

SUBJECT: RISK MANAGEMENT UPDATE

Agenda item: 06

Category: For Decision

Section A: Executive Summary

Context

The Gavi Board has ultimate responsibility for risk oversight in the Alliance and is responsible for agreeing on overall risk appetite and understanding and agreeing the most significant risks and related mitigation. It therefore receives an annual comprehensive Risk & Assurance Report.

Questions this paper addresses

The Risk & Assurance Report discusses the most critical risks that could potentially have an impact on the ability of the Alliance to achieve its mission and strategic goals. This year's report presents a reframed set of 16 top risks in the context of Gavi 5.0, the COVID-19 pandemic and the COVAX Facility. The report has been reviewed and recommended for approval by the Audit & Finance Committee (AFC). The Gavi Alliance Board is requested to approve the report attached as Annex A and to provide guidance on the questions outlined below.

Conclusions

This year's report shows that Gavi's overall risk profile has increased across the board, with nine top risks from last year having increased, one new risk and one having decreased. While inherently risks are heightened, mitigating these risks and obtaining assurance over the effectiveness of mitigation is now more complicated due to COVID-19 related restrictions and affected capacities. As a result, the Gavi Alliance Board needs to acknowledge that Gavi will be operating with a riskier strategy in a riskier world, and it will be critical to reflect this in a recalibrated risk appetite (i.e. consciously accepting for some risks that they may materialise as part of pursuing our mission) and to continue to actively monitor and re-assess risks as they change or our understanding of them evolves. Section 2.3 of the report therefore includes suggestions on how to recalibrate risk appetite, which can serve (together with the Gavi Alliance Board's guidance on this) as the basis for a subsequent update of Gavi's Risk Appetite Statement to further specify and codify Gavi's risk appetite for the Gavi 5.0 strategic period.

Section B: Risk and Assurance Report 2020

1. Portfolio discussion on top risks and a recalibrated risk appetite

- 1.1 This year's report presents a reframed set of 16 top risks in the context of Gavi 5.0, the COVID-19 pandemic and the COVAX Facility. It provides an update on risk management across the Alliance, an analysis of macro-trends affecting Gavi's risk profile, an overview of key changes in top risks compared to last year, and an overview of how current levels of risk compare to Gavi's risk appetite (i.e. the willingness to accept being exposed). Detailed information including analysis of each top risk and corresponding mitigation is included in the annexes.
- 1.2 This year has been an extraordinarily disruptive year with a significant impact on Gavi's risk profile. The report shows that Gavi's overall risk profile has increased across the board, with 9 top risks from last year having increased, one new top risk and one having decreased. Gavi will start implementing a new strategy which is inherently more risky. On top of that, the pandemic and administrating the COVAX Facility is exposing Gavi to new, heightened and rapidly changing risks. While inherently risks are heightened, mitigating these risks and obtaining assurance over the effectiveness of mitigation is now more complicated due to COVID-19 related restrictions and affected capacities.
- 1.3 As a result, the Gavi Board needs to acknowledge that Gavi will need to accept some of this higher risk exposure as it is pursuing a riskier strategy in a riskier world, and faces limitations in its ability to mitigate some of these. It will be critical to reflect this in a recalibrated risk appetite (i.e. consciously accepting for some risks that they may materialise as part of pursuing our mission) and to continue to actively monitor and re-assess risks as they change or our understanding of them evolves. The Secretariat has interpreted what kind of risk appetite would be appropriate in pursuit of the Gavi mission under the current circumstances, and Section 2.3 of the report includes (bolded) suggestions for a recalibrated risk appetite, which can serve (together with the Board's guidance on this) as the basis for a subsequent update of Gavi's Risk Appetite Statement to further specify and codify Gavi's risk appetite for the Gavi 5.0 strategic period. While many top risks have increased this year, many are deemed *just within*¹ risk appetite when a recalibrated risk appetite is applied.
- 1.4 The suggestions on recalibrating risk appetite from Section 2.3 in the report are summarised below. See for more context the report itself.

¹ "*Just within*" risk appetite is defined as close to getting outside of risk appetite, still requiring attention and ongoing mitigation to bring risk exposures more broadly within risk appetite. Top risks can also be clearly *outside of risk appetite* (i.e. requiring intensive mitigation efforts or ceasing of activities that expose the Alliance to risk) or *broadly within risk appetite* (current exposures are acceptable and risks only require monitoring).

- a) **Country management capacity** – It is proposed to recalibrate Gavi’s risk appetite to more intentionally acknowledge that capacity-building takes a long time to take effect and sustainable mitigation depends on many factors outside of Gavi’s control, such as government ownership, broader efforts across the health sector, turnover of staff, and external programme disruption such as conflict, natural disasters and disease outbreaks. Gavi will therefore need to accept some risk inherent in its mission and focus on those areas of country management capacity that are really critical to maintain, restore and strengthen immunisation programmes and reach zero-dose communities, and where Gavi has a comparative advantage over other actors to make a real difference with targeted, scalable and sustainable interventions.
- c) **Data on zero-dose** – It is proposed to recalibrate Gavi’s risk appetite to more intentionally acknowledge that parts of the broader data quality risk are not fully within Gavi’s control and would likely remain a challenge for a long time. Gavi will therefore need to accept some risk inherent in its mission and focus on the critical types of data that if poor or lacking will affect the ability to find and target zero-dose children, implement effective interventions, understand progress and demonstrate impact; and which are addressable within Gavi’s sphere of influence.
- f) **VPD outbreaks** – Fully addressing the significant gaps in Gavi-eligible countries’ health systems and critical public health emergency preparedness and response capacities will require engagement beyond Gavi’s current mission and resources. Furthermore, innovative efforts to increase routine coverage and reduce reliance on frequent and disruptive planned campaigns (see risk of “sub-optimally planned campaigns”) may also require a higher acceptance of the risk of outbreaks.
- g) **Misuse by countries** – Inherent risks are heightened in the current context and the ability to mitigate and obtain assurance is constrained. Since at the same time Gavi support is now more needed than ever, it is proposed to recalibrate Gavi’s risk appetite to more intentionally acknowledge that misuse may increasingly occur despite best efforts to mitigate this risk. A differentiated fiduciary risk appetite may also be needed in the context of Gavi 5.0, given the aspiration of reaching zero-dose children requiring to work more in challenging operating environments with very weak financial management capacity. Such a change will also help in striking a better balance between using and building country systems and staying within acceptable levels of fiduciary risk, enabling movement of funds back to government systems. A differentiated risk appetite does not mean actual occurrence of the risk is desirable or the event should be tolerated once it actually occurs. In case of actual misuse, zero tolerance applies and Gavi will always require reimbursement as a condition of continued support.

- m) **Sub-optimally planned campaigns** – Once the immediate crisis abates, a large number of catch-up campaigns will likely be necessary in a short amount of time due to a backlog of suspended campaigns. The planning, implementation and resultant coverage in this context may be compromised along with the ability to conduct and ensure timely submission of post-campaign coverage surveys. In this current context it may be necessary to accept that not all campaigns will be optimally planned.

2. COVAX Facility risk

- 2.1 This year's top risks also include a new top risk to capture the aggregate risks associated with the successful establishment of the COVAX Facility, which are described in more detail in Section 3 of the report. Where establishing the COVAX Facility and COVID-19 vaccine delivery in-country also have a potential effect on Gavi's core mission, these feature as risk factors for Gavi's other top risks.
- 2.2 The risk of a failure to establish a successful COVAX Facility is very high as the COVAX Facility is a large, unique and structurally complex undertaking, is being established in record time, and has to navigate uncharted territory in securing equitable access to potential COVID-19 vaccines. Without a successful COVAX Facility there is a very real risk that lower income countries will be left behind, and the majority of people in the world will go unprotected. This would allow the virus and the pandemic to continue unabated and continue to disrupt the global economy as well as Gavi's core mission. The Gavi Secretariat, including the Office of the COVAX Facility, under the guidance of the Board, must find the right balance to successfully deliver on the promise of the Facility while minimising risks to Gavi core resources and programmes.
- 2.3 Current risk exposure is deemed outside of risk appetite until there is full clarity on the size of risks and possibilities to mitigate them. It therefore requires intensive mitigation efforts to bring the risk within risk appetite, including by continuing to surge capacity, implementing robust project and risk management and working with external advisors to fill critical skills and capacity gaps. Following the principle of safeguarding Gavi's assets and reputation, the Facility is being designed to avoid risk where possible, and residual risks are being actively monitored and mitigated. It is however also understood that operating at this magnitude and speed carries risks, and failure of establishing a successful Facility will also affect Gavi's overall reputation and have a negative effect on Gavi-supported countries.

Section C: Actions requested of the Board

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?
- 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?

Annexes

Annex A: Risk & Assurance Report 2020