



Independent observer
of the Global Fund

RECOVERIES BACKLOG IS BEING GRADUALLY REDUCED

The Global Fund continues to make progress – slowly – in recovering amounts owing due to fraud or improper use of grant monies based on reports by the Office of the Inspector General. From the inception of the Fund to 30 June 2015, \$39.9 million has been recovered, compared to \$34.4 million six months ago and \$29.2 million a year ago. As of 30 June 2015, the amount still to be recovered was \$55.1 million, down from \$64.1 million at the end of December 2014.

This information was contained in the recoveries report for the six-month period ending 30 June 2015 prepared by the Secretariat and presented to the Board at its meeting on 16-17 November.

During this period, for the first time, two cases were resolved by reducing allocations. (In January 2015, the Secretariat's Management Executive Committee approved a reduction of the country allocation by a factor of 2:1 as a "last-resort" approach to the resolution of difficult cases.)

The allocation for Bangladesh was reduced by \$4.2 million, twice the amount deemed recoverable following a 2012 investigation by the OIG into misappropriation of funds by a sub-recipient for an HIV grant. The Secretariat said that its country team for Bangladesh and senior management had engaged in extensive negotiations with the government of Bangladesh attempting to recover the amount, but that none of the efforts produced any results. The \$4.2 million cut in the allocation will be returned to a general pool for potential reinvestment in other countries.

Similarly, the allocation for Guatemala was reduced by \$3.2 million, twice the amount deemed recoverable following a March 2013 audit into that country's grants, after all other recovery efforts failed. The \$3.2 million will also be returned to the general pool.

Since 30 June 2015, the end of the period covered by the recoveries report, the Global Fund has reduced

the allocation in a third country: Nigeria, by \$5.3 million (see [GFO article](#)).

Since the OIG began reporting losses, there have been 62 cases, of which 24 have been fully resolved. The number of open cases as of 30 June stood at 38, down four from the previous period. During the period covered by this report, five new cases based on OIG reports were added while nine cases were fully resolved and closed.

The table below, based on information in the recoveries report, provides an overview of all OIG-related recoveries.

Table: Status of OIG-related recoveries as of 30 June 2015 (\$ 000s)

		Cases still open (38)	Cases fully resolved (24)	Total
OIG-reported figures	Misappropriated	27,540	3,250	30,790
	Unsupported	31,918	19,794	51,712
	Ineligible	21,837	16,210	38,047
	Other	3,315	3,028	6,343
	Total	84,610	42,282	126,892
Management adjustments		(14,885)	(9,544)	(24,429)
Gross amount deemed recoverable		69,725	32,738	102,463
Written off		(9)	(3,738)	(3,747)
Allocation reduction		(207)	(3,477)	(3,684)
Recovered		(14,383)	(25,523)	(39,906)
Amount still to recover		55,126	0	55,126
Commitment to repay		(10,848)	0	(10,848)
Balance outstanding		44,278	0	44,278

According to the recoveries report, there are very few “legacy” (i.e. pre-2014) cases remaining. The legacy cases are very time-consuming. Cases reported since 1 January 2014 are moving much more quickly thanks to the new process adopted in 2014 for determining recoverable amounts and pursuing the actual recoveries. (The report includes a description of this process.)

Further progress is expected in the period ending 31 December 2015 thanks to several steps that have been taken, including the hiring of a full-time recoveries officer in the Secretariat, and the development of action plans and targets for each case in 2015.

According to this recoveries report, the next report (covering the six months ending 31 December 2015) will include recoveries identified in the normal course of grant management (i.e. not originating from OIG audits and investigations). The next report will also contain a definition of “financial loss” which is something the OIG suggested the Recoveries Committee develop.

In its semi-annual progress report, also presented to the Board at its meeting on 16-17 November, the OIG noted that the recovery process has been slow, and that the processes to operationalize the methodology regarding recoverable amounts identified by the Secretariat itself are still being developed.

The Recoveries Report for the Period Ending 30 June 2015, Board Document GF-B34-20, should be available shortly at www.theglobalfund.org/en/board/meetings/34. The OIG’s progress report, Board Document GF-B34-06, should also be available shortly on the same site.

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