

35th Board Meeting

Recoveries Report for the year ending 31 December 2015

GF/B35/21

For Information

1. This report is provided to the Board pursuant to a decision of the Board at its Thirty-Second meeting (GF/B32/DP04) and contains background information and an updated table regarding the status of non-compliant expenditures identified by the Office of the Inspector General (“OIG”) for the period ending 31 December 2014. The OIG reports independently to the Board on the Secretariat’s progress on matters related to recoveries.
2. The report presents a brief introduction and provides an explanation of the method and process for determining recoverable amounts. It also describes the context within which recoveries, from the identification of amounts by the OIG to the actual recovery, are being handled by the Secretariat.

I. Relevant Past Decisions

1. The following summarizes relevant past Board and Committee decision points:

Relevant past Decision Point	Summary and Impact
GF/B32/DPO4: Communication on Status of Recoveries. ¹	This decision point requires the Global Fund Secretariat to prepare a Recoveries Report for the periods ending 30 June and 31 December of each year, for AEC review in collaboration with the FOPC. In addition, the decision requires development of a methodology and format for future reporting on recoverable amounts identified in the due course of grant management (please refer to the next decision point). The decision point further requires the OIG to report independently on the Secretariat's progress on matters related to recoveries.
GF/AEC11/DPO5: Secretariat Reporting on Recoveries Identified in the Normal Course of Grant Management.	This decision approved the proposed methodology and format for future reporting by the Secretariat on recoverable amounts identified in the due course of grant management operations.

II. Action Required

2. There are no specific actions required for Secretariat, OIG, Board or Committees emanating from this report.

III. Background

01 Introduction

3. The Global Fund is fully committed to the principles of transparency and accountability. To fulfill this commitment, the Fund works, through its risk management and assurance processes, to expose irregularities and misuse of resources. Key measures are dedicated towards prevention but where irregularities or misuse have materialized, action is taken to address the underlying weaknesses and seek recoveries as appropriate.
4. The Global Fund maintains a zero tolerance approach to fraud and corruption and aims to take swift and appropriate action when cases of misuse of funds are identified. The Global Fund will continue to ensure that all identified irregularities are communicated responsibly and in a timely manner to the Board and to other stakeholders.
5. At its Thirty-Second Meeting in November 2014, the Board decided to update the reporting methodology for losses and recoveries to better reflect developments in the respective roles of the OIG and the Secretariat in identifying non-compliant expenditures and pursuing recovery of any related amounts (GF/B32/DPO4). The updated process also maintains respect for the OIG's independence by providing for a Secretariat-issued Recoveries Report describing the status of recoveries cases relating to published OIG reports, while allowing the OIG to independently report on the Secretariat's recovery process and progress on recoveries instead of jointly issuing a report with the Secretariat. The Recoveries Report is submitted for review to the Audit and Ethics Committee (AEC), who engages with the Finance and Operational Performance Committee (FOPC) on matters within the FOPC's mandate that relate to the process of developing and updating the Recoveries Report.
6. Furthermore, under GF/B32/DPO4, the Board requested the Secretariat to develop and present to the AEC for approval a methodology and format for future reporting on recoverables identified in the normal course of grant management operations (i.e., unrelated to non-compliant expenditures identified in OIG

¹ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DPO4/>

reports). The approach proposed by the Secretariat was approved by the AEC under decision point GF/AEC11/DP05, pursuant to its delegated authority. This report is the first one to include information on such normal course recoverables.

7. Reports on amounts identified as compromised by various compliance issues and on the Secretariat's efforts to seek refunds from recipients should be read in full awareness of the context and broad environment within which the Global Fund operates. Specifically, the Fund works in countries where often governance, programmatic and oversight capacities are weak and this carries inherent financial and programmatic risks.

02 Method and Process for Determining OIG Recoverable Amounts

8. Under GF/B32/DP04, the Recoveries Report must detail the following:

- a. The amounts reported by the OIG as being non-compliant and/or as constituting financial loss – methodology described below (para. 9);
- b. The amounts deemed recoverable by the Secretariat based on the OIG's findings, including an explanation of the method and process employed for the determination of such amounts – methodology described below (para. 9); and
- c. Progress on outstanding recovery actions, including a description of the context within which recovery-related processes are being handled by the Secretariat and any lessons learned – referred to in section V.01 of the report.

9. **Amounts deemed recoverable:** Based on the OIG's findings of non-compliant expenditures and/or financial loss and recommended recoverable amount where applicable, the Secretariat then determines appropriate final amount for recovery to be pursued from relevant entities. This includes consideration by the Recoveries Committee of each recovery case (based on detailed information concerning the context and background received from the relevant Country Team). The Recoveries Committee considers whether additional actions are needed to come to a final conclusion as to the amount to be recovered based on the findings of the OIG, including the review of the categorization and calculation of amounts, consideration of possible retroactive approvals of expenditures where sound rationales exist, the commissioning of additional documentary reviews where necessary and the consideration of business factors in determining appropriate approaches towards recovery. This includes a review to determine the legal basis for recovery. All recoverable amounts are approved by the Executive Director based on recommendations from the Recoveries Committee.

03 Method and Process for Determining Non-OIG Recoverable Amounts

10. Under GF/AEC11/DP05, the Recoveries Report must include the following:

- a. Recoverable amounts which result in a formal demand letter setting out the amount and terms of the recovery. Until such time as the demand letter is issued, the Country Team is completing the normal due diligence required.
- b. Only disbursed amounts spent by grant implementers where it is conclusively determined, in the normal course of grant management, that the relevant expenditure was not compliant with the grant agreement. The amounts in question may be identified by the Local Fund Agent, Country Team, the grant recipient's internal or external audit function, or by the grant recipient itself through its own systems, either at the Principal Recipient (PR) or Sub-Recipient (SR) level.
- c. The Country Team will determine the final amount and will then issue a Demand Letter confirming the final amount of Recoverable and requesting the refund by the Principal Recipient and shares a copy of final letter with Senior Recoveries Officer. It should be noted that only amounts which are in the aggregate for an individual grant greater than

US\$250,000 or for those individual amounts which a Demand Letter is supplied will be reported as outstanding non-OIG recoverable amounts.

- d. Thereafter, there is a period of 60 days from the issuance of the Demand Letter to refund the money or to send a formal request for a repayment plan (6-12 months).

11. For note the roles of the key actors in the recoveries process are referenced below:

- a. **OIG** - through its investigation and audit reports, the **OIG** quantifies non-compliant expenditures under the grant agreement, focusing on lapses in oversight and expenditures compromised in various ways. These amounts may include, but are not limited to, the consideration of "loss". The **OIG** may recommend in its report the amount which should be recovered;
- b. **Country Team (CT)** – reviews the draft and final **OIG** reports and acts on any immediate operational risks which are identified to avoid further potential loss where necessary. The **CT** presents to the Recoveries Committee the proposed additional actions, if any, required to make a final determination of the recoverable amount. Following agreement of the Recoveries Committee and decision of the Executive Director the **CT** is responsible for communicating the recovery decisions to the Country Coordinating Mechanism and relevant implementing entities, usually through the presentation of a demand letter. The **CT** is also responsible for following up with the debtor entities on timely repayment of amounts due. Occasionally the **CT** reports back to the Recoveries Committee on proposed repayment plans;
- c. **Legal Counsel** - determines that a sound legal basis for recovery exists before any claims for recovery are made;
- d. **Recoveries Officer** - is responsible for tracking outstanding recovery matters and maintaining their status in an updated tracking tool, as well as reporting to the Recoveries Committee regarding current status and progress on a quarterly basis. The Recoveries Officer may request updates from Country Teams on a monthly basis, where relevant, for as long as any amount to be recovered remains outstanding. Such status updates include estimates as to when the amount(s) are expected to be received as well as any changes to timing. If amounts become past-due against the original estimate for receipt for more than 60 days, the Country Team prepares a memorandum to the Recoveries Committee to inform the Committee of the remedial actions it is taking in response to this delay, and to propose adjustments to the recovery strategy if deemed necessary, for example to halt or restrict future disbursements, or to impose limitations on expenditure of funds already with the implementer.
- e. **Recoveries Committee** – the recoveries process is managed by a Recoveries Committee comprising the Chief Risk Officer (Chair), the Head of Grant Management, the Treasurer and the Head of Legal and Compliance. The **OIG** is invited to each Committee meeting as an observer. The Committee considers whether additional actions are needed to come to a final conclusion as to the amount to be recovered. It then makes recommendations as to the recovery amount and approach to the Executive Director, who takes all decisions on recovery actions, including approving any necessary write-offs, as part of the Executive Director's responsibility for managing the Secretariat. These decisions benefit from the **OIG's** participation in recoveries discussions.

IV. Discussion

01 On-going recovery efforts and recoveries context

12. Following up on recent developments pertaining to the recoveries process as referred to in the previous report:

- a. Country Teams continue to apply the leverage of access to the country allocation at the point of signing new grants under the allocation announced in 2014. The approach takes country context into consideration and leverage is applied responsibly.
- b. Following the Global Fund Management Executive Committee's approval of a last-resort approach to the resolution of difficult recovery cases, through a reduction of the country allocation, the first three such cases have been approved during the reporting period (ref. 2:1 Allocation Reduction Cases for 2015 in paragraph 25). As previously reported, the approach recognizes that in certain cases recovery would be virtually impossible after exploring all options due to such realities as difficult legal environments, failed states, insolvency (non-Governmental PRs) and the cost to pursue such cases would, taking into account legal advice, be unjustifiable. In the absence of a recovery the country allocation would be reduced by a factor of 2:1, being 2 allocation reduction: 1 recoverable amount outstanding, reflecting the need to incentivize actual recovery.

13. An overview as of 31 December 2015 is provided in Table 1. The "New cases or adjustments reported by the OIG during the period" line in Table 1 includes a retro-active adjustment of US\$ 1.7 million to the amount due pursuant to an investigation in Bangladesh, published in July 2012, reducing the amount from US\$ 3.8 million to US\$ 2.1 million. Further information on this now resolved case is provided in paragraph 25.

14. Table 2 presents the detailed country-by-country data for OIG-reported open cases.

15. Fully resolved OIG-reported cases feature in Table 3.

16. Table 4 presents a summary of recoverable amounts identified in the due course of grant management.

17. During 2015, further good progress was made: The total outstanding recoverable balance, net of written commitments to repay, declined by US\$ 10.9 million to US\$ 38.2 million.

18. In 2015, there were 8 new cases for an amount of US\$ 17.8 million, of which two cases represent 88% of the total amount due.

19. Of the aforementioned US\$ 38.2 million that remained outstanding as of 31 December 2015, 26% relates to grants for which UNDP was the Principal Recipient. (Note: UNDP serves as Principal Recipient in 23 countries and manages 41 grants). The Global Fund has been working and continues to work closely with UNDP to reach closure on these matters. (See paragraph 29 below with an update on OIG and non-OIG UNDP matters since 31 December 2015.) It is important to note that the irregular expenditures giving rise to such amounts recoverable from UNDP took place at entities that served as sub-recipients, and in one case a contractor, under UNDP rather than at UNDP itself.

20. Overall there has been an improvement in the recoveries made and the closure of cases during 2015. The focus continued to be on clearing so-called 'legacy' cases through the Recoveries Committee and turning the resulting Executive Director decisions into formal demand letters, as many legacy cases require labor-intensive follow up. There are now 11 legacy cases (ex-UNDP) dating back to pre-2014 left (versus 28 cases at the end of 2014) which have not yet been fully reimbursed and further closure of such cases is anticipated during 2016.

21. For the year ended 31 December 2015, 16 cases were fully resolved and closed (including one being both new and resolved in the period), giving a net reduction of eight open cases.

22. 2015 also saw the first application of the so-called “2-for-1 allocation reduction” method to resolve particularly difficult cases, where all reasonable recovery approaches have failed to produce results. This measure of last resort, in 2015 applied to cases that occurred in Bangladesh, Nigeria, and Guatemala, allowed the Secretariat to close cases aggregating US\$ 6.3 million by deducting twice that amount from these countries’ existing funding allocation amounts which can then be made available to fund other countries’ programs. Allocation reductions represent a means of resolving exceptionally difficult cases where all means of recovery have been considered exhausted. Upon approval by the Executive Director the country’s allocation is reduced by a factor of 2:1, being 2 allocation reduction for every 1 of recoverable.

23. There are a number of reasons why the allocation reduction approach is only applied as a last resort. Firstly, there is a negative impact on the country’s available budget to fight the diseases. Secondly, the misused funds for which the deduction is applied are not actually recovered in an accounting sense. As a result, there may be less accountability and ‘consequence’ for the recipient who was responsible for ensuring that the funds were spent properly.

24. Accordingly, it is important that there is adequate visibility to the cases where it was concluded that there was no better option but to apply the 2-for-1 allocation deduction approach, which is why they are described in the following paragraphs:

Bangladesh: A 2012 OIG investigation concluded that US\$ 1,894,426 had been fraudulently misappropriated by the Sub-Recipient Padakhep Manabik Unnayan Kendra (“PMUK”), under grants signed by the Economic Relations Division of the Ministry of Finance (“MOF”). Since the issuance of the investigation report in July 2012, the Country Team and senior management have engaged in extensive negotiations with the government of Bangladesh (including the Ministry of Finance, the Ministry of Health and Family Welfare, other ministries and PMUK itself) attempting to recover the amount related to the PMUK investigation but none of the efforts have produced any results. In light of the lack of progress on recoveries matters with the government despite two and a half years’ of efforts, and the need to resolve the issues before the start of the tuberculosis and malaria grants under the New Funding Model, the Executive Director approved the reduction of Bangladesh’s allocation by the amount of US\$ 4,203,176. This represents twice the amount determined to be recoverable from the OIG’s investigation (US\$ 1,894,426) and an amount determined to be owed by the government under a related OIG audit report of October 2012 (US\$ 207,162). These funds will no longer be available to the country and will instead be returned to a general pool for potential reinvestment in other countries.

Guatemala: The case followed an OIG audit report dated March 2013 which resulted in a demand for recovery of value added taxes paid in contravention of three grant agreements amounting to US\$ 1,583,197. Following extensive attempts to seek recovery over the two years since the report was issued, including letters back and forth and numerous meetings with Government officials and legislators, the Secretariat concluded that it had done all in its power to resolve the matter and does not foresee repayment by the Government. Therefore, the Executive Director approved the reduction of Guatemala’s allocation by the amount of US\$ 3,166,394. This represents twice the amount determined to be recoverable. These funds will no longer be available to the country and will instead be returned to a general pool for potential reinvestment in other countries.

Nigeria: The case followed an OIG audit report in 2011. Below is the detailed explanation, resulting in a reduction of US\$ 5,271,796 to the Nigeria allocation, representing twice the US\$ 2,635,898 of outstanding recoverable amounts. These funds will no longer be available to the country and will instead be returned to a general pool for potential reinvestment in other countries.

- i. **NACA:** A 2011 OIG audit of the Nigeria portfolio identified a recoverable amount of US\$ 763,087 due from the government entity NACA. NACA had repaid US\$ 318,470 of this amount and has previously expressed a commitment to repay the balance once repayment was received from the relevant SRs, which were the responsibility of the Ministry of Health. Despite repeated follow-ups over the past three years directly with the MOH (under two separate Ministers of Health), repayment was not forthcoming by MOH or by NACA. The Global Fund further made resolution of the outstanding recoverable amount a condition to

the signing of the new HIV/TB grant, but NACA's position was that it will not repay this amount until it has been paid by the MOH. At the time that this case was being discussed there had not been a Federal Minister of Health in place since February 2015. For the above reasons, the Executive Director approved the reduction of Nigeria's allocation by US\$ 889,234, representing twice the total outstanding recoverable of US\$ 444,617 owed by NACA.

- ii. CHAN: The 2011 OIG audit identified a recoverable amount of US\$ 2,501,846 due from CHAN, a faith-based entity with limited resources. CHAN is no longer a recipient of Global Fund funding. CHAN has disputed the OIG's findings since the report's publication. In October 2014, The Global Fund gave CHAN an additional opportunity to present any relevant supporting documentation, and in February 2015 a final recoverable amount of US\$ 1,640,943 was recommended. The Global Fund communicated this final amount to CHAN and requested repayment. The Global Fund also pursued some amounts for recovery directly from certain SRs who are still involved in Global Fund programs. The SRs objected that they had not been requested by CHAN to provide any relevant documentation during an additional review. The Global Fund commissioned the LFA to review the additional documents provided by these SRs and concluded that a final recoverable amount of US\$ 1,216,950 from CHAN was due.

Despite numerous exchanges with CHAN, The Global Fund was unable to make progress in obtaining any commitment to repay from CHAN. The Global Fund continues to seek recovery of US\$ 329,017 directly from the SRs who continue to implement Global Fund programs. As for the remainder of US\$ 887,933, because CHAN is a CSO with very few resources and is no longer receiving any Global Fund funding, the Executive Director approved the reduction of Nigeria's allocation for the amount of US\$ 1,775,866, representing 2 times US\$ 887,933.

- iii. CiSHAN: CiSHAN is a CSO who was formerly a PR under a Round 9 grant, and then SR under the PR ARFH under a separate grant. CiSHAN has not been involved in any Global Fund programs since 1 January 2015. The LFA identified various amounts owed by CiSHAN both under the grant for which it was PR (unsupported and ineligible expenditures of US\$ 383,318) and under the ARFH grant (unsupported and ineligible expenditures of US\$ 83,699). The Global Fund intends to continue pursuing the US\$ 83,699 directly from the PR ARFH, against whom the Global Fund's legal claim for recovery of that amount exists. As for the remainder, because CiSHAN has not cooperated with recovery efforts thus far, and is a CSO with limited resources who is no longer involved in Global Fund programs, the Executive Director approved the reduction of Nigeria's allocation for the amount of US\$ 720,052, representing 2 times US\$ 383,318.
- iv. YGC: A 2011 OIG audit and investigation identified a total amount of US\$ 4,596,740 owed by the former PR YGC, composed of US\$ 4,297,676 of unsupported expenditures and US\$ 299,064 of ineligible expenditures. YGC vigorously disputed the OIG's findings and went so far as to file an arbitration against The Global Fund for defamation. The Global Fund engaged in extensive discussions with YGC and reached an agreement to provide a final opportunity for YGC to present supporting documentation relating to the unsupported expenditures identified by the OIG, which were then reviewed by an independent accounting firm, Moore Stephens. The terms of reference, which were extensively discussed and which explicitly state the scope of documentation to be reviewed, were implemented as agreed. Based on the work of Moore Stephens, the status of unsupported expenditures was as follows: US\$ 963,185, relating to expenditures which did not form part of the review because YGC did not present any related additional supporting documentation, remained unsupported, and US\$ 1,131,886, relating to expenditures considered under the review but not found to have sufficient supporting documentation, remained unsupported, leaving the total unsupported expenditures at US\$ 2,095,071.

In addition, a total of US\$ 1,450,812 of expenses were incurred by YGC during 2010-2011, the period during which The Global Fund did not disburse any funds, but had not formally suspended the grant. The Global Fund had confirmed that these amounts were incurred in the course of legitimate program activities. Therefore, The Global Fund proposed to offset this amount against the total amount remaining unsupported. This results in US\$ 644,258 as the remaining recoverable related to unsupported expenditures. Together with the originally identified ineligible expenditures (which did not form part of the additional review), the total recoverable amount for YGC is US\$ 943,322.

Following the release of the Moore Stephens report, YGC reneged on its agreement to accept Moore Stephens' findings as a binding resolution of the amounts owed, has disputed the findings of the Moore Stephens report and refuses to accept responsibility for the mismanagement of funds, despite the lengthy detailed discussions and agreements on the dispute resolution process that took place before the review even began. For this reason, The Global Fund considered that there is an extremely low probability of the matter being resolved in a mutually agreeable fashion. Given the significant time and expense that has already been invested in attempting to resolve this recovery, and the lack of any credible prospect in enforcing YGC's payment-related prior agreements, the Executive Director approved the reduction of Nigeria's allocation by US\$ 1,886,644, representing 2 times US\$ 943,322.

25. Finally, during 2015 a (for the time being manual) process was implemented to centrally capture and report on confirmed ineligible expenditures that arise in the ordinary course of grant management. It should be noted that non-OIG recoverable amounts are collected each quarter from the Country Teams and offer a snapshot of a rolling total, i.e. the majority of these instances should be resolved within the 60 day time period accorded by the Global Fund as opposed to the longer timeframes experienced in the OIG recoverables section, and in the event that they are not resolved within the specified timeframe these instances should be reported to the Recoveries Committee for their review and recommendation.

26. It should be noted that this is the first time that non-OIG recoverable amounts are being collected and formally presented for discussion. Consequently, at this early stage in the roll-out of the non-OIG recoverables process, the Global Fund is still collecting data to assist in analyzing and identifying important trends and providing the necessary context and frame of reference going forwards, e.g. identifying outliers, calculating average and median sizes of the non-OIG recoverables, and determining the average time taken to resolve or clear a non-OIG recoverable.

27. As of 31 December 2015, the aggregate outstanding balance due amounted to US\$ 16.2 million and is distributed over 43 countries (83 Principal Recipients). Of this US\$ 16.2 million, there are three Principal Recipients that account for 65.3% of the total outstanding amount due, as follows:

- a. UNDP: US\$ 7.9 million (48.47%), relates to 11 grants in five countries, and is broken down as follows:
 - i. Central African Republic: US\$ 2.5 million
 - ii. DRC: US\$ 4.4 million
 - iii. Cote d'Ivoire: US\$ 0.02 million
 - iv. Gabon: US\$ 0.06 million
 - v. Niger: US\$ 0.9 million

(See paragraph 29 below with an update on OIG and non-OIG UNDP matters since 31 December 2015)

- b. National Aids Commission of Malawi: US\$ 2.0 million (12.38%); and,
- c. Ministry of Health of Angola: US\$ 0.7 million (4.45%).

28. As of 31 December 2015, the average size of the non-OIG recoverable outstanding amounts to US\$ 195,561, but it is noted that this figure is influenced by the aforementioned amounts listed in paragraph 28. As such, closer attention is focused on the median amount in the data received which is US\$ 21,854.

29. During H2/2015 and H1/2016, UNDP and the Global Fund participated in a number of constructive discussions to establish final recoverable amounts with respect to outstanding recoveries cases for which UNDP was the Principal Recipient. These negotiations concluded in early April 2016 with an agreed upon and signed Settlement Agreement between the Global Fund and UNDP that resolves one OIG legacy case (Mauritania) and two non-OIG legacy cases (Central African Republic and Niger). The Settlement Agreement also includes provisions to ensure that cases representing an additional US\$ 9.3 million will be resolved prior

to the next Board meeting in H2/2016. Importantly, the Settlement Agreement also provides that the Global Fund and UNDP will sign a Framework Agreement revising certain terms and conditions governing future grant agreements with UNDP with the intention to facilitate future grant closures and minimise the need for future recoveries.

30. Since the inception of the Fund a total of 65 OIG-reported cases have been reported of which 32 have now been fully resolved.

31. Also since inception, a total of US\$ 47.3 million has been recovered and written commitments for a further US\$ 14.9 million have been obtained.

32. Each OIG report leading to a recoverable amount is counted as a separate case, with two or more reports potentially applying to the same country.

33. A written commitment is recognized as such once signed by a competent authority, in practice usually the Ministry of Health with co-signature by the Ministry of Finance. It should be noted that there may be an adjustment made to the number and amount of written commitments in force in early 2016 as two Protocols, for US\$ 911,000 and EUR 51,000 signed with the Government of the Central African Republic, were in default as of 31 December 2015. This situation will be regularized before the end of Quarter 1/2016.

34. In terms of ever-reported OIG cases the percentage amount resolved as a proportion of the amount deemed recoverable is 52% (up from 36% at 31 December 2014). If firm commitments are included this percentage increases to 65% (51%).

35. Turnaround times for new cases continue to improve compared to 'legacy' cases, i.e. pre-2014. Those OIG cases reported since 1 January 2014 are moving through the recovery steps more quickly than before. The improvement reflects the approach to recoveries referred to in previous reports and the Global Fund is seeing considerable benefits: recoverable funds are being returned more quickly than was the case several years ago, significantly less in-country and Secretariat resources are required to be invested in the process and the potential disruption to health programs is less.

36. Further improvement in the overall recoveries picture has occurred for the period ending 31 December 2015 with the focus on three key areas: (1) improved time taken to turnaround new cases, (2) final closure of legacy cases; and (3) further rigor in the collection of debts due. The additional steps to achieve this include:

- a. A detailed action plan and targets for each case in 2015;
- b. As referred to in para. 12, further effective use of the country allocation as leverage to recover debts;
- c. As also referred to in para. 12, the possibility to close difficult cases through reducing the country allocation, as a last resort;
- d. Engagement of a full-time recoveries officer to address the need for central administration and tracking of cases. The individual started work on 1 October 2015.

37. It should be noted that recoverable amounts are recorded in the Global Fund's financial statements in accordance with International Financial Reporting Standards (IFRS). The net recoverable amounts in this report will be different from those presented in the financial statements due to the accounting method adopted to comply with the stringent requirements of IFRS. For example, the OIG may release a report which is then reflected in this report but converting the findings into a demand letter (which is then booked in the financial statements) may take until after the reporting period. It should be noted that the Financial Statements reporting on losses and recoveries uses the exact same underlying data as that presented within Table 1 below, and that a formal reconciliation process is implemented and validated through the Recoveries Committee.

Table 1: Overview as of 31 December 2015 (in US\$ '000s)

	OIG Reported Figures	Recoveries and other Adjustments							Net after Commitments
		Management Adjustments	Amount deemed Recoverable	Written off	Allocation Reduction	Received	Net Still to Recover	Committed to Repay	
OPEN CASES (n=33)									
Balance as at 31 December 2014	98,421	(13,785)	84,636	0	0	(20,491)	64,145	(15,031)	49,114
Add/(Less): Recoveries and other Adjustments									
<i>Cash recovery</i>			0			(12,130)	(12,130)		(12,130)
<i>New Commitments</i>			0				0	(6,253)	(6,253)
<i>Commitments recovered</i>			0				0	6,421	6,421
<i>Net management adjustments</i>		(6,176)	(6,176)				(6,176)		(6,176)
<i>Write offs</i>				(1,746)			(1,746)		(1,746)
<i>Allocation Reduction</i>			0		(6,321)		(6,321)		(6,321)
	0	(6,176)	(6,176)	(1,746)	(6,321)	(12,130)	(26,373)	168	(26,205)
Add: New cases reported by the OIG during the period:	16,098		16,098			(786)	15,312	0	15,312
Less: Cases closed after full resolution	(41,135)	11,083	(30,052)	1,746	6,321	21,985	0	0	0
Balance as at 31 December 2015	73,384	(8,878)	64,506	0	0	(11,422)	53,084	(14,863)	38,221
Total closed cases (n=32)	64,556	(18,849)	45,707	(3,489)	(6,321)	(35,897)	0	0	0
Total all reported cases (n=65)	137,940	(27,727)	110,213	(3,489)	(6,321)	(47,319)	53,084	(14,863)	38,221
Percentage of recoverable			100%	3%	6%	43%	48%	13%	35%
Note: Each OIG report is treated as a separate case									
Adjustments by management include changes to the OIG-reported figures based on additional considerations, which may include review of additional supporting documentation, retroactive approval of expenditures reported by the OIG as ineligible where sound rationales exist, and amounts identified by the Secretariat as recoverable in addition to the amounts reported by the OIG. Such adjustments are made in consultation with the OIG									
Allocation reductions represent a means of resolving exceptionally difficult cases where all means of recovery have been exhausted. Upon approval by the Executive Director the country's allocation is reduced by a factor of 2:1, being 2 allocation reduction for every 1 of recoverable. The amounts in the table represent the recoverable amounts written off.									

Table 2: OIG cases with recoverable balances as of 31 December 2015 (in US\$ '000s) - Dates provided below each country refer to the date the OIG report was published.

	OIG reported figures				Management Adjustments (in USD)	Gross Recoverable Amount (in USD)	Written-off (in USD)	Allocation Reduction (in USD)	Recovered (in USD)	Net Amount still to Recover (in USD)	Commitment to Repay (in USD)	Net After Commitments (in USD)
	Misappropriated (in USD)	Unsupported (in USD)	Ineligible (in USD)	Other (in USD)								
Burkina Faso	0	0	9,919	13	0	9,932	0	0	0	9,932	0	9,932
30/10/2015	0	0	9,919	13	0	9,932	0	0	0	9,932	0	9,932
Burundi	184	0	31	0	19	234	0	0	-1	233	0	233
03/08/2012	0	0	31	0	19	50	0	0	-1	49	0	49
21/11/2014	184	0	0	0	0	184	0	0	0	184	0	184
Cameroon	33	2,200	3,370	0	-2,200	3,403	0	0	-33	3,370	-3,370	0
05/10/2010	33	2,200	3,370	0	-2,200	3,403	0	0	-33	3,370	-3,370	0
Central African Republic	0	718	220	70	-26	981	0	0	0	981	-981	0
06/02/2013	0	718	220	10	-26	981	0	0	0	981	-981	0
Congo (Democratic Republic)	3,739	3,767	3	218	-1,049	6,678	0	0	0	6,678	0	6,678
10/03/2010	0	2,480	0	218	-1,049	1,650	0	0	0	1,650	0	1,650
01/09/2013	3,600	0	0	0	0	3,600	0	0	0	3,600	0	3,600
01/10/2014	139	1,287	3	0	0	1,429	0	0	0	1,429	0	1,429
Djibouti	0	4,136	4,069	0	-10	8,195	0	0	-2,500	5,695	-1,569	4,126
29/10/2012	0	4,136	4,069	0	-10	8,195	0	0	-2,500	5,695	-1,569	4,126
Egypt	0	0	669	0	0	669	0	0	0	669	0	669
24/09/2015	0	0	669	0	0	669	0	0	0	669	0	669
Ghana	3,840	0	1,975	555	-1,021	5,439	0	0	0	5,349	-5,349	0
01/10/2012	0	0	1,975	555	-1,021	1,509	0	0	0	1,509	-1,509	0
01/12/2014	3,840	0	0	0	0	3,840	0	0	0	3,840	-3,840	0
Guinea	165	251	0	0	0	416	0	0	0	416	-416	0
31/03/2015	165	251	0	0	0	416	0	0	0	416	-416	0
Kazakhstan	5,432	0	0	0	0	5,432	0	0	0	5,432	0	5,432
28/01/2015	5,432	0	0	0	0	5,432	0	0	0	5,432	0	5,342
Kyrgyzstan	0	39	78	4	0	121	0	0	0	121	0	121
02/10/2012	0	39	78	4	0	121	0	0	0	121	0	121
Malawi	0	3,559	436	0	-652	3,343	0	0	-3,314	29	0	29
03/08/2012	0	3,559	436	0	-652	3,343	0	0	-3,314	29	0	29

Table 2: OIG cases with recoverable balances as of 31 December 2015 (in US\$ '000s) - Dates provided below each country refer to the date the OIG report was published.

	OIG reported figures				Management Adjustments (in USD)	Gross Recoverable Amount (in USD)	Written-off (in USD)	Allocation Reduction (in USD)	Recovered (in USD)	Net Amount still to Recover (in USD)	Commitment to Repay (in USD)	Net After Commitments (in USD)
	Misappropriated (in USD)	Unsupported (in USD)	Ineligible (in USD)	Other (in USD)								
Mali	6,284	1,035	122	0	0	7,442	0	0	-2,542	4,900	-2,690	2,210
01/06/2011	4,074	1,035	122	0	0	5,231	0	0	-2,542	2,690	-2,690	0
01/10/2014	2,210	0	0	0	0	2,210	0	0	0	2,210	0	2,210
Mauritania	2,436	69	0	0	0	2,505	0	0	-1,069	1,436	0	1,436
01/03/2012	2,436	69	0	0	0	2,505	0	0	-1,069	1,436	0	1,436
Namibia	0	1,654	584	0	-1,369	869	0	0	0	869	0	869
02/10/2012	0	1,654	584	0	-1,369	869	0	0	0	869	0	869
Niger	361	1,817	0	0	-4	2,173	0	0	0	2,173	-488	1,686
01/12/2014	361	1,817	0	0	-4	2,173	0	0	0	2,173	-488	1,686
Nigeria	11	757	0	0	0	768	0	0	-310	457	0	457
31/10/2011	0	413	0	0	0	413	0	0	-9	404	0	404
09/10/2014	11	344	0	0	0	355	0	0	-301	54	0	54
Papua New Guinea	0	2,328	1,812	0	-355	3,785	0	0	-1,011	2,774	0	2,774
05/07/2012	0	2,328	459	0	0	2,787	0	0	-1,011	1,776	0	1,776
31/01/2014	0	0	1,353	0	-355	998	0	0	0	998	0	998
Senegal	0	140	0	0	-87	53	0	0	-39	14	0	14
07/09/2012	0	140	0	0	-87	53	0	0	-39	14	0	14
Sierra Leone	71	0	0	0	0	71	0	0	0	71	0	71
01/05/2014	71	0	0	0	0	71	0	0	0	71	0	71
South Sudan	0	262	265	0	-372	155	0	0	-152	3	0	3
31/10/2011	0	262	265	0	-372	155	0	0	-152	3	0	3
Sri Lanka	0	982	1,665	0	-1,181	1,466	0	0	-450	1,016	0	1,016
31/10/2011	0	982	1,665	0	-1,181	1,466	0	0	-450	1,016	0	1,016
Tajikistan	7	0	0	110	0	117	0	0	0	117	0	117
26/03/2015	7	0	0	110	0	117	0	0	0	117	0	117
Timor-Leste	0	40	0	0	0	40	0	0	0	40	0	40
09/10/2015	0	40	0	0	0	40	0	0	0	40	0	40
Togo	0	129	736	0	-571	294	0	0	0	294	0	294
31/10/2011	0	129	736	0	-571	294	0	0	0	294	0	294
Yemen	16	0	0	0	0	16	0	0	0	16	0	16
19/01/2015	16	0	0	0	0	16	0	0	0	16	0	16
Grand Total	22,580	23,880	25,953	971	-8,878	64,506	0	0	-11,422	53,084	-14,863	38,221

Table 3: Fully resolved OIG cases as of 31 December 2015 (in US\$ '000s) - Dates provided below each country refer to the date the case was closed.

	OIG reported figures				Management Adjustments (in USD)	Gross Recoverable Amount (in USD)	Written-Off (in USD)	Allocation Reduction (in USD)	Recovered (in USD)
	Misappropriated (in USD)	Unsupported (in USD)	Ineligible (in USD)	Other (in USD)					
Bangladesh	1,898	0	1,268	325	-1,089	2,402	-23	-2,102	-277
04/12/2015	4	0	1,268	325	-1,089	508	-23	-207	-277
27/04/2015	1,894	0	0	0	0	1,894	0	-1,894	0
Burundi	144	0	139	0	0	283	0	0	-283
19/08/2015	144	0	139	0	0	283	0	0	-283
Cambodia	411	223	21	1,362	-157	1,860	0	0	-1,860
13/07/2015	411	223	21	1,362	-157	1,860	0	0	-1,860
Congo	0	3,656	0	0	-1,241	2,415	0	0	-2,415
10/02/2015	0	3,656	0	0	-1,241	2,415	0	0	-2,415
Dominican Republic	0	0	175	0	0	175	0	0	-175
18/09/2013	0	0	175	0	0	175	0	0	-175
Ethiopia	0	5,703	1,324	0	0	7,027	-245	0	-6,782
27/05/2014	0	5,703	1,324	0	0	7,027	-245	0	-6,782
Georgia	878	0	0	0	-185	693	0	0	-693
11/11/2015	878	0	0	0	-185	693	0	0	-693
Guatemala	0	0	272	0	1,311	1,583	0	-1,583	0
16/04/2015	0	0	272	0	1,311	1,583	0	-1,583	0
Haiti	0	519	1,254	705	-661	1,817	-660	0	-1,157
31/12/2013	0	519	1,254	705	-661	1,817	-660	0	-1,157
India	872	0	1,140	0	-635	1,377	-81	0	-1,296
13/12/2013	872	0	1,140	0	-635	1,377	-81	0	-1,296
Kazakhstan	105	211	37	142	-385	110	-5	0	-105
28/10/2014	105	211	37	142	-385	110	-5	0	-105
Kenya	0	1,437	1,816	0	-2,059	1,194	0	0	-1,194
29/06/2015	0	1,437	1,816	0	-2,059	1,194	0	0	-1,194
Kyrgyzstan	0	0	58	0	-58	0	0	0	0
04/12/2013	0	0	58	0	-58	0	0	0	0
Lao (Peoples Democratic Republic)	0	41	99	1,876	-1,070	946	0	0	-946
19/02/2015	0	41	99	1,876	-1,070	946	0	0	-946

Table 3: Fully resolved OIG cases as of 31 December 2015 (in US\$ '000s) – Dates provided below each country refer to the date the case was closed.

	OIG reported figures				Management Adjustments (in USD)	Gross Recoverable Amount (in USD)	Written-Off (in USD)	Allocation Reduction (in USD)	Recovered (in USD)
	Misappropriated (in USD)	Unsupported (in USD)	Ineligible (in USD)	Other (in USD)					
Madagascar	0	0	694	64	-176	582	-10	0	-572
09/07/2015	0	0	411	64	0	475	-10	0	-465
21/04/2015	0	0	283	0	-176	107	0	0	-107
Mauritania	1,738	2,489		0	0	4,227	0	0	-4,227
21/10/2011	1,738	2,489		0	0	4,227	0	0	-4,227
Mozambique	0	500	0	0	0	500	0	0	-500
19/09/2013	0	500	0	0	0	500	0	0	-500
Niger	0	37	0	0	0	37	0	0	-37
16/04/2015	0	37	0	0	0	37	0	0	-37
Nigeria	0	7,896	1,597	0	-4,943	4,550	0	-2,636	-1,914
22/09/2015	0	7,896	1,597	0	-4,943	4,550	0	-2,636	-1,914
Papua New Guinea	359	25	281	0	-298	367	0	0	-367
30/06/2015	359	25	281	0	-298	367	0	0	-367
Philippines	0	0	2,012	0	-1,757	255	0	0	-255
09/11/2012	0	0	2,012	0	-1,757	255	0	0	-255
Swaziland	0	767	1,641	0	-1,137	1,271	-138	0	-1,133
30/05/2014	0	767	1,641	0	-1,137	1,271	-138	0	-1,133
Tajikistan	7	0	0	0	0	7	0	0	-7
09/08/2013	7	0	0	0	0	7	0	0	-7
Tanzania (United Republic)	0	0	0	819	-819	0	0	0	0
31/12/2014	0	0	0	819	-819	0	0	0	0
Uganda	0	0	1,600	0	0	1,600	-485	0	-1,115
05/12/2014	0	0	1,600	0	0	1,600	-485	0	-1,115
Ukraine	0	2,393	171	0	-2,559	5	-5	0	0
04/12/2015	0	0	5	0	0	5	-5	0	0
31/12/2014	0	2,393	166	0	-2,559	0	0	0	0
Zambia	13	5,760	4,998	0	-895	9,876	-1,701	0	-8,175
16/10/2015	13	5,760	4,998	0	-895	9,876	-1,701	0	-8,175
Zanzibar	0	62	388	0	-36	414	-2	0	-412
10/03/2015	0	62	388	0	-36	414	-2	0	-412
Zimbabwe	0	0	134	0	0	134	-134	0	0
30/06/2015	0	0	134	0	0	134	-134	0	0
Grand Total	6,426	31,718	21,119	5,293	-18,849	45,707	-3,489	-6,321	-35,896

Table 4: Recoverable amounts identified in the due course of grant management operations as of 31 December 2015 (in US\$ '000s)

	Net Amount still to Recover (in USD)	Commitment to Repay (in USD)	Net after Commitments (in USD)
Non-OIG	16,232	-	16,232

As of 31 December 2015, the aggregate outstanding balance due amounted to US\$ 16.2 million and is distributed over 43 countries (83 Principal Recipients). Of this US\$ 16.2 million, there are three Principal Recipients that account for 65.3% of the total outstanding amount due, as follows:

- a. UNDP: US\$ 7.9 million (48.47%), relates to 11 grants in five countries, and is broken down as follows:
 - i. Central African Republic: US\$ 2.5 million
 - ii. DRC: US\$ 4.4 million
 - iii. Cote d'Ivoire: US\$ 0.02 million
 - iv. Gabon: US\$ 0.06 million
 - v. Niger: US\$ 0.9 million

(See paragraph 29 above with an update on OIG and non-OIG UNDP matters since 31 December 2015)

- b. National Aids Commission of Malawi: US\$ 2.0 million (12.38%); and,
- c. Ministry of Health of Angola: US\$ 0.7 million (4.45%).

As of 31 December 2015, the average size of the non-OIG recoverable outstanding amounts to US\$ 195,561, but it is noted that this figure is influenced by the aforementioned amounts. As such, closer attention is focused on the median amount in the data received which is US\$ 21,854.

Notes to tables:

(1) Adjustments by management include changes to the OIG-reported figures based on additional considerations, which may include review of additional supporting documentation, retroactive approval of expenditures reported by the OIG as ineligible where sound rationales exist, and amounts identified by the Secretariat as recoverable in addition to the amounts reported by the OIG. Such adjustments are made in consultation with the OIG.

(2) The amount deemed recoverable represents the maximum amount to be recovered based on the deliberations of the Recoveries Committee and latest information available. The amounts include considerable sums which are subject to further analysis or explanation by the Secretariat and validation by the OIG. Part or all such amounts may be shifted to the management adjustments column following further deliberations of the Recoveries Committee. For cases not yet fully resolved, the amounts in the 'written off', 'recovered' and 'commitment to repay' columns may not fully represent the amount ultimately recovered, as recovery work is still ongoing on a portion of the amount shown as 'net deemed recoverable'.

(3) Allocation reductions represent a means of resolving exceptionally difficult cases where all means of recovery have been exhausted. Upon approval by the Executive Director the country's allocation is reduced by a factor of 2:1, being 2 allocation reduction for every 1 of recoverable. The amounts in the table represent the recoverable amounts written off.

(4) An overview as of 31 December 2015 is provided in Table 1. The "New cases or adjustments reported by the OIG during the period" line in Table 1 includes a retro-active adjustment of US\$ 1.7 million to the amount due pursuant to an investigation in Bangladesh, published in July 2012, reducing the amount from US\$ 3.8 million to US\$ 2.1 million. Further information on this now resolved case is provided in point 24.

(5) A commitment to repay is included in the table when it has been received in writing from the entity involved.