



## Report to the GAVI Alliance Board

4-5 December 2012

<b>Subject:</b>	<b>Risk management update</b>
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<b>Agenda item:</b>	11
<b>Category:</b>	For Guidance
<b>Strategic goal:</b>	Affects all strategic goals

### Section A Overview

#### **1 Purpose of the report**

- 1.1 This report outlines the risk management framework of the GAVI Alliance and provides an update on the key risks of the Alliance.

#### **2 Recommendations**

- 2.1 The Board is requested to provide guidance on whether Board members agree with the key risks identified and that the risk mitigation strategies adequately address the risks of the Alliance.

#### **3 Executive Summary**

- 3.1 The key risk management tools for the Alliance include:
- Transparency and Accountability Policy:** This policy intends to ensure that all cash-based support provided by GAVI to countries is used for the purposes for which it was approved. All countries or implementing entities that receive cash grants from the Alliance undergo a Financial Management Assessment (FMA) which evaluates whether systems provide reasonable assurance that the resources provided will be used for their agreed intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability.
  - Risk Register:** Whilst TAP focuses on the fiduciary risks related to cash support at country level, the Secretariat conducts a quarterly risk assessment focusing on risks that would prevent GAVI from reaching its targets. Each risk has a responsible focal point within the

Secretariat who updates the register on a quarterly basis and identifies new threats to the organisation. This report is discussed by the Executive Team, the Executive Committee and is posted for the Board on MyGAVI. WHO and UNICEF have provided high level input on the risk mitigation strategies for in-country programmatic risks (e.g. vaccine wastage, vaccine theft, country readiness before introduction and data quality) but are not yet participating to the quarterly risk update.

- c) **Country grant agreement:** A country grant agreement has been developed and is being implemented to put in place a structured legal framework between GAVI and implementing countries, including with regards to programmatic risks.
- d) **Regular updates to the Board:** The template used for all Board papers includes a section on risks. The intention is to enable the Board to be fully aware of the risks associated with their decisions.

3.2 The following risks are identified as top risks for the Alliance as part of the quarterly risk review process. Section B describes new risks identified in this quarter<sup>1</sup>.

- a) **Data quality issues: specifically on quality and immunisation coverage:** In July 2012 WHO/UNICEF released a Grade of Confidence (GoC) rating for each of their country coverage estimates. Forty-two of the 73 GAVI eligible countries had a low GoC, highlighting the poor quality data that is informing GAVI decision making. The monitoring and evaluation team is drafting a strategy document regarding GAVI's approach to data quality and GAVI is convening a data quality summit to take place in January 2013. Recommendations from the summit will include the need for and frequency of household surveys, how to include biomarkers, how best to improve estimates through triangulation, and how to improve country systems and capacities to measure levels and trends in immunisation coverage
- b) **Supply chain:** Owing to the constraints in vaccine supply and the relatively expensive cost of the vaccines that GAVI is supporting, it is critical that all efforts are applied to ensure effective management of the vaccine supply chain. This includes building the relevant forecasting at country level, determining the appropriate number of doses to countries and minimising the wastage of vaccines in country. On the latter, national governments are ultimately responsible for management of vaccines in their country, and GAVI provides resources to WHO and UNICEF to support the mitigation strategies in this area (e.g. Effective Vaccine Management assessments, support to cold chain refurbishment etc.). WHO and UNICEF have provided elements of the mitigation strategy which will be assessed by the

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<sup>1</sup> The Risk Register report available to Board members every quarter on MyGAVI includes a quarterly update on these risks, and describe additional risks rated 'Medium' or 'Low' that are not included in this report.

Internal Auditor. The Secretariat is also recruiting for a position which will support the effort on end-to-end supply chain of the Alliance.

- c) **Lack of rotavirus vaccines:** Supply limitations, as well as country preference for one of the available vaccines, has triggered delays in introductions that will continue throughout 2015. The manufacturer of the two-dose vaccine has installed additional filling lines, and the supplier of the three-dose vaccine is working to improve packaging and characteristics to make the product more compatible with developing world requirements. Unless additional supply is secured, most countries to be approved in the future will have to delay introduction for at least one year, and potentially longer for large countries (such as Pakistan and Bangladesh). The Alliance continues to work to address these challenges through ongoing dialogue with suppliers as well as strong support to countries in their decisions on the timing of introductions and product choices.
- d) **Misuse of funds in cash-support programmes:** In Q3 the TAP team completed an investigation in Côte d'Ivoire which was related to possible misuse of funds in GAVI's HSS grant to the Ministry of Health in 2009 and 2010. The investigation confirmed that out of a total grant disbursement of US\$1, 790, 000, an amount of US\$469, 200 was misused. Of the misused amount, 70% was due to fraud; 18% was due to ineligibility of expenses and the remaining 12% related to missing documentation. The Government of Côte d'Ivoire has accepted these investigation results and has confirmed in writing its commitment to fully reimburse the misused amounts and to bring those responsible to justice. The investigation report has been posted on the GAVI website in both English and French.

As per the recommendations contained in the internal audit report to the Board in June 2011, both the TAP team and the Country Programmes team have strengthened their capacity by recruiting a number of new staff. They are now better resourced to engage more regularly and pro-actively with countries and detect areas of risk. TAP conducted a workshop on "Lessons Learned" to facilitate the on-boarding of new CROs on their stewardship role.

- e) **IFFIm rating.** Currently, IFFIm is rated triple-A by two of the three major rating agencies and AA+ by the third. If IFFIm loses one of its triple-A ratings, approvals of new funding to GAVI would be suspended. Consultations with donors and the IFFIm Board are complete on amending the triple-A rating requirement included in the legal agreements to double-A, allowing IFFIm Board to continue approving new funding for GAVI programmes. The Finance Framework Agreement (FFA) will be amended accordingly, which is expected before the end of 2012. In addition, it remains vital that donor payments are made on time. Late donor payments are reported to rating agencies and can negatively impact IFFIm's rating. The World Bank, as IFFIm's Treasury Manager, actively seeks to prevent late

payments and works with donors to resolve any late payments. The Secretariat, in coordination with the World Bank and the IFFIm Board, also actively engages donors to maintain timely payments to IFFIm.

#### 4 Financial implications: Business plan and budgets

- 4.1 The Business Plan provides targeted resources to help mitigate some of the key risks (e.g. for vaccine management, cold chain and logistics, TAP, etc).

### Section B New risks identified in the quarter

#### 1 New Risks

- 1.1 The following are new risks that have been identified by the Secretariat in the third quarter of 2012 through the risk register process.

- a) **Immunisation Services Support (ISS).** Although this programme is being phased out and replaced with the Health Systems Funding Platform (HSFP), the discontinuation of ISS funding in many GAVI countries<sup>2</sup> raises concerns about the capacity of countries to finance some operations of the EPI teams in 2013, which might put at risk the performance of the immunisation systems in GAVI countries. This programme was always intended to be additional to the EPI budgets, however some countries have used it as core resources. GAVI partners are working to ensure that HSS funding is directly related to immunisation, which would then enable some replacement of the ISS funding with HSS funding, this will however require careful monitoring. This risk is rated as medium.
- b) **Failure to sustain impact after graduation.** GAVI's support is intended to be timely and catalytic; it is therefore essential to ensure that countries that graduate from GAVI support have a strong immunisation system and continue to deliver vaccines introduced with GAVI funding.

The Business Plan 2013 – 2014 supports pro-active engagement to ensure countries execute their transition plans and stay on track towards graduation. It also supports a comprehensive 'training for graduation' programme which will be designed and rolled-out in 2013. Of note however, to date these activities are only focusing on financial sustainability and do not encompass wider programmatic and systemic aspects of graduation. GAVI Alliance has not yet developed a clear strategy, indicators or targets on how to measure progress towards "programmatic graduation". The Secretariat and Alliance partners are now reviewing the experience so far of graduating countries and identifying the gaps to inform a more comprehensive future strategy for

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<sup>2</sup> In July 2012, the Monitoring Independent Review Committee recommended that 36 countries out of 51 have their ISS discontinued in 2013.

engaging with graduating countries which focuses on the systems rather than financing only. The risk is rated as high.

- c) **Number of doses sent to countries.** Poor data and forecasting at country level impact GAVI's ability to assign appropriate doses to countries. This may lead to wastage. It also has implications on the Alliance's relationship with manufactures and could constrain supply. As a mitigating factor the Secretariat has introduced a 10% cap on targets i.e. where countries have proposed targets greater than 10% of their previous year's achievements, a 10% cap is instituted. How doses are assigned will be reviewed as part of the redesign of the GAVI's grant management processes. This risk is rated as high.
- d) **Insufficient technical assistance provided at country level.** Insufficient technical assistance at country level including support for project management could result in failure to reach GAVI intended impact by 2015. In recognition of this, the Business Plan 2013 – 2014 is requesting US\$ 4M of funding to engage new partners to respond to country specific priorities, particularly in support of health systems strengthening. This risk is rated as medium.
- e) **Knowledge management.** The flow of information and ability to access information is a crucial component in ensuring the smooth functioning of any organisation; this includes knowing where to access information, and ensuring that this information is accurate and up-to-date. At present GAVI Secretariat has limited capacity in this area and information tends to be retained in team silos. The Secretariat has begun a new effort to address this risk by implementing a comprehensive knowledge management system. The risk is rated as medium.
- f) **Failure to strengthen management capabilities within the Secretariat.** Considering the significant scaling up of GAVI business following the successful pledging conference and consequently an expanded Secretariat and activities, it is important to strengthen managerial capability of senior staff to support a strong delivery. As such it has been rated as a high priority for 2013 for the Human Resources team. This risk is rated as medium.

### **Section C Implications**

#### **1 Impact on countries**

- 1.1 The risk assessment and management process is a critical component in ensuring the successful delivery and full impact of GAVI's programmes in-country.
- 1.2 Increased Country Responsible Officers and members of TAP staff work in collaboration with Alliance partners and GAVI countries to ensure that

resources (both vaccines and cash) granted by GAVI are appropriately managed.

### **2 Impact on GAVI stakeholders**

- 2.1 There are on-going discussions with WHO and UNICEF in order to adequately identify and regularly report on programmatic risks in country (e.g. data quality, excessive wastage, country introduction, theft) however this framework has yet to be bedded down and it will also be a priority for the incoming Internal Auditor (Commencing January 2013).

### **3 Impact on Secretariat**

- 3.1 Each team in the Secretariat is required to provide a quarterly update of their risks highlighting the evolution of the risks over the quarter, details on mitigation strategies and highlighting new potential threats to the organisation. The risk register is then discussed by the Executive Team. The process is facilitated by the Performance Management Unit (PMU). The PMU is also responsible for the Business Plan and the tracking of partner's performance in relation to the Business Plan deliverables and targets.

### **4 Legal and governance implications**

- 4.1 The Secretariat, in consultation with external legal counsel where appropriate, prepares for and addresses any legal consequences arising as a result of a risk materialising.

### **5 Consultation**

- 5.1 The risk management framework has been developed by the Performance Management Unit in consultation with the Internal Auditor and the Executive Team. As aforementioned, Secretariat teams and partners are consulted on identifying, monitoring and managing risks.

### **6 Gender implications**

- 6.1 There are no matters in this risk review that have implications on gender.