

16 April 2026

Eighth meeting of the Board

22–24 April 2026

Livingstone, Zambia

Provisional agenda item 6

Report on the activities of Board committees

Summary

This report presents the activities of committees established by the Board. It covers the period from inception through to 31 March 2026 for the following Board committees:

- (a) Budget Committee;
- (b) Ad hoc risk committee (to 1 April 2026).

Expected actions of the Board:

The Board will be invited to take note of the report on the activities of Board committees.

I. Introduction

1. According to paragraphs 43-45 of the Rules of Procedure of the Board,¹ the Board may establish committees from within its membership as may be required for the conduct of its business, to assist the Board in its decision-making and to exercise any authority delegated to them by the Board.
2. This report outlines key activities undertaken by the following Board committees:
 - (a) Budget Committee;
 - (b) Ad hoc risk committee.
3. As this is the first such report being presented to the Board, it covers the activities of each committee from inception through to 31 March 2026. If known, it also covers the indicative activities planned to be carried out by the committees in preparation for the eighth meeting of the Board (B.8).

II. Report on the activities of the Budget Committee

4. This report covers the activities of the Budget Committee from April 2025, when it was established as a standing committee of the Board at B.5, through to 31 March 2026. Over the reporting period, the Budget Committee met regularly to consider matters within its mandate, including to review the execution of the administrative budgets and related financial issues, as summarized below.

A. Activities during the reporting period

1. Establishment of the standing Budget Committee and working modalities

5. Following its establishment as a standing committee at B.5, the Budget Committee developed its working modalities, including procedures for electing its co-chairs, improvements to organizing meetings and circulating documents, and emphasized its expectations regarding clarity of agenda items and the use of written procedures, where appropriate.

2. Review of budget execution and strengthening of financial reporting

6. The Budget Committee reviewed the reporting on the execution of the administrative budget in 2025 and consistently emphasized the importance of improving granularity, the narrative linkage to expenditures and the timely provision of data, in order to support oversight and future budget formulation.

7. At its meetings in June and July 2025 the Budget Committee raised concerns regarding the clarity and completeness of execution reporting and requested the Secretariat to strengthen reporting templates, including clearer presentation of travel and consultancy expenditures, and to improve linkages between the narrative explanations and the quantitative budget information.

8. On 10 September 2025 the Budget Committee considered the execution of the 2025 administrative budget as presented by the Secretariat, welcomed improvements in the presentation, and requested that year-end projections by budget line become standard practice. Members also requested additional written clarifications on World Bank cost-recovery arrangements, more granular travel data and clearer presentation of staffing-related expenditures.

9. On 16 September 2025 the Secretariat presented an updated execution forecast, and the Budget Committee welcomed the move towards more comprehensive reporting and year-

¹ Decision B.4/D.5.

end projections. The Budget Committee asked the Secretariat to share relevant World Bank frameworks and policies governing staffing arrangements (including secondees and consultants) to strengthen transparency and enable it to conduct a deeper review of cost classifications. The Budget Committee agreed that the execution report should be transmitted to the Board for information on a no-objection basis.

10. Ahead of B.8, the Budget Committee reviewed the 2025 budget execution report presented by the Secretariat. The report forms part of document FRLD/B.8/3 titled “Report of the activities of the Secretariat” to be presented at B.8.

3. Review of administrative budgets and work programmes

11. In the meetings leading up to B.7 the Budget Committee reviewed and provided guidance on the proposed administrative budget and workplan for 2026, paying particular attention to staffing assumptions, travel and Board meeting costs, use of consultants, and the application of World Bank cost recovery.

12. On 10 September 2025 the Secretariat introduced the proposed 2026 workplan and administrative budget, including a presentation of strategic priorities and cost drivers. Budget Committee members expressed concern regarding the scale of the proposed increase and emphasized that any 2026 budget request should be based on conservative, execution-informed assumptions. The Budget Committee did not endorse the proposal as presented and requested the Secretariat to prepare a revised 2026 administrative budget reflecting a stepwise approach and improved execution-based projections. The Budget Committee suggested the option of coming back for any additional budget for 2026 in 2026.

13. On 24 September 2025 the Budget Committee held further discussions on the proposed 2026 administrative budget, including the projected costs of staffing the independent Secretariat. Members asked the Secretariat to provide a revised draft decision and updated budget materials reflecting the discussion and agreed that the Committee’s recommendation would proceed via written procedure, with rapid turnaround timelines for circulation and comments.

4. Review of the recommendations on management of commitment authority

14. In the meetings leading to B.8, the Budget Committee reviewed the document “Recommendations on the management of commitment authority” and provided comments on the content of the report. The suggested changes were incorporated by the Secretariat and were cleared by the Budget Committee before publication.

5. Review of the Budget Committee workplan for 2026

15. In the first meeting of 2026, on 6 March 2026, the Budget Committee discussed its workplan for 2026. The plan was prepared in accordance with mandate of the Budget Committee and aligns with the workplan of the Board. The Budget Committee agreed on visibility in the work and schedule of the committee.

6. Other budgetary matters

16. In its 6 March 2026 meeting, the Budget Committee discussed the cost estimates for B.8 and the need for budget reallocations within the already approved budget ahead of B.8. They asked about the details of the services provided for B.8 and gave guidance on next steps.

17. The Budget Committee agreed to discuss the guidelines for hosting the Board meetings and how to improve information so that the Board and the host countries have a clearer understanding of the costs and services of hosting the Board meetings of the FRLD outside the Philippines.

B. Intersessional actions affecting the Budget Committee

18. Between Board meetings, the Board approved a decision to elect Ms. Nona Budoyan as a member of the Budget Committee for the remaining period of the Committee’s current term, following the end of Mr. Anthony Ferguson’s term.

19. In addition to changes in the Budget Committee membership for the developing country constituency, there was also a change in the developed country constituency. Mr. Odd Magne Ruud replaced Ms. Karoline Kjeldsen as the representative on the Budget Committee from Norway, following his appointment as the alternate Board member for Norway.

C. Next steps

20. The Budget Committee is planning to meet in person on the sidelines of B.8 in Livingstone, Zambia, to discuss any relevant matters ahead of B.8.

III. Report on the activities of the ad hoc risk committee

21. This report covers the activities of the ad hoc risk committee from 2 February 2026, when it was established by the Board, through to 1 April 2026, the date of its last meeting. Over the reporting period, the committee met six times to consider matters within its mandate, focusing on the development of a risk management framework to operationalize direct access through direct budget support (DBS) via national governments under the Barbados Implementation Modalities (BIM). A summary of the activities undertaken by the committee during this period is set out below.

A. Activities during the reporting period

1. Establishment of the ad hoc risk committee and working modalities

22. At its first meeting on 25 February 2026, the ad hoc risk committee established its working modalities. The committee decided not to adopt formal terms of reference and agreed to follow the FRLD Rules of Procedure, requiring a two-thirds quorum for decisions.

23. The committee agreed to meet weekly and to include advisers in its meetings.

24. Following the first meeting, Mr. Jan Dusik (representing developed countries) and Mr. Richard Sherman (representing developing countries) were confirmed as co-chairs of the committee via email on 26 February 2026. At the second meeting, on 4 March 2026, the formal handover of chairing duties from the FRLD Executive Director to the co-chairs was completed.

2. Clarification of mandate and scope

25. At its first meeting, the committee clarified that its mandate is focused on guiding the Secretariat in developing a risk management framework for DBS through national governments under the BIM.

3. Development of the modalities and risk management framework for operationalizing direct access via direct budget support through national governments under the Barbados Implementation Modalities

26. At its first meeting, the committee discussed three questions: (1) which institutions’ existing assessments should be used to identify gaps and risks under the process detailed in annex V to decision B.7/D.5; (2) which standards and safeguards will be used for assessing the standards and safeguards of national ministries; and (3) what are the roles and responsibilities of external experts, national ministries and the Secretariat in identifying, assessing and managing risks at both the institutional and funded activities level. The

committee requested the Secretariat to develop the zero draft of the paper that would set out the modalities and risk management framework for operationalizing direct access via DBS through national governments under the BIM.

27. At the second meeting the Secretariat presented the key elements of the zero draft paper. The committee discussed several topics and provided comments on (1) the benchmarks of standards and safeguards to be used when developing the checklist for the ad hoc assessment of national ministries' policies, systems and capacities; (2) the requirements for the Board to confirm the functional equivalency of national ministries' standards and safeguards; (3) the need to expand the risk management framework beyond risk identification to encompass risk appetite, zero-tolerance practices and residual risk; (4) elaborating the risk mitigation measures; and (5) ensuring country ownership and avoiding additional administrative burdens, particularly for least developed countries (LDCs) and small island developing States (SIDS). The committee was invited to share written comments on the zero draft that would be summarized, together with the comments shared during the meeting, and presented to the ad hoc risk committee at its next meeting.

28. At the third meeting on 10 March 2026, the Secretariat presented a summary of committee members' comments on the zero draft, organized around six key themes: risk mitigation, risk appetite and risk tolerance; balancing high integrity with minimizing the burden on recipient countries; functional equivalency; the role of external experts; the feasibility of ad hoc assessments; and monitoring and reporting requirements. The risk committee agreed to add a seventh element on implementation, timelines and costs of the ad hoc assessment. In addition, the Secretariat presented the proposed ad hoc assessment checklist that would be applicable in cases where external assessments of national ministries do not exist.

29. The committee further discussed the importance of transparent processes for selecting external experts and ensuring that they are independent and there is no conflict of interest. Several members commented on the feasibility of completing assessments within the time frame of the funding request submission deadlines as well as the time frame for Board approvals during the BIM. Others commented on the potential additional administrative burdens for countries with limited capacities, in particular LDCs and SIDS. The committee requested the Secretariat to address the agreed seven key themes to be discussed at the fourth meeting.

30. At the fourth meeting on 18 March 2026, the Secretariat presented the first draft paper which addressed the seven key themes as requested at the previous meeting (para. 28 above). Members of the ad hoc risk committee provided comments on risk appetite, zero-tolerance practices, risk mitigation measures and remediation measures in cases of high institutional risks, as well as roles and responsibilities of the external experts, the Secretariat and the Board. The status of the proposed ad hoc assessment checklist was also discussed. Members further requested the Secretariat to provide additional information on the expected timelines and costs for the ad hoc assessments, as well as on the potential related impacts on the funding cycle and the need to update the funding request template. Members of the committee were invited to share written comments on the first draft, which would be summarized and addressed in the second draft paper.

31. At the fifth meeting on 25 March 2026, members of the ad hoc risk committee reaffirmed that the committee's mandate is limited to DBS but some members recommended that the Board consider developing a comprehensive risk management framework covering all access modalities with appropriate sequencing. The Secretariat presented the second draft of the paper, which addressed the committee's comments, including on the integration of residual risk into risk appetite statements, clarification of Board remedial actions, additions to the zero-tolerance provisions for prohibited practices, elaboration of the criteria for external experts, and the separation of project and budget support checklists. Members reiterated concerns about the administrative burden that DBS requirements could place on SIDS and LDCs, and the Secretariat clarified the role of the country support system as well as the ability of countries to embed technical assistance within funding requests under the BIM.

32. At the sixth meeting, on 1 April 2026, the Secretariat presented the highlights of the comments received from committee members on the second draft of the paper, focusing on the key areas of divergence. This related to the scope of risk identification, the risk appetite statement and zero-tolerance provisions, the Board decision-making process in case of high risks at the institutional level, and the checklist for the ad hoc assessments. Members agreed that the issues related to functional equivalency of national ministries and the FRLD-wide risk management framework sit outside the committee's mandate and should therefore be discussed at the Board level. The committee agreed on defining "direct budget support" as projects/programmes financed by the Fund and implemented by national ministries.

33. The committee asked the Secretariat to prepare a final draft paper, with brackets around the text where committee members' views diverged, based on the discussions at the sixth meeting. The final draft paper was reviewed by members of the committee in writing, and the draft was shared with the Co-Chairs of the Board.

IV. Recommendation

34. The Budget Committee and the ad hoc risk committee recommend that the Board take note of the report on the activities of the Board committees contained in document FRLD/B.8/5.

35. In addition, the ad hoc risk committee recommends that the Board deliberate, during its eighth meeting, on three questions related to the key areas of divergence for discussion with the objective of gaining the Board's guidance on how to proceed in finalizing the modalities and risk management framework for DBS.

36. The questions are:

(a) Noting the scope of the BIM, should risk identification and management apply at both the institutional level and funded activities level or only at the funded activities level?

(b) Should there be a risk appetite statement for this modality or are the zero-tolerance framework and risk mitigation measures sufficient for the BIM?

(c) How will residual risks be assessed proportionally to the scope of the BIM?

37. Based on the guidance of the Board on the questions posed, the ad hoc risk committee may be tasked to meet on the sidelines of B.8 to take the relevant next steps.