



Independent observer
of the Global Fund

OUTSTANDING RECOVERABLE BALANCE RELATED TO OIG AUDITS AND INVESTIGATIONS DROPS TO \$22.6 MILLION

During the first eight months of 2016, the Secretariat made good progress in recovering amounts owing as a result of non-compliant expenditures identified during audits and investigations undertaken by the Office of the Inspector General (OIG). A total of \$24.8 million was recovered, thus lowering the outstanding recoverable balance to \$22.6 million (excluding written commitments to repay). This information is contained in a report presented to the Board at its recent meeting in Montreux, Switzerland.

The \$22.6 million recoverable balance represents 81% of the aggregate recoverable amount, up from 65% as of 31 December 2015.

The above amounts include eight new cases presented to the Recoveries Committee in the first eight months of 2016, representing a recovery amount of \$9.3 million. Two countries accounted for almost all of the \$9.3 million: Angola (\$4.2 million) and Nigeria (\$4.8 million).

Of the \$22.6 million recoverable balance, \$8.3 million relates to grants for which the UNDP is principal recipient. The expenditures that gave rise to these recoverable amounts took place at sub-recipients and one contractor rather than at the UNDP itself. Earlier this year, the Global Fund and the UNDP signed a settlement agreement which calls for all outstanding recoveries to be resolved before the end of 2016.

Since the inception of the Global Fund, \$60.7 million has been recovered and written commitments for a further \$7.6 million have been obtained.

The report also contained information on non-OIG recoverable amounts – i.e. amounts related to ineligible expenses that arise in the ordinary course of grant management.

As of 30 June 2016, the aggregate outstanding balance of non-OIG recoverable amounts decreased to \$12.6 million (vs. \$16.2 million at 31 March 2016). The amounts were distributed over 40 countries and involve 66 different PRs.

Of the \$12.6 million, three PRs account for approximately 67% of the total outstanding amount due: the UNDP (\$7.4 million), the National Malaria Elimination Program in Nigeria (\$0.7 million), and the Association for Reproductive and Family Health, also in Nigeria (\$0.4 million).

So far in 2016, there have been two more cases of the application of the so-called “2-for-1 allocation reduction” method to resolve particularly difficult cases, where all reasonable recovery approaches have failed to produce results. This method involves reducing the country’s allocation by a factor of 2:1, meaning a \$2 allocation reduction for every \$1 of the amount recoverable.

This measure of last resort was applied to two cases: Sri Lanka (\$0.69 million recoverable amount) and Kazakhstan (\$5.4 million recoverable amount). The amounts by which the allocations were reduced become available to fund other countries’ programs.

AIDSPAN COMMENT:

The recovery reports that are prepared for each Board meeting do not indicate where the countries are finding the funds to reimburse the Global Fund. From the perspective of the Fund, one could argue that the only important thing is that the money is paid back. However, from the perspective of the country – and particularly from the perspective of the people of the country – if the money to reimburse the Global Fund is being taken from the health budget, that’s not a very satisfactory outcome, is it? We believe that this is exactly what is happening in some countries.

Board Document GF-B36-24 (Recoveries Report for the Period Ending 30 June 2016) should be available shortly at www.theglobalfund.org/en/board/meetings/36.

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