removed signature, not dated and not stamped)



### Exhibit 3 – Comparison of LFA, UNDP PIU and OIG market price analyses for products procured by CYST (prices in TJS)

Products Procured by CYST	LFA Market Analysis Unit Price	UNDP PIU Market Analysis Unit Price	OIG Market Analysis Unit Price	Source of LFA Prices	Source of UNDP PIU Prices	Source of OIG Prices
<b>Prizes</b>						
DVD player	110.00	400.00	184.00	Sultony Kabir market (price range: 90, 110, 130)	Volna shop	Volna shop (price range: 184, 286, 311, 464)
Mp3 player	31.67	150.00	Not Available	Sultony Kabir market (price range: 20, 25, 50)	Volna shop	Volna shop (product not available)
Football goal	150.00	200.00	120.00	Sport Tovary shop and CzUM (price range: 140, 160)	Sport Tovary shop (price range: 200 to 400)	Sport Tovary shop (price range: 120, 220, 420)
Volleyball	46.67	65.00	25.00	Sport Tovary shop and CzUM (price range: 40, 45, 55)	Sport Tovary shop (price range: 65 to 300)	Sport Tovary shop (price range: 25, 35, 90)
Football	40.00	90.00	40.00	Sport Tovary shop and CzUM (price range: 20, 40, 60)	Sport Tovary shop (price range: 60 to 300)	Sport Tovary shop (price range: 40, 65)
Volleyball net	40.00	100.00	50.00	Sport Tovary shop and CzUM (price range: 25, 25, 70)	Sport Tovary shop (price range: 85 to 150)	Sport Tovary shop (price range: 50, 90, 120)
Chess set	14.25	100.00	20.00	Sport Tovary shop and CzUM (price range: 10.5, 18)	Sport Tovary shop (price range: 30 to 200)	Sport Tovary shop (price range: 20, 35, 80)
Set of toothpaste, soap, shampoo and deodorant	50.00	115.00	38.00	Bolshaya Stirka shop (50)	La Cite shop	La Cite shop
Wall clock	30.33	80.00	20.00	Sultony Kabir market (price range: 16, 35, 40)	Trading House Asia, 1st floor shop located in Sultony Kabir (price range: 45 to 300)	Trading House Asia, 1st floor shop located in Sultony Kabir (price range: 20, 40)
Table ventilator	38.75	150.00	55.00	"Computer shop" (price range: 20, 40, 45, 50)	Trading House Asia, 1st floor shop located Sultony Kabir	Trading House Asia, 1st floor shop located in Sultony Kabir (price range: 55, 70)
World globe	30.00	85.00	25.00	Sultony Kabir market (price range: 20, 22, 28, 50)	Hazina shop (price range: 85 to 135)	Hazina shop (price range: 25, 35)
Bag/rucksack	40.00	90.00	Not Available	Knizhni Mir stationery (price range: 20, 40, 60)	Office Krauze shop	Office Krauze shop (product not available)
USB stick 4 GB	40.00	160.00	36.00	"Computer shop" (40 for 4 GB)	Samsung shop (price range: 160 to 170)	Samsung shop (price range: 36, 40)
Pen (gift for winners)	20.00	60.00	30.00	Knizhni Mir stationery (price range: 10, 15, 35)	Hazina shop (price range: 4 to 120)	Hazina shop (price range: 30, 80)
Set of cups	40.00	90.00	40.00	Sultony Kabir market (price range: 24, 36, 60)	Trading House Asia, 1st floor shop located in Sultony Kabir (price range: 50 to 300)	Trading House Asia, 1st floor shop located in Sultony Kabir
Basketball	33.33	80.00	25.00	Sport Tovary shop and CzUM (price range: 25, 35, 40)	Sport Tovary shop (price range: 65 to 300)	Sport Tovary shop (price range: 25, 65, 90)
Photo album	27.67	75.00	33.00	Knizhni Mir stationery (price range: 8, 35, 40)	Raduga shop (price range: 50 to 110)	Raduga shop (price range: 33, 41, 50, 55, 60, 100)
Flashlight (rechargeable)	28.67	85.00	25.00	Sultony Kabir market (price range: 18, 33, 35)	Sport Tovary shop (price range: 40 to 100)	Sport Tovary shop (price range: 25, 130)
<b>Office Stationery</b>						
Writing paper	21.50	30.00	24.00	Knizhni Mir stationery (price range: 20, 23 for A4)	Volna shop	Volna shop
Whatman (thin paper)	0.80	3.00	1.20	Knizhni Mir stationery (0.80)	Hazina shop	Hazina shop (price range: 1.20, 1.50)
Pen	1.17	1.20	1.50	Knizhni Mir stationery (price range: 0.5, 1, 2)	Hazina shop (price range: 0.5 to 2)	Hazina shop (price range: 1.5, 2, 4, 6)
Highlighter pen (blue, red, green, black)	1.30	2.50	4.00	Knizhni Mir stationery (price range: 1, 1.6)	Office Krauze shop	Office Krauze shop
Washable marker (blue, red, green, black)	1.80	4.50	1.50	Knizhni Mir stationery (price range: 1.6, 2)	Office Krauze shop	Office Krauze shop
Binder (folder thickness of 5 cm/length 31 cm)	7.00	12.00	1.50	Knizhni Mir stationery (7)	Kaynak shop	Kaynak shop (price range: 1.5, 8.5)
Clear file	0.17	0.30	5.00 (pack)	Knizhni Mir stationery (price range: 0.1, 0.15, 0.25)	Hazina shop	Hazina shop (price range: 5, 14, 20)
Color paper	12.00	85.00	18.00	Knizhni Mir stationery (price range: 8, 10, 18)	Kaynak shop	Kaynak shop (price range: 18, 22)
Badge (width 8 cm/length 11 cm)	1.50	4.00	2.00	Knizhni Mir stationery (price range: 1, 2)	Hazina shop (price range: 2.5 to 4)	Hazina shop
Paper for business cards 220 gr.	0.48	2.00	1.00	Knizhni Mir stationery (0.48)	Kaynak shop (price range: 0.66 to 2)	Kaynak shop
A4 photo paper	0.30	1.80	Not Available	Knizhni Mir stationery (0.3)	Kaynak shop (price range: 1 to 1.8)	Kaynak shop (product not available)
Notebook (A5 from 45 to 60 pages)	5.00	6.50	4.75	Knizhni Mir stationery (price range: 4, 6)	Kaynak shop	Kaynak shop (price range: 4.75, 11)
Pencil for drawing	7.67	20.00	5.00	Knizhni Mir stationery (price range: 4, 9, 10)	Office Krauze shop (price range: 10 to 40)	Office Krauze shop
Gouache/watercolor	7.00	15.00	5.00	Knizhni Mir stationery (price range: 5, 6, 10)	Hazina shop (price range: 15 to 35)	Hazina shop (price range: 5, 7, 10, 20)
Whatman painting paper	1.50	3.00	1.20	Knizhni Mir stationery (1.5)	Hazina shop	Hazina shop (price range: 1.20, 1.50)
Album for drawing	3.33	6.00	4.00	Knizhni Mir stationery (price range: 2, 3, 5)	Hazina shop	Hazina shop (price range: 4, 5)
Stickers (colorful)	3.00	4.70	Not Available	Knizhni Mir stationery (price range: 2, 3, 4)	Office Krauze shop (price range: 2.5 to 4.7)	Office Krauze shop (product not available)
White-out	2.50	3.50	3.50	Knizhni Mir stationery (price range: 2, 3)	Kaynak shop	Kaynak shop
Thick paper	50.00	165.00	Not Available	Knizhni Mir stationery (price range: 30, 70)	Kaynak shop	Kaynak shop (product not available)
Pencil	0.32	0.60	0.30	Knizhni Mir stationery (price range: 0.2, 0.25, 0.5)	Hazina shop	Hazina shop
<b>Household goods</b>						
DVD discs with cover	3.50	6.00	3.50	"Computer shop"; "Knizhni Mir" stationery (price range: 2.5, 3, 5)	Hazina shop	Hazina shop
Scotch, tape for papers	3.50	8.00	7.00	Knizhni Mir stationery (price range: 2, 3, 5, 5)	Hazina shop (price range: 8 to 15)	Hazina shop
Scissors	3.17	6.00	4.00	Knizhni Mir stationery (price range: 2, 2.5, 5)	Hazina shop	Hazina shop (price range: 4, 5)
Binder 2cm and 5 cm proportionally	3.00	8.00	3.00	Knizhni Mir stationery (price range: 2, 4)	Hazina shop	Hazina shop (price range: 3, 18)
Document case/bag for volunteers Inter-ministerial Commission (black color, preferably leather)	12.00	20.00	Not Available	Knizhni Mir stationery (price range: 8, 12, 16)	Hazina shop	Hazina shop (product not available)
Clips (2cm and 4 cm)	2.20	3.00	0.80	Knizhni Mir stationery (price range: 1.5, 1.8, 2.5, 3)	Hazina shop	Hazina shop (price range: 0.80, 5)
Toner (cartridge for Tel/Fax)	20.00	30.00	18.00	"Computer shop" (20)	PE Nematov Jahongir shop	PE Nematov Jahongir shop
Toner (cartridge for Canon 3220)	15.00	35.00	Not Available	"Computer shop" (15)	Kaynak shop (price range: 35 to 40)	Kaynak shop (product not available)
Cartridge (toner for copy machine Canon 6117)	15.00	150.00	Not Available	"Computer shop" (15)	Kaynak shop (price range: 150 to 160)	Kaynak shop (product not available)
Stapler (for 12 pages)	4.00	15.00	8.00	Knizhni Mir stationery (price range: 2.5, 3.5, 6)	Hazina shop (price from 15 to 45)	Hazina shop (price range: 8, 18, 35)
Staples (10mm)	1.00	3.00	Not Available	Knizhni Mir stationery (1.00)	Kaynak shop (price range: 3 to 4)	Kaynak shop (product not available)
Tape (clear scotch)	4.00	8.00	4.50	Knizhni Mir stationery (price range: 2, 4, 6)	Hazina shop (price from 8 to 15)	Hazina shop (price range: 4.50, 8)

Exhibit 4 – Proof of purchase documents from Komyob for products included in Q3 2011 contract

Dates of items purchased by Komyob pre-date contract date

Форма № 36Б

**СЧЁТ – ФАКТУРА № 01 от 14.07.2011**

К платежному требованию № \_\_\_\_\_

С/сч. № \_\_\_\_\_ в банке \_\_\_\_\_

С/сч. отправителя \_\_\_\_\_

С/сч. получателя \_\_\_\_\_

Расширение об оплате или от акцепта \_\_\_\_\_

Плательщик и его адрес: УФВ ММ «Комвоб 2010»

С/сч. № \_\_\_\_\_ в банке \_\_\_\_\_ в гор. \_\_\_\_\_ обл. \_\_\_\_\_

Грузополучатель \_\_\_\_\_

С/сч. назначения \_\_\_\_\_

Число мест \_\_\_\_\_

Вес \_\_\_\_\_

Договор – заказа \_\_\_\_\_

Дата отгрузки \_\_\_\_\_

Способ отгрузки, и № вагон/вагон

№ от 20 г. \_\_\_\_\_

Дополнение: 80 нулей каюга

Наименование	Едв. изм.	Количество	Цена	Сумма
защелки 2х5см напая		114	2,50	285,00
защелки:				285,00
Фурсаду замкаду каюга				
суммарно:				

ОПЛАЧЕНО

Форма № 36Б

**СЧЁТ – ФАКТУРА № 01 от 28.07.2011**

К платежному требованию № \_\_\_\_\_

С/сч. № \_\_\_\_\_ в банке \_\_\_\_\_

С/сч. отправителя \_\_\_\_\_

С/сч. получателя \_\_\_\_\_

Расширение об оплате или от акцепта \_\_\_\_\_

Плательщик и его адрес: УФВ ММ «Комвоб 2010»

С/сч. № \_\_\_\_\_ в банке \_\_\_\_\_ в гор. \_\_\_\_\_ обл. \_\_\_\_\_

Грузополучатель \_\_\_\_\_

С/сч. назначения \_\_\_\_\_

Число мест \_\_\_\_\_

Вес \_\_\_\_\_

Договор – заказа \_\_\_\_\_

Дата отгрузки \_\_\_\_\_

Способ отгрузки, и № вагон/вагон

№ от 20 г. \_\_\_\_\_

Дополнение: 80 нулей каюга

Наименование	Едв. изм.	Количество	Цена	Сумма
1. Козы локта напая		36	41,00	1476,00
2. Файл браке джа		60	0,40	24,00
каюга:				1500,00
2х козочу напаяду				
суммарно:				

ОПЛАЧЕНО

Exhibit 5 – Cost of undelivered products procured in Q3 2011, Q1 2012, Q2 2012 and Q4 2012

Products	Q3 2011			Q1 2012			Q2 2012			Q4 2012			Total of undelivered Items	Total value of undelivered items
	Undelivered Items	Contract Price	Value of undelivered Items	Undelivered Items	Contract Price	Value of undelivered Items	Undelivered Items	Contract Price	Value of undelivered Items	Undelivered Items	Contract Price	Value of undelivered Items		
<b>Prizes</b>														
DVD player	8	160.00	1,280.00										8	1,280.00
Mp3 player	8	64.25	514.00										8	514.00
Football goal	4	170.00	680.00										4	680.00
Volleyball	8	45.00	360.00				48	55.00	2,640.00	4	58.00	232.00	60	3,232.00
Football	8	75.00	600.00				48	80.00	3,840.00	2	86.00	172.00	58	4,612.00
Volleyball net	8	95.00	760.00										8	760.00
Chess set	10	32.00	320.00				48	90.00	4,320.00				58	4,640.00
Set of toothpaste, soap, shampoo and deodorant	20	80.00	1,600.00				96	101.00	9,696.00	10	110.00	1,100.00	126	12,396.00
Wall clock	10	37.00	370.00							4	77.00	308.00	14	678.00
Table ventilator	8	82.00	656.00										8	656.00
World globe							24	74.00	1,776.00				24	1,776.00
Bag/rucksack				2	80.00	160.00	24	80.00	1,920.00	1	65.70	65.70	27	2,145.70
UBS stick 4 GB														0.00
Pen (gift for winners)										1	52.90	52.90	1	52.90
Set of cups										2	84.00	168.00	2	168.00
Basketball										2	72.00	144.00	2	144.00
Photo album										2	71.00	142.00	2	142.00
Flashlight (big size)										4	85.00	340.00	4	340.00
<b>Total in TJS:</b>			<b>7,140.00</b>			<b>160.00</b>			<b>24,192.00</b>			<b>2,724.60</b>	<b>414</b>	<b>34,216.60</b>
<b>Total in US\$:</b>			<b>1,505.82</b>			<b>33.62</b>			<b>5,074.36</b>			<b>571.91</b>		<b>7,185.71</b>

## Exhibit 6 – Unit price comparison of price paid by CYST to Komyob (TJS)

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Items Procured by CYST	Unit price	Unit Price	Unit Price	Unit Price	Unit Price	Unit Price
<b>Prizes</b>						
DVD player	160.00					
Mp3 player	64.25	65.50	120.00		140.00	
Football goal	170.00					
Volleyball	45.00	48.20		55.00		58.00
Football	75.00			80.00	85.00	86.00
Volleyball net	95.00					
Chess set	32.00	35.00	90.00	90.00	93.00	
Set of toothpaste, soap, shampoo and deodorant	80.00	85.00	95.00	101.00	112.00	110.00
Wall clock	37.00					77.00
Table ventilator	82.00				114.00	
World globe			75.00	74.00		
Bag/rucksack			80.00	80.00	90.00	65.70
USB stick 4 GB			120.00		125.00	
Pen (gift for winners)					7.50	52.90
Set of cups			76.00		85.30	84.00
Basketball						72.00
Photo album			105.00			71.00
Flashlight (rechargeable)						85.00
<b>Office Stationary</b>						
Writing paper	30.00	30.00	28.00	30.00	30.00	30.00
Whatman (thin paper)	0.70	0.70	0.70	0.70	0.80	0.80
Pen	1.00	1.00	1.20	1.20	1.20	
Highlighter pen (blue, red, green, black)	1.50	1.50	1.60	1.70	1.80	1.80
Washable marker (blue, red, green, black)	3.00	3.00	2.90	3.00	3.20	3.20
Binder (folder thickness of 5 cm/length 31 cm)	7.70	8.50	8.60			
Clear file	0.30					
Color paper	45.00	48.00	50.00	55.00	60.00	
Badge (width 8 cm/length 11 cm)	4.00	3.20	3.20	3.50		
Paper for business cards 220 gr.	1.50					
A4 photo paper	1.40					
Notebook (A5 from 45 to 60 pages)	4.60	5.20	5.80	5.80	5.50	5.50
Pencil for drawing	11.80	14.00	15.00	17.00	20.00	20.00
Gouache/watercolor	7.00	8.00	8.50	10.00	12.00	13.00
Whatman painting paper	1.20	1.30	1.40	1.50	1.70	1.70
Album for drawing				4.20	4.50	
Stickers (colorful)			4.20	4.50	4.50	4.50
White-out			2.80	3.00	2.60	2.60
Thick paper					64.00	
Pencil						0.20
<b>Household goods</b>						
DVD discs with cover	3.20	3.20	3.50	3.00	3.00	3.50
Scotch, tape for papers	4.90	4.00	4.20	4.20	4.20	4.70
Scissors	4.00	4.00	3.90			
Binder 2cm and 5 cm proportionally	2.40	4.00	4.10	4.10	4.10	4.90
Document case/bag for volunteers Inter-ministerial Commission (black color, preferably leather)	18.00			12.00	12.00	12.20
Clips (2cm and 4 cm)	2.30	2.40	2.50	2.70	2.70	2.60
Toner (cartridge for Tel/Fax)	17.20	17.00	18.60	21.40	21.40	26.10
Toner (cartridge for Canon 3220)	30.00	29.60	30.00	30.00	30.00	35.00
Cartridge (toner for copy machine Canon 6117)	145.20	150.00	150.00	150.00	150.00	150.00
Stapler (for 12 pages)	4.60					
Staples	2.30	3.40	2.80	2.80	2.80	2.70
Tape (clear scotch)		3.40	3.60	3.60	3.60	3.40

Exhibit 7 – Overpaid amount of delivered products by CYST for Q3 and Q4 2011 (Prices in TJS unless otherwise stated)

Products procured	LFA price, including Komyob profit (10%)	Q3 - 2011				LFA price, including Komyob profit (10%)	Q4 - 2011			
		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST
		Delivered quantity	CYST contract price				Delivered quantity	CYST contract price		
<b>Prizes</b>										
DVD player	121.00	224	160.00	39.00	8,736.00	121.00				
Mp3 player	34.84	224	64.25	29.41	6,588.51	34.84	290	65.50	30.66	8,892.27
Football goal	165.00	112	170.00	5.00	560.00	165.00				
Volleyball	51.34	224	45.00	N/A	0.00	51.34	232	48.20	N/A	0.00
Football	44.00	224	75.00	31.00	6,944.00	44.00				
Volleyball net	44.00	224	95.00	51.00	11,424.00	44.00				
Chess set	15.68	280	32.00	16.33	4,571.00	15.68	290	35.00	19.33	5,604.25
Set of toothpaste, soap, shampoo and deodorant	55.00	560	80.00	25.00	14,000.00	55.00	464	85.00	30.00	13,920.00
Wall clock	33.36	280	37.00	3.64	1,018.36	33.36				
Table ventilator	42.63	224	82.00	39.38	8,820.00	42.63				
World globe	33.00					33.00				
Bag/rucksack	44.00					44.00				
USB stick 4 GB	44.00					44.00				
Pen (gift for winners)	22.00					22.00				
Set of cups	44.00					44.00				
Basketball	36.66					36.66				
Photo album	30.44					30.44				
Flashlight (rechargeable)	31.54					31.54				
<b>Office Stationary</b>										
Writing paper	23.65	400	30.00	6.35	2,540.00	23.65	450	30.00	6.35	2,857.50
Whatman (thin paper)	0.88	5000	0.70	N/A	0.00	0.88	6960	0.70	N/A	0.00
Pen	1.29	1500	1.00	N/A	0.00	1.29	2320	1.00	N/A	0.00
Highlighter pen (blue, red, green, black)	1.43	1740	1.50	0.07	121.80	1.43	1740	1.50	0.07	121.80
Washable marker (blue, red, green, black)	1.98	1740	3.00	1.02	1,774.80	1.98	1740	3.00	1.02	1,774.80
Binder (folder thickness of 5 cm/length 31 cm)	7.70	232	7.70	N/A	0.00	7.70	116	8.50	0.80	92.80
Clear file	0.19	232	0.30	0.11	26.22	0.19				
Color paper	13.20	232	45.00	31.80	7,377.60	13.20	464	48.00	34.80	16,147.20
Badge (width 8 cm/length 11 cm)	1.65	1500	4.00	2.35	3,525.00	1.65	2320	3.20	1.55	3,596.00
Paper for business cards 220 gr.	0.53	600	1.50	0.97	583.20	0.53				
A4 photo paper	0.33	2400	1.40	1.07	2,568.00	0.33				
Notebook (A5 from 45 to 60 pages)	5.50	1500	4.60	N/A	0.00	5.50	2320	5.20	N/A	0.00
Pencil for drawing	8.44	580	11.80	3.36	1,950.54	8.44	464	14.00	5.56	2,581.23
Gouache/watercolor	7.70	580	7.00	N/A	0.00	7.70	580	8.00	0.30	174.00
Whatman painting paper	1.65	1500	1.20	N/A	0.00	1.65	2000	1.30	N/A	0.00
Album for drawing	3.66					3.66				
Stickers (colorful)	3.30					3.30				
White-out	2.75					2.75				
Thick paper	55.00					55.00				
Pencil	0.35					0.35				
<b>Household goods</b>										
DVD discs with cover	3.85	232	3.20	N/A	0.00	3.85	116	3.20	N/A	0.00
Scotch, tape for papers	3.85	232	4.90	1.05	243.60	3.85	464	4.00	0.15	69.60
Scissors	3.49	232	4.00	0.51	119.02	3.49	232	4.00	0.51	119.02
Binder 2cm and 5 cm proportionally	3.30	290	2.40	N/A	0.00	3.30	232	4.00	0.70	162.40
Document case/bag for volunteers Inter-ministerial Commission (black color, preferably leather)	13.20	580	18.00	4.80	2,784.00	13.20				
Clips (2cm and 4 cm)	2.42	232	2.30	N/A	0.00	2.42	232	2.40	N/A	0.00
Toner (cartridge for Tel/Fax)	22.00	2	17.20	N/A	0.00	22.00	2	17.00	N/A	0.00
Toner (cartridge for Canon 3220)	16.50	1	30.00	13.50	13.50	16.50	1	29.60	13.10	13.10
Cartridge (toner for copy machine Canon 6117)	16.50	1	145.20	128.70	128.70	16.50	1	150.00	133.50	133.50
Stapler (for 12 pages)	4.40	50	4.60	0.20	10.00	4.40				
Staples (10mm)	1.10	232	2.30	1.20	278.40	1.10	464	3.40	2.30	1,067.20
Tape (clear scotch)	4.40			N/A	0.00	4.40	20	3.40	N/A	0.00
<b>Total TJS</b>					<b>86,706.24</b>					<b>57,326.67</b>
<b>Total US\$</b>					<b>18,286.28</b>					<b>12,039.88</b>
					TJS 1 = US\$ 4.7416					TJS 1 = US\$ 4.7414



## Exhibit 8 – Overpaid amount of delivered products by CYST for Q1 and Q2 2012 (Prices in TJS unless otherwise stated)

Products procured	LFA price, including Komyob profit (10%)	Q1 - 2012				LFA price, including Komyob profit (10%)	Q2 - 2012			
		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST
		Delivered quantity	CYST contract price				Delivered quantity	CYST contract price		
<b>Prizes</b>										
DVD player	121.00					121.00				
Mp3 player	34.84	232	120.00	85.16	19,757.82	34.84				
Football goal	165.00					165.00				
Volleyball	51.34					51.34	184	55.00	3.66	673.99
Football	44.00					44.00	184	80.00	36.00	6,624.00
Volleyball net	44.00					44.00				
Chess set	15.68	232	90.00	74.33	17,243.40	15.68	184	90.00	74.33	13,675.80
Set of toothpaste, soap, shampoo and deodorant	55.00	348	95.00	40.00	13,920.00	55.00	368	101.00	46.00	16,928.00
Wall clock	33.36					33.36				
Table ventilator	42.63					42.63				
World globe	33.00	232	75.00	42	9,744.00	33.00	92	74.00	41.00	3,772.00
Bag/rucksack	44.00	114	80.00	36	4,104.00	44.00	92	80.00	36.00	3,312.00
USB stick 4 GB	44.00	116	120.00	76	8,816.00	44.00				
Pen (gift for winners)	22.00					22.00				
Set of cups	44.00	58	76.00	32	1,856.00	44.00				
Basketball	36.66					36.66				
Photo album	30.44	116	105.00	75	8,649.31	30.44				
Flashlight (rechargeable)	31.54					31.54				
<b>Office Stationary</b>										
Writing paper	23.65	348	28.00	4.35	1,513.80	23.65	696	30.00	6.35	4,419.60
Whatman (thin paper)	0.88	2900	0.70	N/A	0.00	0.88	6960	0.70	N/A	0.00
Pen	1.29	1160	1.20	N/A	0.00	1.29	1160	1.20	N/A	0.00
Highlighter pen (blue, red, green, black)	1.43	870	1.60	0.17	147.90	1.43	870	1.70	0.27	234.90
Washable marker (blue, red, green, black)	1.98	870	2.90	0.92	800.40	1.98	580	3.00	1.02	591.60
Binder (folder thickness of 5 cm/length 31 cm)	7.70	116	8.60	0.90	104.40	7.70				
Clear file	0.19			N/A		0.19				
Color paper	13.20	290	50.00	36.80	10,672.00	13.20	290	55.00	41.80	12,122.00
Badge (width 8 cm/length 11 cm)	1.65	1160	3.20	1.55	1,798.00	1.65	1160	3.50	1.85	2,146.00
Paper for business cards 220 gr.	0.53					0.53				
A4 photo paper	0.33					0.33				
Notebook (A5 from 45 to 60 pages)	5.50	1160	5.80	0.30	348.00	5.50	1160	5.80	0.30	348.00
Pencil for drawing	8.44	232	15.00	6.56	1,522.62	8.44	696	17.00	8.56	5,959.85
Gouache/watercolor	7.70	348	8.50	0.80	278.40	7.70	290	10.00	2.30	667.00
Whatman painting paper	1.65	870	1.40	N/A	0.00	1.65	1160	1.50	N/A	0.00
Album for drawing	3.66					3.66	1160	4.20	0.54	622.92
Stickers (colorful)	3.30	232	4.20	1	208.80	3.30	262	4.50	1.20	314.40
White-out	2.75	116	2.80	0	5.80	2.75	232	3.00	0.25	58.00
Thick paper	55.00					55.00				
Pencil	0.35					0.35				
<b>Household goods</b>										
DVD discs with cover	3.85	232	3.50	N/A	0.00	3.85	232	3.00	N/A	0.00
Scotch, tape for papers	3.85	464	4.20	0.35	162.40	3.85	464	4.20	0.35	162.40
Scissors	3.49	232	3.90	0.41	95.82	3.49				
Binder 2cm and 5 cm proportionally	3.30	232	4.10	0.80	185.60	3.30	232	4.10	0.80	185.60
Document case/bag for volunteers Inter-ministerial Commission (black color, preferably leather)	13.20					13.20	1160	12.00	N/A	0.00
Clips (2cm and 4 cm)	2.42	232	2.50	0.08	18.56	2.42	232	2.70	0.28	64.96
Toner (cartridge for Tel/Fax)	22.00	2	18.60	N/A	0.00	22.00	2	21.40	N/A	0.00
Toner (cartridge for Canon 3220)	16.50	1	30.00	13.50	13.50	16.50	1	30.00	13.50	13.50
Cartridge (toner for copy machine Canon 6117)	16.50	2	150.00	133.50	267.00	16.50	2	150.00	133.50	267.00
Stapler (for 12 pages)	4.40					4.40				
Staples (10mm)	1.10	232	2.80	1.70	394.40	1.10	232	2.80	1.70	394.40
Tape (clear scotch)	4.40	348	3.60	N/A	0.00	4.40	232	3.60	N/A	0.00
<b>Total TJS</b>					<b>102,627.92</b>					<b>73,557.92</b>
<b>Total US\$</b>					<b>21,563.66</b>					<b>15,429.03</b>

TJS 1 = US\$ 4.7593

TJS 1 = US\$ 4.7675

## Exhibit 9 – Overpaid amount of delivered products by CYST for Q3 and Q4 2012 (Prices in TJS unless otherwise stated)

Products procured	LFA price, including Komyob profit (10%)	Q3 - 2012				LFA price, including Komyob profit (10%)	Q4 - 2012			
		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST		Komyob		Price difference between LFA and CYST	Overpaid amount by CYST
		Delivered quantity	CYST contract price				Delivered quantity	CYST contract price		
<b>Prizes</b>										
DVD player	121.00					121.00				
Mp3 player	34.84	116	140.00	105.16	12,198.91	34.84				
Football goal	165.00					165.00				
Volleyball	51.34					51.34	228	58.00	6.66	1,519.16
Football	44.00	116	85.00	41.00	4,756.00	44.00	114	86.00	42.00	4,788.00
Volleyball net	44.00					44.00				
Chess set	15.68	232	93.00	77.33	17,939.40	15.68				
Set of toothpaste, soap, shampoo and deodorant	55.00	580	112.00	57.00	33,060.00	55.00	570	110.00	55.00	31,350.00
Wall clock	33.36					33.36	228	77.00	43.64	9,949.24
Table ventilator	42.63	58	114.00	71.38	4,139.75	42.63				
World globe	33.00					33.00				
Bag/rucksack	44.00	232	90.00	46	10,672.00	44.00	57	65.70	21.70	1,236.90
USB stick 4 GB	44.00	116	125.00	81	9,396.00	44.00				
Pen (gift for winners)	22.00	58	7.50	N/A	0.00	22.00	57	52.90	30.90	1,761.30
Set of cups	44.00	58	85.30	41	2,395.40	44.00	114	84.00	40.00	4,560.00
Basketball	36.66					36.66	114	72.00	35.34	4,028.42
Photo album	30.44					30.44	114	71.00	40.56	4,624.18
Flashlight (rechargeable)	31.54					31.54	228	85.00	53.46	12,189.56
<b>Office Stationary</b>										
Writing paper	23.65	474	30.00	6.35	3,009.90	23.65	300	30.00	6.35	1,905.00
Whatman (thin paper)	0.88	6960	0.80	N/A	0.00	0.88	4000	0.80	N/A	0.00
Pen	1.29	1160	1.20	N/A	0.00	1.29				
Highlighter pen (blue, red, green, black)	1.43	696	1.80	0.37	257.52	1.43	600	1.80	0.37	222.00
Washable marker (blue, red, green, black)	1.98	580	3.20	1.22	707.60	1.98	470	3.20	1.22	573.40
Binder (folder thickness of 5 cm/length 31 cm)	7.70					7.70				
Clear file	0.19					0.19				
Color paper	13.20	58	60.00	46.80	2,714.40	13.20				
Badge (width 8 cm/length 11 cm)	1.65					1.65				
Paper for business cards 220 gr.	0.53					0.53				
A4 photo paper	0.33					0.33				
Notebook (A5 from 45 to 60 pages)	5.50	1160	5.50	N/A	0.00	5.50	1160	5.50	N/A	0.00
Pencil for drawing	8.44	580	20.00	11.56	6,706.54	8.44	580	20.00	11.56	6,706.54
Gouache/watercolor	7.70	348	12.00	4.30	1,496.40	7.70	320	13.00	5.30	1,696.00
Whatman painting paper	1.65	1160	1.70	0.05	58.00	1.65	1160	1.70	0.05	58.00
Album for drawing	3.66	1160	4.50	1	970.92	3.66				
Stickers (colorful)	3.30	232	4.50	1	278.40	3.30	232	4.50	1.20	278.40
White-out	2.75	232	2.60	N/A	0.00	2.75	232	2.60	N/A	0.00
Thick paper	55.00	2	64.00	9	18.00	55.00				
Pencil	0.35					0.35	2	0.20	N/A	0.00
<b>Household goods</b>										
DVD discs with cover	3.85	232	3.00	N/A	0.00	3.85	232	3.50	N/A	0.00
Scotch, tape for papers	3.85	464	4.20	0.35	162.40	3.85	420	4.70	0.85	357.00
Scissors	3.49					3.49				
Binder 2cm and 5 cm proportionally	3.30	232	4.10	0.80	185.60	3.30	232	4.90	1.60	371.20
Document case/bag for volunteers Inter-ministerial Commission (black color, preferably leather)	13.20	1160	12.00	N/A	0.00	13.20	610	12.20	N/A	0.00
Clips (2cm and 4 cm)	2.42	232	2.70	0.28	64.96	2.42	464	2.60	0.18	83.52
Toner (cartridge for Tel/Fax)	22.00	2	21.40	N/A	0.00	22.00	2	26.10	4.10	8.20
Toner (cartridge for Canon 3220)	16.50	1	30.00	13.50	13.50	16.50	1	35.00	18.50	18.50
Cartridge (toner for copy machine Canon 6117)	16.50	2	150.00	133.50	267.00	16.50	2	150.00	133.50	267.00
Stapler (for 12 pages)	4.40					4.40				
Staples (10mm)	1.10	232	2.80	1.70	394.40	1.10	464	2.70	1.60	742.40
Tape (clear scotch)	4.40	232	3.60	N/A	0.00	4.40	232	3.40	N/A	0.00
<b>Total TJS</b>					<b>111,863.00</b>					<b>89,293.92</b>
<b>Total US\$</b>					<b>23,478.93</b>					<b>18,743.48</b>

TJS 1 = US\$ 4.7644

TJS 1 = US\$ 4.764



# Exhibit 10 – CYST’s Conception of Procurement document (Tajik version)

«Тадқиқ менамуво»  
Раиси Кумитаи ҷавонон,  
варзиш ва сайёҳии назди  
Ҳукумати Ҷумҳурии  
Тоҷикистон  
аз 4.01.2011 ҷанҷари соли 2011

Барномаи  
идорани хариди мол, кор ва хизматрасонӣ  
аз маблағҳои ғайрибюҷетӣ дар сатҳи Кумита

- Барномаи маъмур тартиб ва принсипи идоравунии ва самаранокии хариди мол, кор ва хизматрасониро аз мабсаи маблағҳои ғайрибюҷетӣ муқаррар менамояд.
- Асоси ҳуқуқии Барномаи Низомномаи Кумита (бади 5), ки бо қарори Ҳукумати Ҷумҳурии Тоҷикистон аз 28 декабри соли 2006 №609 тасдиқ гардидааст, соҳибномаро ва шартномаҳои байни Кумитаи ҷавонон, варзиш ва сайёҳии назди Ҳукумати Ҷумҳурии Тоҷикистон ва ширкати иғтимоӣ (ташкилотҳои байналмилалӣ, муқима Тоҷикистон), конуиҷузорини давлати Ҷумҳурии Тоҷикистон ва таҷрибаи узуми байналмилалӣ (агар дигар талаботи муқаррар нагардад бошад) ташкил менамояд.
- Маҷрибаи хариди мол, кор ва хизматрасонӣ меъёрҳои узуми байналмилалӣ ва конуиҷузорини Ҷумҳурии Тоҷикистон «Дар бораи ғайрибюҷетӣ идорани давлатӣ», «Дар бораи хариди давлатӣ» мол, кор ва хизматрасонӣ ва дигар конуиҷузорини алоқаманд ба инобат гирифта менамояд.
- Системаи хариди мол, кор ва хизматрасонӣ дар бастаи Кумита ба тартиботҳои узуми байналмилалӣ оид ба хариди мол, кор ва хизматрасонӣ ва амалиёти самаранокии маблағҳои ба суратхисоби махсуси Кумита аз маблағҳои ғайрибюҷетӣ воридгардида асос менамояд.

- Хариди мол, кор ва хизматрасонӣ муваққатан аз ҷониби Кумита тартиб омуни ва таъини Комиссияи баҳодеҳӣ ба роҳ монда менамояд, агар дигар талаботи муқаррар нагардад бошад.
- Комиссияи баҳодеҳӣ дар ҳамаи мутахассисони махсуси Раёсати кор бо ҷавонон, Шӯбаи молия ва ҳисобдорӣ, Шӯбаи муроҷиатҳои байналмилалӣ ва Шӯбаи таъинӣ ва қочқидорӣ тасвир дола менамояд. Маҷрибаи зарурат намоишдан шарҳи иғтимоӣ (ташкилоти донор) ба қори Комиссияи ҷабб қарда менамояд.
- Бинобар қисми заъи маблағҳои ғайрибюҷетиро ташкил додани маблағҳои (фондҳои) байналмилалӣ ва бо дарназардошти таҷрибаи узуми ва амалии байналмилалӣ оид ба хариди мол, кор ва хизматрасонӣ усулҳои харид ва сарфҳои маблағҳои онҳо ба таври зайл муқаррар қарда менамояд:
  - Усули «Харид аз тарғиби иштироки номаҳдуд» - номаҳдуд, агар сарфҳои махсус дар шартномаҳои ҳамкории муқаррар гардида набошад;
  - Усули «Дархости нархномаҳо» - то 490000 (чорсуку пинҷоҳ ҳазор) сомонӣ, агар сарфҳои махсус дар шартномаҳои ҳамкории муқаррар гардида набошад;
  - Усули «Харид аз як маблағ» - номаҳдуд, дар сурати маҷуда набудани маблағҳои раёбатдор ва таъини будани харид;
  - Усули «Рӯйқати муҳтасар» - номаҳдуд, барои хизматрасонӣ.
- Кумита хариди мол, кор ва хизматрасониро мутабоқи муқаррароти даврани маънавий-аҷоботӣ ва тибқи банди 7 Барномаи маъмур ба роҳ менамояд. Маҷрибаи зарурат дар ҶАО, бақаре омонан интернетии Кумита эълон дола менамояд.
- Барои барғузорини омуни аз рӯи усули «Дархости нархномаҳо» на кам аз се нархномаҳои ҷавобдорӣ қарда шуда, ба Комиссияи баҳодеҳӣ барои таъини пешниҳоди қарда менамояд.
- Аъзои Комиссияи баҳодеҳӣ пешниҳоди ашаддан қоррусионӣ ва муқофоти маънавийро қуни назорат менамояд:
  - дар «Ҷустии эълон, ҷавобдорӣ ва барғузорини дархости ба назоидагонии дархостгаридонан тасос нағирани;
  - маҷрибаи муъйи гардидаи ҳешованди дилоҳ дархостгаридонан ба аъзои Комиссияи дархости он барғузорини нағирани ва ба Кумита ин маълумот расонида менамояд;

- дархосте, ки ба ҳамаи талаботҳои омуни ҷавобдорӣ аст, он барғузорини баҳодеҳӣ қарда нағирани;
- маҷрибаи зайлдо тарғиби маблағҳои қоррусионӣ барои нағирани онҳо ба дархостгаридонан пешниҳоди маъмур қарда шавад;
- яке аз аъзои Комиссияи баҳодеҳӣ аз омуни давран таъин ва баҳодеҳии дархости нархи бозори мол ва махсусоти баҳодеҳӣ нағирани;
- барғузорини дархости аз ҷониби Комиссияи дар асоси баҳодеҳии нархи бозори мол, кор ва хизматрасонӣ сурт қарда.

- Қараридонии Кумита ҳуқуқи ба қори Комиссияи даҳл қардари нағирани.
- Барои иштироки баробари дархостгаридонан шарҳоти мусоид фароҳам оварда менамояд.
- Маҷрибаи зарурат барои самаранокии ғайрибюҷетӣ на сурфони воқе аз мабсаи таъиноти/иштироки соҳибдорӣ ва боғизимод Рӯйқати таъиноти баҳодеҳӣ қардоби дола менамояд.
- Ҷустии харид ва таъини мол, кор ва хизматрасонӣ бо дарназардошти пешниҳоди Комиссияи байни Кумита ва таъиноти голуб шартнома ба инро расонида менамояд.
- Вобаста ба шарҳи қабули ва истифодани мол, кор ва хизматрасонии харидоридонан сарфҳои махсус тартиб дола менамояд.

Муовини аввали Раиси  
Кумитаи ҷавонон, варзиш  
ва сайёҳии назди Ҳукумати  
Ҷумҳурии Тоҷикистон

*[Signature]*

*[Signatures]*

# Exhibit 11 – CYST’s Conception of Procurement document (English version)

Endorsed by the Head of the  
Committee for Youth, Sports and Tourism  
under the Government of the Republic of Tajikistan

10 January, 2011

**GUIDELINES**  
Procurement of Goods, Works, and Services from non-budgetary sources

- The provisions of these Guidelines determine methods and effective procurement principles for goods, works, and services from non-budgetary sources.
- The legal framework of the Guidelines is built upon (a) the Committee for Youth, Sports, and Tourism’s Charter (Article 5) endorsed by the government of Tajikistan Order No. 609 of 28 December 2006; (b) the contracts and agreements between the CYST and public organizations (international organizations based in Tajikistan); (c) the corresponding laws of the Republic of Tajikistan and common international experience (unless otherwise required).
- While conducting the procurement of goods, works and services, the general international standards, Laws of the Republic of Tajikistan “On Public State Orders”, “On Public Procurement of Goods, Works and Services”, and other related laws are taken into consideration.
- The CYST’s procurement system is based on the general international principles of procurement of goods, works and services as well as the principle of the efficient implementation/spending of funds received by the CYST at its bank account from non-budget resources.
- The procurement of goods, works and services is independently carried out by the Committee through competition and establishing Evaluation Commission, unless otherwise required.
- Evaluation commission comprises qualified specialists from the Youth Affairs Department, Finance Department, International Relations Department, and Logistics Department. If case of need, representative of public organization (donor organization) will join the Commission.
- As the major part of non-budgetary sources consists of international funds, the general international procurement practices of goods, works and services are taken into consideration while defining the procurement methods and threshold. The procurement methods and threshold are determined as the following:
  - “Tendering with unlimited participation” method is considered unlimited, unless special threshold is stipulated in the cooperation agreement.
  - “Requests for Quotations” method – up to TJS 450,000 (four hundred and fifty thousand), unless special threshold is stipulated in the cooperation agreement.
  - “Single source” method – is considered unlimited, and in case of an urgent need to conduct procurement due to circumstances sources and urgency of procurement.
  - “Short-list” method is for procurement of services and considered unlimited.

- The CYST conducts procurement of goods, works and services in accordance with certain accounting periods as well as the provision 7 of these Guidelines. An advertisement would be spread through the CYST web-site as far as it is considered necessary.
- While using the method of a “Request for Quotations”, the procuring entity shall request quotations from at least three bidders to present them at the Evaluation Commission for selection.
- In order to prevent corruption and conflict of interest, the Commission members’ responsibility includes the following:
  - During advertisement, bid’s collection and selection, the Evaluation Committee’s members shall not make contact with the bidder’s representatives.
  - When there is found a connection between the bidder and the member of the Evaluation Committee, the bid shall be disqualified from tender and the CYST shall be informed.
  - The bid which meets all the requirements shall be impartially evaluated.
  - In case of minor deficiencies, the bidder shall be contacted for correction.
  - Before starting the bid’s selection process, one of the members of the Commission shall conduct a market price evaluation.
  - Based on the evaluation/analysis of market prices for goods, works, and services, the Commission shall consider the bidder’s requests.
- The CYST staff does not have right to interfere the Evaluation Commission’s work.
- To ensure equal participation of bidders, there should be provided necessary conditions.
- In case of need for effective activity and rational use of time, a list of cooperating suppliers will be created based on experienced and reliable companies/organizations.
- Based on the selection process of Commission, the CYST signs a contract with the winning bidder.
- Depending on the procurement process (acceptance and usage of goods, works and services), there will be developed special documents.

Signed by the First Deputy of the Committee for Youth, Sports, and Tourism

*[Signature]*

Exhibit 12 – Photo of legally registered address of Komyob (CYST address)



## VIII. Annex B: Methodology

The Investigations Unit of the OIG is responsible for conducting investigations of alleged fraud, abuse, misappropriation, corruption and mismanagement (collectively, “fraud and abuse”) within Global Fund financed programs and by Principal Recipients and sub-recipients, (collectively, “grant implementers”), Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers.<sup>43</sup>

While the Global Fund does not typically have a direct relationship with the recipients’ suppliers, the scope of the OIG’s work<sup>44</sup> encompasses the activities of those suppliers with regard to the provision of goods and services. The authority required to fulfill this mandate includes access to suppliers’ documents and officials.<sup>45</sup> The OIG relies on the cooperation of these suppliers to properly discharge its mandate.<sup>46</sup>

Investigation methodology in this report included: a forensic review of red flag transactions; interviews; vendor, purchase and delivery verifications; and a pricing analysis. The OIG also collaborated with the UNDP’s Office of Audit and Investigations, with regard to allegations into fraudulent transactions.

The OIG’s investigations aim to: (i) identify the specific nature and extent of fraud and abuse affecting Global Fund grants, (ii) identify the entities and individuals responsible for such wrongdoings, (iii) determine the amount of grant funds that may be compromised by fraud and abuse, and (iv) place the Organization in the best position to obtain recoveries through the identification of the location or uses to which the misused funds have been put.

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. Findings are established by a preponderance of credible and substantive evidence. All available evidence is considered by the OIG, including inculpatory and exculpatory information.<sup>47</sup> The OIG finds, assesses and reports on facts. On that basis, it makes determination on the compliance of expenditures with the grant agreements and details risk-prioritized Agreed Actions.

Such Agreed Actions may notably include the identification of expenses deemed non-compliant for considerations of recovery, recommended administrative action related to grant management and recommendations for action under the Code of Conduct for Suppliers<sup>48</sup> or the Code of Conduct for Recipients of Global Fund Resources<sup>49</sup> (the “Codes”), as appropriate. The OIG does not determine how the Secretariat will address these determinations and recommendations. Nor does it make judicial decisions or issue sanctions.<sup>50</sup>

Agreed Actions are agreed with the Secretariat to identify, mitigate and manage risks to the Global Fund and its recipients’ activities. The OIG defers to the Secretariat and, where appropriate, the

---

<sup>43</sup> Charter of the Office of the Inspector General (19 March 2013), available at [http://theglobalfund.org/documents/oig/OIG\\_OfficeOfInspectorGeneral\\_Charter\\_en/](http://theglobalfund.org/documents/oig/OIG_OfficeOfInspectorGeneral_Charter_en/), accessed 01 November 2014

<sup>44</sup> Charter of the Office of the Inspector General (19 March 2013) § 2, 9.5 and 9.7.

<sup>45</sup> *Ibid.*, § 17.1 and 17.2.

<sup>46</sup> Global Fund Code of Conduct for Suppliers (15 December 2009), § 17-18, available at [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/), accessed 01 November 2014.

Note: Every grant is subject to the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>47</sup> These principles comply with the *Uniform Guidelines for Investigations*, Conference of International Investigators, June 2009, available at <http://www.un.org/Depts/oios/pages/uniformguidelines.html>, accessed 01 November 2014

<sup>48</sup> Global Fund Code of Conduct for Suppliers (15 December 2009), available at [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/), accessed 01 November 2014.

<sup>49</sup> Code of Conduct for Recipients of Global Fund Resources (16 July 2012), available at [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/), accessed 01 November 2014.

Note: Every grant is subject to the STC of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>50</sup> Charter of the Office of the Inspector General (19 March 2013) § 8.1

recipients, their suppliers and/or the concerned national law enforcement agencies, for action upon the findings in its reports.

The OIG is an administrative body with no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the rights to it under the grant agreements agreed to with recipients by the Global Fund, including the terms of its Codes, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG also provides the Global Fund Board with an analysis of lessons learned for the purpose of understanding and mitigating identified risks to the grant portfolio related to fraud and abuse. Finally, the OIG may make referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process, as appropriate.

### Applicable Concepts of Fraud and Abuse

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. It does so under the mandate set forth in its Charter to undertake investigations of allegations of fraud and abuse in Global Fund supported programs.

As such, it relies on the definitions of wrongdoing set out in the applicable grant agreements with the Global Fund and the contracts entered into by the recipients with other implementing entities in the course of program implementation.

Such agreements with sub-recipients must notably include pass-through access rights and commitments to comply with the Codes. The Codes clarify the way in which recipients are expected to abide by the values of transparency, accountability and integrity which are critical to the success of funded programs. Specifically, the Code of Conduct for Recipients prohibits recipients from engaging in corruption, which includes the payment of bribes and kickbacks in relation to procurement activities<sup>51</sup>

The Codes notably provide the following definitions of the relevant concepts of wrongdoings:<sup>52</sup>

- *“Anti-competitive practice” means any agreement, decision or practice which has as its object or effect the restriction or distortion of competition in any market.*
- *“Collusive practice” means an arrangement between two or more persons or entities designed to achieve an improper purpose, including influencing improperly the actions of another person or entity.*
- *“Conflict of Interest”: A conflict of interest arises when a Recipient or Recipient Representative participates in any particular Global Fund matter that may have a direct and predictable effect on a financial or other interest held by: (a) the Recipient; (b) the Recipient Representative; or (c) any person or institution associated with the Recipient or Recipient Representative by contractual, financial, agency, employment or personal relationship. For instance, conflicts of interest may exist when a Recipient or Recipient Representative has a financial or other interest that could affect the conduct of its duties and responsibilities to manage Global Fund Resources. A conflict of interest may also exist if a Recipient or Recipient Representative’s financial or other interest compromises or undermines the trust that Global Fund Resources are managed and utilized in a manner that is transparent, fair, honest and accountable.*

---

<sup>51</sup> Code of Conduct for Recipients of Global Fund Resources, section 3.4, available at

[http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/)

<sup>52</sup> Available at [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/) and [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/)



- *“Corrupt practice” means the offering, promising, giving, receiving or soliciting, directly or indirectly, of anything of value or any other advantage to influence improperly the actions of another person or entity.*
- *“Fraudulent practice” means any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a person or entity to obtain a financial or other benefit or to avoid an obligation.*
- *“Misappropriation” is the intentional misuse or misdirection of money or property for purposes that are inconsistent with the authorized and intended purpose of the money or assets, including for the benefit of the individual, entity or person they favor, either directly or indirectly.*

### Determination of Compliance

The OIG presents factual findings which identify compliance issues by the recipients with the terms of the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement. Such compliance issues may have links to the expenditure of grant funds by recipients, which then raises the issue of the eligibility of these expenses for funding by the Global Fund. Such non-compliance is based on the provisions of the STC.<sup>53</sup> The OIG does not aim to conclude on the appropriateness of seeking refunds from recipients, or other sanctions on the basis of the provisions of the Program Grant Agreement.

Various provisions of the STC provide guidance on whether a program expense is eligible for funding by the Global Fund. It is worth noting that the terms described in this section are to apply to sub-recipients as well as Principal Recipients.<sup>54</sup>

At a very fundamental level, it is the Principal Recipient’s responsibility to ensure that all Grant funds are prudently managed and shall take all necessary action to ensure that Grant funds are used solely for Program purposes and consistent with the terms of this Agreement.

In practice, this entails abiding by the activities and budgetary ceilings proposed in the Requests for Disbursement, which in turn must correspond to the Summary Budget(s) attached to Annex A of the Program Grant Agreement. While this is one reason for expenses to be ineligible, expending Grant funds in breach of other provisions of the Program Grant Agreement also results in a determination of non-compliance.

Even when the expenses are made in line with approved budgets and work plans, and properly accounted for in the program’s books and records, such expenses must be the result of processes and business practices which are fair and transparent.

The STC specifically require that the Principal Recipient ensures that: (i) contracts are awarded on a transparent and competitive basis, [...] and (iv) that the Principal Recipient and its representatives and agents do not engage in any corrupt practices as described in Article 21(b) of the STC in relation to such procurement.<sup>55</sup>

The STC explicitly forbid engagement in corruption or any other related or illegal acts when managing Grant Funds:

---

<sup>53</sup> Note: The STC are revised from time to time, and specific STCs exist for certain Principal Recipients which are United Nations organizations (including UNDP) due to their legal status. Every grant is subject to the STC of the Program Grant Agreement signed for that particular grant.

<sup>54</sup> Standard Terms and Conditions (2012.09) at Art. 14(b)):

[http://www.theglobalfund.org/documents/core/grants/Core\\_StandardTermsAndConditions\\_Agreement\\_en](http://www.theglobalfund.org/documents/core/grants/Core_StandardTermsAndConditions_Agreement_en)

<sup>55</sup> Id. at Art. 18(a)

“The Principal Recipient shall not, and shall ensure that no sub-recipient or person affiliated with the Principal Recipient or any sub-recipient [...] participate(s) in any other practice that is or could be construed as an illegal or corrupt practice in the Host Country.”<sup>56</sup>

Amongst prohibited practices is the rule that the Principal Recipient shall not and shall ensure that no person affiliated with the Principal Recipient “engage(s) in a scheme or arrangement between two or more bidders, with or without the knowledge of the Principal or sub-recipient, designed to establish bid prices at artificial, non-competitive levels.”<sup>57</sup>

The Global Fund’s Code of Conduct for Suppliers and Code of Conduct for Recipients further provide for additional principles by which recipients and contractors must abide, as well as remedies in case of breaches of said fundamental principles of equity, integrity, and good management. The Codes also provide useful definitions of prohibited conducts.<sup>58</sup>

The Codes are integrated into the STC through Article 21(d) under which the Principal Recipient is obligated to ensure that the Global Fund’s Code of Conduct for Suppliers is communicated to all bidders and suppliers.<sup>59</sup> It explicitly states that the Global Fund may refuse to fund any contract with suppliers found not to be in compliance with the Code of Conduct for Suppliers. Similarly, Article 21(e) provides for communication of the Code of Conduct for Recipients to all sub-recipients, as well as mandatory application through the sub-recipient agreements.<sup>60</sup>

Principal Recipients are contractually liable to the Global Fund for the use of all Grant funds, including expenses made by sub-recipients and contractors.<sup>61</sup>

The factual findings made by the OIG following its investigation and summarized through this report can be linked to the prohibited conducts or other matters incompatible with the terms of the Program Grant Agreements.

### Reimbursements or Sanctions

The Secretariat of the Global Fund is subsequently tasked with determining what management actions or contractual remedies will be taken in response to those findings. Such remedies may notably include the recovery of funds compromised by contractual breaches. Article 27 of the STC stipulates that the Global Fund may require the Principal Recipient “to immediately refund the Global Fund any disbursement of the Grant funds in the currency in which it was disbursed [in cases where] there has been a breach by the Principal Recipient of any provision of this (sic) Agreement [...] or the Principal Recipient has made a material misrepresentation with respect to any matter related to this Agreement.”<sup>62</sup>

According to Article 21(d), “in the event of non-compliance with the Code of Conduct, to be determined by the Global Fund in its sole discretion, the Global Fund reserves the right not to fund the contract between the Principal Recipient and the Supplier or seek the refund of the Grant funds in the event the payment has already been made to the Supplier.”<sup>63</sup>

Furthermore, the UNIDROIT principles (2010), the principles of law governing the grant agreement, in their article 7.4.1, provide for the right of the Global Fund to seek damages from the Principal Recipient in case non-performance, in addition to any other remedies the Global Fund

---

<sup>56</sup> Id., at Art. 21 (b).

<sup>57</sup> Id. at Art. 21(b)

<sup>58</sup> Available at [http://www.theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en](http://www.theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en); [http://www.theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en](http://www.theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en)

<sup>59</sup> Standard Terms and Conditions (2012.09) at Art. 21(d)

<sup>60</sup> Id. at Art. 21(e)

<sup>61</sup> Id. at Art. 14

<sup>62</sup> Id. at Art. 27(b) and (d)

<sup>63</sup> Id.

may be entitled to. Additional sanctions, including with respect to Suppliers, may be determined pursuant to the Sanction Procedure of the Global Fund, for breaches to the Codes.

In determining what non-compliant expenditures are to be proposed as recoverable, the OIG advises the Secretariat that such amounts typically should be: (i) amounts, for which there is no reasonable assurance about delivery of goods or services (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery), (ii) amounts which constitute overpricing between the price paid and comparable market price for such goods or services, or (iii) amounts which are ineligible (non-related) to the scope of the grant and its approved work plans and budgets.