



Independent observer
of the Global Fund

Global Fund Observer

NEWSLETTER

Issue 203: 21 November 2012

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The Global Fund Board was right to fire John Parsons, Bernard Rivers says. In this commentary, Mr Rivers explains why.

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1. NEWS: Fund Reverses Demand that Former Philippines PR Repay \$1.77 Million

Tropical Disease Foundation had five grants terminated in 2009

TDF may implement grants in future

The Global Fund has reversed a demand that it imposed three years ago that the Tropical Disease Foundation (TDF), a principal recipient (PR) in the Philippines, repay the Fund \$1.77 million of grant money. When the Fund imposed that original demand, it terminated all five of the PR’s grants;

the Fund said at the time that the money had to be repaid because it constituted “unauthorized expenditure” by the PR. The PR now does not have to repay anything, and has been welcomed back as a potential implementer of Global Fund grants.

Until a few months ago, the Fund had ignored multiple protests by the TDF that the terminations and the required repayments were unjustified.

The sequence of events was as follows:

On 24 September 2009, the Fund issued a [press release](#) saying it had suspended all five of its grants to TDF, the main PR in the Philippines. (The suspensions later turned into terminations.)

The press release said that the grants were suspended because the OIG had found evidence that TDF had incurred about \$1 million (an estimate later increased to \$2.02 million) in “unauthorized expenditure” (also described as “activities beyond the terms of the grant agreement”). The Fund demanded repayment of this money.

TDF responded to the suspension with a [press release](#) complaining, in effect, that after the Fund and TDF signed a grant agreement and the TDF incurred some expenditures that were within the terms of that grant agreement and were audited, the Fund introduced new policies which caused these already-made expenditures to become “unauthorized.”

TDF was barred from implementing Global Fund grants. In December 2009, other PRs took its place for all five grants. It was only at this point that TDF was shown anything in writing to describe or substantiate the OIG’s claims; prior requests for such documentation had been rejected.

TDF rapidly repaid \$0.25 million of the claimed money, but refused to repay the remaining \$1.77 million because it disputed that it had misused that part of the money.

The OIG provided further details regarding its complaints regarding TDF in an audit [report](#) that it published in February 2010.

In April 2010, TDF sent the Secretariat and the Global Fund Chair a full position paper describing its objections to the OIG’s findings. The Fund did not respond for six months, at which point the Deputy Executive Director responded that the Fund stood by the OIG report.

TDF commissioned an independent audit of the expenditures that had been criticised by the OIG. According to a TDF board member, the independent audit found that many of the OIG’s claims were based on “carelessness and mathematical errors” by the OIG.

In November 2010, a TDF board member wrote a lengthy memo about the case to a Global Fund board member, who shortly thereafter wrote an email to the author of this article saying that “it seems that the OIG fills all the roles of investigator, prosecutor, judge, jury and executioner with no oversight, no checks and balances and no legitimate appeals process.”

Despite all the above, the OIG and the Secretariat did essentially nothing about the case until eighteen months later, May 2012, when Gabriel Jaramillo, the Fund’s General Manager, agreed to a request by the Minister of Health of the Philippines that the Fund look into the case.

Missions to the Philippines by the Secretariat, the OIG and independent experts then took place. Old

documentation was examined again. These missions, and the Fund's evaluation of their findings, lasted until just before this month's Global Fund Board meeting in Geneva.

The Global Fund finally concluded that it could not make a clear case that any of the \$1.77 million it was claiming from TDF actually did involve unauthorised expenditure. The Fund therefore determined that TDF did not have to pay the Fund anything. (As mentioned above, a further \$0.25 million claimed by the Fund had already been repaid by TDF three years ago.)

On 20 November 2012, the Global Fund posted a [statement](#) at its website saying that the Fund and TDF "have reached an amicable resolution of a dispute stemming from an audit by the Global Fund's Office of the Inspector General in 2009. The Foundation will be welcomed back as an implementer of Global Fund-supported health programs in the Philippines." TDF added "We are happy that our efforts all these years have borne fruit." No mention was made of most of the background, or of the fact that TDF no longer has to repay anything to the Fund.

Editor's Note: The TDF affair is discussed in a Commentary [here](#).

[This article was first posted on GFO Live on 21 November 2012.]

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2. COMMENTARY: Five Reasons Why the Inspector General Was Fired, and Another One Why He Should Have Been

by Bernard Rivers

The Global Fund Board did the right thing on 14 November when it fired John Parsons, head of the Office of the Inspector General (OIG).

Ironically, the Board took its action without most of its members knowing about what to me is the most shocking of all the recent developments regarding the OIG – namely, that the Fund has had to completely reverse its position regarding a PR in the Philippines that had all five of its grants terminated in 2009 based on OIG findings. (See separate article [here](#).)

Over the past two years, GFO has reported on multiple problems with the OIG as they became apparent. (See, for instance, [here](#), [here](#), [here](#), [here](#) and [here](#).)

Instead of dying down, the problems – or at least the Board's awareness of the problems – reached a critical mass by the time the Board met in Executive Session on the evening of 14 November to review Mr Parsons' work. Mr Parsons was invited to speak to the Board during an early part of the session; he then left the room while his fate was discussed.

There are five factors that I believe caused the Board to decide that John Parsons' work was "unsatisfactory" and that he had to be fired.

First, the Board concluded that there had been insufficient improvement in Mr Parsons' work since a year ago, when he had, in effect, been put on probation. One board member stated in open session

that parts of Mr Parsons' latest six-monthly report to the board was "unprofessional." Another complained that although Mr Parsons' progress reports to the board go into great detail about how hard the OIG is working, they draw almost no broad conclusions from that work, which was what the Board most needed.

Second, when the OIG's work was reviewed on behalf of the Board by the Australian Institute of Internal Auditors, the Institute concluded that the OIG's work only "partially conforms" with international auditing standards.

Third, the Chair of the Board's Audit and Ethics Committee (AEC), to which the OIG reports, delivered a verbal report to the Board on behalf of the AEC that was, according to one source, "devastating" in the severity of its criticisms of Mr Parsons. (The AEC has three members from existing board delegations, and five members who are completely independent of the Global Fund and of its Board delegations. One of the independent members serves as committee chair.)

Fourth, even though Mr Parsons apparently has a reasonable ability to get on with people who work for him, he seems to have almost no ability to get on with people and agencies who have to work with him. He certainly had tormented relationships with UNDP, the Global Fund's largest PR, and with Michel Kazatchkine, the Fund's former Executive Director. Multiple Secretariat staff complained of his not dealing with them in a straightforward manner. Multiple PRs complained of being insulted and intimidated during OIG audits. There had been modest improvement over the past year; but the Board concluded that it was not enough.

And fifth, Mr Parsons showed a remarkable ability to upset and even infuriate members of his own Board. In my view, if someone who reports to a board succeeds in making one board member very unhappy, that person has a serious problem. If there are two unhappy board members, that person has an emergency. And if there are three unhappy board members, that person should simply ask "When would you like me to resign?" This was not Mr Parsons' approach. When he started to defend his record to the Board at the evening session on 14 November, he still had a few allies on the board. By the time he had finished speaking, he had none, and no Board members voted against the termination. Not only had Mr Parsons lost any chance of saving his job, he had lost any chance of quietly retiring with a gold watch.

There has inevitably been some speculation by people not close to the Fund that Mr Parsons was fired because he exposed fraud that the Fund wanted kept hidden. I've not heard a single hint of this among Board members. Indeed, one could argue that the Board would also have been justified in criticising him, even if not firing him, because he did not find enough fraud. The Global Fund reported in July that the percentage of funding that had been audited or investigated by the OIG and that was found to have been diverted through fraud was only 0.5%. I'd love to believe that that is the actual level of fraud; but it would be no surprise if the real number is two or three times that – as indeed, the Board was told, is the case for at least one other major funder on the board. Parsons would have had a better chance of finding more fraud if he hadn't wasted his time reviewing all sorts of programmatic aspects of the work of implementers, and making hundreds upon hundreds of recommendations regarding the work of implementers that had nothing to do with his core mandate of identifying key areas of risk and key aspects of misuse of Global Fund money.

For my own part, the thing that finally made me conclude that Mr Parsons had to go was something I learned just before the Board meeting, and that to the best of my knowledge the full Board still has not been told about. This is that the Global Fund has been forced to reverse a requirement imposed by the OIG three years ago that Tropical Disease Foundation (TDF), a former principal recipient in the Philippines, repay the Fund \$1.7 million of grant money that constituted “unauthorised expenditure.” TDF now does not have to repay anything, and despite having had all five of its grant agreements terminated, has now been welcomed back as a potential implementer of Global Fund grants.

What does this say about the accuracy of the OIG’s work? Might the Global Fund have to reverse findings in some of the OIG’s other reports? (The Secretariat told GFO, “The newly-established Recoveries Committee looks at every case on an individual basis to come to sound conclusions on the facts and circumstances presented in each OIG report, as it did with TDF.”)

The OIG’s primary role is to identify where the Fund faces greatest risk, and to address that risk. Imagine what might have happened if TDF had sued the Fund for reputational damages. The faulty OIG findings on the Philippines did not identify risk for the Global Fund, they created risk.

The Global Fund has not had a great success with its Inspectors General. The first one resigned abruptly in 2007 for unspecified health reasons. The second one was fired this month. The Fund says it will take six months to recruit the third one. All those who believe in the Fund, and in its commitment to forceful but accurate audit, can only hope it gets this one right.

Bernard Rivers ([email](#)) founded Aidspan in 2002 and ran it until September 2012. He now serves as Aidspan’s first Senior Fellow. John Parsons did not respond to a request for comment.

[This article was first posted on GFO Live on 21 November 2012.]

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This is an issue of the GLOBAL FUND OBSERVER (GFO) Newsletter.

We welcome suggestions for topics we could cover in GFO. If you have a suggestion, please send it to the Editor of GFO (see contact information below).

Author: Both articles in this issue were written by Bernard Rivers (bernard.rivers@gmail.com).

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