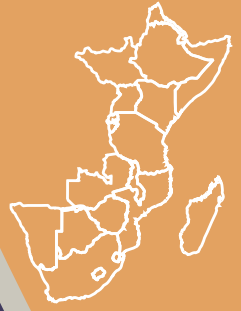


CIVIL SOCIETY OBSERVATORY OF ILLICIT ECONOMIES IN EASTERN AND SOUTHERN AFRICA



RISK BULLETIN

SUMMARY HIGHLIGHTS

1. Gold-mining violence in Zimbabwe is driven by a perfect storm of misguided policy and corruption.

Hundreds have been killed in 2019 and early 2020 as violent groups compete for control over Zimbabwe's artisanal gold production. Fieldwork conducted by the Global Initiative Against Transnational Organized Crime (GI-TOC) before this recent spate of violence can shed light on what is driving the bloodshed. The 'no questions asked' purchasing policy of Zimbabwe's state gold buyer and corrupt interests in the ruling ZANU-PF party have proven to be a toxic combination.

2. The tide is turning in Malawi's investigation of transnational wildlife trafficking.

Raids conducted by Malawian authorities in May 2019 against a wildlife trafficking network allegedly led by Yunhua Lin – one of Malawi's most wanted criminals – have already led to some convictions for wildlife-related crimes. The convictions of Li Hao Yaun and Qin Hua Zhang (both Chinese nationals) in November 2019 mark the first time non-African foreign nationals have been jailed in Malawi for wildlife offences, despite the country being identified by the Convention on International Trade in Endangered Species (CITES) in 2016 as Southern Africa's principal wildlife trafficking hub. The Lin network investigation is indicative of a marked improvement in Malawi's handling of complex investigations of wildlife crime. The court case is ongoing.

3. Poor monitoring of South African citizens incarcerated abroad hampers consular services and crime-fighting efforts.

The deployment of African citizens as transnational drug mules is a long-standing but under-appreciated problem in East and Southern Africa. This story, the first in a series on this problem, investigates data on South African citizens incarcerated overseas, primarily for drug-related offences. Despite the importance of this information – in helping the South African government both monitor and support vulnerable citizens abroad and investigate criminal networks – civil-society members argue that data collection is unreliable and sporadic.

4. Increasingly sophisticated counterfeit-drug networks make headway in Uganda.

Uganda's National Drug Authority has launched an offensive against the trade in counterfeit medicines. However, little is known about how the illicit trade is structured and who the major players are. Investigations carried out for the Risk Bulletin suggest that the illicit Ugandan market is primarily controlled by Indian suppliers – reflecting Uganda's broader reliance on Indian imports of genuine medicines – who are supported by corrupt officials.



ABOUT THIS ISSUE

This edition of the Risk Bulletin of Illicit Economies in Eastern and Southern Africa covers a diverse range of criminal markets, from ivory trafficking to counterfeit medicines. It focuses in particular on national-level responses to organized crime, and how policy and regulation across all branches of government can shape criminal dynamics. In Zimbabwe, we draw on fieldwork conducted by the GI-TOC to contextualize a recent and troubling upsurge in violence related to illegal gold mining. A recent policy initiative on behalf of Zimbabwe's state gold buyer – to acquire gold with 'no questions asked' as to the legality of its production – has gone hand in hand with high-level corruption. Hundreds have died in the violence between machete-armed mining gangs, and between gangs and police.

Our reporting on new data on the number of South African citizens incarcerated overseas raises questions as to whether South Africa's foreign ministry is monitoring the situation effectively, supporting victims

of exploitation and making use of this information to investigate transnational criminal networks operating in South Africa.

We also look at regulation of Uganda's pharmaceuticals market and the disturbing prevalence of counterfeit medicines. Although that country's National Drug Authority has, in recent months, led an offensive against counterfeits, our research questions how far these efforts are able to investigate and challenge supply networks of counterfeit medicines into the country.

This month, we report on a success story in fighting organized crime in Malawi. Whereas, for some years, Malawi had a reputation for being a regional ivory trafficking hub, the recent disruption of a major ivory trafficking network allegedly led by Yunhua Lin (one of the country's most wanted criminals) is a testament to how Malawian authorities have improved their capacity to investigate and prosecute wildlife crimes in recent years.

1. Gold-mining violence in Zimbabwe is driven by a perfect storm of misguided policy and corruption.

Violence surrounding Zimbabwe's gold sector has reached alarming new heights as multiple incidents in the final weeks of 2019 and early 2020 have led to the death and injury of several miners, police officers, gold buyers and ordinary citizens caught in the crossfire.¹ In what has been described as a war raging in the country's goldfields,² gangs of artisanal miners, primarily armed with machetes, have been battling for control of mining areas, the gold trade and other groups' finds of the precious metal.

Much of the violence has been concentrated in President Emmerson Mnangagwa's home province of the Midlands, in particular around the town of Kwekwe. Among the most notorious of the violent gangs is one known as al-Shabaab, named for the Somali militant group (though not related to that group or to the similarly named insurgency in northern Mozambique). The Zimbabwe Peace Project, a civil-society organization, found that between August and October 2019, 105 murders were reported in the area surrounding Kadoma alone, along with 221 cases of assaults at mines.³ A further 24 murders and 87 assaults were also connected to the mining violence in Kadoma, while media

reporting suggests the violence continues unabated. The Zimbabwe Human Rights Commission publicly condemned the violence in late December.⁴

The underlying drivers of the bloodshed are hugely complex. Analysis from the Zimbabwe Environmental Law Association has linked it to the severe drought in Zimbabwe, which has driven people in farming communities struggling to make ends meet towards mining as a more lucrative alternative.⁵ In the context of Zimbabwe's ailing economy and ongoing currency crisis, the gold trade provides ready access to highly prized US dollars. But two other factors are at the forefront of this issue: policy changes relating to how Zimbabwe's state gold buyer, Fidelity Printers and Refineries (FPR), purchases gold from artisanal and small-scale miners, and accusations of high-level members of the ZANU-PF leadership having corrupt interests in illegal mining operations.

Field research conducted on behalf of the GI-TOC in 2018 into crime and corruption related to artisanal gold mining – which included interviews with miners, gold buyers and custom gold millers, as well as officials from

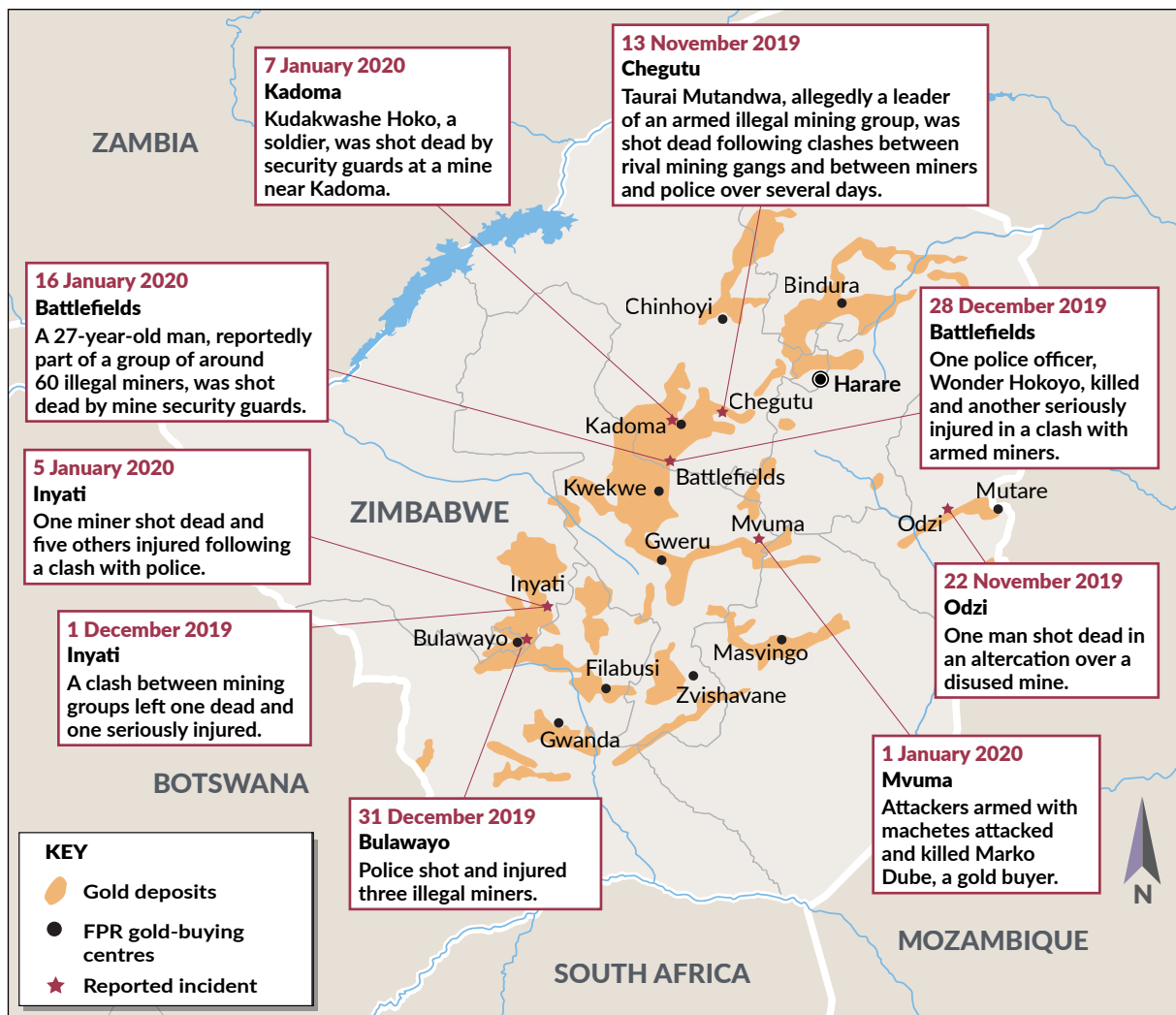


FIGURE 1 Map of gold deposits in Zimbabwe, Fidelity Printers and Refineries' gold-buying centres, and recent major incidents of violence related to gold mining

SOURCES: AllAfrica; Bulawayo 24; Mining Zimbabwe; *The Chronicle*; *The Herald*; Zimbabwe Peace Project; ZimEye, 11 October 2019–17 January 2020.

government institutions, including FPR, the Zimbabwe Republic Police, and the Ministry of Mining and Mining Development – may be able to contextualize and explain the origins of the rising violence seen today.

POLICY CHANGE AND ITS DARKER CONSEQUENCES

Since 2015, the government of Zimbabwe has sought to decriminalize artisanal gold mining. Key institutions in government have been keen to champion responsible and sustainable mining practices, in an effort to unlock the sector's potential as a form of rural development. Civil-society groups such as the Zimbabwe Environmental Law Association have argued that

inclusion of small-scale miners in policymaking, and efforts to formalize their role, can help share the benefits of natural resources with communities who have, for many years, been excluded from the profits that such resources bring.

In the move towards decriminalization, FPR has, in recent years, begun to buy gold on a 'no questions asked' basis, meaning no documentation is needed to prove that the gold was mined legally. This approach is intended to help the country earn more from gold exports through artisanal mining and to reduce the proportion of artisanally mined gold that is illegally smuggled out of the country. Investors in large-scale mining

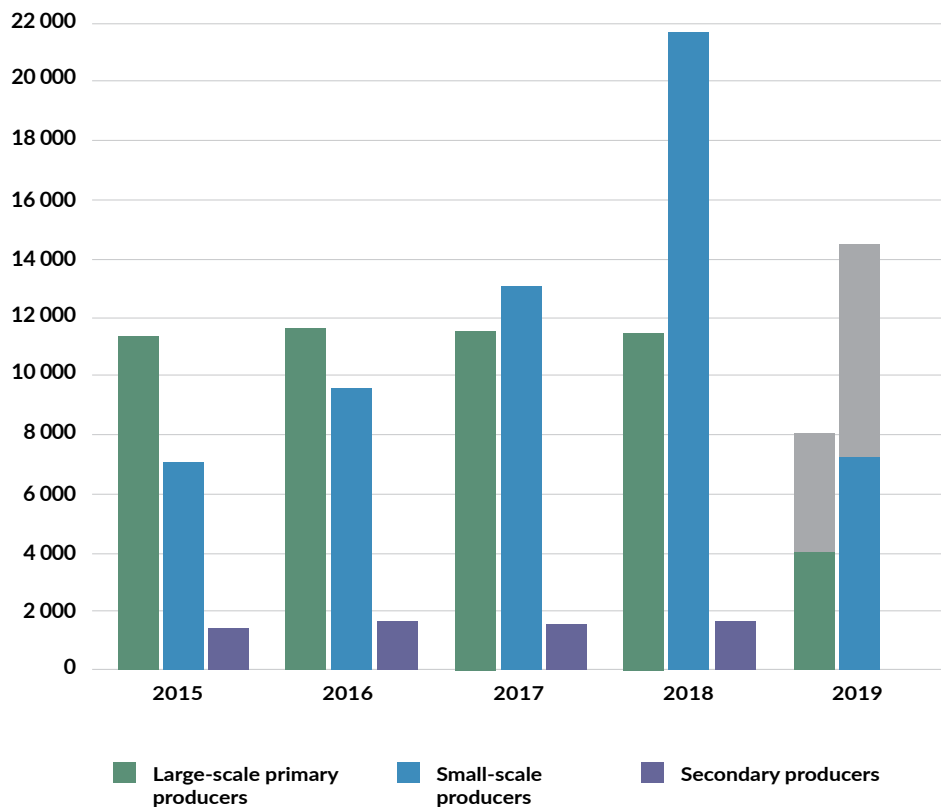


FIGURE 2 Gold deliveries to FPR, 2015 to mid-2019, by class of producer

NOTE: ‘Secondary producers’ refers to gold produced as a by-product of other mining processes, such as platinum production. Deliveries for secondary producers for January to June 2019 are not yet available.

SOURCES: Jan-June 2019: Reserve Bank of Zimbabwe, 2019 Mid-Term Monetary Policy Statement, p 19, www.rbz.co.zw/documents/mps/MPS-September-2019-.pdf; 2016–2018: Chamber of Mines of Zimbabwe, 2018 Annual Report, p 11, chamberofminesofzimbabwe.com/wp-content/uploads/2019/07/Annual-report-2018.pdf; 2015: Chamber of Mines of Zimbabwe, 2016 Annual Report, p 11, chamberofminesofzimbabwe.com/wp-content/uploads/2019/05/Annual-Report-2016.pdf.

operations have, in recent years, shunned Zimbabwe as an unattractive site for investment – another motivation to capture a greater percentage of artisanal and small-scale production.⁶

From a purely economic perspective, this approach has been a success: Zimbabwe’s gold production has been on the rise, largely driven by the buoyant artisanal mining sector. During Zimbabwe’s peak gold production of 27 tonnes in 1999, the artisanal and small-scale gold mining contribution was a meagre 5%,⁷ with large-scale mining anchoring national gold output. In contrast, in 2017, small-scale mining accounted for 53% of output (see Figure 2).⁸

However, although this policy encourages the flow of gold to the formal market, it has helped perpetuate

criminality by allowing gold linked to illegality, violence and corruption to be easily laundered. This has led to a free-for-all in which armed groups compete for control of gold production in the knowledge that the gold will be readily received by FPR with no questions asked.

HIGH-LEVEL POLITICAL PROTECTION FOR ILLEGAL MINING

In reporting on the recent spate of attacks, media organizations, legislators and civil society have consistently pointed to high-level members of the ruling ZANU-PF party, arguing that their illicit interests are behind the lack of government action to curb the violence.⁹ Several members of parliament (MPs) and ministers have been accused of participating in the illegal mining and in the control of the violent gangs.

ZANU-PF MP Dexter Nduna, along with another party official and a police officer, appeared in court in early January accused of leading illegal gold mining at a site in Chegutu, a day before a miner was fatally shot by police.¹⁰ According to the allegations, Nduna and his associates put pressure on local police not to investigate the incident. State security minister Owen Ncube, a close ally of President Mnangagwa, was also accused by residents of the Midlands province of leading the al-Shabaab gang in October 2019.¹¹ These allegations date back to 2012.¹² In April 2019, two court orders were issued to former ZANU-PF MP Vongai Mupereri to desist from leading gangs of illegal miners into the Gaika mine in Kwekwe.¹³ Despite being threatened with imprisonment for contempt of court, Mupereri continued to breach the court order.¹⁴

Our fieldwork found that, as a lucrative informal sector, artisanal mining in Zimbabwe is systematically exploited by political actors, both for their own financial gain and as a means of securing political power and patronage.¹⁵ Many high-level actors in ZANU-PF party structures were reported to have links to the mining gangs and to reap financial benefits from the mining in return for offering miners protection from police investigations.¹⁶ In turn, miners are incentivized to become active members of the party structures to benefit from this protection.¹⁷ In the words of one interviewee, the party does not just have

supporters, but 'clients'. Corrupt policymakers are therefore incentivized to shape regulations for the benefit of artisanal mining; this has become a major election issue.

EXPLOITATION OF DEVELOPMENT MEASURES

In addition to protecting illicit interests in the gold sector, political actors have exploited sustainable-development policies for their personal gain. The Gold Development Initiative Facility was established to help gold mining operations transition into the formal, legal sector. In 2017, the Reserve Bank of Zimbabwe disbursed US\$74 million;¹⁸ the budget for 2018 was doubled to US\$150 million.¹⁹ However, delivery of the funds has been reported to perpetuate corruption, including nepotism. A meagre number of miners have benefited from the facility, while politically connected individuals, some of whom do not even have a history of gold mining, are alleged to have been awarded contracts in the millions. As such, rather than providing a solution, this and other development funds have exacerbated the conditions fuelling the violence.

While corruption and misguided policy choices such as the 'no questions asked' gold-buying policy are two distinct factors related to the violent competition over gold mining, they are intertwined, as interests in artisanal gold mining shape party support, election issues, and, ultimately, policy.

2. The tide is turning in Malawi's investigation of transnational wildlife trafficking.

Since 2016, Malawi has made significant strides in terms of its ability to investigate and build cases against organized wildlife traffickers, using operational principles similar to those of major organized crime investigation units (e.g. the US Drug Enforcement Administration and China's Anti-Smuggling Bureau). These advances are illustrated by recent successes. In early May 2019, the Malawi Police Service and the Department of National Parks and Wildlife (DNPW) undertook three separate raids on three properties in and around the capital, Lilongwe, resulting in the arrest of nine Chinese nationals and three Malawian citizens.²⁰ The 12 people arrested were charged with the illegal possession of protected species and their parts: three live pangolins, 556 pangolin scales, 103 pieces of rhino horn (taken from three horns), processed elephant ivory, two hippo

teeth, reptiles from multiple protected species and hardwood timber.²¹ They were also charged with possession of unlicensed firearms and explosives.

The crime syndicate targeted in these actions was allegedly run by Yunhua Lin, age 46. Lin has been described as the head of the largest wildlife syndicate in Malawi, one of the most wanted criminals in the country, and the kingpin of a highly organized criminal unit operating across multiple international borders with ample resources and extended networks.²² Lin was also a target of the May raids; he escaped, but was apprehended in August 2019 following an intelligence and surveillance operation.²³ Lin's wife, Qin Hua Zhang, and son-in-law, Li Hao Yaun, were among those arrested in May 2019. They were both out on bail at

the time, having been arrested in December 2017 at a farm near Lilongwe in possession of 10 pieces of ivory (weighing 21 kg), illicit drugs and crocodile skins.²⁴ On 12 November 2019, Qin Hua Zhang, Li Hao Yaun and two Malawian nationals were found guilty in the Lilongwe Magistrates Court of the crimes for which they were arrested in December 2017, and were sentenced to six years in prison.²⁵ The 2019 case, which involves Lin, is still being heard in court.

Malawi is a small landlocked country with a high human-population density and relatively small wildlife populations; however, it was until recently known as a major trafficking hub for high-value wildlife products. In 2016, Malawi was identified by CITES as a country of 'primary concern' and Southern Africa's principal transit hub for

international trafficking syndicates.²⁶ That finding was based on several grounds:

- In 2013, 2.6 tonnes of ivory was seized entering Malawi from Tanzania.²⁷
- Malawi has a history of being a regional ivory trade hub and exporter. For example, the largest ivory seizure ever reported to the Elephant Trade Information System, weighing 6.5 tonnes, was made in Singapore in 2002.²⁸ The shipment had originally been exported from Malawi. Although local Asian criminal syndicates were suspected of being involved, none were arrested and prosecuted.
- Although progress has been made in disrupting ivory trafficking through East Africa (see the October 2019 issue of this bulletin),²⁹ there were concerns that trafficking routes could shift to Malawi.

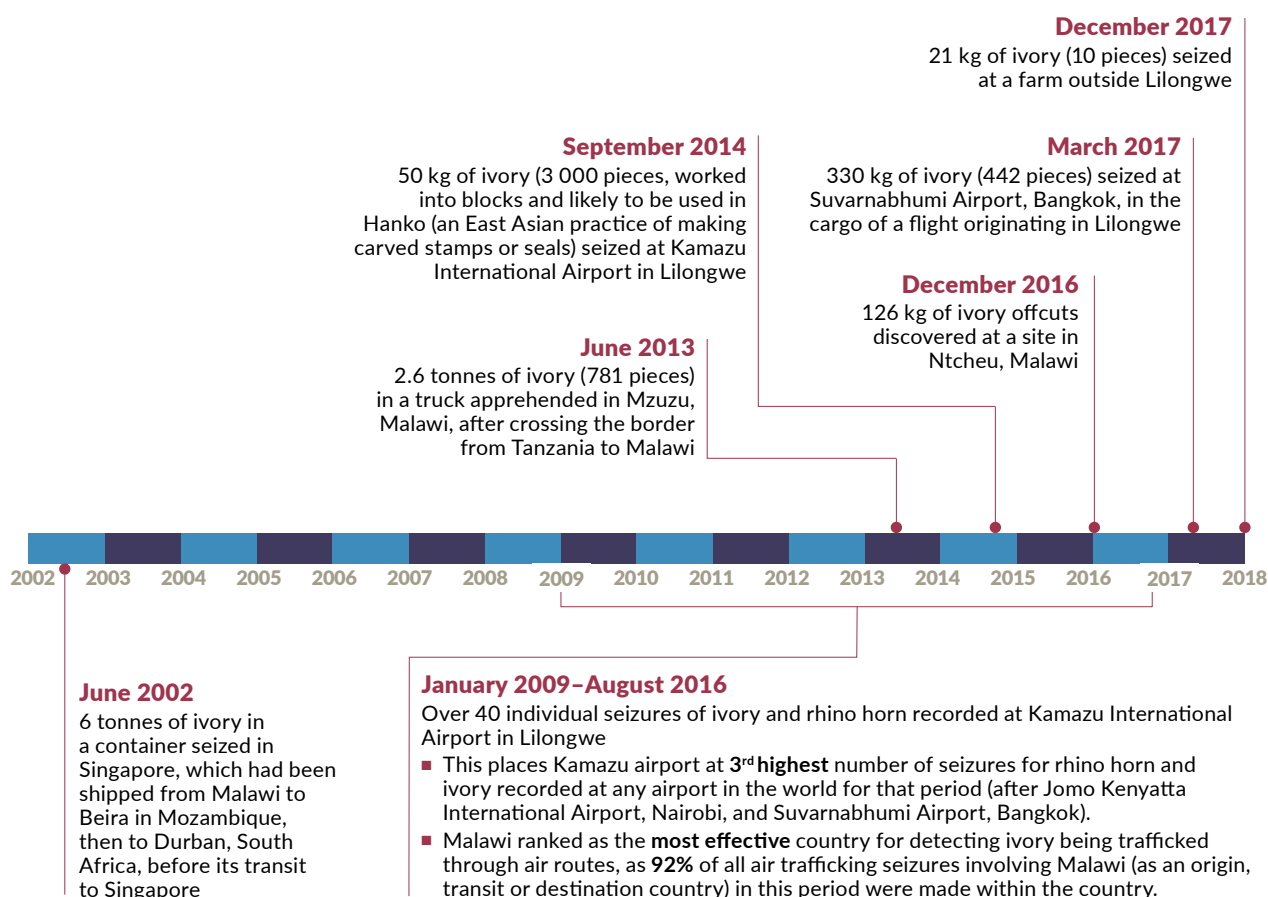


FIGURE 3 Major ivory seizures in Malawi, 2002–2017

NOTE: The data on ivory and rhino horn seizures in and associated with Malawi tell two main stories. First, the country has clearly long played a role as a major wildlife trafficking hub (as the assessment from CITES reflects), in part due to its proximity to regions with large wildlife populations. However, at the same time, much of the enforcement action takes place in-country by national authorities. This has then led to the changes seen since 2016, where Malawi has strengthened its legal frameworks and improved its capacity to investigate and prosecute cases.

SOURCES: Mary Utermohlen and Patrick Baine, *Flying under the radar: Wildlife trafficking in the air transport sector*, ROUTES Partnership, 2017, <https://routespartnership.org/industry-resources/publications/flying-under-the-radar-final.pdf/view>.

A 2015 analysis of 50 wildlife crime cases revealed that Malawi was being used as a major transit hub for illegal wildlife products, which were being easily imported, processed, packaged, sold and exported.³⁰ Typically, larger shipments were moved in containers to regional ports – including Dar es Salaam, Pemba, Beira, Maputo and Durban – and shipped to Asia. At the same time, Malawi scored poorly in a World Bank measurement of governance and rule of law,³¹ suggesting that its ability to address its wildlife crime challenges were limited by corruption and weak institutions.

Malawi's DNPW took this indictment seriously and led a process to revise and strengthen the law and its implementation. The international oversight role played by CITES seemed to provide the catalyst for urgent and effective action. In a few years, average sentences for wildlife traffickers have changed from a fine of US\$40 to prison sentences averaging four years.

However, stronger laws, improved prosecutions and tougher sentencing are only part of the solution. Effective law enforcement against transnational organized crime syndicates requires experienced and well-resourced investigators who are able to guard against corruption – as investigations of major transnational wildlife trafficking networks led by US and Chinese law enforcement agencies in 2019 have shown (see Issue 3 of the Risk Bulletin).³² So, what changed in Malawi and how was it done?

According to the director of the DNPW,³³ the key to the successful dismantling of the Lin syndicate in May 2019 and the arrest of Lin in August was threefold. First,

focused intelligence and investigation units turned intelligence into law enforcement action. In this case, the Malawi Police Service's Criminal Intelligence Unit gathered the initial intelligence, built the initial case, undertook surveillance and led the arrests, and the DNPW's Wildlife Crime Investigations and Intelligence Unit assisted during the raid and arrests. Second, Malawi's close working relationship with donors and development partners provided the operational resources needed for fieldwork and capacity building. And, third, protocols restricted information-sharing to trusted officers working within the intelligence and investigation units.

Before the May 2019 raids, Lin and his close associates appeared to act with impunity, despite prior arrests. At that stage, no non-African foreign national had ever served time in jail in Malawi for wildlife crime. The three-year process that the DNPW has undertaken to strengthen its laws and its ability to prosecute those laws, with support from key partners, is now paying dividends. Malawi is showing that it has the capacity to undertake a complex investigation into a major organized crime trafficking network and to build the case through to successful prosecution. Its focused, investigations-led, case-building approach, using small, trusted multi-agency units, which are insulated to prevent information leaks, is akin to the approaches employed by Chinese and US organized-crime-fighting units.

The Lin case, and the institutional and organizational capacity-building leading up to it, is a prime example of what can be done to strengthen national law enforcement responses to organized crime and thus to overcome impunity.

3. Poor monitoring of South African citizens incarcerated abroad hampers consular services and crime-fighting efforts.

South Africa's Department of International Relations and Cooperation (DIRCO) recently provided the GI-TOC with statistics for South Africans incarcerated abroad (see Figures 4 and 5). According to DIRCO, 71% of the 790 South Africans incarcerated abroad are serving sentences for drug-related offences. However, DIRCO spokesperson Clayton Monyela cautioned that DIRCO statistics reflect only those cases 'that are reported to our consular services'.

Compiling reliable statistics on citizens incarcerated abroad is a key piece of information-gathering. Awareness of individuals in legal difficulty allows consular services to support their citizens overseas; this includes notifying family members, providing legal advice and consular support, monitoring treatment in prisons and ensuring human-rights standards are upheld. In cases of mistreatment by police or prison authorities or other miscarriages of justice, the state can mobilize to apply diplomatic pressure on the relevant government.

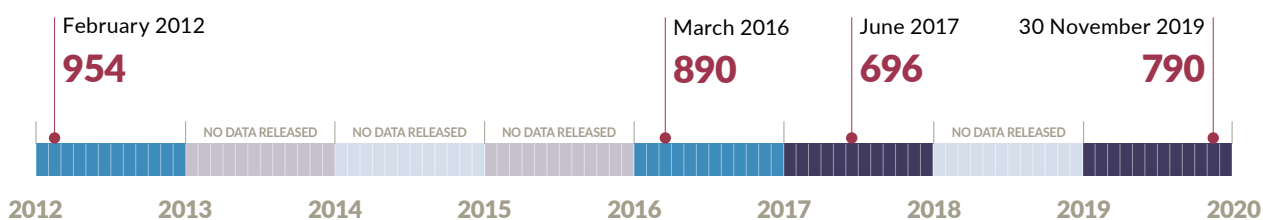


FIGURE 4 Total number of South African citizens incarcerated abroad, February 2012–November 2019

NOTE: DIRCO does not routinely release data sets on South African citizens incarcerated abroad. The data above was released on request to the GI-TOC. It is notable that the data provided by DIRCO is selective in the years provided and there are significant monitoring gaps.

SOURCE: Department of International Relations and Cooperation, by email, 30 November 2019.

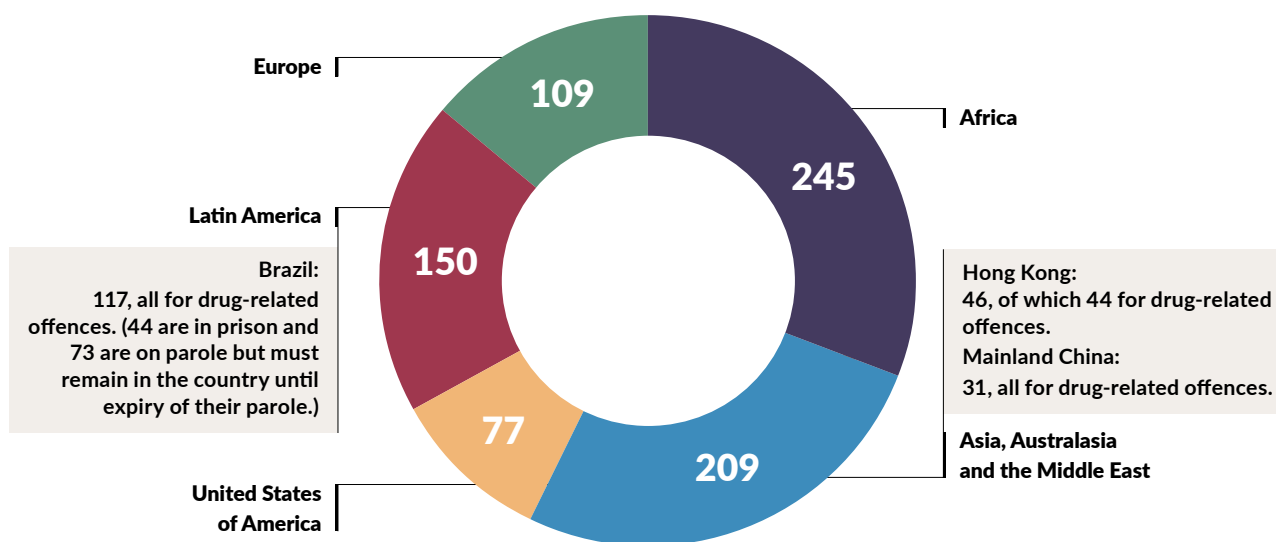


FIGURE 5 Number of South African citizens incarcerated abroad by region, 30 November 2019

SOURCE: Department of International Relations and Cooperation, by email, 30 November 2019.

Awareness of the number of individuals in prison overseas is a first step in managing the complex and sensitive situations in which these individuals – who are often victims of exploitation, abuse and coercion as much as they are criminal offenders – find themselves.

From a domestic perspective, this is also an issue of intelligence-gathering and monitoring trends in organized crime. The individuals apprehended, and the cases built against them by foreign authorities, may provide the South African state with information about the criminal networks operating within South Africa, the recruitment strategies these networks are using and the routes that are commonly used to transport illegal goods.

However, reliable statistics for South Africans incarcerated abroad have long been difficult to come by. Some of the South African civil-society leaders and members of law enforcement who were interviewed for the Risk Bulletin raised doubts over the reliability of DIRCO's figures, while others recounted experiences of government departments passing responsibility for this issue between each other, missing the opportunity to make effective use of this information.

'The absence or the withholding of information in regard to South Africans locked up abroad has been a notable problem for many years,' said Dr Marcel van der Watt, a former investigator with South Africa's Directorate for Priority Crime Investigation, who now

teaches and conducts research in the Department of Police Practice at the University of South Africa.

'When data isn't captured methodically and intelligently, it critically undermines any and all efforts to effectively address the issues,' he said, adding that, when it comes to South Africans incarcerated abroad, 'we are substantially talking about crimes committed in South Africa, where drug syndicates are giving so-called mules narcotics for smuggling across borders, embarking in South Africa. Information on South Africans locked up abroad should be valued for what it can teach us about organized crime in South Africa, yet this is not the case,' he said.

Patricia Gerber of the NGO South Africans Locked Up in Foreign Countries said that her organization has been requesting statistics from the South African government since 2005: 'It has proven very difficult – there have been times when DIRCO has directed us to the intergovernmental relations unit in the Correctional Services Department, and times when Correctional Services has directed us to DIRCO. We have had figures from Correctional Services and figures from DIRCO, and these have sometimes differed. For example, in 2009 DIRCO gave the official figure as 1 000, yet in response to a case I personally brought against DIRCO in 2010, Correctional Services, a respondent in that case, put the number of South Africans locked up abroad at over 1 400.'

Gerber added, 'In the absence of a composite and accurate number of South Africans who are in prisons abroad, it is daunting to think what the consequences would be if Correctional Services is one day ordered to receive into our prisons all South Africans who are serving prison terms outside the Republic.'

In recent years, the South African government, through the Southern African Development Community (SADC), has developed and advocated the Draft Protocol on Interstate Transfer of Foreign Prisoners. The protocol is an umbrella agreement that encourages bilateral agreements between member states for the repatriation of citizens held in prisons overseas. It serves as a guide and is not intended to diminish a signatory country's sovereignty.

'After a 2017 SADC meeting in Botswana, the revised draft protocol was re-circulated to member states for review. Angola, Madagascar, Namibia, Lesotho and South Africa were the only member states that submitted inputs to the draft protocol, hence there has been a delay in implementing the draft protocol,' said Brigadier Logan Maistry, deputy commissioner in the Department of Correctional Services' intergovernmental relations unit.

Gerber founded her NGO after her son, Johann, was sentenced to nine years in Beau Bassin Central Prison in Mauritius for smuggling heroin in his stomach in 2005.

'To the best of my knowledge, the South African government has never given, or been able to give, statistics for South Africans locked up in other African countries and the Indian Ocean islands, but I can tell you there are over 50 South Africans currently locked up in Mozambique, and at least 27 in Mauritius, 18 of them arrested in 2019 alone; four have been sentenced. I've often been told by officials, "You're on the ground, the records produced by your networks are better than ours",' said Gerber.

John Wotherspoon is a Catholic priest who has been ministering to inmates in Hong Kong prisons, principally the Tai Lam Centre for Women and the Lai Chi Kok Correctional Institution, for 20 years. Alarmed by the high number of African nationals entering prison to serve sentences of 15 to 36 years for possession of narcotics, Wotherspoon has for a decade devoted much of his time to raising awareness about the recruitment strategies of drug syndicates and the consequences for those recruited.

'The number of South Africans arrested at Hong Kong airport has radically increased in recent years,' he said. Wotherspoon said the figure of 44 given by DIRCO for South Africans serving time in Hong Kong 'more or less corresponds with the records of the Hong Kong Customs and Excise Department, as well as the Narcotic Bureau of Hong Kong Police Force,' but that 'even Hong Kong's official figures are an imperfect representation of the reality' (see Figure 6).

'For example, a spike in the number of Tanzanian nationals arrested in Hong Kong airport this year does not mean there is a problem in Tanzania. In fact, the Tanzanian nationals arrested in Hong Kong airport in recent years have almost all been recruited in Ethiopia and South Africa, specifically Addis Ababa and Johannesburg,' Wotherspoon said, adding that inmate testimony indicates that virtually all recruiting syndicates are organizations of Nigerians.

'Nigerian syndicates operating in Ethiopia are particularly adept at recruiting Tanzanian and Kenyan women, whereas in South Africa the Nigerian syndicates have been recruiting quite a few elderly folk not of African origin, getting these individuals to leave Europe and other regions for Johannesburg, where they are duly convinced or coerced to travel with narcotics to Asian airports. The available statistics give no sense of these complex and ever evolving strategies,' Wotherspoon added.

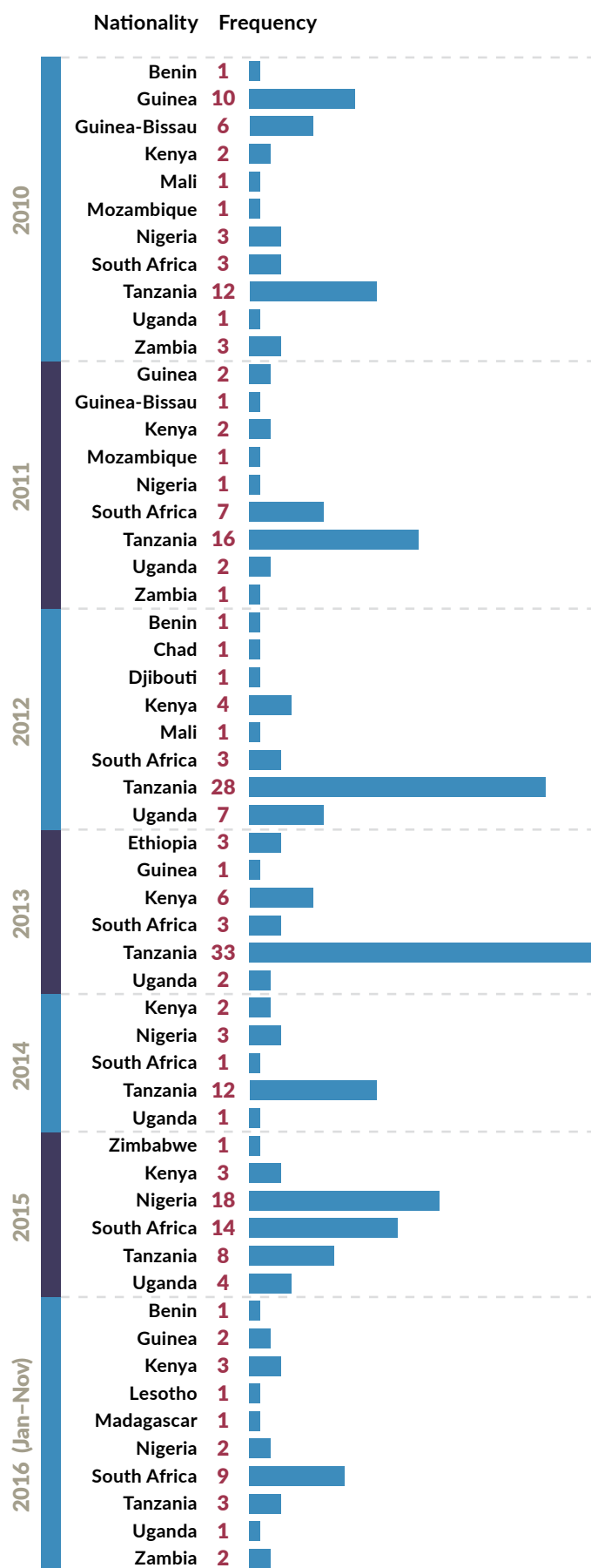
Van der Watt said that good data sets are just the first step in being able to understand the organized-crime dynamics behind the numbers, yet when it comes to issues of crime, whether at home or abroad, 'the South African government is a notoriously weak keeper of records'.

'The South African Police Service, for example, is still using the system that was in place in 1994, which has never been adapted to accommodate the malleability of crimes today, yet when you consider the quality and sophistication of the data sets put out by Statistics South Africa, there really is no excuse for the statistical failures of the police service and other departments,' he said.

The granular information collected by Wotherspoon, and the advocacy for the rights of citizens abroad by civil-society groups such as Gerber's, show how poor data collection is a dereliction of duty on the part of the South African government, and a missed opportunity both to support vulnerable citizens and to keep pace with the evolving strategies of criminal networks.

FIGURE 6 African citizens apprehended in possession of drugs at Hong Kong airport by Hong Kong Customs and Excise, and by the Narcotics Bureau of Hong Kong Police Force, January 2010–November 2016

SOURCE: Hong Kong Customs and Excise, via Father John Wotherspoon, email correspondence, 11 December 2019.



4. Increasingly sophisticated counterfeit-drug networks make headway in Uganda.

Uganda has a serious problem of falsified and substandard pharmaceuticals. The growing sophistication of the networks manufacturing and disseminating such drugs is leaving authorities struggling to keep up, hampered by limited resources and capacity as well as widespread corruption.

According to reports from representatives of Uganda's National Drug Authority (NDA) – which regulates human and animal medicines and is therefore at the front line of the fight against counterfeit drugs – around 10% of the country's medicines are estimated to be falsified.³⁴ This is in line with World Health Organization (WHO) estimates that on average 1 in 10 medical products in developing countries is substandard or falsified.³⁵ However, the Anti-Counterfeit Network, a civil-society organization working in Uganda and Kenya, has estimated that the true figure is closer to 50%.³⁶ This is consistent with estimates by Uganda's National Bureau of Statistics that about 54% of goods (including pharmaceuticals) sold commercially in Uganda are counterfeit, making pharmaceuticals just one element of a larger problem.³⁷ These variations raise doubts about the extent to which national and international stakeholders understand the issue.

The impacts of counterfeit medicines are enormous, particularly in sub-Saharan Africa. The WHO has reported that the region accounts for 42% of worldwide cases of counterfeit drugs,³⁸ and according to modelling from the London School of Hygiene and Tropical Medicine, this leads to around 116 000 preventable deaths per year from malaria alone.³⁹ Antimalarials, along with painkillers and contraceptives, are among the most common counterfeit medicines in Uganda.⁴⁰

Terminology relating to this issue is contested. Some governments (including India's) and civil-society groups

(such as Doctors without Borders) have argued that the term 'counterfeit' – rather than the World Health Assembly-adopted 'substandard and falsified' – is politically loaded, as it refers more specifically to infringement of pharmaceutical corporations' intellectual property rights – rights that are often enforced to keep medicine prices high at the expense of patients in developing countries.⁴¹ However, the term 'counterfeit' is widely used by Ugandan institutions and civil society to refer to falsified and substandard medicines of all kinds – in particular by the NGO the Anti-Counterfeit Network. Therefore, while the political concerns around the term 'counterfeit' are valid, we use the term here in line with the terminology used by organizations working in Uganda.

CURRENT RESPONSE

The NDA launched a spate of operations aimed at unlicensed drug vendors in the latter half of 2019,⁴² resulting in the closure of 1 526 pharmaceutical outlets and the seizure of pharmaceutical goods worth approximately 2 billion Ugandan shillings (US\$550 000) since July (see Figure 7).⁴³ However, while spot checks of drugs outlets, closures and confiscations create an image of action on the part of the NDA, they do not necessarily indicate success. Very few arrests have been made in connection to illicit supplies, and no successful prosecutions have been reported.⁴⁴ While outlets found to be selling counterfeit goods are issued closure notices, it is unclear what follow-up action is taken or what happens to the vendors themselves.

Many vendors in the counterfeit drugs market also may be unaware of the source of their medicines. Even when they are complicit, they are typically low-level operators, lacking significant knowledge of the operations of the networks that manufacture and transport the counterfeits into Uganda, limiting the impact of any arrest.



FIGURE 7 Outcomes of seven operations reported by the Ugandan National Drug Authority (NDA), May–November 2019

NOTE: These are the results of individual operations and therefore do not reflect the totals cited in the text for the aggregate number of inspections, closures and seizures conducted by the NDA. US dollar estimates of the value of products seized are based on NDA estimates reported in Ugandan shillings.

SOURCES: Stories posted on the Uganda National Drug Authority website, 7 June–29 November 2019; see www.nda.or.ug.

The Ugandan government has also strengthened its anti-counterfeit fight by establishing the Anti-Counterfeit Goods Act in 2017. However, critics have argued that the law does not define counterfeiting clearly enough and is not effectively enforced.

President Yoweri Museveni endorsed the use of blockchain technology to improve transparency in pharmaceutical supply chains following a meeting with the CEO of MediConnect, a start-up that develops blockchain technology to track prescription medicines, in July 2019.⁴⁵ However, as the lack of technical knowledge and equipment currently are major challenges facing anti-counterfeiting authorities such as the NDA, border force and Uganda's National Bureau of Standards (UNBS), this kind of high-technology approach may prove difficult to implement.

The NDA and the Ugandan Ministry of Health, in partnership with global agencies such as Interpol, have been instrumental in establishing a better understanding of the counterfeit drugs problem, but they are hindered by a lack of technical capacity to develop credible data and by the protection of illicit players by corrupt actors in government and, to a lesser extent, the private sector. This has hampered attempts to map out the structure of the market, identify key stakeholders, understand the scale of the problem, and pinpoint any regulatory weaknesses that facilitate the growth of this illicit market.

CRIMINAL NETWORKS SUPPLYING COUNTERFEIT MEDICINES TO UGANDA

Law-enforcement officials, civil-society organizations, pharmacists and doctors interviewed for the Risk Bulletin held a general view that counterfeit medicine has flooded the Ugandan market.⁴⁶ The drugs are produced primarily in India, followed by China and Thailand. They are often marketed in Uganda as products of Europe or India, trusted points of origin for pharmaceuticals. Although some packaging is apparently done in the country of manufacture, the bulk is believed to be done in China, even for drugs manufactured in Thailand or India.⁴⁷ This is due to the speed at which counterfeit packaging is reportedly manufactured and shipped from China – when genuine pharmaceutical companies have changed branding design to differentiate their products from counterfeits, the illicit market has reacted extremely quickly to copy the new design.

There is also a problem of 'para-importation', whereby genuine drugs destined for different regions of the world, and therefore tailored to the diseases relevant to these regions, are shipped to Uganda and then misused. In addition, drugs imported from the EU then have their expiry date changed; this can mean that by the time they are purchased they have expired and are ineffective. Networks manufacturing counterfeits and transporting them into Uganda infiltrate the distribution systems of major pharmaceutical chains, exploiting these to disseminate counterfeits across the country.

The apparent prominence of India as a source of counterfeit drugs reflects the fact that Indian suppliers dominate imports of genuine pharmaceuticals and medical equipment to Uganda. According to the United Nations COMTRADE data for 2018, Uganda imported US\$281 million of pharmaceutical products, US\$161 million of which came from India.⁴⁸ The reliance on imports rather than domestic production is a continent-wide phenomenon. Analysis from the consulting firm McKinsey in 2019 found that Africa as a whole imports between 70% and 90% of its medicines, and the continent has 375 medicine-producing companies for a population of 1.3 billion people, in contrast to 5 000 and 10 500 producers in China and India, respectively, both of which have populations of roughly 1.4 billion.⁴⁹

In April 2019, a report from the US Trade Representative accused India of being a major supplier of counterfeit pharmaceuticals, estimating that up to 20% of drugs sold on the Indian market are counterfeit and a threat to patient safety.⁵⁰ Academic papers analyzing Indian-produced medication, including antimalarial drugs, raised concerns about high levels of counterfeit products as far back as 2012,⁵¹ at which point the downstream risk to East African countries reliant on Indian imports was already highlighted.⁵²

Interviews conducted for the Risk Bulletin suggest that Indian criminal suppliers are heavily involved with, if not totally in control of, fake drugs exported to Uganda, and collude with immigration, health and regulatory officials.⁵³ The market is reportedly moving further underground and growing in sophistication, with the Anti-Counterfeit Network tracking a shift in the last two years in the quality of counterfeit packaging, making it increasingly difficult to distinguish from genuine products.⁵⁴

Widespread corruption across government bodies associated with the import, dissemination and quality review of pharmaceuticals enables the illicit industry to flourish. Government officials working in regulatory bodies such as border control and the national standards authorities are seen as closely involved with the trade. 'Illicit trade in counterfeit drugs in Uganda is a very organized structure,' remarked one local expert working on countering counterfeits.⁵⁵ Once the drugs clear the border, they are transported to pharmacy outlets in Kampala, where drug inspections are evaded by paying off inspection officials.

Whenever any raids on businesses or other entities believed to be active in counterfeit pharmaceuticals are planned, intelligence shared with law-enforcement agencies by civil-society organizations is consistently leaked. Raids repeatedly find recently abandoned premises, or businesses devoid of counterfeits, despite strong intelligence regarding their involvement. This suggests widespread corruption among law enforcement. Considerable political and financial influence is required to sway officials in multiple regulatory bodies – such as the UNBS and the Uganda Revenue Authority, suggesting that powerful government officials could be involved in the counterfeit pharmaceutical trade.

The counterfeit-drug trade adapts to seasonal demand. 'If an immunization is being rolled out, there are more counterfeits there. Or a season for a particular illness will mean more counterfeits,' explained one Anti-Counterfeit Network representative.⁵⁶ Counterfeiters do not engage in production of drugs that take a long time to sell: 'They have the calendar, they know demand and what is going on.' This enables networks to focus on fast-moving products. Malaria and cancer drugs are currently produced the most. During a recent Hepatitis B virus outbreak, drug counterfeiters increasingly offered Hepatitis B vaccines.⁵⁷ This is believed to have been made possible with the help of officials within the NDA.

The counterfeit-medicines trade in Uganda involves sophisticated networks that counterfeit genuine brands and exploit corrupt connections to avoid oversight. The relevant authorities, hampered by a lack of technical knowledge and resources, and undermined by widespread corruption, rely predominantly on inspections of outlets and confiscated stocks for their understanding of the illegal trade. This provides limited insight into the higher-level actors supplying this trade and the corruption that facilitates it. In the task of investigating an illicit drug supply with complex global supply chains and political protection, the Ugandan government faces an uphill task.

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