



Independent observer
of the Global Fund

Fund Reverses Demand that Former Philippines PR Repay \$1.77 Million

The Global Fund has reversed a demand that it imposed three years ago that the Tropical Disease Foundation (TDF), a principal recipient (PR) in the Philippines, repay the Fund \$1.77 million of grant money. When the Fund imposed that original demand, it terminated all five of the PR's grants; the Fund said at the time that the money had to be repaid because it constituted "unauthorized expenditure" by the PR. The PR now does not have to repay anything, and has been welcomed back as a potential implementer of Global Fund grants.

Until a few months ago, the Fund had ignored multiple protests by TDF that the terminations and the required repayments were unjustified.

The sequence of events was as follows:

On 24 September 2009, the Fund issued a [press release](#) saying it had suspended all five of its grants to TDF, the main PR in the Philippines. (The suspensions later turned into terminations.)

The press release said that the grants were suspended because the OIG had found evidence that TDF had incurred about \$1 million (an estimate later increased to \$2.02 million) in "unauthorized expenditure" (also described as "activities beyond the terms of the grant agreement"). The Fund demanded repayment of this money.

TDF responded to the suspension with a [press release](#) complaining, in effect, that after the Fund and TDF signed a grant agreement and the TDF incurred some expenditures that were within the terms of that grant agreement and were audited, the Fund introduced new policies which caused these already-made

expenditures to become “unauthorized.”

TDF was barred from implementing Global Fund grants. In December 2009, other PRs took its place for all five grants. It was only at this point that TDF was shown anything in writing to describe or substantiate the OIG’s claims; prior requests for such documentation had been rejected.

TDF rapidly repaid \$0.25 million of the claimed money, but refused to repay the remaining \$1.77 million because it disputed that it had misused that part of the money.

The OIG provided further details regarding its complaints regarding TDF in an audit [report](#) that it published in February 2010.

In April 2010, TDF sent the Secretariat and the Global Fund Chair a full position paper describing its objections to the OIG’s findings. The Fund did not respond for six months, at which point the Deputy Executive Director responded that the Fund stood by the OIG report.

TDF commissioned an independent audit of the expenditures that had been criticised by the OIG. According to a TDF board member, the independent audit found that many of the OIG’s claims were based on “carelessness and mathematical errors” by the OIG.

In November 2010, a TDF board member wrote a lengthy memo about the case to a Global Fund board member, who shortly thereafter wrote an email to the author of this article saying that “it seems that the OIG fills all the roles of investigator, prosecutor, judge, jury and executioner with no oversight, no checks and balances and no legitimate appeals process.”

Despite all the above, the OIG and the Secretariat did essentially nothing about the case until eighteen months later, May 2012, when Gabriel Jaramillo, the Fund’s General Manager, agreed to a request by the Minister of Health of the Philippines that the Fund look into the case.

Missions to the Philippines by the Secretariat, the OIG and independent experts then took place. Old documentation was examined again. These missions, and the Fund’s evaluation of their findings, lasted until just before this month’s Global Fund Board meeting in Geneva.

The Global Fund finally concluded that it could not make a clear case that any of the \$1.77 million it was claiming from TDF actually did involve unauthorised expenditure. The Fund therefore determined that TDF did not have to pay the Fund anything. (As mentioned above, a further \$0.25 million claimed by the Fund had already been repaid by TDF three years ago.)

On 20 November 2012, the Global Fund posted a [statement](#) at its website saying that the Fund and TDF “have reached an amicable resolution of a dispute stemming from an audit by the Global Fund’s Office of the Inspector General in 2009. The Foundation will be welcomed back as an implementer of Global Fund-supported health programs in the Philippines.” TDF added “We are happy that our efforts all these years have borne fruit.” No mention was made of most of the background, or of the fact that TDF no longer has to repay anything to the Fund.

Editor’s Note: The TDF affair is discussed in a Commentary [here](#).

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