



Investigation Report

Global Fund Grant in

# Bangladesh



## Failure to comply with reporting and cooperation obligations by a sub-recipient

GF-OIG-24-015  
30 October 2024  
Geneva, Switzerland

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## Contents

<b>1. Executive Summary</b>	<b>4</b>
1.1 Investigation at a glance	4
1.2 Genesis and Scope	4
1.3 Findings	4
1.4 Context	5
1.5 Impact of the investigation	5
<b>2. Findings</b>	<b>6</b>
2.1 Finding 1 – The sub-recipient did not comply with the requirements to report material events	6
2.2 Finding 2 – By concealing evidence material to an inquiry by the Global Fund, the sub-recipient did not comply with its obligations to cooperate	8
2.3 Additional Observations	10
<b>Annex A: Summary of subject responses</b>	<b>11</b>
Response from the Principal Recipient	11
Response from the Sub-recipient	11
<b>Annex B: Methodology</b>	<b>13</b>
Why we investigate	13
What we investigate	13
Who we investigate	14
Sanctions when prohibited practices are identified	14
How the Global Fund prevents recurrence of wrongdoing	14

# 1. Executive Summary

## 1.1 Investigation at a glance

The Office of the Inspector General (OIG) found that a sub-recipient on a Global Fund grant in Bangladesh failed to comply with contractual requirements to report material events to the Global Fund. These events related to a third-party investigation implicating the sub-recipient.

The OIG also found that, by concealing evidence material to an inquiry by the Global Fund, the sub-recipient did not comply with its obligation to cooperate with the Global Fund. The OIG investigation established that this sub-recipient thereby breached its contractual obligations.

## 1.2 Genesis and Scope

In June 2022, the OIG was informed that another government donor terminated its relationship with the sub-recipient following a third-party investigation into alleged wrongdoing. The other government donor did not provide additional information regarding the subjects for confidentiality reasons.

The OIG undertook an assessment to determine whether the conduct of the sub-recipient personnel might pose a risk under the Global Fund grant.

The OIG found that the Principal Recipient had not been notified by the sub-recipient either of the allegations, or of the investigation, despite contractual obligations to disclose to the Principal Recipient material events, including investigations.

When contacted by the OIG, the sub-recipient confirmed that the alleged wrongdoing had been investigated by a third-party investigator. The sub-recipient stated that the allegations did not involve the Global Fund-financed projects and that the subjects of the investigation had resigned or been disciplined. The OIG then spoke with the third-party investigators, who confirmed that they possessed no evidence demonstrating that wrongdoing took place on the Global Fund programme.

However, based on information gathered during the OIG's assessment, there were reasonable grounds to suspect that the sub-recipient had concealed material information related to staff accused of wrongdoing by the third-party investigation. The OIG therefore investigated this potential wrongdoing.

The OIG did not reinvestigate the allegations investigated by the third-party as they did not involve Global Fund-financed activities. The OIG's work uncovered no evidence of similar wrongdoing investigated by the third-party by the sub-recipient staff on the Global Fund-financed project.

## 1.3 Findings

- The sub-recipient did not comply with the requirements to report material events.
- By concealing evidence material to an inquiry by the Global Fund, the sub-recipient did not comply with its obligations to cooperate with the Global Fund.

## 1.4 Context

One of the world’s most densely populated nations, Bangladesh has been among the fastest growing economies over the past two decades, supported by a demographic dividend, garment exports, remittances and stable macroeconomic conditions. Since 2003, the Global Fund has signed grants of over US\$1,055 million and disbursed over US\$890 million to Bangladesh. The GC7 signed amount, covering implementation from 2024-2026, is US\$176 million. Full details on the grants can be found at the Global Fund's Data Explorer.

## 1.5 Impact of the investigation

Despite the fact that the sub-recipient disputed the findings of the third-party investigation, it had an obligation to inform the Principal Recipient regarding the existence of the investigation, including before its findings were known. The failure to do so, and subsequent concealment of relevant information during an OIG assessment, impacted the ability of the Principal Recipient and the Global Fund to assess and take actions with respect to risks of wrongdoing following allegations received by the sub-recipient in relation to a similar project.

Country Data <sup>1</sup>	
Population	171.2 million (2022)
GDP per capita	\$ 2,688 (2022)
Transparency International Corruption Perception Index	149 of 180 (2023)
UNDP Human Development Index	129 of 193 (2023-2024)
Health expenditure (% of GDP)	2.63% (2020)

<sup>1</sup> Sources: Population, GDP and health expenditure at <https://data.worldbank.org/country/bangladesh>, Human Development Insights at <https://hdr.undp.org/data-center/country-insights#ranks> and Transparency International Corruption Perception at <https://www.transparency.org/en/cpi/2023/index/bgd> all accessed 20 June 2024.

## **2. Findings**

### **2.1 Finding 1 – The sub-recipient did not comply with the requirements to report material events**

#### **(i) The sub-recipient was required to immediately notify the Principal Recipient, in writing, of claims, investigations and proceedings**

The sub-recipient entered into a sub-recipient agreement with the Principal Recipient. The agreement included a requirement in subsection 14.8 to comply with the Global Fund's Grant Regulations (2014) which are incorporated in Annex B of the agreement. While this reference does not substitute the Principal Recipient to the Global Fund with respect to the obligations stipulated in the Grant Regulations, the sub-recipient was made aware of the object and finality of the corresponding reporting requirement integrated into its sub-recipient agreement with the Principal Recipient.

Section 7.7 of the Grant Regulations (2014), states "[f]or each Program, the Grantee or the Principal Recipient acting on behalf of the Grantee shall notify the Global Fund promptly in writing of any audit, investigation, probe, claim or proceeding pertaining to the operations of the Principal Recipient or any of its Sub-recipients or Suppliers."

Section 9.2 of the Grant Regulations (2014), states "Notice of Material Events further states that: The Grantee or the Principal Recipient acting on behalf of the Grantee shall immediately provide written notice to the Global Fund of any claims, investigations or proceedings which, if determined adversely, could reasonably be expected to result in a material adverse effect on the ability of the Grantee, the Principal Recipient or any of its Sub-recipients to implement the Program or perform any of the other obligations under the Grant Agreement."

The events in question consist of claims of wrongdoing against senior management of an organization, an investigations report substantiating these allegations, and disciplinary proceedings in relation to these findings. These claims and consequences can each be expected to have a material and adverse effect on the reputation of an organization and its capacity to implement and operate as expected. As such, the OIG finds them to be material events that should have been reported to the Principal Recipient and then to the Global Fund.

The sub-recipient agreement between the sub-recipient and the Principal Recipient states in section 24.4 of its Standard Conditions of Contract: "Notification: the Organization/Consortium or Sub-organization shall notify the Client promptly in writing of any audit, investigation, probe, claim or proceeding pertaining to the operations of the Organizations/Consortium or Suppliers."

Section 47.4 of the same agreement further states: "Notice of Material Events. The Organization/Consortium shall immediately provide written notice to the Client of any claims, investigations, or proceedings which, if determined adversely, could reasonably be expected to result in a material adverse effect on the ability of the Organization/Consortium to implement the Program or perform any of the other obligations under the Agreement with Client."

Lastly, the agreement also provides in section 2.1 the overarching expectation that the "Client requires that organizations/consortium, as well as suborganizations, if there is any, appointed in

compliance with the Contract, shall observe the highest standard of ethics during the implementation of procurement proceedings and the execution of contracts under GFATM funds.”

The Principal Recipient’s contract with the sub-recipient fulfilled its compliance with the appropriate notification obligations under the Grant Agreement with the Global Fund.

**(ii) The sub-recipient failed to immediately notify, in writing, the Principal Recipient of claims, investigations, and proceedings**

On 9 July 2021, the other government donor mentioned above informed the sub-recipient of alleged wrongdoing involving its personnel. The other government donor requested that the sub-recipient set up an executive committee and a general committee to deal with the alleged wrongdoing. In addition, the other government donor asked the sub-recipient to select a consultant to investigate the issues. The allegations and related investigation constitute notifiable events pursuant to sections 7.7 and material events under section 9.2 of the Grant Regulations (2014).

In response, the sub-recipient hired a third-party to investigate the allegations. On 28 February 2022, the third-party investigator provided its findings to the sub-recipient in an unredacted Investigation Report.

The Investigation Report named five “Subjects of Concern” (SoCs), including SoC number 5, a member of the sub-recipient senior management.

This member of the sub-recipient senior management was privy to the respective grant agreement. His name is also on a list of Project Staff paid by Global Fund resources.

The sub-recipient did not inform the Principal Recipient of the investigation until the Principal Recipient made inquiries about the allegations in June of 2022, after having been alerted by the Global Fund.

The sub-recipient did not notify the OIG nor the Global Fund Secretariat directly of the investigation and related disciplinary proceedings.

In response to an OIG inquiry regarding the non-disclosure, the sub-recipient representatives explained that they did not report the matter because they “didn’t accept the Report of the Investigators and [the sub-recipient] raised [their] concern about the credibility of the report itself ...”

After being presented with the OIG’s preliminary findings, the sub-recipient later stated that the other government donor instructed the sub-recipient not to disclose the underlying allegations of wrongdoing to other organizations. The sub-recipient claims that the other government donor violated confidentiality by sharing information with others, including the Global Fund.

The OIG found no evidence to support the claim that the other government donor instructed the sub-recipient not to disclose the matter of the investigation to parties in which it had a contractual obligation to disclose such matters. The OIG also notes that the sub-recipient did not originally indicate that it had been told not to disclose this information. Further, the OIG is unaware if the sub-recipient made any attempts to clarify or request a limited disclosure to comply with its obligations to the Global Fund or other donors.

Separately, nothing in the underlying agreements and obligations stipulates that an entity’s disagreement with the content or findings of an investigation discharges the entity, in this case the sub-recipient, of its duty to report investigations and related administrative proceedings.

The OIG finds that the sub-recipient was aware of its obligations and was in a position to disclose the material events to the Principal Recipient but failed to do so. As a result, the Principal Recipient's compliance with its obligation to notify the Global Fund was impossible. This resulted from the sub-recipient's lack of compliance with its own notification requirements under the sub-agreement between the parties.

## **2.2 Finding 2 – By concealing evidence material to an inquiry by the Global Fund, the sub-recipient did not comply with its obligations to cooperate**

### **(i) The sub-recipient was required to cooperate with the Global Fund**

The sub-recipient entered into a sub-recipient agreement with the Principal Recipient. The agreement between the Principal Recipient and the sub-recipient included in subsection 14.8 a requirement to comply with the Global Fund's Grant Regulations (2014), which are incorporated in Annex B of the sub-recipient agreement. While this reference does not substitute the Principal Recipient to the Global Fund with respect to the obligations stipulated in the Grant Regulations, the sub-recipient was made aware of the object and finality of the corresponding cooperation requirement integrated into its sub-recipient agreement with the Principal Recipient.

The Grant Regulations (2014) stipulate that "The Grantee shall also take all appropriate and necessary actions to ensure that the Code of Conduct for Recipients is communicated to all Sub-recipients, including through incorporation by reference of the Code of Conduct for Recipients in each Sub-recipient agreement that the Principal Recipient enters into."

The sub-agreement between Principal Recipient and the sub-recipient stipulates in section 18.6 that "The organizations/consortium shall comply with the Global Fund's Code of Conduct for Recipients of Global Fund Resources, as amended."

The Grant Regulations (2014) stipulate that "The Grantee shall cooperate and shall take all appropriate and necessary actions to ensure that the Principal Recipient, all Sub-recipients and Suppliers cooperate, with the Global Fund and its agents in the conduct of such evaluation, review, audit, inspection, assurance validation, counter-fraud activities, investigations, or other action."

The sub-agreement between the Principal Recipient and the sub-recipient stipulates in section 24.2 that "The Client reserves the right, on its own or through its designated representative or the development partner's representative (utilizing Grant Funds or other resources available for this purpose) to perform the audits required under this Agreement and/or, to conduct a financial review, forensic audit or evaluation, or to take any other actions that it deems necessary to ensure the accountability of the Organization/Consortium for Grant Funds and to monitor compliance by the Organization/Consortium with the terms of this Agreement without any prior approval or notice. The Organization/Consortium shall cooperate with the Client or its designated representative or the development partner's representative in conduct of such review, audit, evaluation or other action."

The Code of Conduct for Recipients of Global Fund Resources stipulates in section 6.1 that "Recipients and Recipient Representatives shall fully cooperate with the authorized representatives of the Global Fund, including the OIG, in audits, investigations, financial reviews, forensic audits, evaluations or other activities that the Global Fund deems necessary to ensure Global Fund Resources are used in accordance with the terms and conditions of the Grant Agreement for the purposes approved by the Global Fund. Cooperation includes access to all relevant records, documents, personnel, sites, electronic materials and computerized records generated, or in the

possession of, the Recipient, or Recipient Representatives that pertain to activities and expenditures supported by Global Fund Resources.”

The provision of timely, accurate and complete information in response to inquiries by the Global Fund, free from omissions that could mislead the Global Fund, is a critical component of such cooperation.

**(ii) The sub-recipient failed to fully cooperate with the Global Fund when it concealed information requested by the OIG**

The OIG finds that based on the evidence reviewed, the sub-recipient did not cooperate with the investigative process when it concealed evidence material to an inquiry by the Global Fund.

As established above, on 28 February 2022, the sub-recipient received an unredacted Investigation Report from the third-party investigator. In response to a request from the OIG for the Investigation Report, a member of senior management of the sub-recipient provided OIG with an electronic copy of the Investigation Report that was redacted, with rectangles covering information identifying SoC 5.

The OIG was able to view the information beneath the rectangles and noted that SoC 5 was identified in the Investigation Report as a named member of senior management.

The OIG asked the Chairperson of the sub-recipient, who served as the Manager of the Case Management Committee, to confirm whether SoC 5 in the Investigation Report was the named member of senior management of the sub-recipient. He denied that a member of senior management was named in the Investigation Report.

In follow up discussions with the OIG, the member of senior management was directly asked whether he was named in the Investigation Report. He claimed that he was unaware if he was named and denied receiving a letter from the disciplinary committee in connection to the findings of the report. However, this same member of senior management had affirmed previously to the OIG that SoC 5 had indeed received a warning letter from the disciplinary committee. Moreover, the notes that were provided to the OIG of the “Emergency Meeting of Disciplinary Action Committee for discussion and decision who were accused as per the investigation report” states that the disciplinary committee had a face-to-face meeting with SoC 5 wherein he denied the allegation against him.

While it is unclear who specifically attempted to redact the information in the report, the sub-recipient acknowledged redacting the names of the subjects. The sub-recipient explained in an initial exchange with the OIG that it attempted to redact certain parts of the report because the sub-recipient did not intend for the underlying information to be seen by the OIG. The sub-recipient said that the text was redacted at the instruction of the Executive Board of the sub-recipient.

After receiving the OIG’s letter of preliminary findings, the sub-recipient informed the OIG that there were several reasons as to why the organization had not provided the required information to the Global Fund, including a claim that they had been asked to keep the information confidential. The OIG notes in this regard that the sub-recipient did not originally indicate to the OIG that it had been told not to disclose such information. Further, the OIG is unaware whether the sub-recipient made any attempts to clarify or request a limited disclosure to comply with its obligations to the Global Fund.

The sub-recipient also claimed that it was assured by the OIG that the matter under review was not an investigation but rather an assessment, implying that they were not obligated to provide the requested information in full. However, as outlined in the previous section, the sub-recipient was

required to fully cooperate with the Global Fund's OIG in this process, irrespective of the stage of the investigation process, and to provide the information requested.

In terms of process, as noted above in section 1.2, the matter was initially handled within the OIG as an assessment, as is typical under the applicable professional standards. Appropriate notifications were sent to the sub-recipient, with respect to each stage of the case. In particular, the sub-recipient was informed via email on 30 May 2023, and later in person over a video call, that the OIG opened an investigation into the completeness of the information that had been provided by the sub-recipient. Even after having been informed that an investigation was opened, the sub-recipient continued to conceal the information requested by the Global Fund.

Given that the third-party Investigation Report explicitly states that SoC 5 is a member of senior management, the OIG finds that the denials relating to the identity of SoC 5 by senior management to be false, misleading, and intended to prevent the OIG from knowing the subject's identity. As such, the OIG finds that the sub-recipient did not comply with its obligations to cooperate with the Global Fund, and that its actions were intended to deliberately conceal material evidence and impede a Global Fund investigation.

### 2.3 Additional Observations

The Policy to Combat Fraud and Corruption (PCFC) includes a prohibited practice of Obstructive Practices. This practice has not been incorporated verbatim into the contractual agreements with implementers. However, the substance of this practice is prohibited through the reading of other provisions of the Grant Agreement. As such, the OIG cannot make a finding of Obstructive Practices, but rather bases related finding on other breaches of contractual terms, as reflected above.

Action to be taken	Due date	Owner
The Secretariat will take the necessary measures to respond to the wrongdoing as identified in the findings.	30 June 2025	Head GMD
The Secretariat will recommend to the Ethics and Governance Committee of the Global Fund Board that they approve revisions to the Code of Conduct for Recipients of Global Fund Resources that include definitions of wrongdoing that are aligned to the Policy to Combat Fraud and Corruption.	31 August 2025	Chief Ethics Officer

# **Annex A: Summary of subject responses**

## **Response from the Principal Recipient**

On 22 May 2024, the OIG provided the Principal Recipient with the Notice of Findings for its review. The Principal Recipient provided its response on 5 June 2024. The Principal Recipient indicated that it understood and agreed with the findings. Additionally, it committed to supporting any subsequent action or Agreed Management Actions (AMAs).

## **Response from the Sub-recipient**

On 6 November 2023, the OIG provided the sub-recipient with a copy of the Letter of Preliminary Findings, which represented the full record of relevant facts and preliminary findings. The sub-recipient was given an opportunity to provide comments and supporting documents on the findings and conclusions. The sub-recipient provided its response on 30 November 2023 with a follow up on 6 December 2023. Below is a summary of the sub-recipient's response. All points made in the response were duly considered by the OIG and appropriate revisions were made to the findings as part of this final report.

After being presented with the OIG's preliminary findings, the sub-recipient stated that the other government donor instructed the sub-recipient not to disclose underlying allegations of wrongdoing. The sub-recipient claims that the other government donor violated confidentiality by sharing related information with others, including the Global Fund. This point was duly considered by the OIG in section 2.1. (ii) of this report.

The sub-recipient claimed it was an ethical violation for the OIG to remove the rectangles concealing text in the third-party Investigation Report. The sub-recipient explained that when certain parts of the report were redacted, it means that the sub-recipient did not intend that information to be seen by the OIG, or the sender did not want to disclose that part of the information. The sub-recipient claimed that some parts of the reports were redacted to maintain the confidentiality of the subjects, of whom the sub-recipient member of senior management was one. The sub-recipient said that the text was redacted at the instruction of the Executive Board of the sub-recipient. This point was duly considered by the OIG and was not considered to be an ethical violation given that the information was readily visible in the document through selecting the relevant text, and directly material to the OIG assessment. Additionally, the sub-recipient did not make such claims of confidentiality, nor did it provide an explanation for the redactions at the time it shared the report with the OIG.

The sub-recipient claimed that it was assured that the matter under review was not an investigation. This point was duly considered by the OIG in section 2.2 of this report.

The sub-recipient stated that even if it admitted that they did not provide full cooperation in the investigation of the Global Fund, it does not imply that the sub-recipient mismanaged any funds under the Grant Agreement. The sub-recipient stated that it is committed to delivering the expected outcome from its projects and has shown due diligence in managing funds obtained from the Global Fund through the Principal Recipient. The scope of the OIG investigation did not pertain to the sub-recipient's management of program funds, and, as such, the OIG makes no representations regarding such matters.

The sub-recipient also indicated that over the past years it has made significant improvements in its capacity in the area related to the wrongdoing, which was confirmed during a recent assessment made by a third-party United Nations body. This point was duly considered by the OIG.

## Annex B: Methodology

### Why we investigate:

Wrongdoing, in all its forms, is a threat to the Global Fund's mission to end the AIDS, tuberculosis and malaria epidemics. It corrodes public health systems and facilitates human rights abuses, ultimately stunting the quality and quantity of interventions needed to save lives. It diverts funds, medicines and other resources away from countries and communities in need. It limits the Global Fund's impact and reduces the trust that is essential to the Global Fund's multi-stakeholder partnership model.

### What we investigate:

The OIG is mandated to investigate any use of Global Fund funds, whether by the Global Fund Secretariat, grant recipients, or their suppliers. OIG investigations identify instances of wrongdoing, such as fraud, corruption and other types of non-compliance with grant agreements. The Global Fund Policy to Combat Fraud and Corruption<sup>2</sup> outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

- (i) identify the nature and extent of wrongdoing affecting Global Fund grants;
- (ii) identify the entities responsible for such wrongdoing;
- (iii) determine the amount of grant funds that may have been compromised by wrongdoing;
- (iv) place the Global Fund in the best position to recover funds, and take remedial and preventive action, by identifying where and how the misused funds have been spent.

The OIG conducts administrative, not criminal, investigations. It is recipients' responsibility to demonstrate that their use of grant funds complies with grant agreements. OIG findings are based on facts and related analysis, which may include drawing reasonable inferences. Findings are established by a preponderance of evidence. All available information, inculpatory or exculpatory, is considered by the OIG.<sup>3</sup> As an administrative body, the OIG has no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the access rights it has under the contracts the Global Fund enters into with its recipients, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including those disbursed to Sub-recipients and paid to suppliers. The Global Fund's Code of Conduct for Suppliers<sup>4</sup> and Code of Conduct for Recipients provide additional principles, which

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<sup>2</sup> (16.11.2017) Available at [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>3</sup> These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: [http://www.conf-int-investigators.org/?page\\_id=13](http://www.conf-int-investigators.org/?page_id=13), accessed 1.12.2017.

<sup>4</sup> Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at: [https://www.theglobalfund.org/media/3275/corporate\\_codeofconductforsuppliers\\_policy\\_en.pdf](https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf), and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at: [https://www.theglobalfund.org/media/6011/corporate\\_codeofconductforrecipients\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf).

recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define compliant expenditures as those that have been incurred in compliance with the terms of the relevant grant agreement (or have otherwise been pre-approved in writing by the Global Fund) and have been validated by the Global Fund Secretariat and/or its assurance providers based on documentary evidence.

### **Who we investigate:**

The OIG investigates Principal Recipients and sub-recipients, Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers. Secretariat activities linked to the use of funds are also within the scope of the OIG's work. While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations encompass their activities regarding the provision of goods and services. To fulfill its mandate, the OIG needs the full cooperation of these suppliers to access documents and officials.

### **Sanctions when prohibited practices are identified:**

When an investigation identifies prohibited practices, the Global Fund has the right to seek the refund of grant funds compromised by the related contractual breach. The OIG has a fact-finding role and does not determine how the Global Fund will enforce its rights. Nor does it make judicial decisions or issue sanctions. The Secretariat determines what management actions to take or contractual remedies to seek in response to the investigation findings.

However, the investigation will quantify the extent of any non-compliant expenditures, including amounts the OIG proposes as recoverable. This proposed figure is based on:

1. amounts paid for which there is no reasonable assurance that goods or services were delivered (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
2. amounts paid over and above comparable market prices for such goods or services;
3. or amounts incurred outside of the scope of the grant, for goods or services not included in the approved work plans and budgets or for expenditures in excess of approved budgets.

### **How the Global Fund prevents recurrence of wrongdoing:**

Following an investigation, the OIG and the Secretariat agree on management actions that will mitigate the risks that prohibited practices pose to the Global Fund and its recipients' activities. The OIG may make referrals to national authorities for criminal prosecutions or other violations of national laws and support such authorities as necessary throughout the process, as appropriate.

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Note: Grants are typically subject to either the Global Fund's Standard Terms and Conditions of the Program Grant Agreement, or to the Grant Regulations (2014), which incorporate the Code of Conduct for Recipients and mandate use of the Code of Conduct for Suppliers. Terms may vary however in certain grant agreements.