

# RISK MANAGEMENT UPDATE

BOARD MEETING

**Jacob van der Blij**

16 December 2020, Virtual Meeting



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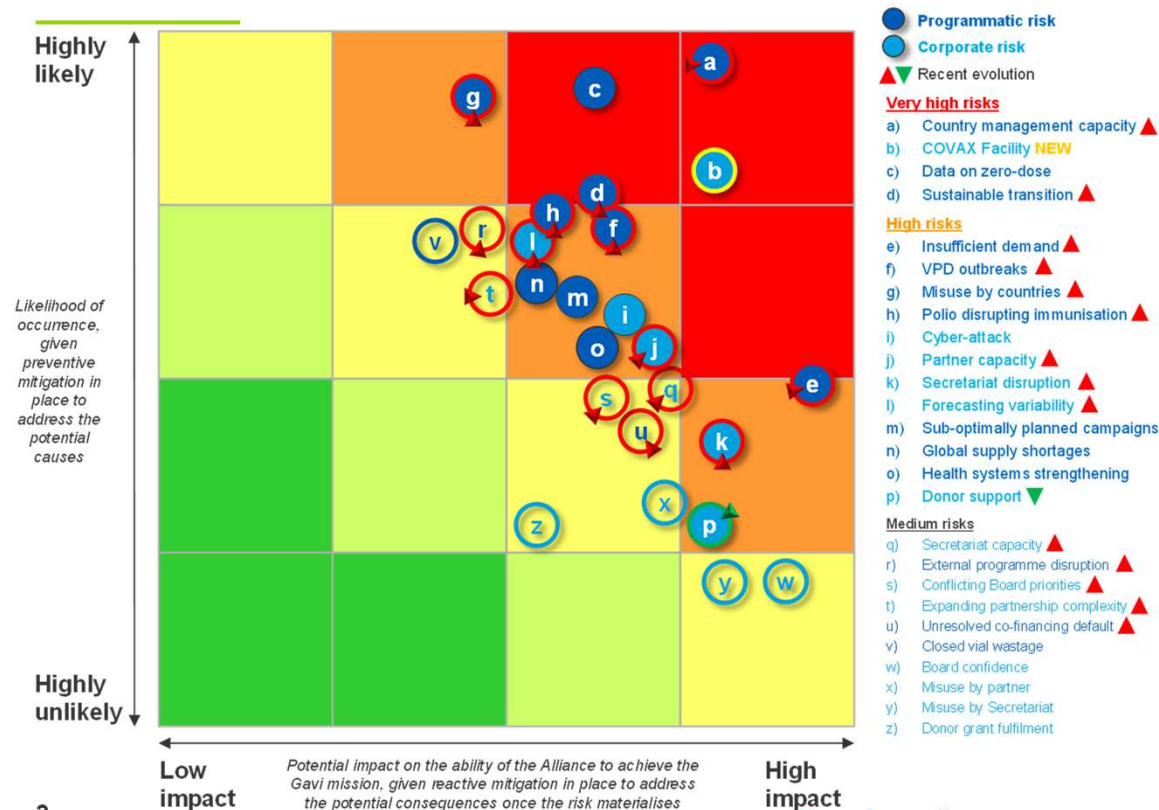
## Gavi is operating with a riskier strategy in a riskier world

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- Gavi 5.0 is an **ambitious strategy** which is inherently more risky
- On top of that, the **COVID-19 pandemic** creates extraordinary uncertainty and disruption both in-country and to Alliance operations
  - **Risks inherently higher** across the board (and subject to rapid change)
  - **Mitigation and assurance more complex** with COVID-19 restrictions and affected capacities
  - COVAX Facility and COVID-19 vaccine delivery may **disrupt and distract from core mission**
- The **COVAX Facility** itself faces many risks
- Risk & Assurance Report 2020 **reframes 16 top risks** in the context of Gavi 5.0, the COVID-19 pandemic and the COVAX Facility
  - It also provides suggestions for a **recalibrated risk appetite** to acknowledge for some risks that they may materialise as part of pursuing the Gavi mission under current circumstances

# Risk profile increased across the board

## 2020 residual risk exposure, taking into account existing mitigation



16 top risks prioritised

9 top risks increased

1 new top risk

1 top risk decreased

# COVAX Facility risk assessment

## COVAX Facility is a new top risk currently outside of risk appetite

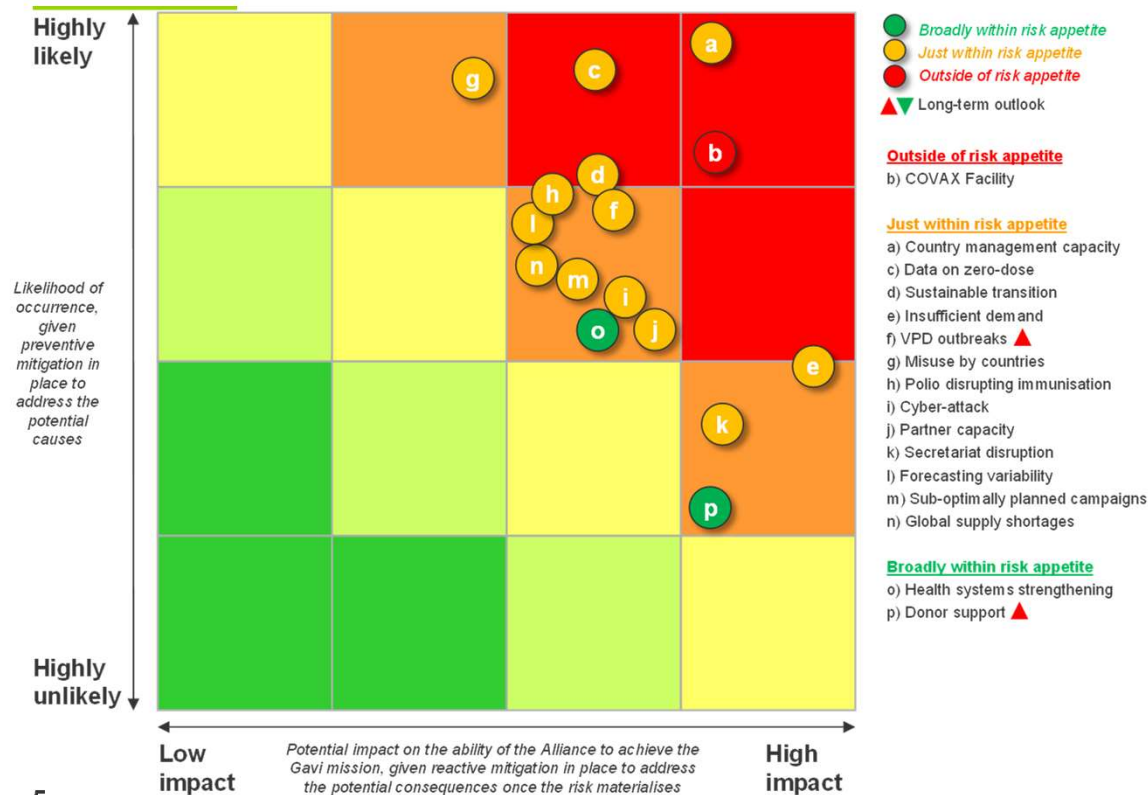
- It is understood that **operating at this magnitude and speed carries risks**, and without a COVAX Facility lower income countries would be left behind, and the global economy and Gavi's core mission would continue to be disrupted.
- However, the **risk of failure to establish a successful Facility** (as it is a large, unique and structurally complex undertaking, is being established in record time, and has to navigate uncharted territory) is currently deemed outside of risk appetite until there is full clarity on the size of risks and possibilities to mitigate them.
- **This requires intensive mitigation**, including by continuing to bring on surge capacity, implementing robust project and risk management and working with external advisors to fill skills and capacity gaps. The Facility is designed to avoid risk where possible, with residual risks actively monitored and mitigated.
- The aggregate top risk currently captures key operational and financial risks and will likely evolve as key risks change. Spill-over risks for Gavi's core mission feature as risk factors for Gavi's other top risks.

## Comprehensive COVAX Facility risk assessment in Section 3 of the report

- **Risks to the success of the Facility and Gavi's reputation** (deal-making, equity, political, cyber)
- **Financial risk** (liquidity, credit, oversupply, funding)
- **Operational and Governance risk** (people, systems, processes, Board decisions and disagreements)
- **Programmatic risk** (country readiness, uncertain demand, vaccine safety, theft and diversion, wastage)

# Risks fall mostly within a recalibrated risk appetite

Willingness to accept current top risk exposures



## 1 risk outside of appetite

Requiring intensive mitigation efforts

- COVAX Facility

## 13 risks just within appetite

Close to getting outside of appetite, requiring attention and ongoing mitigation

## 2 risks broadly within appetite

Acceptable, to be monitored

# Recalibrating risk appetite

**General need to accept more risk** in light of the increased ambitions and higher risks associated with Gavi 5.0, the COVID-19 pandemic and the COVAX Facility, which can be **further specified and codified in an update of Gavi's Risk Appetite Statement**

Country management capacity	<ul style="list-style-type: none"> <li>Accept broader management capacity-building takes time, depends on factors outside of Gavi's control</li> <li><b>Focus on critical capacity</b> for restoring immunisation and reaching zero-dose, where Gavi has <b>comparative advantage</b></li> </ul>
Data on zero-dose	<ul style="list-style-type: none"> <li>Accept broader data quality improvements take time, depends on factors outside of Gavi's control</li> <li><b>Focus on critical data</b> for finding and targeting zero-dose, addressable within Gavi's <b>sphere of influence</b></li> </ul>
Sub-optimally planned campaigns	<ul style="list-style-type: none"> <li>Accept that in current context <b>not all campaigns may be well-planned</b> to catch-up backlog of suspended campaigns</li> </ul>
Misuse by countries	<ul style="list-style-type: none"> <li>Acknowledge that <b>misuse may increasingly occur despite best efforts</b>, with heightened fiduciary risks and constraints on mitigation and assurance, while Gavi support is more needed than ever. This does not mean that misuse is tolerated once it actually occurs; Gavi will always require reimbursement.</li> <li>A differentiated risk appetite may also help with <b>reaching zero-dose children</b> in remote or conflict areas with weak financial management capacity, and with striking a balance between <b>using country systems</b> and fiduciary risk to enable movement of funds back to government systems</li> </ul>
VPD outbreaks	<ul style="list-style-type: none"> <li>Acknowledge that while risk of outbreaks is high, fully addressing gaps is <b>beyond Gavi's mission and resources</b></li> <li>Increasing routine coverage and <b>reducing reliance on frequent and disruptive planned campaigns</b> (see risk of "sub-optimally planned campaigns") may also require a higher acceptance of the risk of outbreaks</li> </ul>

## Recommendation

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The Gavi Alliance Audit and Finance Committee recommends to the Gavi Alliance Board that it:

**Approve** the Risk & Assurance Report 2020 attached as Annex A to Doc 06.

The Gavi Alliance Board is furthermore requested to **provide guidance** on the following questions:

- a) Does the Board agree with the top risks identified this year and their ranking against likelihood and impact?

## Recommendation

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- b) Does the Board agree with the general need to accept more risk in light of the increased ambitions and higher risks associated with Gavi 5.0, the COVID-19 pandemic and the COVAX Facility, which can be further specified and codified in an update of Gavi's Risk Appetite Statement?
- c) Does the Board agree with current suggestions on recalibrated risk appetite for specific top risks in Section 2.3 of the report, or are there any concerns on risk exposures that should fall more clearly outside of Gavi's risk appetite? If so, are further investments or different approaches to mitigation required?



# THANK YOU





















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



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Alliance-wide top risks		Risk assessment			Risk evolution	
Risk description	Potential causes	Current level	Mitigation strength	Risk appetite	Recent evolution	Long-term outlook
a <b>Country management capacity</b> Many countries may have insufficient EPI capacity and capabilities to maintain, restore and strengthen immunisation programmes and reach zero-dose communities	<ul style="list-style-type: none"> <li>Weak existing systems and technical capabilities</li> <li>Weak management capabilities</li> <li>Insufficient human resources or retention challenges</li> <li>Insufficient prioritisation of health and immunisation</li> <li>Inadequate support from Alliance to build capacity</li> <li>External programme disruption (conflict, natural disasters, disease outbreaks, political change/devolution)</li> </ul>	VH		JUST WITHIN		
b <b>COVAX Facility</b> Failure to establish a successful COVAX Facility	<ul style="list-style-type: none"> <li>Competition from bilateral deals</li> <li>Inability to secure deals in time</li> <li>(Perception of) inequitable allocation and distribution</li> <li>Insufficient funding, liquidity, risk management</li> <li>Overstretched people, processes, systems</li> <li>Ineffective coordination, project management, governance</li> </ul>	VH		OUTSIDE	NEW	
c <b>Data on zero-dose</b> Poor or lacking data may affect the ability of the Alliance to find and target zero-dose children, implement effective interventions, understand progress and demonstrate impact	<ul style="list-style-type: none"> <li>More precise data is not available</li> <li>Existing data is not shared</li> <li>Data is not timely</li> <li>Data is not used effectively to identify children</li> <li>Poor data culture, capacity and systems</li> </ul>	VH		JUST WITHIN		
d <b>Sustainable transition</b> Some countries fail to sustain progress of their immunisation programmes after transition	<ul style="list-style-type: none"> <li>Lack of (subnational) ability/capacity/fiscal space</li> <li>Poor preparation for transition by Alliance</li> <li>Insufficient prioritisation of health and immunisation</li> <li>Overreliance on external support</li> <li>Lack of access to global markets and expertise</li> <li>External programme disruption (economic, outbreaks)</li> </ul>	VH		JUST WITHIN		
e <b>Insufficient demand</b> Significant drop or insufficient increase in vaccine demand due to hesitancy and lack of prioritisation	<ul style="list-style-type: none"> <li>Lack of knowledge / information about immunisation</li> <li>Hesitancy due to mistrust/fear</li> <li>Anti-vax sentiment, politicization, fake vaccines</li> <li>Logistical barriers, lack of motivation, prioritisation</li> <li>Poor quality services / experience</li> <li>Weak government systems for generating demand</li> </ul>	H		JUST WITHIN		
f <b>VPD outbreaks</b> Sizeable outbreaks of vaccine-preventable diseases in some Gavi-supported countries	<ul style="list-style-type: none"> <li>Low population immunity, vaccine hesitancy</li> <li>Climate change, urbanisation, deforestation, globalisation, migration and human displacement, population growth</li> <li>Lack of capacity/tools to detect, prevent and respond</li> <li>External programme disruption (conflict, disasters)</li> </ul>	H		JUST WITHIN		
g <b>Misuse by countries</b> Deliberate misuse of Gavi support in many Gavi-supported countries	<ul style="list-style-type: none"> <li>Culture of gifts/corruption</li> <li>Opportunity for personal gain</li> <li>Weak monitoring/deterrence</li> <li>Weak institutions and systems</li> </ul>	H		JUST WITHIN		



Alliance-wide top risks			Risk assessment			Risk evolution	
	Risk description	Potential causes	Current level	Mitigation strength	Risk appetite	Recent evolution	Long-term outlook
h	<b>Polio disrupting immunisation</b> Polio resurgence may adversely affect routine immunisation	<ul style="list-style-type: none"> <li>• Eradication challenges / Vaccine-derived outbreaks</li> <li>• Reliance on GPEI staff/assets, weak national systems</li> <li>• Delayed transition plans, incomplete polio asset mapping</li> <li>• GPEI funding cuts / uncertain fund-raising for new strategy</li> </ul>			JUST WITHIN		
i	<b>Cyber-attack</b> Large cyber-attack significantly compromising critical information systems or data	<ul style="list-style-type: none"> <li>• Cyber-attack, phishing and malware</li> <li>• Internal or external data breach</li> <li>• Systems failure and data loss</li> </ul>			JUST WITHIN		
j	<b>Partner capacity</b> Sum of comparative advantages of Alliance partners is inadequate to effectively deliver required technical support to countries	<ul style="list-style-type: none"> <li>• Lack of alignment and coordination</li> <li>• Lack of capacity / expertise</li> <li>• Lack of availability</li> <li>• Lack of accountability / performance</li> </ul>			JUST WITHIN		
k	<b>Secretariat disruption</b> Significant disruption of Secretariat operations	<ul style="list-style-type: none"> <li>• Loss of workplace and facilities</li> <li>• Incident or loss of life in the workplace</li> <li>• Security threats and kidnapping during travel</li> <li>• Departures of key staff with critical knowledge</li> <li>• Unforeseen catastrophic event or crisis situation</li> </ul>			JUST WITHIN		
l	<b>Forecasting variability</b> Gavi forecasting variability drives inappropriate decision-making	<ul style="list-style-type: none"> <li>• Uncertainty over vaccine demand</li> <li>• Financial uncertainties (e.g., prices, FX)</li> <li>• Complexity of process</li> <li>• Sub-optimal systems</li> </ul>			JUST WITHIN		
m	<b>Sub-optimally planned campaigns</b> Multiple large preventive vaccination campaigns that are often sub-optimally planned undermine capacity to manage and deliver routine health and immunisation services	<ul style="list-style-type: none"> <li>• Periodic very large cash inflows for campaigns</li> <li>• Front line workers diverted to implement campaigns</li> <li>• Management capacity diverted to manage campaigns</li> <li>• Infrastructure (e.g., supply chain, transport) repurposed for campaigns</li> <li>• Poor planning and management undermine quality of the campaign, resulting in low coverage</li> </ul>			JUST WITHIN		
n	<b>Global supply shortages</b> Shortages in the global vaccine supply affect Gavi-supported countries	<ul style="list-style-type: none"> <li>• Manufacturing capacity inadequate to meet demand</li> <li>• Unable to meet country presentation preference</li> <li>• Lack of supply security</li> <li>• External disruption (epidemiological, political, technical)</li> </ul>			JUST WITHIN		
o	<b>Health systems strengthening</b> HSS investments do not materially improve programmatic outcomes	<ul style="list-style-type: none"> <li>• Key bottlenecks not addressable by HSS</li> <li>• HSS grants not designed to target key bottlenecks</li> <li>• HSS grants duplicative with other donor funding</li> <li>• HSS grants not large enough to have significant impact</li> <li>• HSS not disbursed in timely fashion</li> <li>• Programmes funded by HSS not well-managed</li> <li>• Misuse of HSS resources</li> </ul>			BROADLY WITHIN		
p	<b>Donor support</b> Significant reduction in donor support to Gavi	<ul style="list-style-type: none"> <li>• Reduction in development budgets</li> <li>• Competing priorities in development</li> <li>• Competing priorities within health</li> <li>• Loss of donor confidence in Gavi</li> </ul>			BROADLY WITHIN	