

34th Board Meeting

Recoveries Report for the period ending 30 June 2015

GF/B34/20
For Information

PURPOSE: this report is provided to the Board pursuant to a decision the Thirty-Second Board 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 30 June 2015. The OIG reports independently to the Board on the Secretariat's progress on matters related to recoveries.

I. Decision Point

There is no decision point associated with this paper, which is for information.

II. 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. Such reporting will commence as of December 31, 2015.

III. Action Required

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

IV. 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 takes 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 OIG has indicated that they will perform their next review of the recoveries process following the roll-out of the new reporting methodology for recoverables identified in the normal course of grant management, which takes effect from the period ending 31 December 2015, as further described in paragraph 6 below. The Recoveries Report is submitted for review to the Audit and Ethics

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

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 reports). The approach proposed by the Secretariat was approved by the AEC under decision point GF/AEC11/DPO6, pursuant to its delegated authority. Recoveries reports commencing with the period ending 31 December 2015 will henceforth include a report on such normal course recoverables in addition to those related to OIG findings as currently reported.

7. Reports on amounts identified as compromised by various compliance issues by the OIG 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 Recoverable Amounts

8. Under GF/B32/DPO4, 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. 10); 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. **Non-Compliant Expenditures/Financial Loss:** The OIG, through its investigation and audit reports, quantifies actual or potentially non-compliant expenditures under the grant agreement, focusing on lapses in oversight and expenditures compromised in various ways. The OIG recently called on the Recoveries Committee to develop a formal definition of Financial Loss. The definition is under development, for consideration by the Recoveries Committee at their meeting of 13 November 2015, and will be included in the next edition of the Recoveries Report. In addition, whenever possible, the OIG will make a recommendation as to the amount to be recovered including providing contextual information to help the Secretariat in its final determination of the appropriate amount to be recovered, for example by providing (where available and appropriate) overpricing analyses or information on damages and other costs or losses. Prior to the publication of any investigation or audit report, the OIG ensures that principles of country ownership and procedural due process have been respected by notifying the relevant Country Coordinating Mechanism and entities involved of the details of the OIG's findings, providing such entities a time to respond, and incorporating or addressing their comments in subsequently published reports. The OIG also shares details of its findings with the Secretariat and considers any comments received from the Secretariat.

10. **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.²

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 **CCM** 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 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.

V. 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 two such cases have been approved during the reporting period. 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, on

² Where a case finding non-compliant expenditures has not yet been through the internal Secretariat process for determination of a recoverable amount (including consideration by the Recoveries Committee), the initial findings from the **OIG** report are accompanied by a footnote to highlight this fact.

the basis of 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: 1 recoverable, reflecting the need to incentivize actual recovery. The two cases in question are reported on in the notes to tables 2 and 3.

13. A summary status of all OIG-related recoveries is provided below:

Table 1: Overview as at 30 June 2015									
All amounts expressed in US\$ thousands									
	OIG reported figures	Recoveries and other Adjustments							
		Management adjustments	Amount deemed recoverable	Written off	Allocation reduction	Received	Net still to recover	Committed to repay	Net after commitments
Open cases (n=38)									
Balance as at 31 December 2014	98,421	(13,784)	84,637	0	0	(20,491)	64,146	(15,032)	49,114
Add/(Less): Recoveries and other Adjustments									
<i>Cash recovery</i>			0			(5,503)	(5,503)		(5,503)
<i>New Commitments</i>			0				0	0	0
<i>Commitments recovered</i>			0				0	4,184	4,184
<i>Net management adjustments</i>		(2,879)	(2,879)				(2,879)		(2,879)
<i>Write offs/allocation reductions</i>			0	(2,004)	(3,684)		(5,688)		(5,688)
	0	(2,879)	(2,879)	(2,004)	(3,684)	(5,503)	(14,070)	4,184	(9,886)
Add: New cases or adjustments reported by the OIG during the period:	5,050		5,050				5,050		5,050
Less: Cases closed after full resolution	(18,861)	1,778	(17,083)	1,995	3,477	11,611	(0)		(0)
Balance as at 30 June 2015	84,610	(14,885)	69,725	(9)	(207)	(14,383)	55,126	(10,848)	44,278
Total closed cases c/f (n=24)	42,282	(9,544)	32,738	(3,738)	(3,477)	(25,523)	0	0	0
Total all reported cases (n=62)	126,892	(24,429)	102,463	(3,747)	(3,684)	(39,906)	55,126	(10,848)	44,278
Percentage of recoverable - all cases			100%	4%	4%	39%	53%	11%	42%

14. The “New cases or adjustments reported by the OIG during the period” line in the above Table 1 includes a retro-active adjustment of US\$ 1.9 million to the amount due pursuant to an investigation in Bangladesh, published in July 2012, reducing the amount due from US\$ 3.8 million to US\$ 1.9 million. Further information on this now resolved case is provided in footnote 3 (a) to Table 3.

15. Since the inception of the Fund, a total of US\$ 39.9 million has been recovered in thirty four cases, and written commitments for a further US\$ 10.8 million have been obtained. Twenty four cases have been fully resolved with a combined amount recovered or written off of US\$ 32.7 million and these are shown separately in table 3. In terms of ever-reported cases the % amount recovered or written off as a proportion of the amount deemed recoverable is 47% (up from 35% at 31 December 2014). If firm commitments are included this % increases to 58% (49%).

16. The number of open cases reduced by four in the reporting period ended 30 June 2015. Five new OIG reports with potential recoverable amounts were added to the previous caseload while nine cases were fully resolved and closed (including one being both new and resolved in the period), giving a net reduction of four open cases. Since inception this means that a total of sixty two cases have been reported of which twenty four have been fully resolved. It is noted that 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.

17. In monetary terms, during the six-month period since the last update report, the net still to recover amount reduced from US\$ 64.1 million to US\$ 55.1 million. New cases and OIG adjustments to past cases added a net recoverable amount of US\$ 5 million, US\$ 2.9 million was reduced from the OIG recoverable amounts through management adjustments³, US\$ 5.5 million was recovered in cash, US\$ 2 million was written

³ Management adjustments are those amounts which the Secretariat determines are not recoverable following additional due diligence on the original OIG-reported amounts. Such adjustments are made in consultation with the OIG.

off due to exchange differences and insolvency, and finally, US\$ 3.7 million was deemed irrecoverable and closed through the allocation reduction approach referred to in paragraph 12.

18. In addition to the above, the following significant recovery-related events occurred between 30 June 2015 and the date of preparation of this report:

- a. Recovery of US\$ 0.75 million received from the Republic of Djibouti in accordance with the protocol of recovery signed in 2014.
- b. Application of a 2-for-1 deduction from Nigeria's allocation to resolve several long-outstanding cases amounting to US\$ 2.6 million.

19. Table 2 presents the detailed country-by-country data on losses and recoveries for open cases. Fully resolved cases feature in table 3.

20. Overall there has been an improvement in the recoveries made and the closure of cases during the first half of 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 very few such legacy cases left which have not reached an advanced stage of determining the final recoverable amount to be pursued and further closure of such cases is anticipated before the end of 2015. Amounts due for the period prior to 1 January 2014 amount to US\$ 27.3 million (net of written commitments to repay). Of this, around 35% of this relates to one implementer, for multiple cases, with whom the Global Fund continues to work closely to reach closure on this matter. In addition, US\$ 2.6 million relates to Nigeria. This sum has been resolved after the reporting date (period ending 30 June 2015), as noted above, through a 2-for-1 deduction of funding from the country's allocation. Recoveries efforts are linked to grant signings where possible. The Recoveries Committee will continue to review the legacy cases to ensure they progress to closure as soon as practicable.

21. Turnaround times for new cases continue to improve compared to 'legacy' cases. Those reported since 1 January 2014 are moving through the recovery steps much more quickly than before. The improvement reflects the new approach to recoveries referred to in the previous report and will see considerable benefits: recoverable funds will be returned much more quickly, significantly less in-country and Secretariat resources will be invested in the process and the potential disruption to health programs will become the exception rather than the rule.

22. Further improvement in the overall recoveries picture is expected before the end of 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. Engagement of a full-time recoveries officer to address the need for central administration and tracking of cases. The individual started work on October 1;
- b. A detailed action plan and targets for each case in 2015;
- c. As referred to in para. 12, further effective use of the country allocation as leverage to recover debts – a high proportion of grants under the New Funding Model are due for Board approval in 2015;
- d. As also referred to in para. 12, the possibility to close difficult cases through reducing the country allocation, as a last resort.

23. 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 almost always 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 is, however, confirmed that the Financial Statements reporting on losses and recoveries uses the exact same underlying data as that presented within Table 2 below.

Table 2: Cases with recoverable balances as at 30 June 2015

All amounts expressed in US\$'000 (see accompanying notes at the foot of Table 3)

Country	Type of report	OIG report issue date	OIG reported figures					Management adjustments (1)	Gross amount deemed recoverable (2)	Written off	Allocation reduction (3)	Recovered	Net still to recover	Commitment to repay (4)	Net after commitments
			Misappropriated	Unsupported	Ineligible	Other	Total								
Democratic Republic of Congo	Audit	Mar-10		2,480	0		2,480	(1,048)	1,432				1,432		1,432
Cameroon	Audit	Oct-10	33	2,200	3,370		5,603	(2,200)	3,403			(33)	3,370	(3,370)	0
Mali	Investigation	Jun-11	4,074	1,035	122		5,231	0	5,231			(1,832)	3,399	(3,399)	0
Nigeria	Aud/Inv	Oct-11	1,771	5,838	1,170		8,779	(3,068)	5,711			(184)	5,527		5,527
Sri Lanka	Audit	Oct-11		982	1,665		2,647	(1,181)	1,466			(450)	1,016		1,016
South Sudan	Audit	Oct-11		262	265		527	(372)	155			(149)	6		6
Togo	Audit	Oct-11			433	432	865		865				865		865
Mauritania	Investigation	Mar-12	4,070	120	2,558		6,748	(150)	6,598			(5,270)	1,328		1,328
Kenya	Audit	Jun-12		1,437	1,816		3,253	(2,059)	1,194			(87)	1,107		1,107
Papua New Guinea	Audit	Jul-12		1,647	1,460		3,107	57	3,164			(377)	2,787		2,787
Laos	Audit	Jul-12		41	99	1,876	2,016	(1,070)	946				946		946
Malawi	Audit	Aug-12		3,559	436		3,995	(652)	3,343			(3,314)	29	(29)	0
Burundi	Audit	Aug-12			31		31	19	50			(1)	49		49
Senegal	Audit	Sep-12		140	0		140	(87)	53			(39)	14		14
Namibia	Audit	Oct-12		1,654	584		2,238	(1,369)	869				869		869
Kyrgyzstan	Audit	Oct-12		95	31		126	(4)	122				122		122
Ghana	Aud/Inv	Oct-12			1,975	555	2,530	(1,021)	1,509				1,509		1,509
Djibouti	Aud/Inv	Oct-12	320	5,400	2,475		8,195		8,195			(1,000)	7,195	(3,070)	4,125

Country	Type of report	OIG report issue date	OIG reported figures					Management adjustments (1)	Gross amount deemed recoverable (2)	Written off	Allocation reduction (3)	Recovered	Net still to recover	Commitment to repay (4)	Net after commitments
			Misappropriated	Unsupported	Ineligible	Other	Total								
Bangladesh (non-PMUK)	Audit	Oct-12		4	1,151	442	1,597		1,597		(207)	(242)	1,148		1,148
Central African Republic	Audit	Feb-13		718	220	10	948	32	980				980	(980)	0
Georgia	Investigation	May-13	878				878	(185)	693				693		693
Kyrgyzstan	Investigation	Aug-13	54				54		54				54		54
Democratic Republic of Congo	Investigation	Memo to AEC, Sept 2013	3,600				3,600		3,600				3,600		3,600
Cambodia	Investigation	Oct-13	411		21		432	41	473			(390)	83		83
Madagascar	Investigation	Jan-14			463		463	12	475	(9)		(461)	5		5
Papua New Guinea	Investigation	Feb-14			1,353		1,353	(355)	998				998		998
Sierra Leone	Investigation	May-14	71				71		71				71		71
Mali	Investigation	Oct-14	2,210				2,210		2,210				2,210		2,210
Nigeria	Investigation	Oct-14	11	344			355		355			(301)	54		54
Burundi	Investigation	Oct-14	144		139		283		283				283		283
Democratic Republic of Congo	Investigation (inc OAI audit)	Oct-14	139	1,290			1,429		1,429				1,429		1,429
Burundi	Investigation	Nov-14	184				184		184				184		184
Ghana	Investigation	Dec-14	3,840				3,840		3,840				3,840		3,840
Niger	Investigation	Dec-14		2,421			2,421	(225)	2,196			(253)	1,943		1,943
Yemen	Investigation	Jan-15	16				16		16				16		16
Kazakhstan	Investigation	Feb-15	5,432				5,432		5,432				5,432		5,432
Tajikistan	Investigation	Mar-15	117				117		117				117		117
Guinea	Investigation	Mar-15	165	251			416		416				416		416
Total			27,540	31,918	21,837	3,315	84,610	(14,885)	69,725	(9)	(207)	(14,383)	55,126	(10,848)	44,278

Table 3: Fully resolved cases as of 30 June 2015

All amounts expressed in US\$'000 (see accompanying notes at the foot of the table)

Country	Type of Report	OIG report issue date	OIG reported figures					Management adjustments (1)	Amount deemed recoverable (2)	Written off	Allocation reduction (3)	Recovered	Net still to recover
			Misappropriated	Unsupported	Ineligible	Other	Total						
Zimbabwe	Audit	Mar-09			134		134		134	(134)			0
Tanzania	Audit	Jun-09			0	819	819	(819)	0				0
Uganda	Audit	Feb-10			1,600		1,600	0	1,600	(485)		(1,115)	0
Philippines	Audit	Feb-10			2,012		2,012	(1,757)	255			(255)	0
Cambodia	Audit	Oct-10		223	0	1,362	1,585	(198)	1,387			(1,387)	0
Haiti	Audit	Oct-10		519	1,254	705	2,478	(661)	1,817	(660)		(1,157)	0
Zambia	Audit	Oct-10	13	5,760	4,998		10,771	(895)	9,876	(1,701)		(8,175)	0
Swaziland	Audit	Oct-11		767	1,641		2,408	(1,137)	1,271	(138)		(1,133)	0
Dominican Republic	Audit	Oct-11			175		175		175			(175)	0
India	Investigation	Oct-11	872				872	(525)	347	(81)		(266)	0
Madagascar	Audit	Oct-11			283		283	(176)	107			(107)	0
Ethiopia	Audit	May-12		5,703	1,324		7,027		7,027	(245)		(6,782)	0
Bangladesh (PMUK)	Investigation	Jul-12	1,894				1,894		1,894		(1,894)		0
Mozambique	Audit	Aug-12		500			500		500			(500)	0
Ukraine	Audit	Aug-12		2,393	166		2,559	(2,559)	0				0
Zanzibar	Audit	Oct-12		62	388		450	(36)	414	(2)		(412)	0
Kazakhstan	Audit	Dec-12		211	37	142	390	(385)	5	(5)			0
Tajikistan	Audit	Feb-13	7		0		7	0	7			(7)	0
Guatemala	Audit	Mar-13			272		272	1,311	1,583		(1,583)		0
India	Audit	Apr-13			1,140		1,140	(110)	1,030			(1,030)	0
Republic of the Congo	Audit	May-13		3,656			3,656	(1,241)	2,415	(284)		(2,131)	0
Papua New Guinea	Investigation	Aug-13	359				359	(356)	3	(3)			0
Kazakhstan	Investigation	Dec-13	105				105		105			(105)	0
Nigeria	Investigation	Feb-15			786		786		786			(786)	0
Total			3,250	19,794	16,210	3,028	42,282	(9,544)	32,738	(3,738)	(3,477)	(25,523)	0

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. The two cases determined in the six months to 30 June 2015 were as follows:
 - a. *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 (USD 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.*
 - b. *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 the grant agreement 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.*
- (4) A commitment to repay is included in the table when it has been received in writing from the entity involved.
- (5) As at 30 June 2015 a net recoverable of US\$ 25.8 million (31 December 2014: US\$ 23 million) is recorded in the interim financial statements. The difference from the US\$ 55.1 million (31 December 2014: US\$ 64 million) net recoverables noted in table 1 of this report comprises cases for which formalized terms of recovery with the Principal Recipients are not yet issued, fair value provisions booked under IFRS requirements and other timing differences.