

SUBJECT: RISK MANAGEMENT UPDATE

Agenda item: 06

Category: For Information

Section A: Summary

- This paper provides a high-level update on major changes in Gavi's risk profile since the Risk & Assurance Report was discussed by the Board at its December 2019 meeting, as well as an update on progress in strengthening risk management across the Alliance.

Section B: Risk Management update

1. Changes in Gavi's risk profile since December

- 1.1 The COVID-19 pandemic has led to an extraordinarily uncertain environment with a significant impact on Gavi's risk profile. Depending on how the pandemic evolves, it has the potential to significantly affect Gavi's mission and strategic goals, as well as the operations of the Secretariat and Alliance Partners, both during the acute crisis and the eventual recovery phase.
- 1.2 Many of Gavi's existing corporate and programmatic top risk¹ are impacted, but risks may look different across different scenarios depending on how the pandemic unfolds. Significant uncertainties exist regarding the severity and spread of the pandemic, the breadth and duration of control efforts such as social distancing measures, the economic and financial impact of those measures, and the effectiveness of the policy response to mitigate the economic impact.
- 1.3 **It is possible that the current lock-down measures in many developed countries (staying at home, travel restrictions) will last or return regularly based on a surge in cases until a vaccine is available**, e.g. due to an inability to find suitable exit strategies, the possibility of second waves and resurgence of the disease, potential reinfection or reactivation in recovered patients, or a virus mutation. This situation would significantly affect corporate risks related to **Secretariat disruption**, **Secretariat capacity** and **Partner capacity**. Although the current work-from-home situation is manageable for now, an extended period will increase already mounting risks related to staff wellbeing, mental health and productivity (due to childcare and home-schooling duties). It could also impair efficient

¹ See <https://www.gavi.org/news/document-library/gavi-risk-and-assurance-report-2019>. Bolded risks in this paper refer to top risks described in more detail in the Risk & Assurance Report.

collaboration (including among Alliance partners) and decision-making (including in virtual Board meetings) and could affect staff capacity and institutional knowledge due to sick leave or even deaths, combined with hiring and onboarding difficulties given travel restrictions. This could also include disruption to Board or Secretariat leadership. The risk of **IT disruption** is also heightened with the increased demand on IT systems for working virtually. With a global increase in cyber-attacks aiming to take advantage of the current situation, Gavi may be targeted specifically due to increased visibility during replenishment and as part of the global COVID-19 response. The Secretariat's crisis management team continues to monitor the evolution of the pandemic on a daily basis and ensures that appropriate actions are taken to minimise risks to Secretariat operations and business continuity. Staff is kept informed and staff morale is supported through frequent newsletters, a dedicated intranet site, all-staff meetings, a staff survey to better understand challenges and virtual wellness classes.

- 1.4 Prolonged travel restrictions would furthermore continue to impair adequate grant oversight, technical assistance and progress monitoring in Gavi-supported countries. It also increases the risk of **misuse by countries** with audits on hold and in-country fiduciary agents being impaired in their assurance activities. Emergency reprogramming of HSS funding (to help countries respond to the COVID-19 pandemic and keep immunisation programmes going) used a fast-tracked application and review process, but a risk lens was applied with lower risk personal protective equipment being the largest area of funding, procured by UNICEF Supply Division. Lock-downs also pose a heightened risk of **global supply shortages** with closed borders potentially delaying shipments and manufacturers potentially needing to close businesses for social distancing purposes. This is being monitored closely and UNICEF is in constant contact with existing suppliers. A diverse supply base is an existing mitigation across all markets.
- 1.5 **It is also possible that a relatively quick de-escalation of the pandemic will take place**, e.g. due to the virus dying out, roll-out of large-scale testing and targeted isolation of cases, effective treatment or a vaccine becoming available, or a change in acceptance of the health impact in favour of the economy. When restrictions will be (gradually) lifted, there is a risk that the facilities and staff are not yet ready or do not yet feel safe for a return to the office. The Secretariat is preparing for appropriate measures including desk and meeting room spacing (if social distancing will still be required) and a continued work-from-home policy to drive new ways of working. Flexibility will be required as cases could increase again, and restrictions may be re-escalated.
- 1.6 If a COVID-19 vaccine would become available, there is a risk that access will not be equitable, and the Alliance is not able to effectively roll this out in Gavi-supported countries as soon as possible. The Secretariat's COVID-19 project team is working through different workstreams on influencing the global community and R&D processes to prioritise vaccine candidates which reflect the needs and preferences of Gavi-supported countries, incentivising the manufacturing, allocation and procurement of suitable

vaccines for Gavi-supported countries, and ensuring that vaccination programmes and guidance are available for countries to rapidly deliver COVID-19 vaccines where they are most needed. Being part of a COVID-19 vaccine roll-out will likely attract global attention and therefore capitalising on this poses a clear opportunity to advance Gavi's mission. It can however equally come with reputational and security risks in case of failures, adverse events following immunisation (AEFIs), or due to geopolitical tensions, social unrest and anti-vaccine sentiment and conspiracy theories surrounding COVID-19. The Secretariat is looking into monitoring and mitigating these risks as well.

- 1.7 **It is possible that the health impact in (some) Gavi-supported countries will become significant** when the pandemic fully spreads to and within these countries (if this is not already the case given likely under-reporting of cases due to poor **data quality** and disease surveillance). COVID-19 may equally overwhelm very weak health systems in Gavi-supported countries, while control measures currently used in developed countries to avoid this (e.g., staying at home and closing businesses) will not be implementable in many developing country settings. This situation would risk significant disruption of Gavi-supported routine immunisation programmes, as **country management capacity** in EPI (Expanded Program on Immunization) units and frontline health workers may be diverted to respond to COVID-19 or may suffer from absenteeism and fatalities, and **Partner capacity** to deliver technical assistance may also be impaired. Furthermore, there may be **insufficient demand** for routine immunisation due to social distancing measures or fear of visiting a health clinic, or due to disinformation about vaccines (there is already an alarming surge in rumours and conspiracy theories surrounding COVID-19 circulating on social media). Unused vaccine stock may expire and result in **closed-vial vaccine wastage**. With routine services interrupted it will be a struggle to reach existing communities, let alone to **reach the under-immunised** in missed communities. Vaccine introductions and planned preventive campaigns have already been suspended and this will affect coverage and equity targets. It will also lead to a significant growth in the number of susceptible persons, increasing the risk of **vaccine-preventable disease outbreaks** (e.g. measles, polio, diphtheria), although social distancing measures may help limit transmission in some contexts for a while.
- 1.8 A significant surge in the need to help countries respond to the COVID-19 pandemic and the need for reprogramming may overwhelm **Secretariat capacity** and may have opportunity costs. It could also lead to budget overruns, but as there may equally be underspend on core activities and routine immunisation, the overall impact on **forecasting variability** may be limited financially (although demand forecasts will likely be affected).
- 1.9 After the immediate crisis ends (or impact in some Gavi-supported countries turns out to be lower than expected, e.g. due to age distribution or climate-related factors), there is a risk that the Alliance is not ready to restore affected health systems and routine immunisation, launch mass vaccination campaigns to catch up on missed cohorts, and reach a potentially enlarged

number of zero-dose communities. **Country management capacity** and resources may fall short to plan and coordinate a large amount of catch-up campaigns, and short timelines may result in **sub-optimally planned campaigns** that do not achieve intended results. There is also a risk that Gavi may spend more time battling **vaccine-preventable disease outbreaks** at the expense of routine immunisation activities.

- 1.10 The Secretariat's COVID-19 project team is working through different workstreams on maintaining high and equitable immunisation coverage in Gavi-supported countries during and after the pandemic by providing flexible support to countries to protect, sustain and restore immunisation and frontline health services.
- 1.11 **It is also possible that the pandemic will trigger significant economic impact** globally (e.g. a deep global recession) and/or in Gavi-supported countries, e.g. due to the economic impact of prolonged lock-downs with closed businesses, travel restrictions and reduced demand given social distancing, an insufficient or ineffective monetary and fiscal policy response, increased protectionism and trade barriers, a redirection of global supply chains, or severe debt crises (e.g. with a rising USD and a slump in commodity prices). This situation would significantly affect risks related to prioritisation of domestic immunisation financing by Gavi countries and may result in more co-financing defaults (if co-financing waivers won't be applied) and health workers not receiving salaries. It will also pose risks to a **Sustainable transition** out of Gavi support as countries reprioritise work on transition, or already transitioned countries may see backsliding or regain eligibility. Severe economic crises in Gavi countries can furthermore lead to political instability, social unrest and conflicts.
- 1.12 Economic distress may also result in critical suppliers defaulting, which could lead to disruption in the supply and production of vaccines, syringes and cold chain equipment, or an inability to recover already committed expenses (e.g. on flight tickets with airlines and travel agencies at particular risk). There is also a risk of considerable foreign exchange fluctuations, lower investment asset prices and liquidity, and a reduction in IFFIm's frontloading capacity (due to a lower gearing ratio), or a potential downgrade of IFFIm, lower pledges or even defaulting by IFFIm donors. While globally attention for infectious diseases and global health security has increased and this may pose an opportunity for replenishment and **donor support**, a deep recession may shift donor country priorities towards domestic challenges and constrain their budgets. Major foreign exchange fluctuations may also pose difficulties for the valuing of donor pledges.

2. Risk Management update

- 2.1 The Risk function has been engaging actively with the business, and continues to do so, to ensure that COVID-19 related risks are timely identified, managed and monitored. As part of the initial Secretariat's preparedness group (established before the outbreak developed into a pandemic and a crisis management team was set up) risks to business

continuity and staff health and safety were identified and measures put in place based on a defined set of escalation triggers. The Secretariat Risk Committee has discussed the high-level changes in Gavi's risk profile as described above and is aligned on potential programmatic effects on health systems, health financing and Gavi processes to inform planning assumptions for Gavi's broader programmatic response.

- 2.2 The Risk function is also in the process of undertaking its review of the application of the Three Lines of Defence² model in Gavi, rethinking its scope, structure and roles, and capacity and capabilities. An initial Risk Committee discussion examined the potential need to differentiate between defining three lines based on risks related to the Secretariat's role in grant management versus defining three lines based on risks related to in-country immunisation programmes. There was also recognition that the model may need to be expanded to include all types of risks (including corporate risks), with risk themes as the basis for structuring rather than assigning existing teams to different lines of defence.

Section C: Actions requested of the AFC

This report is for information only.

² The best practice Three Lines of Defence model separates roles and responsibilities across first line functions to understand, monitor and actively manage risks, second line functions to provide objective specialist advice and appropriate checks and balances, and a third line audit function to provide independent assurance on the effectiveness of risk management by the first and second lines.