



Independent observer
of the Global Fund

Donor Timidity

In June 2002, Richard Feachem, who had just been appointed as the Global Fund's first Executive Director, painted an unconventional vision for the Fund in a [speech](#) he made in Washington DC. "We will take risks. We will fail. We will make mistakes. We will learn, and we will move ahead."

A few months later, Feachem told the Global Fund board that the Fund's work could be defined by three priorities: "Raise it, Spend it, Prove it." At that time, a lot of people, including me, thought that "Raise it" would be the hardest part, and "Spend it" would be the easiest part. We were wrong. Spending billions of dollars transparently, accountably, effectively, and in ways that allow grant planning and implementation to be "country led", is very hard – which is the main reason why the Fund currently has six hundred staff rather than the fifty that it originally anticipated.

The last ten days have shown not only how hard it is to be the flexible innovative institution that Feachem envisioned, but also how timid some of the Fund's donors can be when the going gets tough.

To illustrate why "Spend it" is not a simple matter, let's take a look at the Fund's grants to Mauritania, where, as reported in GFO [107](#), [125](#) and [139](#), there was extensive fraud lasting several years. With the wisdom of hindsight, we can see that those particular grants represented a "perfect storm" of risk factors. First, by Global Fund standards, the grants were small, so they were originally overseen in Geneva by a fund portfolio manager (FPM) who was relatively junior and who was also responsible for two other countries. Second, a different FPM was then assigned almost every year since then. Third, much of the funding was, quite legitimately, forwarded by the principal recipients (PRs) to sub-recipients (SRs) and sub-sub-recipients (SSRs), thereby putting the management of that money at one or two steps removed from the people who were assigned to oversee the PRs. Fourth, many of the approved grant activities involved transient things like training sessions conducted by the SRs and SSRs, which made it relatively

easy for them to invoice the PRs, with fabricated backup documentation, for fictitious events that never took place – which is what happened, to an astonishing degree. (For some examples of fraudulent documentation, see “Fraud and Abuse in Global Fund grants” [here](#).) Fifth, the grants focussed almost entirely on the supposed delivery of services, and did not devote any meaningful amounts of money to strengthening managerial skills within the PRs. (If they had, the corruption might have been avoided, or detected at an early stage.) Finally, the Fund did not spell out clearly how the responsibility for detecting possible fraud by SRs and SSRs was supposed to be divided between the PRs, the FPM, and the local fund agent (LFA), not to mention the CCM.

Of course, the Global Fund spotlight is now shining hard on Mauritania, where the Fund has suspended one grant and closed two others at the end of Phase 1, where people have been arrested for corruption, and where the government has been required to return money to the Fund.

Clearly, the task of detecting fraud is more challenging, and the cost of doing so is greater, than the Fund recognised until last year. But at least the Fund is tackling the issue forcefully and openly. As I asked in my [Commentary](#) on this topic last week, how many grant-making institutions such as PEPFAR, DFID, USAID, UNDP, Gates Foundation, Norad, SIDA and the World Bank have committed to publish at their website, unedited, the findings of an Inspector General who has the freedom to investigate grant recipients at will? I have yet to find one who has.

The plain fact is that the Global Fund has been severely penalised, by the media and some of its donors, for doing what similar institutions have not had the courage to do.

Let’s go through the sequence. First, the Global Fund’s Office of the Inspector General (OIG), as per its mandate, conducted in-depth audits and investigations in multiple countries and, when it encountered fraud, the Fund published the OIG’s [reports](#) at the Fund’s website. Then the Global Fund board discussed these findings extensively at its meeting in December. Then, on January 23, the Associated Press published an [article](#) entitled “Fraud Plagues Global Health Fund” (which contained no data beyond those already-public findings). The story was picked up by 250 media outlets around the world. On witnessing the enormous press coverage, Germany and Ireland immediately expressed great concerns and put their contributions to the Fund on hold. (Sweden had already done so, upon reading the OIG’s reports.) “We have initiated a special enquiry and stopped all German payments into this fund until further notice,” a spokesperson for Dirk Niebel, the German development minister, [said](#). Niebel’s press office [told](#) Nature that the media’s corruption reports had come as a surprise.

“We are surprised that Germany is surprised,” tartly responded the Global Fund’s spokesperson Jon Liden. Germany is represented on the Global Fund board, had received the OIG’s reports last year, and had participated in the Board’s December discussions about all this several weeks before the AP ran its story.

Certainly, and deservedly, the Global Fund Secretariat is a bit shell-shocked, having learned some sharp lessons about the need to be constantly on the watch for corruption (and about the unpredictability of the press). What annoys me is the inconsistent position taken by some of the donors on the Global Fund board. A responsible board for any organisation should devote considerable energy to checking whether it has solid confidence in the Executive Director and the Secretariat that he/she leads. If any board members do not have this confidence, they should say so, and they should be willing to resign if things don’t improve. Otherwise, board members should firmly back the organisation and its Executive Director. No board members resigned when this matter was fully discussed at the December board meeting, and no resolution was passed criticising how things had been handled. But I’ve only found two donor board members (namely, the [Global Business Coalition](#), representing the private sector, and the [Gates Foundation](#)) that, since the AP story, have issued statements backing the Fund.

One problem with the Global Fund board is that the representation is, in many cases, not senior enough. Mid-level bureaucrats represent their countries on the board, where they discuss issues in mind-numbing detail. But then when things get hot, some of their ministers take new positions in order to satisfy their own constituencies.

The Global Fund is far from perfect. But it is doing a credible and improving job on corruption – and on being open about its methods and findings. It deserves better support from its donors as it continues to implement the vision of flexible innovation that Richard Feachem first enunciated in 2002.

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STOP PRESS:

As GFO was going to press, we learned of a 2 February news story by Fox News entitled “Exclusive: Global Fund Backed by Bill Gates to Launch Probe in the Wake of Fraud.” The story [said](#):

“An independent probe into fraud allegations ... will be announced later this week ... Fox News has learned. ... Its imminent announcement was officially confirmed to Fox News by Jon Liden, a spokesman for the Global Fund ... who added that ‘an independent, trusted individual’ will be named as head of the probe, which the fund prefers to call a ‘review.’ ... According to Liden, ‘all donor countries’ to the fund would be invited to participate in the review. ... German Development Minister Dirk Niebel, who initially sparked the funding freeze, has said that the funding freeze will stay in place until the investigation finishes its work, which he anticipates will be this summer. According to Germany’s Niebel, the fund has ‘given an assurance that the ongoing treatment of sick people will not be compromised at any point by the investigations.’ But according to the fund’s spokesman, ‘any withholding of a German contribution for 2011 will affect our ability to sign grants approved for funding in December 2010.’ ”

As of 10:30 am Geneva time on 3 February, this news does not feature at the Global Fund web site.

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