



Independent observer  
of the Global Fund

## GLOBAL FUND SUSPENDS GRANTS TO THE PHILIPPINES AND MAURITANIA

The Global Fund has temporarily suspended five grants to the Philippines, citing unauthorized expenditure by the principal recipient (PR), and one grant to Mauritania, citing fraud. These are the Fund's first grant suspensions since it suspended grants to Chad three years ago and Uganda four years ago.

Press releases announcing the suspensions were posted by the Fund at [www.theglobalfund.org/en/pressreleases](http://www.theglobalfund.org/en/pressreleases) on September 24 (the Philippines) and September 4 (Mauritania).

### The Philippines:

The Global Fund has temporarily suspended all five of its currently active grants to the main Philippines PR, the Tropical Disease Foundation (TDF), a non-profit science foundation that performs research, service, and training projects in infectious diseases. These suspended grants represent 90% of the approved value of all grants to the Philippines; the remaining 10% goes to two other PRs that are not affected.

The Fund says that it suspended the grants because it found evidence of “unauthorized expenditure” by TDF. It adds that an investigation by the Fund’s Inspector General found that around \$1 million out of the \$85 million that has been sent thus far to TDF has been spent on “activities beyond the terms of the grant agreement.” The Fund has demanded repayment of this money.

GFO understands, after interviewing people in several countries, that the transactions to which the Global Fund has objected involved a complex series of financial transfers by TDF that ended up using about \$1

million in Global Fund money to accelerate the paying down of a mortgage on TDF's head office, even though the payments were not documented as being for that purpose and were not permitted to be used for that purpose. Apparently, no evidence was found of anyone personally benefiting from these transfers. This scheme was first reported to the Fund by a whistle-blower. The Fund's Inspector General sent in a forensic audit team within three weeks of receiving the allegations, all of which were confirmed.

TDF responded to the suspension with a press release stating that it "has at all times acted in good faith." TDF complained, 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 Executive Director Dr. Thelma Tupasi, when contacted by GFO, declined to discuss the matter on the grounds that the investigation is still ongoing.

Until the suspensions, over \$110 million in contractually-approved funding was still due to go to TDF in its capacity as PR. TDF grants have generally performed well. Since the start of 2008, TDF has received seven A, A1 and A2 ratings from the Global Fund, three B1 ratings, and no B2 or C ratings. The Fund says that it continues to value TDF's technical expertise, particularly in multi-drug resistant tuberculosis.

Despite these facts, the Global Fund says that it is not willing to permit TDF to continue as PR. Instead, the Fund will transfer the grants to one or more new PRs based on recommendations from the CCM. The Fund "expects that normal grant activities can resume quickly," and says that "all necessary measures" will be taken to ensure that there are no treatment interruptions for the 636 people receiving ARV treatment and the 811 people being treated for multi-drug resistant TB.

The full list of Global Fund grants to the Philippines is as follows:

Table: Global Fund grants to the Philippines

| PR                                                                     | Round     | Disease  | Grant agreement amount | Disbursed  | Still to disburse |
|------------------------------------------------------------------------|-----------|----------|------------------------|------------|-------------------|
| Tropical Disease Foundation<br>(To be replaced by one or more new PRs) | 2         | Malaria  | \$43.7 m.              | \$16.4 m.  | \$27.3 m.         |
|                                                                        | 2         | TB *     | \$106.5 m.             | \$27.6 m.  | \$78.9 m.         |
|                                                                        | 3         | HIV/AIDS | \$5.5 m.               | \$5.3 m.   | \$0.3 m.          |
|                                                                        | 5         | HIV/AIDS | \$6.5 m.               | \$4.6 m.   | \$1.9 m.          |
|                                                                        | 5         | TB *     | \$16.7 m.              | \$16.7 m.  | \$0               |
|                                                                        | 6         | Malaria  | \$16.3 m.              | \$14.3 m.  | \$1.9 m.          |
|                                                                        | Subtotal: |          | \$195.2 m.             | \$84.9 m.  | \$110.3 m.        |
| Pilipinas Shell Foundation<br>(No change)                              | 5         | Malaria  | \$14.3 m.              | \$12.8 m.  | \$1.5 m.          |
| Department of Health<br>(No change)                                    | 6         | HIV/AIDS | \$7.3 m.               | \$6.6 m.   | \$0.7 m.          |
| All grants                                                             |           |          | \$216.9 m.             | \$104.2 m. | \$112.6 m.        |

\* The Round 2 and Round 5 TB grants are due to be consolidated into a single grant.

Over 80% of TDF's funding apparently comes from the Global Fund, so the impact on the organisation of a true termination could be very severe. However, the Fund's public statement on this matter does not rule

out the possibility that TDF will be permitted to resume some of its activities through being chosen as a sub-recipient (SR) by the new PR(s).

#### Mauritania:

The Global Fund has temporarily suspended its Round 5 HIV grant to Mauritania; this is the Fund's only active HIV grant to that country. The PR in question is the Executive Secretariat of Mauritania's National AIDS Committee, known by its French acronym SENLS.

The Fund says that it suspended the grant after its Inspector General found evidence of "fraudulent and unjustified expenditures." The Global Fund has demanded reimbursement of \$1.7 million that was "found to be subject to fraud," and has also called for immediate removal of the people identified as responsible.

GFO understands that the problems with the Mauritania grant were first identified by the Local Fund Agent. Allegations include that some companies that supposedly sold goods to the PR or to SRs did not in fact exist, and that some of the documentation used was false. Evidence has been forwarded by the Global Fund to the Mauritanian authorities to support a possible criminal investigation.

Attempts by GFO to obtain comments from SENLS were not successful.

Some \$6.6 million has thus far been disbursed to SENLS under the grant. Of this, the Fund says that its Inspector General found that "substantial" further amounts, beyond the \$1.7 million mentioned above, "were not supported by appropriate documentation." A further \$8.5 million is still due to be disbursed by the Global Fund under this grant.

Malaria and tuberculosis grants awarded to UNDP, the other PR in Mauritania, are not affected.

Since the start of 2008, SENLS has received one B1 rating from the Fund, three B2 ratings, and no A or C ratings. The grant is more than one year behind schedule.

The Fund says that it wants the Mauritanian authorities to put in place a CCM that is "in accordance with the Global Fund's eligibility criteria," and that the CCM should ensure that the PR has a structure and leadership that is able to safely manage the funds. This suggests that the Fund believes that the current CCM is not compliant with Global Fund requirements – even though the CCM passed the Fund's screening process in mid-2008, when Round 8 proposals were evaluated. The Fund did not specify that SENLS must be replaced with a different PR.

The Fund says that "all necessary measures" have been taken to ensure that there are no treatment interruptions for the approximately 1,000 people receiving ARV treatment in Mauritania through Global Fund financing.

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