

## Corruption and Collusion in Nepal's COVID-19 Test Kit Procurement: In-depth Analysis

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### SUMMARY

The COVID-19 pandemic disrupted lives globally, shaking social and economic systems. While the health emergency slowed economies and caused job losses, it also created lucrative business opportunities for pharmaceutical and medical goods providers. In Nepal, these opportunities exposed significant corruption in the procurement of medical supplies for the government's pandemic response. This research investigates allegations of corruption in Nepal's procurement of COVID-19 test kits, focusing on collusion between government officials and supplier companies. The "supplier factor" refers to the selection of Nepali companies as suppliers of antibody rapid diagnostic test (RDT) kits sourced from Chinese manufacturers, despite concerns over their efficiency. Emergency procurement processes bypassed standard rules, allowing faulty, overpriced RDT kits from Chinese manufacturers to be sold by local suppliers. Many of these kits remained unused due to poor quality. The entry of Chinese manufacturers and Nepali suppliers highlighted flaws in procurement procedures during the pandemic. To address corruption, Nepal must enforce a transparent and fair procurement policy. Future research should explore the procurement of other medical supplies, such as PPE, masks, ventilators, ICU beds, and vaccines.

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### Background

The COVID-19 pandemic caused unprecedented social and economic challenges globally [1]. Nepal, a landlocked Himalayan country, was severely impacted, with economic growth plummeting from a forecasted 8.5% to just 2.27% in the fiscal year 2019/20 [2]. Lockdowns disrupted production and supply chains, causing widespread unemployment. The UNDP (2020) reported that three out of five Nepali employees lost their jobs, while 50,000 Nepali workers were barred from foreign employment [3].

In response to the pandemic, Nepal implemented nationwide lockdowns starting on March 24, 2020, with strict travel bans and business closures [4]. COVID-19 testing initially relied on a single government laboratory, delaying results and exacerbating the virus's spread. Limited testing capacity, lack of reagents, and the government's refusal to adopt direct PCR methods hindered effective diagnosis and containment [5]. By June 2021, Nepal reported 598,204 COVID-19 cases and 7,799 deaths (MoHP, 2021) [6], with rural areas particularly affected due to insufficient testing and healthcare facilities [7].

During the first wave, the government procured rapid diagnostic test kits, primarily from two Chinese manufacturers, Guangzhou Wondfo Biotech Co. Ltd. and Lepu Medical Technology Co. Ltd., through local suppliers [8]. However, these kits were of poor quality and not endorsed by the World Health Organization (WHO) [9]. Activists criticized the government's decision to procure these kits, raising concerns about corruption and collusion in the procurement process [10][3].

### Methods

This research employed qualitative methods, including field observations, in-depth interviews, and analysis of documents, as outlined by Wimmer and Dominick (2011) [11]. Interviews with experts, government officials, and company representatives were conducted via email, telephone, and video calls due to COVID-19 restrictions. Key documents, such as procurement rules, contracts, inspection reports, court petitions, and pricing data, were collected and analyzed to uncover corruption and collusion in the procurement of rapid diagnostic test kits [12]. The research also drew on international medical journals and digital investigations into supplier company profiles [5][10].

A total of 10 respondents, including genetic scientists, procurement experts, healthcare specialists, and consumer rights activists, were interviewed. The study focused on

issues like procurement violations, the selection of suppliers, pricing discrepancies, and the misuse of state funds during the pandemic [13][3]. Interviews were semi-structured, allowing flexibility to explore the respondents' insights. Some respondents, especially those in sensitive positions, requested anonymity to avoid professional risks, while others openly shared their expertise [14].

This master's project is an explanatory news report detailing the irregularities in Nepal's procurement of COVID-19 test kits during the first wave of the pandemic. The report incorporates interviews, charts, and key documents to analyze the misuse of funds and allegations of corruption and collusion with suppliers. Ethical challenges, such as ensuring anonymity for whistleblowers, were carefully addressed to protect sources and maintain the integrity of the research [15].

## Discussion

Nepal's early response to the COVID-19 pandemic was marred by hasty decisions, lack of expertise, and questionable procurement practices [13]. Overpriced rapid diagnostic test (RDT) kits sourced from local suppliers, Omni and BIDH Management, were found unreliable and failed to curb the virus's spread [9][8]. Despite expert recommendations favoring PCR tests for accurate diagnosis [5], the government distributed RDT kits widely, ignoring warnings from health bodies and creating confusion about testing policies [9].

Investigations revealed the government bypassed procurement rules under the guise of emergency, purchasing sub-standard kits from Chinese manufacturers [16]. Experts attributed these actions to insufficient knowledge of testing methods, a focus on public sentiment, and flawed decision-making during a crisis [7]. Independent research later confirmed the low sensitivity of these kits, raising concerns over misdiagnoses and missed infections [5]. Attempts to challenge the deals in Parliament and the Supreme Court failed, leaving those responsible unpunished [6].

Nepal's procurement of rapid diagnostic test (RDT) kits during the COVID-19 pandemic faced allegations of corruption, overpricing, and legal violations. The Health Ministry awarded contracts to Omni and BIDH for Chinese-made test kits, bypassing standard procurement laws under the pretext of emergency [9][12]. Omni supplied 75,000 kits for \$600,000, costing three times the market price [16], while BIDH's kits were also overpriced, yielding significant profits for suppliers [10]. Investigations revealed that the con-

tracts were awarded without proper evaluation, and the goods were used without quality testing, violating procurement regulations [12].

The Public Procurement Monitoring Office (PPMO) found that the ministry illegally involved unauthorized individuals in the procurement process and failed to justify its decisions [12]. Experts criticized the use of unreliable RDT kits for diagnosis, leading to public confusion and wasted resources [5][9]. Although emergency procurement is allowed, the government's actions demonstrated procedural lapses and collusion, undermining public trust and accountability [3].

Nepal's procurement of COVID-19 medical supplies, including overpriced and low-quality rapid test kits, exposed significant governance failures and corruption [13][3]. The Health Ministry awarded a \$10.39 million contract to Omni, a supplier with limited healthcare experience, under special circumstances provided by the Public Procurement Act [12]. Despite rules requiring competitive pricing and quality assurance, the procurement process involved undue ministerial interference, ignored market rates, and bypassed regular procedures [16][3].

The Public Procurement Monitoring Office (PPMO) revealed that decision-making power was concentrated within a few officials, leading to collusion and favoritism [12]. Rapid test kits were prioritized over PCR testing despite available machines, raising questions about the Laboratory's decision [5][9]. The deal sparked public outrage, as thousands of kits were later deemed unreliable [9][16]. Though Nepal is committed to anti-corruption measures under the UN Convention Against Corruption [17], this procurement scandal highlighted systemic issues in public procurement, including a lack of transparency, accountability, and adherence to regulations [1][3].

Despite evidence of corruption in Nepal's procurement of COVID-19 medical supplies, no one has been held accountable [2]. When controversy arose over the quality and price of rapid test kits, the Health Ministry transferred two key officials without providing reasons [4]. Investigations revealed irregularities in awarding contracts, including undue ministerial interference, lack of transparency, and bypassing procurement rules [12]. A parliamentary committee referred the case to the Commission for Investigation of Abuse of Authority (CIAA), but no prosecutions have occurred [3][2]. Critics attribute this impunity to political interference and deep-rooted corruption within government agencies [13][3].

Omni and BIDH Management, the local suppliers, played key roles in delivering overpriced and substandard test kits, while Chinese manufacturers Guangzhou Wondfo Biotech and Lepu Medical were implicated in quality concerns [8][16]. The faulty kits delayed accurate testing, increasing the risk of death during the pandemic [9][16]. Observers noted that Nepal's reliance on Chinese medical goods during the global supply crisis reflected broader trends in China's economic influence and medical diplomacy [18]. However, systemic corruption, political oligarchy, and a compromised anti-corruption body hindered justice [3][2]. The failure to prosecute those involved highlights a lack of accountability, undermining public trust and putting lives at risk due to negligence and mismanagement [1][13].

### Limitation

This research focuses solely on irregularities in the procurement of rapid diagnostic test kits during the first wave of COVID-19 in Nepal. It excludes issues related to the procurement of other medical supplies such as PPE, masks, and ventilators due to limited government data [16].

The study examines why the government procured low-quality test kits and later ceased their use. It focuses on kits manufactured by Guangzhou Wondfo Biotech Co. Ltd. and Lepu Medical Technology Co. Ltd., which were supplied by local firms and criticized for their inefficacy [8][9].

The paper is an explanatory analysis rather than an investigative report, exploring how and why corruption and collusion occurred in test kit procurement [14]. Due to pandemic-related restrictions, interviews were conducted primarily online, with some in-person meetings. However, key stakeholders, including officials from Nepal's Public Health Laboratory and representatives of the supplier companies, declined to participate [6].

### Conclusions

The study concluded that Nepal's government violated procurement laws during the early COVID-19 response by purchasing faulty and overpriced rapid diagnostic test kits from Chinese companies through politically connected local suppliers. These unreliable kits, supplied by Guangzhou Wondfo Biotech and Lepu Medical Technology via Omni and BIDH Management, were later found to be useless, resulting in a loss of nearly half a billion rupees. Collusion between officials and suppliers, weak oversight, and impunity enabled corruption, while China's medical diplomacy and Nepal's weak emergency governance fur-

ther influenced these flawed procurement decisions.

### Declarations

Conflict of interest: None

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