RISK MANAGEMENT

PRE-BOARD BRIEFING SESSION

Jacob van der Blij

5 June 2018, Geneva
Risk function in the Executive Office

The Risk function coordinates, facilitates and monitors the implementation of effective risk management practices across the Alliance. It provides specialised expertise, promotes a risk-aware culture, and establishes risk reporting throughout the organisation.

Key activities include:

- administering the Corporate Risk Register to provide an aggregated top-level view of risks facing the Alliance, as reported upon in the annual Risk & Assurance Report to the Board;
- supporting Secretariat teams and the broader Alliance to strengthen their risk management practices and monitoring their effectiveness;
- embedding a risk-aware culture and a common understanding of risk management across the Alliance; and
- supporting risk escalation and decision-making throughout the organisation, including facilitation of the cross-Secretariat Risk Committee.
“I cannot imagine any condition which could cause this ship to flounder. I cannot conceive of any vital disaster happening to this vessel.”

E.J. Smith
Captain of the Titanic
1912
The likelihood of occurrence of a core damage accident is one in 100,000 per year per reactor, while the likelihood of occurrence of an accident leading to containment damage is one in one million per year per reactor.

Fukushima Daiichi Nuclear disaster, 2011
Achieving our mission

your “plans”

the universe’s plans for you
Managing our way to success

- Learn from the past
- Manage current issues
- Anticipate potential future events

Past successes
Past failures

On-track?
Off-track?

Evaluations, Audits, etc.
Performance Management
Risk Management

Uncertainty...
Change...

risks
opportunities
Managing our way to success

Risk Management:
- Understand what might happen
- Decide if that would be acceptable
- If not, take action to reduce likelihood or mitigate potential impact
Key concepts in assessing a risk

1. UNDERSTAND  2. ASSESS CURRENT EXPOSURE  3. RESPOND

Typical causes  
Risk  
Potential consequences

PREVENT  DETECT  REACT

EXISTING MITIGATION/CONTROLS

ASSURANCE ON EFFECTIVENESS

WITHIN RISK APPETITE? FURTHER MITIGATION?

Pre-Board Briefing Session  
5 June 2018
Gavi’s Risk Management philosophy

Implementing a comprehensive approach to risk

- All types of risks: strategic, operational, fiduciary and programmatic
- Forward-looking, anticipating potential future issues before they actually happen
- Responding in line with our risk appetite, balancing risk and reward
- Alliance-wide collaboration and information exchange on shared risks
- An open risk-aware culture where everybody feels encouraged to flag risks transparently

Enabling better outcomes by:

- More informed decision-making and conscious risk-taking
- Managing expectations, by flagging potential risks upfront
- Prioritising high risks, serving as a basis for required level of support and oversight
- Improving organisational learning and resilience to changes in a volatile environment

“A comprehensive and systematic approach to risk management will enable Gavi to take the right level of the right type of risks needed to deliver on our ambitious mission and maximise our impact”
Risk cannot be eliminated…

- We pursue an ambitious mission in the world’s poorest countries
- We have a lean operating model without in-country presence
- Some high-reward opportunities may require taking greater risks. Sometimes the greatest risk is inaction.
...but risk can be managed intelligently

- Introduced Risk Policy and Risk Appetite Statement
- Reorganised in line with “Three Lines of Defence” model with strengthened tools and processes in Secretariat teams
- Annual report to the Board on critical “top risks” to our mission and strategic goals
- Top risks monitored by risk owners with discussions in Risk Committee
Gavi’s Risk Policy

Board approved Risk Policy

- Setting out guiding principles, definitions, and high-level roles and responsibilities
- See http://www.gavi.org/About/Governance/Programme-policies/Risk-policy/

Principles

- Risk is integrally linked to ambition
  - Objectives can only be achieved by taking calculated and carefully managed risks. Some high-impact opportunities may require taking greater risks. Sometimes the greatest risk is inaction.

- Risk is everyone’s responsibility
  - Risk management is an integral part of Gavi operations. Everyone working towards the Gavi mission is expected to proactively identify, assess, and manage risks.

- Gavi encourages a culture of learning
  - Encouraging staff and stakeholders to be risk-aware in delivering on Gavi’s mission, while also recognising and accepting that success will not always be achieved. Ensuring that processes are in place to learn from both positive and negative results.
Gavi’s Risk Appetite Statement
The amount of risk the Alliance is willing to take, accept, or tolerate to achieve its goals

The Vaccine Alliance embraces the need to take programmatic risk given its ambitious mission and operating model, but has a lower appetite for organisational risks impacting Alliance processes, systems and management; fiduciary oversight and control; and brand and stakeholder confidence.

<table>
<thead>
<tr>
<th>Strategic Goals</th>
<th>1 Accelerate equitable uptake and coverage of vaccines</th>
<th>2 Increase effectiveness and efficiency of immunisation delivery as an integrated part of strengthened health systems</th>
<th>3 Improve sustainability of national immunisation programmes</th>
<th>4 Shape markets for vaccines and other immunisation products</th>
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<tbody>
<tr>
<td>High</td>
<td>Strategies to increase C&amp;E and to accelerate vaccine introductions</td>
<td>Strategies to strengthen health systems</td>
<td>Significant reduction in performance post-transition</td>
<td>Strategies to create and sustain healthy markets</td>
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<tr>
<td>Low</td>
<td>Introductions impacting C&amp;E and sustainability of RI</td>
<td>Misuse of funds; Weak systems jeopardising sustainability or safety</td>
<td>Countries transitioning with insufficient financial/programmatic capacity</td>
<td>Adequate and secure supply of quality vaccines</td>
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<td>Moderate low</td>
<td>Countries transitioning with insufficient financial/programmatic capacity</td>
<td>Defaulting on co-financing</td>
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<td>Low</td>
<td>Countries transitioning with insufficient financial/programmatic capacity</td>
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<td>Moderate</td>
<td>Pursuing innovative financing and private sector partnerships</td>
<td>Attracting new donors</td>
<td>Ensuring that the value of vaccines is well recognised</td>
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<td>Low</td>
<td>Sustainable donor funding</td>
<td>Reputational risks or potential conflicts of interest</td>
<td>Immunisation becoming lower priority on policy agendas</td>
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<td>Low</td>
<td>Accountability and transparency in Alliance</td>
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Pre-Board Briefing Session
5 June 2018
Three Lines of Defence model

First Line of Defence
- Country Programmes
- Alliance Partners
- Implementing Countries
  owning and managing risk

Second Line of Defence
- Risk, Programme Capacity Assessment, Grant Performance Monitoring, Finance, Operations, Legal
  supporting and overseeing risk

Third Line of Defence
- Internal Audit, Programme Audit, Whistle-blower facility, Investigations & Counter-Fraud
  providing independent assurance

Risk oversight
- Gavi Board
  Risk & Assurance Report
  Tone at the top, determining the risk appetite and exercising risk oversight

Senior Management
- Risk Committee
  Overseeing the translation of risk appetite into appropriate strategies and risk management processes

Risk oversight

Pre-Board Briefing Session
5 June 2018
Tools and processes to strengthen risk management in our country programmes

- **PEF**
  - Identifies actions to address key risk areas through TCA and partner accountability

- **Country risk matrix**
  - Identifies, monitors and quantifies key risks and tracks mitigating actions

- **Programme capacity assessment**
  - Evaluates capacity of implementers to manage Gavi support

- **Performance framework**
  - Reports country performance against agreed targets and indicators

- **Joint Appraisal**
  - Monitors progress of ongoing in-country programmes

- **Programme audit**
  - Gives independent assurance of country controls and appropriate use of Gavi support

Proactive grant management to maximise programmatic outcomes while managing risk

**Improved immunisation outcomes**
Gavi’s annual Risk & Assurance Report

Alliance-wide view of top risks potentially impacting the ability of the Alliance to achieve its mission and strategic goals

Basis for annual strategic Board discussion on risk

- **Agree on prioritisation** of risks as basis for future risk and assurance efforts
- Oversee that most significant risks are managed **within Gavi’s risk appetite**

Allocate to **risk owners** and work with partners to manage top risks

Develop further analysis to **measure risk and monitor evolution**

Focus further investments in mitigation strategies where exposure is outside risk appetite

**Basis for future efforts and investments**
MACRO TRENDS IN 2017
Exogenous and endogenous factors affecting Gavi’s risk profile

IMF warns of ‘vulnerabilities’ that could derail global recovery
WTO Upgrades Trade Outlook, but Warns of Risks Ahead
Sterling could fall by another 15% by the end of 2017, says Deutsche Bank
Time spent thinking about the next financial crisis is not wasted

Despite electoral setback, European populism lives on

Stronger countries transitioning
Increasing number of programmes and campaigns
Broader portfolio of vaccines
Changed partners’ engagement model and use of expanded partners
Global Health Campus move

Sierra Leone to begin cholera vaccination drive in disaster-affected areas
More than 1 million doses of Gavi-funded cholera vaccines heading to Sierra Leone after severe flooding and landslides
Alliance top risks ranked against likelihood and impact
Residual risk exposure, taking into account existing mitigation

Country management capacity
Many countries (continue to) have insufficient EPI capacity and capabilities to manage immunisation programmes to achieve sustainable coverage & equity

Data quality
Continued lack of availability and use of quality data for immunisation

Ability to reach the under-immunised
The Alliance is unable to achieve equitable coverage improvements by extending immunisation services to communities previously unreached

Sustainable transition
Some countries fail to sustain progress of their immunisation programmes after transition
Willingness to accept current top risk exposures
Actual exposures reviewed against aspirational risk appetite

3 risks outside risk appetite
May require a more ambitious approach
a) Country management capacity
b) Data quality
c) Ability to reach the under-immunised

7 risks somewhat outside
Requiring attention

5 risks broadly within appetite
To be monitored
<table>
<thead>
<tr>
<th>Alliance–wide top risks</th>
<th>Risk description</th>
<th>Potential causes</th>
<th>Curren t level</th>
<th>Mitigatio n strength</th>
<th>Risk appetite</th>
<th>Recent evolution</th>
<th>Long-term outlook</th>
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</table>
| a Country management capacity | Many countries (continue to) have insufficient EPI capacity and capabilities to manage immunisation programmes to achieve sustainable coverage & equity | • Weak existing systems and technical capabilities  
• Weak management capabilities  
• Insufficient human resources or retention challenges  
• Insufficient prioritisation of health and immunisation  
• Inadequate support from Alliance to build capacity  
• External programme disruption  
• Disease outbreaks disrupting immunisation  
• Political change (devolution) | VH | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| b Data quality | Continued lack of availability and use of quality data for immunisation | • Data quality not routinely monitored  
• Weaknesses in data and measurement systems  
• Many fragmented initiatives without measurable outcomes  
• Donor-driven activities not country-owned  
• Not planned and implemented to ensure data for action | VH | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| c Ability to reach the under-immunised | The Alliance is unable to achieve equitable coverage improvements by extending immunisation services to communities previously unreached | • Poor data to find and target the unreached  
• Inadequate supply and cold chains into remote areas  
• Insufficient health care workers  
• Lack of demand in underserved communities  
• Lack of political commitment and health budgets | VH | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| d Sustainable transition | Some countries fail to sustain progress of their immunisation programmes after transition | • Lack of (subnational) ability/capacity/fiscal space  
• Poor preparation for transition by Alliance  
• Insufficient prioritisation of health and immunisation  
• Overreliance on external support  
• External programme disruption (economic, outbreak)  
• Lack of access to global markets and expertise | VH | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| e Vaccine confidence | Significant loss of confidence in vaccine safety and efficacy | • Major safety issue  
• Vaccine hesitancy and scepticism | H | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| f Outbreaks disrupt immunisation | Sizeable outbreaks of infectious disease disrupt programmes in many Gavi-supported countries | • Low population immunity  
• Lack of capacity/tools to detect, prevent and respond  
• Population behaviour | H | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
| g Misuse by countries | Deliberate misuse of Gavi support in many Gavi-supported countries | • Culture of gifts/corruption  
• Opportunity for personal gain  
• Weak monitoring/deterrence  
• Weak institutions  
• Weak systems | H | ❌ | OUTSIDE | ❌ | ❌ | ❌ |
## Alliance-wide top risks

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<thead>
<tr>
<th>Risk description</th>
<th>Potential causes</th>
<th>Current level</th>
<th>Mitigation strength</th>
<th>Risk appetite</th>
<th>Recent evolution</th>
<th>Long-term outlook</th>
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<td><strong>h</strong> Donor support</td>
<td>Reducing in development budgets</td>
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<td>Competing priorities in development</td>
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<td>Competing priorities within health</td>
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<td>Loss of donor confidence in Gavi</td>
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<td><strong>i</strong> Partner capacity</td>
<td>Lack of alignment and coordination</td>
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<td>Lack of capacity / expertise</td>
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<td>Lack of availability</td>
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<td><strong>j</strong> Secretariat disruption</td>
<td>Catastrophic event</td>
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<td>Security threats and kidnapping</td>
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<td>Internal or external data breach</td>
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<td>Systems failure and data loss</td>
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<td>Departure of large number of key staff</td>
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<td><strong>k</strong> Strategic relevance</td>
<td>Prioritisation of other development causes</td>
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<td>Inability to remain innovative and adaptable</td>
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<td></td>
<td>Reduced faith in Gavi’s capacity to deliver</td>
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<td></td>
<td>Growing portion of unmet immunisation needs outside Gavi countries</td>
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<td><strong>l</strong> Global supply shortages</td>
<td>Manufacturing capacity inadequate to meet demand</td>
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<td>SOMEWHAT OUTSIDE</td>
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<td></td>
<td>Lack of supply security</td>
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<td>External disruption</td>
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<td><strong>m</strong> HSIS value for money</td>
<td>Key bottlenecks not addressable by HSIS</td>
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<td>BROADLY WITHIN</td>
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<td>HSIS grants not designed to target key bottlenecks</td>
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<td>HSIS grants duplicative with other donor funding</td>
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<td>HSIS grants not large enough to have significant impact</td>
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<td>HSIS not disbursed in timely fashion</td>
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<td>Programmes funded by HSIS not well-managed</td>
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<td>Misuse of HSIS resources</td>
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<td><strong>n</strong> Frequent or unplanned campaigns</td>
<td>Periodic very large cash inflows for campaigns</td>
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<td>BROADLY WITHIN</td>
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<td>Front line workers diverted to implement campaigns</td>
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<td>Management capacity diverted to manage campaigns</td>
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<td>Infrastructure (e.g., supply chain, transport) repurposed for campaigns</td>
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<td>Poor planning and management undermine quality of the campaign, resulting in low coverage</td>
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<td><strong>o</strong> Forecasting variability</td>
<td>Uncertainty over vaccine demand</td>
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<td>BROADLY WITHIN</td>
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<td>Financial uncertainties (e.g., prices, FX)</td>
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<td>Complexity of process</td>
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<td>Sub-optimal systems</td>
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No substantial changes to Gavi’s overall risk profile since last Risk & Assurance Report

Potential impact on the ability of the Alliance to achieve the Gavi mission, given reactive mitigation in place to address the potential consequences once the risk materialises

Very high risks
a) Country management capacity
b) Data quality
c) Ability to reach the under-immunised
d) Sustainable transition

High risks
e) Vaccine confidence
f) Outbreaks disrupt immunisation
g) Misuse by countries
h) Donor support
i) Partner capacity
j) Secretariat disruption
k) Strategic relevance
l) Global supply shortages
m) HSIS value for money
n) Frequent or unplanned campaigns
o) Forecasting variability

Programmatic risk
Corporate risk

Likelihood of occurrence, given preventive mitigation in place to address the potential causes

Highly likely
High impact
Low impact
Highly unlikely

NEW
Polio transition

16 countries transitioned by now. Active management of remaining pre- and post transition risks.

Remains high with anti-vax attempts to reach out internationally

Stable on portfolio level, risk in individual markets being managed (YF, IPV)

Remains high with many campaigns not achieving coverage targets

DOWN
Secretariat disruption
Board engagement on top risks

- Established a robust dialogue on risk with the Board
- Good top risk coverage, with risk lens integrated in related items

Mid-year Board update on risk now integrated with strategy progress update

Risk will remain a stand-alone item at year-end