



Independent observer  
of the Global Fund

## The Global Fund Has Provided Few Details on the Recovery of Funds Identified as “Losses”

The Global Fund Secretariat says that it has taken measures to speed up the recovery of amounts identified as “losses” by the Office of the Inspector General (OIG), and that it expects to be able to report significant progress during the rest of 2013. However, few details have been provided, either on the amounts that the Secretariat is attempting to recover and has recovered, or on the measures that have been taken to speed up the recovery process.

In May 2011, at its 25th meeting, the Global Fund Board decided that the Secretariat and the OIG shall “jointly publish before each regular scheduled meeting of the Board, a Losses & Recoveries Report containing background information and an updated table” in the format outlined in a paper that was submitted for that Board meeting. The format called for the following information to be displayed for each implementer in each country where losses have been identified: (a) total amount of losses to be recovered, broken down by category (fraud, unsupported, ineligible, other); and (b) amount recovered or committed to be repaid.

A losses and recoveries report was prepared for the 25th Board meeting in November 2011. (There was another Board meeting in September 2011, but that meeting was not seen as a regular Board meeting.) However, no such report has been prepared for any of the four Board meetings since then.

Aidspan has enquired several times about the status of the losses and recoveries report. In an email on 19 December 2012, the Global Fund's Director of Communications, Seth Faison, told Aidspan that the Audit and Ethics Committee (AEC) "needs to be given an opportunity to review the updated table before it is presented to the Board and subsequently released to the public." This item was not on the agenda of the AEC's latest in-person meeting in April 2013.

Some information has been included in the reports prepared by the General Manager and the Executive Director for two of the last three Board meetings. In September 2012, Gabriel Jaramillo reported that of the 29 cases of losses identified by the OIG, the Global Fund had recovered \$22 million in 13 of the cases. He added that eight other cases were in an advanced stage of resolution. Mr Jaramillo said that a senior management committee had been formed to oversee the recoveries process. (This has become known as the Recoveries Committee.)

Eight months later, in May 2013, Mark Dybul said that since the September 2012 report, an additional \$6.6 million had been collected in three of the 29 cases, and that there were firm commitments to recover another \$1.4 million. During the same period, Dr Dybul said, the OIG released 12 new audit and investigation reports that included findings of misuse representing an additional \$11.5 million. Dr Dybul said that to speed up the recoveries process, a cross-Secretariat team had been formed, working under the guidance of the Recoveries Committee.

Neither Mr Jaramillo nor Dr Dybul provided the total amount of losses that the Global Fund is seeking to recover. Based on information contained in the OIG's reports, Aidspan calculates the total amount of losses identified by the OIG as \$99.6 million. However, the Secretariat is not seeking to recover all of this money. In his report to the Board in May, Dr Dybul said that the Global Fund had determined that \$1.7 million could not be considered recoverable.

The \$1.7 million may (or may not) refer to the amount identified as losses in the audit the OIG conducted on Global Fund grants in the Philippines in 2009. At that time, the OIG identified \$1.77 million in ineligible expenditures in a grant managed by the Tropical Disease Foundation (TDF). The Secretariat attempted to recover the funds from TDF. But, in November 2012, the Global Fund reversed itself, saying, in effect, that it no longer considered the expenditures in question to have been ineligible (see [GFO article](#)).

There may be other amounts that the OIG identified as "losses" that the Secretariat has decided should not be pursued. There are at least two reasons for this. First, the precise amount of each loss is not always clear when the OIG releases a report on an audit or an investigation. Sometimes, subsequent to the audit or investigation, implementers provide documentation to support some expenditures that the OIG had labelled "unsupported" or "ineligible." In the last few years, at least, it has been up to the Secretariat to review this additional documentation and to determine whether the amount of losses should be modified.

Second, many people have argued that it would not be appropriate to seek to recover everything that the OIG identifies as a loss. In cases where the Global Fund has been defrauded, everyone agrees that the funds should be recovered. But what about cases where the OIG has labelled an expenditure as "unsupported" because a principal recipient (PR) has provided photocopies of receipts instead of originals? If the PR can show by other means that the activity in question took place, or that the goods in question were purchased, should the Global Fund be seeking to recover the full amounts involved? (See Bernard River's GFO commentary on [The Elephant and The Mouse](#).) Similarly, what about cases where the OIG declared an expenditure "ineligible" because it was not covered by the budget, but the PR can demonstrate that the expenditure significantly benefited the programme supported by the grant? Should the Global Fund demand that the full amounts involved be repaid?

However, we don't know whether the Global Fund is even debating these issues because we don't know anything about how the Recoveries Committee functions, or about the work of the cross-Secretariat team

that has been established.

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