



Independent observer
of the Global Fund

NEWSPAPER ALLEGES INAPPROPRIATE EXPENDITURE BY GLOBAL FUND EXECUTIVE DIRECTOR

The Boston Globe today published an article alleging that Richard Feachem, Executive Director of the Global Fund, “has made extensive use of a little-known private bank account, spending hundreds of thousands of dollars on limousines, expensive meals, boat cruises, and other expenses.”

The article added that “Feachem also frequently dipped into the office’s petty cash, once spending \$225.86 to rent a suit for a wedding involving the Dutch royal family – and then double-billed the organization for the suit.” The article based most of its claims on an unpublished report by the Fund’s Inspector General, Ibrahim Zeekeh, who it said resigned with effect from last week for health reasons.

The article, written by John Donnelly, an award-winning writer on HIV/AIDS, quoted Allan Rosenfield, dean of Columbia University’s Mailman School of Public Health, as saying that Feachem’s spending was inexcusable. “The board has allowed this to happen,” he said. “They should be held accountable as well.”

The Global Fund’s management team responded vigorously today, saying that the article was “fundamentally inaccurate” and contained “a number of untrue or misleading statements”. The Fund added that “no use [of the bank account in question] has been excessive, unreasonable or unnecessary”; that the Inspector General’s report which the Globe drew upon was “of extraordinarily poor quality”; and that the Fund’s board has always had oversight over use of the bank account.

Asked by GFO to comment on the Fund’s responses to his article, Donnelly replied “I think the story’s accuracy stands for itself.”

Feachem, a British citizen who last month was granted a knighthood by Queen Elizabeth II, will serve as

the Fund's Executive Director (ED) until his contract ends on March 31.

The main charges made in the Boston Globe article, and responses by the Fund's management, are as follows.

- Boston Globe: Feachem drew upon a "little-known" bank account that the Fund maintains with Credit Suisse, using it "as a private fund for business expenses, bypassing the normal channels for reimbursement through WHO." Global Fund response: The account is neither little-known nor private. It is operated under the oversight of a board committee. All board members receive reports on its use. No use has been excessive, unreasonable or unnecessary. Use by the Executive Director did not amount to "hundreds of thousands of dollars".
- Boston Globe: In August 2006, the Fund's Inspector General completed a 40-page internal report examining how the Credit Suisse account had been used. (Many of the points in the Globe article are based on this report; other points are based on other Global Fund documentation.) The Inspector General's report said that Feachem's spending habits created "potential risks," including loss of donor confidence because of "inadequate internal controls over funds," and that "senior management failed to convey and reinforce the need for careful and prudent use of donor funds." GF response: The Inspector General's report was "of extraordinarily poor quality in terms of accuracy, context, and fairness."
- Boston Globe: The full Global Fund board was not given copies of the Inspector General's report. GF response: A board committee reviewed the report, and recommended that it be kept confidential from other board members until a management response had been received. The full board will discuss the report and the management response, together with an independent review of the Inspector General's work, at a meeting on Friday February 9. The Vice Chair of the board said that not making the report public was necessary to protect the Global Fund and its employees.
- Boston Globe: A separate report, by WHO, also unpublished, found that use of the Credit Suisse account involved "abnormal" payments that WHO probably would not have approved. These included lump-sum payments by the Fund of \$5,000 each to seven managers at the Fund that were described as back pay. GF response: No response was produced by the Fund in writing to this point. But in an interview with GFO, a Fund spokesman stated that all payments from the Credit Suisse account are in some sense "abnormal" in that they are not part of the normal WHO procedure and are not controlled by WHO, which has oversight over most Global Fund administrative expenditure. Certain GF staff were given promotions on the understanding that their salary increases would be delayed but that once the formalities had been completed they would receive back pay for the intervening period. WHO had the right to provide such back pay, but was not required to. WHO decided not to do so. To help make up for this, the Fund provided lump sum payments of \$5,000 from the Credit Suisse account. The board was informed of this and did not object.
- Boston Globe: Feachem has earned roughly \$320,000 a year (including a housing subsidy) without having to pay income tax, whereas Peter Piot, head of UNAIDS, earns \$230,000, and Mark Dybul, head of PEPFAR, earns roughly \$145,000 and, unlike the other two, has to pay income tax. Feachem paid close attention to the terms of his compensation, and his first contract with the Global Fund took months to negotiate. GF response: The remuneration of the Executive Director, as agreed by the Board, is the standard package for the grade of UN Under-Secretary General, with the addition of a Board-approved rent allowance in respect of which a deduction is made from salary. (In a clarification provided telephonically to GFO, the Fund said that although there is a standard salary rate for people employed at the USG level, the people in question sometimes succeed in negotiating a higher rate, which is what happened with Dr. Feachem.)
- Boston Globe: Feachem spent \$225 to rent a suit for a wedding involving the Dutch royal family, and then double-billed the Global Fund for the suit. GF response: The double-billing was a mistake that was rectified as soon as it was discovered. The formal suit was needed for a royal wedding at which the Fund was the nominated recipient of guests' donations. The ED very rarely seeks expense

reimbursement through petty cash.

- Boston Globe: Feachem spent between \$91 and \$930 a day for limousines in London, Paris, Rome, Washington, and San Francisco, averaging \$376 a day. "I'm familiar with cost of limousines in New York City, but this is beyond the pale," said Willem Landman, chief executive officer of Ethics Institute of South Africa, a nonprofit group. GF response: The average cost was actually \$341 a day, which is a fairly standard rate in Europe. Unlike the Fund's ED, people of his rank in UN agencies have permanent access to car and chauffeur, including when they visit other cities.
- Boston Globe: Senior staff (not necessarily the ED) charged \$8,780 for a boat cruise on Lake Geneva in Switzerland; \$8,436 for a dinner in Davos, Switzerland, for 63 people; \$5,150 for a meal and drinks for 74 staff members at a retreat at Montreux, Switzerland; and \$115 for champagne at a retreat. GF response: The "boat cruises" referred to in the Globe's opening paragraph relate to a single event, an end-of-year Global Fund staff party for 110 people which was held on a boat restaurant in Geneva. The "dinner in Davos" was for a reception to publicize the Global Fund to a group of international decision makers at the World Economic Forum in Davos. The purchase of champagne was authorized by a senior manager, not the ED, and was to congratulate that manager's team for meeting a major milestone.
- Boston Globe: Feachem spent \$1,695 for a dinner for 12 people at the US Senate dining room in Washington. GF response: The dinner cost \$69 per person, plus some overtime charges. The WHO limit is \$75.
- Boston Globe: Feachem typically spent \$50 to \$100 per person on his meal expenses. GF response: The meal costs were for business meetings and were very rarely at the upper end of the range specified. The UN guideline for business hospitality allows for dinner costs of \$75 in Washington and \$73 in Geneva.

The Boston Globe article is available at

www.boston.com/news/nation/articles/2007/02/05/disease_fighting_funds_expenses_hit". Some responses by the Fund's management are contained in the article. More detailed responses by the Fund are available at <http://www.theglobalfund.org/en> and at www.theglobalfund.org/en/media_center/press/an_070205.asp.

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