



# Systems Study for Implementation of HIV/AIDS Program Funded by Global Fund in Royal Bhutan Army

Prepared by the Prevention Division: Anti-Corruption Commission

Royal Government of Bhutan:

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## **Background**

In a bid to stop HIV/AIDS epidemic from spreading within the country, a Memorandum of Agreement was signed between the Ministry of Health and the Royal Bhutan Army with former as Principal Recipient and later as Sub-Recipient to the grant provided by the Global Fund on 14<sup>th</sup> July 2010. The Memorandum of Agreement was signed for a total budget of US\$78,130.00 and it covers a period of three years. Prior to this, there was another agreement between the same parties for the same purpose and given the importance of fighting AIDS in the country, it is highly likely that the program will continue in future as well.

As of date, from the total agreed budget of US\$78,130.00, almost thirty percent of it is reported to have been executed and the rest of the remaining budget will be executed in the coming years.

Apart from the Royal Bhutan Army, there are also other stakeholders like Royal Bhutan Police, Dratshang Lhentshog, Ministry of Education, Bhutan Chamber of Commerce and Industry and Ministry of Labor and Human Resource. In scaling up HIV/AIDS prevention services amongst youth and other vulnerable groups, the Project uses multi-sectoral approach.

This study was only limited to the appropriateness and adequacy of system with respect to minimizing corruption opportunities and is in no manner related to reviewing and examining efficiency and effectiveness of the project.

## **Present way of doing things and the apparent systemic flaw**

Close and in-depth scrutiny of the modality of implementation adopted by the Ministry of Health and the Royal Bhutan Army in the operation and management of the afore-mentioned project reveals the following.

- ❖ The Project Management Team (PMT) as manager of the GFATM project is the overall manager of the project and as warranted by the nature of the project involves agencies from multiple sectors to implement its activities. The Project Letter of Credit (PLC) is

maintained with the PMT, Ministry of Health and activities are mostly undertaken as deposit work by various stakeholders technically referred to as Sub-Recipient in accordance with the Memorandum of Agreement signed between the two parties.

- ❖ Unlike other Sub-recipients and also in contrary to Section 6 of the Memorandum of Agreement signed between the two parties, the project implementation modality in RBA has different facets and it is not done on the concept of deposit work that is permissible within the framework of Financial Rules and Regulations 2001.
- ❖ The Chief Medical Officer of the RBA acts as the sub-recipient and all activities including planning, executing activities, fund requisition, bill verification and reporting thereof to the Principal Recipient are carried out by a single individual, which is administratively unhealthy and leaves room for manipulations. Although there has not been any indication of major corruption taking place so far even though the project has been running in the current mode for quite some time, there is no guarantee that corruption will not take hold there. This is because, there is simply no check and balance mechanism built into it.
- ❖ The Memorandum of Agreement was signed between the Ministry of Health and the Royal Bhutan Army. However, the management of the Royal Bhutan Army does not know anything about the project as all official correspondence was done by a single individual. As much as it is undesirable on the part of the Principal Agent to accept such arrangement with an individual it is also incorrect for RBA from the perspective of management principles to let someone act for the organization and be not aware of it. With the current mode of functionality, there is no way Ministry of Health, as a Principal Agent, can hold RBA as an organization and sub-recipient responsible and accountable.

- ❖ Section 14 of the Memorandum of Agreement provides for ‘Conflict of Interest’. While it was good to have this clause, there does not seem to have any visible effort put from both the parties to enforce it to the letter and spirit of its true meaning. When a person responsible for implementing the activities also verifies the bills, there is inherently a serious conflict of interest.
  
- ❖ The existing modality is also found to be in breach of certain provisions that is stipulated in the Memorandum of Agreement. For example, section 8, 9 and 10 of the MoA provides for Sub-Recipient to maintain Bank Accounts, follow Government Procurement rules and maintain proper accounting books and records. There is neither a bank account maintained nor is there any book of accounts maintained with the sub-recipient for the purpose of this project.

## **Recommendation**

In view of the above systemic lapses and the risk associated with it, the Anti-Corruption Commission recommends the following:

1. The Ministry of Health as a Principal Recipient and the Royal Bhutan Army as Sub-Recipient should review the Memorandum of Agreement and accordingly modify based on what is feasible, reasonable and practical.
  
2. The Royal Bhutan Army should be fully involved as an organization within the framework of GFATM Memorandum of Understanding and be accountable for all the activities carried out under its organizational name. All official correspondence should be routed through proper and competent authority of RBA
  
3. The current operation modality should be changed to the concept of ‘Deposit Work’ as permissible by the Royal Government of Bhutan and all accounting process and

procedures be governed by section 8.3 of the chapter 8 of the Financial Rules and Regulation 2001.

4. The Royal Bhutan Army should establish adequate check and balance mechanism in the internal operation and management of the project including the issue of conflict of interest.