Medical Xpress

Germany suspends payments to global health fund

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Michel Kazatchkine, Executive Director of the Global Fund to Fight AIDS, Tuberculosis and Malaria, answers reporters questions about the misuse of funds in several countries, during a news conference, at the European headquarters of the United Nations in Geneva, Switzerland, Monday, Jan. 24, 2011. A $21.7 billion development fund backed by celebrities and hailed as an alternative to the bureaucracy of the United Nations sees as much as two-thirds of some grants eaten up by corruption, The Associated Press has learned. (AP Photo/Keystone/Salvatore Di Nolfi)

(AP) -- Germany says it will halt all payments to a $21.7 billion global health fund until it gets answers about serious corruption allegations raised in articles by The Associated Press.

The country's development ministry said its pledge of euro200 million ($270 million) for 2011 will be withheld from the Global Fund to Fight AIDS, Tuberculosis and Malaria pending a full investigation by Germany into the corruption that the fund's own investigators are turning up.

German Development Minister Dirk Niebel said the serious questions raised in two AP articles on Sunday and Monday require a thorough investigation.

"I take the allegations of corruption and breach of trust carried by media against the Global Fund very seriously and I expect that the fund will promptly clear them up," said Niebel. "I have halted all further payments to the fund until it is fully cleared up."

The AP reported Sunday the fund's new investigative unit has found that high percentages of some contract money for health care were eaten up by corruption.

Germany is the fund's third largest government donor behind the U.S. and France, having pledged euro600 million ($816 million) for 2011-13.

The Global Fund, created in 2002, was set up to get money directly into the hands of nations and groups fighting those diseases, bypassing traditional cumbersome U.N. bureaucracy. It spends about $3 billion a year and claims to have saved 6.5 million lives by delivering AIDS and TB treatment and handing out millions of insecticide-treated malaria bed nets.

A ministry spokesman said Wednesday that Germany was demanding the fund shed more light on $34 million in losses due to forged documents, improper bookkeeping and other widespread fraud and said Germany has summoned a Global Fund representative to discuss the

reports.

"We obviously are looking very closely at the (donated) money now. It's the money of German taxpayers, so we have to make sure that it was rightly used," a ministry spokesman told the AP, speaking on condition of anonymity in line with German government policy.

Global Fund spokesman Jon Liden told the AP that donors are reacting to what he called misleading media reports.

"Germany has been kept fully informed about all the activities of our inspector general as well as the immediate and firm steps the Global Fund has taken to stop misuse and recover funds," said Liden.

Liden said the fund will answer any questions Germany may have in talks next week in Bonn.

"We are confident we can reassure the German government about the solidity of our procedures and the safety of their contributions," he said.

The AP reported that the fund's investigators had examined a tiny fraction of the grant money dispersed so far and found "pervasive fraud" with up to 67 percent losses due to faked invoices and other requests for payment for AIDS, TB and malaria work in the western Sahara nation of Mauritania, where the U.N. Development Fund manages the programs.

The fund also halted grants to neighboring Mali worth $22.6 million, after the fund's investigative unit found that $4 million was misappropriated. Half of Mali's TB and malaria grant money went to supposed "training events," and signatures were forged on receipts for per diem payments, lodging and travel expense claims.

The fund says Mali has arrested 15 people suspected of committing

fraud, and its health minister resigned without explanation two days before the audit was made public.

Niebel, of Germany's pro-business Free Democrats, has been less enthusiastic about the Global Fund than his Social Democratic predecessor. He also has not yet asked for next year's euro200 million donation to the fund to be set aside in his ministry's budget.

The fund's inspector general, John Parsons, launched a new investigative unit in 2008. Last fall, he named Robert Appleton as its leader, a highly decorated ex-U.S. federal prosecutor and former U.N. anti-corruption task force chairman.

Sweden also said last year it was withholding its financial pledge to the Global Fund for 2011-13. Last week, the fund's executive director, Dr. Michel Kazatchkine, a French immunologist, flew to Stockholm to try to assure officials there the problems would be fixed.

Swedish Development Minister Gunilla Carlsson said there had been progress toward addressing Swedish concerns in that meeting.

Since Tuesday, the fund has been greeting all visitors to its website with a statement reacting to the AP stories and detailing how fund money is protected. The statement notes that the money lost to corruption represents just 0.3 percent of the $13 billion the fund has dispersed since it was created.

Fund officials say the U.N. Development Program has managed $3.88 billion, or 30 percent, of the total sum the fund has handed out to date.

But the fund's investigators aren't provided with UNDP's internal audit reports, handicapping their ability to more closely examine the spending. UNDP says it releases some information about those reports but is

reconsidering that policy.

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