

GLOBAL FUND OBSERVER (GFO), an independent newsletter about the Global Fund provided by Aidspace to nearly 10,000 subscribers in 170 countries.

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## CONTENTS

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### [1. NEWS: OIG Releases Reports on Three Audits and Four Diagnostic Reviews](#)

In the first week of August, the Office of the Inspector General released seven new reports covering audits conducted in Burundi, Malawi and Ukraine; and diagnostic reviews undertaken in Eritrea, Gambia, Georgia and Peru. The OIG found no evidence of grant funds having been misappropriated. In the audit of grants to Malawi, the OIG identified expenditures of \$4 million that it deemed ineligible or unsupported. Malawi has already agreed to pay back at least \$3.3 million.

### [2. NEWS: Reports Document Adverse Impacts of Cancelling Round 11](#)

According to two reports recently released, the cancellation of Round 11 has had a significant impact on programmes, particularly those being implemented by civil society organisations. The reports were based on surveys conducted by (a) the Open Society Initiative for Southern Africa and the Open Society Foundations; and (b) UNAIDS. Programme scale-up and even some essential life-saving interventions that were planned by countries were halted.

### [3. NEWS: Reaction to Spain's Contribution to the Global Fund Is Mixed](#)

Salud por Derecho, a Spanish right to health foundation, and Médecins Sans Frontières have described the contribution to the Global Fund recently announced by Spain as "unreasonably low." An [article](#) in GFO 190 had reported that Spain will contribute €10 million for 2012, and that activists and other observers considered it to be a positive development given Spain's current economic situation.

### [4. NEWS: Sub-Saharan African Delegations to the Global Fund Board Introduce Major Reforms](#)

At a consultation meeting convened by Dr Mphu Ramatlapeng, Vice-Chair of the Global Fund Board, the two sub-Saharan African constituencies on the Board made significant changes to the way their representatives are selected and how the constituencies operate. The current rotation-based selection system will be discarded.

### [5. NEWS: OIG Releases Report on Its Investigation of an SR in Bangladesh](#)

In a report released in early July, the Office of the Inspector General said that a sub-recipient in Bangladesh misappropriated \$1.9 million of Global Fund money. The SR disagreed with the OIG's findings.

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## **1. NEWS: OIG Releases Reports on Three Audits and Four Diagnostic Reviews**

*No evidence of grant funds being misappropriated*

**Ineligible and unsupported expenditures of \$4 million identified in one audit; country has agreed to pay back at least \$3.3 million**

In the first week of August, the Office of the Inspector General (OIG) released seven new reports covering audits conducted in Burundi, Malawi and Ukraine; and diagnostic reviews undertaken in Eritrea, Gambia, Georgia and Peru.

### **Audits**

The OIG found no evidence of funds having been misappropriated in any of the audits. In the Malawi audit, the OIG identified expenditures of \$4 million that it said were ineligible or unsupported and should be repaid. In the Burundi audit, the OIG identified a small amount (\$30,724) that it said should be repaid. The OIG said most of this amount constituted over-payments of invoices or claims, many of which were related to travel per diems. The OIG did not identify any amounts that should be repaid in the Ukraine audit.

Of the \$4.0 million in ineligible and unsupported expenditures in the Malawi audit, \$3.8 million was attributed to the National AIDS Commission and \$0.2 million to the Ministry of Health. These were the two principal recipients (PRs) for the seven grants awarded to Malawi. Malawi has agreed to refund \$3.3 million. The country has submitted additional documentation to support the remaining expenditures that the OIG deemed to be ineligible and unsupported. Depending on the outcome of the review of this additional documentation, Malawi may agree to repay more.

As it has in almost all audit reports, the OIG noted that while the programmes supported by Global Fund grants in Burundi, Malawi and Ukraine had achieved some notable successes, there were significant weaknesses in financial, procurement and sub-recipient management.

The OIG noted that in the case of Malawi, the Global Fund Secretariat, the PRs and the CCM had developed action plans to address the shortcomings identified in the audit, and had started implementing these plans.

With respect to Ukraine, the OIG report said that the CCM and the PRs have shown strong commitment to take action to address the weaknesses revealed in the audit. The audit report listed a number of actions already taken by the International HIV/AIDS Alliance in Ukraine (Alliance-Ukraine) and the All Ukrainian Network of People Living with HIV/AIDS, the two PRs currently managing grants in that country.

Finally, regarding Burundi, the audit report indicated that the four PRs – SEP-CNLS, PNL, RBP+ and CED-CARITAS – have already implemented a number of the recommendations made by the OIG.

GFO will report in more detail on the three audit reports in the near future.

### **Diagnostic reviews**

A diagnostic review is different from a country audit. Audits take an historical perspective; they comprehensively review grant implementation over time to substantiate whether grant funds have been used for the purpose intended. Diagnostic reviews look at the grants at a given point in time to identify the key risks to which grant programmes are exposed. In

addition, in a diagnostic review, no overall opinions are provided and no assurance is provided regarding how grant funds were spent.

For the four diagnostic reviews carried out in Eritrea, Gambia, Georgia and Peru, the OIG said that the purpose of the reviews was to identify and share good practices, identify key risks to which grant programmes were exposed, and make recommendations for risk mitigation where weaknesses and gaps were found.

In all four reviews, the OIG found evidence of successful national responses and good practices. However, the OIG also identified weaknesses in the management of the grants and risks that could impede successful outcomes of the programmes supported by the grants.

The report on the diagnostic review in Eritrea contains a list of actions that the PR, the Ministry of Health, has agreed to implement in response to the review's findings. Similarly, the Gambia report contains a list of actions that the CCM and the PRs have said they would implement. There are six PRs in Gambia: the National AIDS Secretariat, the National Malaria Control Programme, the National Tuberculosis and Leprosy Control Programme, the Medical Research Council, Catholic Relief Services and ActionAid International.

The report on the diagnostic review in Peru contains a list of actions that grant implementers have agreed to take in response to the OIG's findings. The PRs for the grants in Peru are CARE Peru, Pathfinder and Parsalud.

In a letter included in the report on the diagnostic review in Georgia, Global Fund General Manager Gabriel Jaramillo said that the CCM and the PR (the Global Projects Implementation Center) have taken steps to address the OIG's recommendations and have also adopted interim mitigation measures (which will be in place until the most important recommendations are fully implemented).

We will report in more detail on the four diagnostic reviews in future issues of GFO.

*The OIG reports on the audits and diagnostic reviews are available on the Global Fund website [here](#).*

[TOP](#)

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## **2. NEWS: Reports Document Adverse Impacts of Cancelling Round 11**

*Declines in expected funding have impaired the ability of countries to scale up, and have threatened to disrupt current services*

### **Programmes run by community-based organisations have been hard hit**

The cancellation of Round 11 by the Global Fund has had a significant impact on programmes to fight AIDS, TB and malaria including, in particular, programmes being implemented by civil society organisations (CSOs). Programme scale-up and even some essential life-saving interventions that were planned by countries were halted.

These are some of the findings of two surveys that were undertaken recently. One survey was conducted in March 2012 by the Open Society Initiative for Southern Africa (OSISA)

and the Open Society Foundations (OSF) in three countries: Swaziland, Malawi and Zimbabwe. A [final report](#) on this review was released in late July.

The second survey was conducted by UNAIDS as a rapid internal data collection exercise to explore ways to support countries in managing the repercussions of declines in expected funding. The agency surveyed 91 UNAIDS country coordinators in December 2011, immediately after Round 11 was cancelled. Eighty-two offices responded. No final report on this survey has been published. However, a draft internal report was disseminated to partner organisations. In addition, a summary of the findings was presented at a session held on 25 July at the International AIDS Conference in Washington, DC. (The presentation was not made by UNAIDS. The session was held in the Global Village and was not part of the official programme.)

*Editor's Note: This article provides brief summaries of the findings of these two surveys. Much has occurred since the two surveys were conducted, particularly the UNAIDS one. The Global Fund has instituted significant reforms, the Fund's revenue situation has improved, and the Fund is expected to launch a new funding opportunity (using a new model) in the coming months. All surveys have their limitations. The OSISA/OSF survey was conducted primarily in only three countries. The UNAIDS survey results reflected only the opinions of UNAIDS country coordinators at the time the survey was conducted – i.e. right after Round 11 was cancelled. Nevertheless, we feel that it is important to bring to the attention of our readers what various organisations have said about the impact of the decision to cancel Round 11.*

### **OSISA/OSF survey**

The OSISA/OSF survey found that because of diminished funding, including the cancellation of the Global Fund's Round 11, countries like Swaziland, Malawi and Zimbabwe are concentrating on safeguarding supplies of medical commodities. In the process, they are shifting budgets away from human rights programming, community mobilisation, community programme design and delivery, politically sensitive programmes for most-at-risk populations (MARPS), and community systems strengthening (CSS) – with adverse effects on civil society organisations (CSOs).

The report quotes Khanya Mabuzo, deputy director of the National Emergency Response Council on HIV and AIDS (NERCHA), as saying that in Swaziland all HIV prevention programmes, except for the prevention of mother-to-child transmission (PMTCT) and male circumcision, have been halted until 2013.

The report said that Malawi has had to postpone plans to switch existing HIV patients to newer, better tolerated drugs. In Zimbabwe, planned HIV and TB policy dialogues have had to be cancelled; and the national TB programme will be negatively affected because it was established with money from the Global Fund and is wholly financed by the Fund.

The report said that had Round 11 not been cancelled, it would have been “a watershed moment” in southern Africa. Some countries, including Swaziland, were planning to include interventions for sex workers and men-who-have-sex-with-men (MSM) in Global Fund proposals for the first time. In Swaziland, there were plans to include activities addressing the HIV prevention needs of a small community of injecting drug users.

In addition, Round 11 funding would have supported community-based NGOs to provide treatment literacy and adherence support; implement community education, mobilisation and prevention efforts; and address barriers to treatment, care and support. A new funding window would have allowed countries to fill critical gaps in HIV and TB treatment,

diagnostics and the provision of other commodities; to scale-up prevention interventions such as PMTCT and male circumcision; and to strengthen health systems.

All of the CSOs interviewed reported that organisations within their networks had been affected by the declines in expected funding, and have had to cut programmes, retrench staff and, in some cases, close down completely.

The report argues that, due to funding constraints, CSOs are unlikely to see much relief in the future. They will have problems finding new donors because of the way the Global Fund's Transitional Funding Mechanism (TFM) is structured; and because of the impact of the decline in expected funding on Phase 2 renewals of existing grants.

The report said that grant renewals have been negatively affected by the funding situation. In Zimbabwe, for instance, under a recently approved agreement for Phase 2 of a Round 8 HIV grant, significant cuts were made to the budget that had originally been approved for Phase 2. For example, funding for behaviour change communication in communities and schools were reduced by more than half; budgets for institutional capacity building and for strengthening PLWHIV networks were lowered by 27%; and funds for programmes to support orphans and vulnerable children suffered a 17% cut.

The report made several recommendations, including that the Global Fund Board should issue a new call for applications as soon as possible that emphasises the importance of investing in "critical enablers" such as programmes to address human rights and barriers to accessing services; and that the Global Fund should develop a specific strategy on how CSOs will be supported.

### **UNAIDS survey**

According to the draft report of the UNAIDS survey, funding shortfalls, including the cancellation of the Global Fund's Round 11, raise serious doubts about the ability of many countries to reach the 2015 targets set at the 2011 United Nations High Level Meeting on AIDS.

The 2015 targets include: reducing sexual transmission of HIV by 50%; reducing HIV transmission among people who inject drugs by 50%; ensuring that no child will be born with HIV; increasing universal access to antiretroviral therapy to get 15 million people onto life-saving treatment; and reducing TB deaths in people living with HIV by 50%.

Many UNAIDS country coordinators believed that countries might face service disruptions over the next few years if there were no new Global Fund money before 2014. The coordinators said that programmes for key populations and those managed by community groups might very well be worst affected due to the current crisis because, in most countries, these programmes are funded predominantly through the Global Fund. Specifically, 58% of coordinators were concerned about PMTCT service disruptions, and 62% were worried about a disruption to HIV-TB services.

In addition, at the time of the survey, many of the coordinators feared that services for MARPs would be hit badly: 79% of services for men who have sex with men and 79% of services for sex workers were perceived to be at moderate or high risk of not having the resources to scale up.

The UNAIDS Country Coordinators also reported concerns around funding for community groups and said that the critical role that communities play in prevention, treatment, care and support might be severely hampered.

The report provided numerous examples of the possible impact of the cancellation of Round 11 on individual countries. The following are three such examples:

- Although **Uganda's** health systems strengthening proposal was approved in Round 10, the HIV component was not. A Round 11 submission would have covered PMTCT, antiretroviral therapy and care, and services for sex workers and men who have sex with men.
- In **Djibouti**, treatment coverage currently stands at 21%. Its new strategic plan for 2012–2016 includes plans to increase national coverage to 80% by 2015, but the country was relying on Round 11 success to achieve this.
- In **Pakistan**, Round 11 was to have been an opportunity to increase services for transgender people. The target was to reach 60% of the estimated 43,000 transgender people in the country.

### Other studies

Since the beginning of 2012, several reports have been issued on the negative impacts of the decision to cancel Round 11. These include:

- "[Don't Stop Now: How Underfunding the Global Fund to Fight AIDS, Tuberculosis and Malaria Impacts on the HIV Response](#)," 24 January 2012, International HIV/AIDS Alliance (see [GFO article](#));
- "[Lives in the Balance: The Need for Urgent HIV and TB Treatment in Myanmar](#)," Médecins Sans Frontières;
- "[Quitting While Not Ahead: The Global Fund's Retrenchment and the Looming Crisis for Harm Reduction in Eastern Europe and Central Asia](#)," May, 2012, Eurasian Harm Reduction Network; and
- "[The Global Fund: Progress at Risk](#)," July 2012, Action (Global Health Advocacy Partnership).

### Reaction

Peter van Rooijen, Executive Director of International Civil Society Support, told GFO that what is important about these reports is that they all point in the same direction: (a) there are serious impacts to cancellation of R11, and (b) there are substantial funding gaps. "Whether countries would have been successful in Round 11, or not, is not the point," Mr van Rooijen said. "More importantly, these studies point to the planned potential for important life saving interventions and scale-up that have been halted due to the cancellation."

Mr van Rooijen said that although the situation may be partly alleviated by the Transitional Funding Mechanism (TFM) and by an accelerated introduction of the Global Fund's new funding model, "the point is that the Global Fund Board and Secretariat never monitored or reviewed the impacts of the decision to cancel Round 11. This was a serious omission."

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### 3. NEWS: Reaction to Spain's Contribution to the Global Fund Is Mixed

Salud por Derecho (Salud), a Spanish right to health foundation, and Médecins Sans Frontières (MSF) have described the contribution to the Global Fund recently announced by Spain as "unreasonably low."

As reported in a GFO [article](#) on 25 July: Around the time of the International AIDS Conference in Washington, DC on 22-27 July, Spain announced that it would contribute €10 million (about \$12.1 million) for 2012. In that article, GFO said that although the amount is lower than what Spain pledged and contributed in previous years, activists and other observers considered it to be a positive development given Spain's current economic situation.

However, Salud and MSF do not share that view. Vanessa Lopez, Director of Salud, said, "With this announcement Spain returns as a donor to the Global Fund, but the contribution is so low that its impact will be very limited."

According to data posted on the Global Fund website, between 2003 and 2009, Spain contributed \$578 million, an average of \$83 million a year. In 2009, the last year of this seven-year period, Spain contributed \$214 million. In 2010, Spain pledged \$250 million but ended up contributing only \$134 million. The country did not make any contribution in 2011.

Meanwhile, on 25 July, the Global Fund issued a [news release](#) in which it referred to Spain's contribution as "a resumption of funding that signals Spain's deep commitment to disease prevention and treatment." Gabriel Jaramillo, General Manager of the Global Fund, said, "I am deeply moved by this contribution, coming in the midst of such a fantastically serious economic crisis."

According to the Global Fund's news release, Spain ranks as the ninth largest donor to the Global Fund based on its cumulative contributions.

*The news release issued by Salud and MSF is available, in Spanish, on the website of Salud [here](#). A spread sheet containing data on pledges and contributions is available on the Global Fund website [here](#).*

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#### **4. NEWS: Sub-Saharan African Delegations to the Global Fund Board Introduce Major Reforms**

*Current rotation-based selection system will be discarded*

The two sub-Saharan African constituencies on the Global Fund Board have made significant changes to the way their Board representatives are selected and how the constituencies operate. These changes were made at a consultation meeting of two constituencies on 9–11 July in Johannesburg, South Africa. The meeting was convened by Dr Mphu Ramatlapeng, Vice-Chair of the Global Fund Board, and former Minister of Health of Lesotho.

About 60 people from 30 African countries attended the meeting, including some ministers of health. They were joined by representatives of the Global Fund Secretariat, multilateral agencies and civil society. An Ad Hoc Working Group spent several months preparing concept papers and other essential documentation before the meeting.

The most significant changes involve the adoption of a selection process based on competency and the establishment of a form of secretariat to provide support to the constituencies.

Sub-Saharan Africa has two of the seven Board seats set aside for governments of implementing countries. The constituency for one of the seats is the 19 countries of West and Central Africa; and for the other, the 22 countries of Eastern and Southern Africa. Each constituency can name a Board member, an alternate Board member and up to eight additional persons to participate in its delegation. One of the delegation members serves as a communications focal point.

The purpose of the meeting was to identify ways to improve sub-Saharan Africa's engagement with the Global Fund Board and increase the continent's impact on Board decision-making.

The changes were made because the two constituencies considered that they currently have only minimal influence on the decisions of the Global Fund Board. They attribute this to ineffective representation caused, in part, by the fact that up to now the representatives have not been selected on the basis of competency. Instead, each delegation's representation has been based on an alphabetical rotation among the countries in the constituency. As a result, often the representatives have limited knowledge or experience with the Global Fund and are unable to participate meaningfully at Board meetings.

In addition, the two constituencies believed that communications between the Board delegations and the countries they represented was inadequate.

The constituencies decided that the process to select their constituency representatives (i.e. Board members, alternates, communications focal point and other delegation members) will involve a transparent call for nominations, preparation of a short list by a screening panel, and a final vote by the governments of the countries making up the constituency. Terms of reference (TORs) will be developed for each constituency representative role, setting out minimum requirements with respect to technical competence, experience and time availability. The TORs will include performance indicators.

A single "bureau" will be established to provide support for both constituencies. Each constituency will appoint a constituency focal point. The two focal points will work together in the bureau. In future, the bureau may have additional staff resources.

The two constituencies agreed on the following additional changes:

- Representatives will serve for two years but cannot serve for two consecutive terms. They will be eligible to be considered again after "sitting out" for two years.
- Board members and alternates will be from different sub-regions. For example, if the Board member for the Eastern and Southern Africa constituency is from Eastern Africa, the alternate will be from Southern Africa.
- Standard operating procedures (SOPs) will be developed for each constituency. Among other things, the SOPs will describe the process for evaluating constituency representatives and actions that can be taken in the event of weak performance.
- Constituency positions will be developed by broad consultation prior to each meeting of the Global Fund Board and its committees. Whenever possible, this will involve an in-person meeting, and could involve joint meetings between the two constituencies to discuss areas of common ground.
- Each country in a constituency will identify a country focal point. This person will ensure that relevant information is broadly disseminated within the country, and that feedback is provided to the constituency representatives.

The constituencies decided that a resource mobilisation plan will be developed to support the changes in the way the constituencies will function.

“This was an excellent meeting,” said Dr Mphu Ramatlapeng. “It was the first time that the two African constituencies came together to discuss their representation within Global Fund governance structures. They made some important decisions on how they will select representatives and support them with good analysis and a consultative process so that they can come to Board and Committee meetings and represent the views of the countries in their constituencies clearly and accurately.”

The changes made by the two sub-Saharan African constituencies are considered to be an important element of the Global Fund governance reform process currently under way.

*For more information on the outcomes of the consultation meeting, contact Rangarirai Chiteure, Coordinator of the Zimbabwe CCM Secretariat ([email](#)).*

[TOP](#)

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## **5. NEWS: OIG Releases Report on Its Investigation of an SR in Bangladesh**

*Alleges that \$1.9 million was misappropriated*

### **SR disagrees with the findings**

In early July, the Office of the Inspector General (OIG) released its final report on an investigation into Padakhep Manabik Unnayan Kendra (PMUK), a sub-recipient (SR) and a sub-SR for several HIV grants in Bangladesh. The investigation was conducted between May 2011 and March 2012.

PMUK has been working in the fields of micro-credit, education, health, agriculture and environment for 25 years with funds from various international donors. According to the PMUK website, it has more than 20 projects currently underway.

The OIG found that substantial funds were misappropriated during the period from 2004 to 30 November 2009. During this period, PMUK received disbursements of \$3,625,428 as an SR for two grants, one from Round 2 and one from Round 6, for which the PR was the Government of Bangladesh. During this period, Save the Children USA (SC) served as a management agent (MA), providing support to the PR in the implementation of the grants. In December 2009, SC became the PR for both grants.

The OIG said that it identified a fraud scheme that was executed by PMUK that resulted in the misappropriation of grant funds totalling at least \$1.9 million (52% of the amount disbursed to PMUK). The OIG said that the nature, extent and longevity of the fraud, coupled with what the OIG said were continuous efforts on the part of PMUK to interfere with efforts to investigate the fraud, means that there is a significant risk that the full amount disbursed to PMUK was misappropriated.

Although the OIG said that this is the final report on PMUK, the investigation continues. The OIG is still reviewing expenditures involving other implementers and entities in Bangladesh.

## **Funds diverted**

According to the OIG, the funds were diverted “from program purposes.” The OIG said that to conceal its diversion of grant funds, PMUK fabricated accounting books, bank statements, bids, invoices and cheques. The OIG said that PMUK concealed the genuine bank statements and replaced them with fictitious versions of these statements that it created. PMUK then provided the fictitious statements to SC as part of its regular reporting. The OIG said that the bank has attested to the fact that the statements PMUK provided SC were falsified. The OIG said that it identified numerous instances where payments for goods and services appeared on the falsified bank statements, but not on the genuine statements.

The OIG said that PMUK also created fictitious supporting documentation in order to give the appearance of consistency between the (false) bank statements and the supporting documentation.

The OIG said that when it presented samples of falsified procurement documents to the vendors involved, on several occasions the vendors were unable to verify their authenticity. For example, with respect to printing invoices totalling \$76,413, “a representative of the vendor said that all of the documents bearing the company’s name were not authentic, that no such printing services were rendered, and that the vendor had never received payment.”

The OIG said that PMUK made withdrawals from the programme’s bank account that did not appear on the falsified bank statements. Because none of the documentation provided by PMUK related to these withdrawals, the OIG concluded (in Paragraph 74 of its report) that “the withdrawals were effectively made for unauthorized purposes, [which] are yet unknown.” In Paragraph 76, the OIG said that “it is highly likely that the funds were not used for program purposes.” In Paragraph 82, the OIG said that “no evidence has been identified that the funds were used for program purposes.”

Although the OIG maintained that the funds were diverted from programme purposes, it was not able to say where the funds were diverted to. *Editor’s Note: As far as we know, the Global Fund has never indicated any substantive concerns about the programmatic performance of SC or its SRs.*

The OIG recommended that all losses (i.e. \$1.9 million and possibly more) be recovered from PMUK; that PMUK be banned from receiving any more Global Fund financing; and that the case be transferred to national authorities in Bangladesh for further criminal and civil action “as appropriate.”

The OIG noted that it has twice offered PMUK the opportunity to comment on its draft report, but PMUK declined to do so.

## **Alleged obstruction**

The OIG devoted a section of its report to describing efforts by PMUK to obstruct the OIG investigation. The OIG said that it had witnessed systematic efforts by PMUK to prevent the OIG from obtaining the genuine bank statements. The OIG described a meeting on 4 June 2011 with senior PMUK officials at PMUK’s offices to obtain Global Fund records maintained on electronic media, as follows:

“Upon requesting and receiving the permission of a senior PMUK official to obtain the records, the investigators began to seek out the relevant staff, only to be told that they had gone to lunch and were not available in the building. A visit, however, to the administration office uncovered that the staff were in fact present, and appeared flustered and otherwise occupied. The OIG was initially denied access to this office,

but upon insisting upon the right of entry, the OIG witnessed a relevant staff member running and locking himself in another room. Again, PMUK staff requested the OIG to leave the area, but the OIG refused.”

### **Response to the OIG findings**

The OIG said that upon learning of the fraud, SC terminated its contract with PMUK (on 25 September 2011) and advised the Bangladesh Women’s Housing Cooperative (BWHC), an SC SR under which PMUK functioned as a sub-SR, to do likewise (on 9 October 2011).

According to the OIG, the Secretariat asked the CCM on two separate occasions to endorse SC’s decision to terminate its contract with PMUK. On 2 February 2012, the CCM passed a motion endorsing the termination.

The OIG said that PMUK aggressively opposed the termination. It said that on 27 October, 2011, PMUK management sent a letter to the Ministry of Health and Family Planning alleging that “Save the Children USA, most illegally, unprofessionally and in-transparently terminated subgrants... of PMUK without issuance of any reasons and not following due process.”

The OIG added that PMUK ultimately invoked an arbitration clause in its contract with SC. In its statement to the arbitration panel, PMUK alleged wrongful termination and made claims of the equivalent of US\$14 million in damages. SC has made a counter claim for damages.

In an [article](#) on 29 July 2012 in The Daily Star, a Bangladeshi newspaper, PMUK Executive Director Iqbal Ahammed called the OIG report “one-sided,” and said that it contained many errors. Mr Ahammed also said that the OIG had failed to include comments from PMUK in its report.

Mr Ahammed said that if anything was amiss, the PR, SC, was equally responsible since it supervised, monitored and audited the project activities. “Padakhep (PMUK) is going to challenge the report. We have serious comments on the report, but will not give that since the matter is now before a tribunal,” he told *The Daily Star*.

In that same article, Michael McGrath, the Country Director of SC, was quoted as saying that “the evidence is overwhelming” that PMUK has misappropriated not less than \$1.89 million of donor funds. “Padakhep has been provided with an opportunity to comment on the draft report. If the OIG did not incorporate the changes requested by Padakhep, I can only assume that it was because they were not convinced as to the accuracy or truthfulness of the information provided by Padakhep,” Mr McGrath said.

Mr McGrath termed Padakhep's claim that the PR shared equal culpability for the fraud as “outrageous.”

*We first reported on this investigation, briefly, in an [article](#) in GFO 189. When we prepared the article in this issue, we invited PMUK to comment, but we did not receive any reply.*

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This is an issue of the *GLOBAL FUND OBSERVER (GFO)* Newsletter.

**We welcome suggestions for topics we could cover in GFO. If you have a suggestion, please send it to the Editor of GFO (see contact information below).**

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[TOP](#)