Aidspan

Independent observer of the Global Fund

Selective – Not Sweeping – Changes Required at the Global Fund, Authors Say

“Rather than imposing harsh new controls on recipient countries that might impede health outcomes, the Fund should maintain the core elements of its innovative model and make selective rather than sweeping changes in its operations.”

This is the view of two former senior managers in the Fund’s Secretariat, expressed in an article published in the Journal of Health Planning and Management in early January.

In the article, Jonathan C. Brown and Wilfred Griekspoor say that fraud was never a major problem at the Global Fund. Mr Brown was the Fund’s Acting Director of Country Programs from May 2010 through May 2011. Mr Griekspoor was the Fund’s Chief Financial Officer from February 2010 through January 2011 and interim Managing Director in 2002.

Referring to media reports of fraud published in early 2011, the authors say that “although the findings of abuse were in a very small number of countries and in a small number of activities, such as training and allowances, the impression of an organization out of control gained acceptance.”

However, according to a report from the Global Fund, as of the end of August 2012, fraud constituted only 0.4% of disbursements in 32 countries that were audited or investigated. “Reasonable people can agree or disagree on what levels of fraud or misuse represents unacceptable risks, but few will view the Global Fund results as the fiduciary crisis that the media portrayed in early 2011,” the authors conclude.

Brown and Griekspoor contend that the situation was aggravated by the practice of the Office of the Inspector General (OIG) – which, the authors say, considered eradicating corruption as part of its mission

– to intensively investigate the perpetrators of fraud until it had “court ready” evidence to turn over to national authorities. This practice resulted in delays in publishing investigative results and in corrective action being taken by the Secretariat. The authors cite the example of Nigeria where the OIG asked the Secretariat not to close a grant because that might reduce the willingness of the grant recipient to collaborate with the OIG’s attempt to gather material for prosecution.

The authors observe that a high-level Panel set up in 2011 by the Global Fund Board to investigate the fiduciary controls and oversight mechanisms of the Fund wrote that “The OIG is the only organization [we] surveyed that, by itself, will audit, investigate and then build a case ready-made for prosecution.”

Brown and Griekspoor said that if the original Global Fund model had been implemented “with more rigor,” the crisis might have been avoided. Specifically, the authors say, from the Fund’s early days, project budgets should have been defined in more meaningful detail and then monitored; Fund staff should have been organised as teams to support programmatic and financial concerns rather than simply to disburse money; Fund management should have been more responsive to early OIG findings; and public messaging of the OIG should have been put in the broader context of the overall portfolio.

Referring to the many reforms currently being instituted by the Global Fund, the authors argue that “although each of these changes might seem like a logical next step in the evolution of the Fund, the risk in such a broad and comprehensive redesign of grant management is that the spirit of the original light-touch model of the Global Fund may be lost.”

Noting that the Global Fund is currently reflecting on how to introduce simple ways of allocating resources, assessing value for money, and assuring readiness of implementers, Brown and Griekspoor propose six basic steps which, they say, would be “broadly sufficient to resolve remaining oversight concerns.” The steps are as follows:

1. Funding proposals should be based on meaningful programme budgets that can be tracked by implementing agencies on an ongoing basis, verified by normal accounting and auditing instruments, and monitored by local fund agents.
2. During the two-stage proposal process, pre-assessments of implementing agencies should result in mandatory outside support in financial management, procurement, and distribution of health commodities.
3. Expenditure tracking and financial controls should focus on cash-intensive activities already identified as risky by the OIG.
4. The Secretariat should develop, with partners, a rapid in-country response capacity for its country teams to deal with losses as soon as they surface.
5. The current functions of the OIG should be simplified.
6. The Board’s new Audit and Ethics Committee, which oversees the OIG, should ensure that the Fund continues to publish aggregate results of country audits and investigations so as to provide a portfolio-wide perspective.

“More radical fiduciary actions are not necessary to solve a ‘severe’ fraud problem that does not exist today, and probably never did,” the authors conclude.

The full article by Brown and Griekspoor is available here. Subscription or payment is required.

Read More