JUNE 3-4, 2026 – MEETING OF THE BOARD OF DIRECTORS
PARIS, FRANCE – BOD/2026-06-DOC 09 – FOR DECISION

REVIEW OF EXISTING POLICIES AND PROCEDURES RELATED TO MISUSE OF FUNDS CASES

Please note: In accordance with the GPE Transparency Policy, documents are public only after their appraisal by the relevant governance instance. Governance officials may circulate documents to their constituency for consultation purposes, except for documents of a confidential nature.

Key issues for consideration:

- Members of the Finance and Risk Committee (FRC) supported the strengthening of existing policies and acknowledged the successful efforts to recover misused funds.
- Clarification was requested on whether penalties exist for those responsible for misuse, particularly grant agents. Members also highlighted the need for more information to be provided ahead of meetings on individual cases that go beyond the status of fund recovery, including corrective action to prevent reoccurrence and accountability for those responsible for misuse.
- In response, the Secretariat confirmed that some sanctions against relevant parties have been enacted and relevant updates are shared with the FRC and the Board but the forthcoming review will also examine this issue. The Secretariat acknowledged requests for more information on the conclusion of individual cases and will review the current information provided and work with the Grant Agents to provide this where possible, noting that there can be limits to what can be provided due to legal matters. The Secretariat also committed to ensuring that written updates are available earlier.

Objective

1. The Board of Directors is requested to consider, for its decision, whether to perform a review of existing policies and procedures to prevent, detect and report on misuse of funds, including discussing with grant agents about cases occurring through implementing partners.

Recommended decision

BOD/2026/06-XX— Review of Existing Policies and Procedures Related to Misuse of Funds Cases: The Board of Directors:

1. Noting GPE's growing active grant portfolio and the commencement of a new financing cycle for the 2026-2030 period, recognizes that increased scale and complexity may create evolving fiduciary risks.

2. Reiterating GPE's zero tolerance for misuse of funds, calls on grant agents to reinforce their procedures against misuse by continuing to strengthen oversight of implementing partners and sub-recipients through risk-based due diligence, external audits where appropriate, implementation of corrective actions and preventive measures, and suspension of fund disbursement when appropriate.
3. Requests the Secretariat to perform a review of existing policies and procedures to prevent, detect, report on and respond to misuse, including lessons learned, holding discussions with grant agents about the misuse of funds cases occurring through implementing partners, and to submit recommendations to the FRC for its decision as soon as practicable.

Background and overview

1. GPE's Secretariat reports on misuse of funds to the Finance and Risk Committee (FRC) and Board biannually, including through a specific section of the Corporate Risk Report and email communications via the Board restricted list. The latest report notes that the risk of fraud and misuse of funds has increased from very low to low, reflecting the complex environments in which the majority of GPE funds are utilized, as well as forward-looking risks due to financial constraints impacting grant agent and partner capacities at the country level. The Board received its latest update on misuse of funds cases at its December 2025 meeting, and a new update will take place at its upcoming meeting in June 2026.
2. Despite more reported cases, GPE funds have not been lost; all funds involved in these cases have either been recovered by grant agents or concrete recovery plans are in place. The rise in reporting demonstrates strengthened collaboration between the GPE Secretariat and grant agents, as well as advancements in detection methods implemented by grant agents. The Secretariat implements comprehensive risk mitigation by ensuring grant agents have strong policies, conducting fiduciary risk assessments prior to grant approvals, reviewing annual external audit reports, maintaining engagement with grant agents, and reporting all credible cases to the FRC and the Board.
3. As noted in its Misuse of Funds Policy, GPE has zero tolerance for misuse of its donors' funds and takes each misuse case very seriously. Strong policies and practices have meant that since 2015, less than 0.01 percent of disbursed funds have not been recovered. In the past, the low number of reported cases

signaled a lack of detection and/or reporting compliance, and in 2023 and 2024 the risk of underreporting of cases was highlighted to the FRC.[1]

4. After discussions with the GPE Secretariat at several workshops, GPE grant agents are now improving their case detection and reporting. Hence, the increase in reported cases reflects improved detection, engagement, and transparency, not a rise in actual misuse of funds across GPE programs.
5. GPE has very strong procedures in place for preventing misuse of funds both at the grant agent and grant levels. For example, before grant agents receive accreditation, an audit firm reviews their fraud detection policies and procedures. Grant-level quality assurance covers fiduciary matters at the outset and continues with ongoing monitoring throughout implementation, including annual external audits for all system transformation grants. Each year, lessons from misuse of funds cases are shared in executive sessions at GPE Board meetings.
6. The Financial Procedures Agreement (FPA) between the World Bank, as GPE Trustee, and each grant agent includes contractual safeguards for GPE funds. The GPE Board may suspend or cancel fund disbursement if needed, as outlined in the FPA. These deterrents are in place to be used when appropriate. Grant agents overall have been very responsible in how they have implemented GPE's programs.
7. The current recommendation builds on prior momentum and requests grant agents to reinforce their procedures against misuse of funds, especially regarding oversight of implementing partners. Sub-recipients, or the implementation partners of grant agents, are widely used in implementing GPE programs. As previously communicated to the FRC in 2023, 2024, and 2025, grant agents should exercise diligent oversight of sub-recipients including the process of their selection, due diligence of capability, contracting and management. Proper oversight of all sub-recipients is essential. While the grant agent's institutional capacity was assessed during accreditation to handle GPE funds, ongoing adherence to their own policies and procedures for sub-recipients remains crucial, as this area poses risks for GPE funds.
8. The recommendation asks the Secretariat to review current policies and procedures for preventing, detecting, and reporting misuse of funds, including discussions with grant agents about cases involving implementing partners, and to present recommendations to the FRC, for its decision, as soon as possible.

[1] See FRC/2023/10 DOC 06 and Lessons Learned presentation to the Board in December 2024.