U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
RISK APPETITE STATEMENT – JUNE 2018

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USAID Risk Appetite Statement

1. INTRODUCTION

1.1 Purpose

The purpose of this Risk Appetite Statement (hereinafter "Statement") is to provide U.S. Agency for International Development (USAID) staff with broad-based guidance on the amount and type of risk the Agency is willing to accept – based on an evaluation of opportunities and threats at a corporate level, and in key risk categories – to achieve the Agency's mission and objectives.

This Statement is a critical component in USAID's overall effort to achieve effective Enterprise Risk Management (ERM), and the leadership of the Agency will review and update it annually as the ERM program matures and our needs evolve.

1.2 Background

In 2016, the Office of Management and Budget (OMB) updated Circular A-123 to introduce a new requirement that Federal Departments and Agencies integrate ERM with their internal-control systems. ERM is a holistic, Agency-wide approach to risk-management that emphasizes addressing the full spectrum of risks and managing their combined impact as an interrelated risk portfolio, rather than examining risks in silos, which can sometimes provide distorted or misleading views with respect to their ultimate impact. **Under an ERM approach, the goal is not to control or avoid all risk, but rather to take advantage of opportunities, while reducing or mitigating threats to maximize the Agency's overall likelihood of achieving its mission and objectives.**

> ### ERM AT USAID
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> Achieving effective ERM is particularly important at USAID. The Agency's core mission and role in support of U.S. foreign policy and national security objectives requires that we work in a wide variety of high-threat environments, with risks ranging from state failure and armed conflict in the most "fragile" contexts to corruption, natural disaster and macroeconomic instability in more "traditional" contexts. As a result, there is rarely a single path to achieving development results, and our staff is called upon every day to make a range of cross-disciplinary, risk-informed decisions about how best to deliver foreign assistance. Despite these inherent risks, we rise to this challenge using a variety of risk-management techniques because the U.S. Government has made a determination that the risk of inaction, or inadequate action, outweighs the risk of providing assistance.

1.3   Agency Objectives

OMB Circular A-123 states that an Agency's objectives and the context in which it operates should inform its risk appetite. On August 7, 2017, USAID Administrator Mark Green articulated the Agency's objectives as follows:

> *We will strive to: (1) end the need for foreign assistance. We must measure our work by how far each investment moves us closer to the day when our relationship with the host country changes. In many cases, this day will be far off, but will be a driving force in how we design programs to fit specific needs and challenges on the ground. To that end, we will focus on (2) strengthening our core capacities and (3) interagency coordination, while (4) empowering our employees and partners to lead. Finally, we will (5) respect the taxpayers' investments by being transparent and accountable stewards of the resources and expectations given to us from the American people.*

USAID's Mission Statement encompasses these objectives:

> *On behalf of the American people, we promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world. In support of America's foreign policy, the U.S. Agency for International Development leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance.*

1.4   Risk Categories

Per OMB Circular A-123, "risk" is defined as the "effect of uncertainty on [an Agency's] objectives." This definition is quite different than the everyday use of the word "risk": it is not necessarily positive or negative. Rather, it includes factors that could threaten or enhance the likelihood of achieving this set of objectives. Using this neutral definition of risk that emphasizes the importance of a continual weighing of cost and benefit, USAID defines the key categories of risk as follows:

- **Programmatic Risks** are events or circumstances that could potentially improve or undermine the effectiveness of USAID's development or humanitarian assistance.

- **Fiduciary Risks** are events or circumstances that could result in fraud, waste, loss, or the unauthorized use of U.S. Government funds, property, or other assets. It also refers to conflicts of interest that could adversely affect the accountability of U.S. taxpayer dollars, or the realization of development or humanitarian outcomes.

- **Reputational Risks** are events or circumstances that could potentially improve or compromise USAID's standing or credibility with Congress, the interagency, the American public, host-country governments, multilateral institutions, implementing partners, beneficiaries, or other stakeholders.

- *Legal Risks* are events or circumstances that could potentially improve or compromise compliance with law, regulation, Executive Order, or other source of legal requirement.

- *Security Risks* are events or circumstances that potentially improve or compromise the security of USAID staff, partners, property, information, funding or facilities.

- *Human-Capital Risks* are events or circumstances that could potentially improve or compromise the capacity, productivity, hiring, or retention of employees.

- *Information-Technology Risks* are events or circumstances that could potentially improve or compromise the processing, security, stability, capacity, performance, or resilience of information technology.

Encompassing all of these risks is the **context** in which our programs operate. Context is often outside our control, and has the potential to materially impact the Agency's ability to achieve objectives in a given country. This Statement does not assign a risk appetite rating for context. However, since context can often increase the likelihood that other types of risk might occur (e.g., programmatic, security, fiduciary), understanding context is often the starting point for determining an operating unit's approach to risk-management. For example, while we generally cannot mitigate the risk that a conflict might occur, there are programmatic measures we can implement to lessen the risk that such circumstances affect the effectiveness of our programs and operations.

> **NON-PERMISSIVE ENVIRONMENTS**
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> *Context* impacts risk in every environment in which we work, but is particularly important in so-called "non-permissive environments" characterized by uncertainty, instability, inaccessibility, and/or insecurity where the associated *risks are higher than other environments.* Such environments are also often the places where development and humanitarian assistance are most needed. Therefore, to achieve our objectives, we often accept a higher degree of overall risk to capture opportunities while implementing enhanced measures to mitigate the threat of not achieving our objectives.

1.5   Risk-Appetite Methodology

In **Sections 2-9**, this Statement places each category of risk on a risk-appetite scale that ranges from "low" to "medium" to "high":

- *Low Risk Appetite* – Areas in which the Agency avoids risk, or acts to minimize or eliminate the likelihood that the risk will occur, because we have determined the potential downside costs are intolerable. These are areas in which we typically seek to maintain a very strong control environment.

- *Medium Risk Appetite* – Areas in which the Agency must constantly strike a balance between the potential upside benefits and potential downside costs of a given decision.

- *High Risk Appetite* – Areas in which the Agency has a preference for disciplined risk-taking because we have determined the potential upside benefits outweigh the potential costs.

1.6   How to Use this Statement

This Statement recognizes the reality that frontline staff at USAID is frequently called upon to make difficult decisions under uncertain circumstances that require a weighing of "opportunities" and "threats." For example, our staff could see an "opportunity" to strengthen local ownership for long-term sustainability as a "threat" that this same investment could come at the expense of short-term results, or could result in a larger pipeline. This Risk Appetite Statement seeks to clarify the Agency's position regarding such (often competing) calculations through the risk appetite rating scale described in **Section 1.5**.

In addition to providing guidance on how to weigh opportunities and threats, this Statement informs *how* we respond to such risk. Responding to risk can take many forms, including: *avoidance* of risk by *not* investing in a particular approach or *not* signing an agreement with a particular partner; *reduction* of risk through a strong system of internal controls, targeted mitigation measures, or training and capacity-building efforts, among other options; *sharing* of risk through strategic partnerships with key stakeholders; or *acceptance* of risk without mitigation.

Descriptions of risk-management strategies used across the Agency appear in each of the "We Will" boxes in **Sections 3-9**. USAID's **Risk Management Discussion Note** (in Annex 1) also lists a range of tools the Agency uses to assist in managing risk. Additional strategies for managing risks will depend on a local assessment of the *likelihood* that an individual risk might occur, and the *impact* that such risk could have if it occurs. For example, in countries affected by high levels of corruption where the likelihood for fraud or diversion of funds is higher than average, we must implement enhanced controls to further reduce the likelihood of loss. Conversely, in situations in which an innovative approach is deemed more likely to be successful, or more likely to have a game-changing impact, we are more likely to weigh the opportunity presented, and accept the risk.

> ### THE RISK PROFILE
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> Every USAID operating unit (OU) must prepare and submit an annual risk profile through the Agency's ERM governance structure, as outlined in **OMB Circular A-123** and USAID Operational Policy (**ADS 596mab**, **"Governance Charter for Enterprise Risk Management and Internal Control at USAID"**). These profiles provide a mechanism to share information on the major risks that face OUs so leadership has visibility of, and can make decisions about, risk across the Agency. In addition, these profiles provide a mechanism to ensure that the Agency at all levels makes risk-informed decisions. Risks flagged in these profiles could include major risks that require additional response, or "treatment," to reduce the threat of loss. Profiles could also include strategic risks that OUs accept because they have determined that the opportunity exceeds the threat of loss. In all cases, assessment of risk and associated risk response should be guided by this Risk Appetite Statement.

2.   OVERALL RISK APPETITE STATEMENT

The Agency's risk appetite for each risk category is as follows:

RISK CATEGORY	OVERALL RISK APPETITE
Programmatic	**HIGH**
Fiduciary	**LOW**
Reputational	**MEDIUM**
Legal	**LOW**
Security	**LOW**
Human Capital	**MEDIUM**
Information Technology	**MEDIUM**

Note: While the Agency's risk appetite is divided into separate categories, the categories are interrelated. Additionally, each category contains varying risk appetites for specific areas of focus. **Sections 3-9** provide more nuanced guidance on the Agency's risk appetite for each category.

3.   PROGRAMMATIC RISK

Low	Medium	High

PROGRAMMATIC

Overall Risk Appetite: HIGH

Definition: "Programmatic Risk" refers to events or circumstances that could potentially improve or compromise the effectiveness of USAID's development or humanitarian assistance.

Overview: If we are going to achieve our long-term objective of ending the need for foreign assistance, we must take smart and disciplined programmatic risks. We work in contexts that are often changing rapidly, where – despite our best efforts – evidence to support program design is often incomplete, and where there is rarely one path to achieving results. A further complication is that many of the locations in which the Agency delivers foreign assistance are complex and non-permissive environments (NPEs), in which we are required to navigate higher levels of contextual risk to make effective progress against programmatic goals. In addition, the disciplines of development and humanitarian assistance continue to evolve at a rapid pace, and there are huge opportunities that arise from ongoing innovations that can enable us to achieve breakthrough results. We recognize all of these opportunities and threats, and are committed to making programmatic decisions based on rigorous analysis, while recognizing that it is often neither possible, nor practical, to achieve the level of information we seek, and that the biggest risks of all are often the price of inaction or inadequate action.

We have a **MEDIUM risk appetite** with regard to:

- **Implementing long-term strategic focus in our country programs.** We will set priorities and implement long-term strategic focus in our country programs based on rigorous analysis and collaboration with key stakeholders to achieve more-effective results. We will also continually balance this with our obligation to implement initiatives, directives and/or priorities from Congress and the interagency not foreseen during the strategy development process.

We have a **HIGH risk appetite** with regard to:

WE WILL:

- ✓ Make decisions based on analysis and conclusions supported by the best currently-available evidence.
- ✓ Incorporate findings from risk-assessments, such as the mandatory climate-change and construction risk-assessments, in the design of programs.
- ✓ Collaborate with a diverse range of partners to leverage innovative thinking that works in the country context.
- ✓ Evaluate the impact of new approaches to continually build the Agency's evidence base.
- ✓ Work with and through local partners to strengthen local capacity and support them in their journeys to self-reliance.
- ✓ Continually monitor, learn, and adapt as the context changes and new evidence emerges.
- ✓ Provide rigorous oversight of activities, and ensure we always operate in accordance with applicable laws and regulations.

● **Harnessing new technologies and innovations.** We will harness the potential of technology and innovation to develop responses to some of the most-vexing challenges our Agency faces, while recognizing that sometimes these approaches will fail to fulfill their promise.

● **Promoting sustainability through local ownership and resource-mobilization.** We will support local ownership and financing, and strengthen the capacity of local organizations and systems to enhance the sustainability of results and the ultimate goal of host country self-reliance, while recognizing that sometimes these investments might be more resource-intensive, or come at the cost of short-term results.

● **Partnering with the private sector.** We will co-design and co-invest with private-sector entities that promise to leverage or mobilize additional resources or expertise to amplify the impact of our work, while recognizing that sometimes such partners will fail to mobilize promised capital, or deliver on commitments.

● **Embracing flexible, iterative design and implementation.** We will continually learn and adapt our programming in contexts that are changing rapidly, or in which evidence is incomplete to improve the likelihood of achieving intended results, while recognizing that such approaches can sometimes require additional resources, or add another layer of complexity in designing, implementing, and monitoring programs.

● **Innovative modalities for acquisition and assistance.** We will employ a broader range of acquisition and assistance methods, such as those that enable co-creation, to achieve our programmatic objectives more effectively, including by harnessing innovations, and partnering with the private sector and local stakeholders.

4.   FIDUCIARY RISK

Low	Medium	High
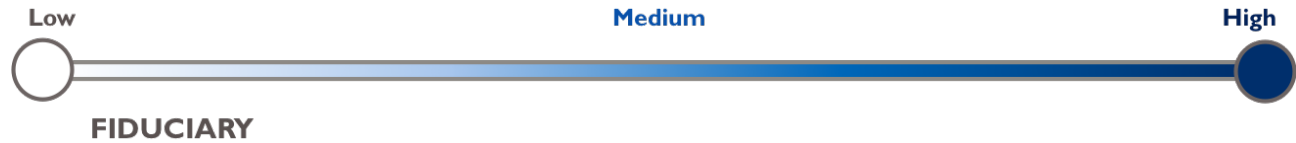
FIDUCIARY

Overall Risk Appetite: LOW

Definition: "Fiduciary Risk" refers to events or circumstances that could potentially result in fraud, waste, loss, or unauthorized use of U.S. Government funds, property, or other assets. It also refers to conflicts of interest that could adversely affect the accountability of U.S. taxpayer dollars, or the realization of development or humanitarian outcomes.

Overview: We respect our role as a steward of the resources given to us by the American people, and take a zero-tolerance approach toward fraud, corruption, or violation of law that involve U.S. taxpayer funds. We also recognize that corruption, low absorptive capacity, and weak management capacity in the country context can increase the Agency's fiduciary risk, and that we must identify additional measures as necessary to mitigate this risk. In addition, we acknowledge that there are times when minimizing fiduciary risk by avoiding implementation modalities that use partner-country systems could come at the cost of making progress toward our mission of ending the need for foreign assistance. We are thus committed to striking a balance, in coordination with Congress, between our obligation to safeguard U.S. taxpayer funds and our strategic objective to increase local capacity and ultimately transition partner countries from our assistance.

We have a **LOW risk appetite** with regard to:

● **Non-compliance with financial reporting, payment mechanisms, financial-systems requirements, internal controls and audit-management.** We will continually act to address any weaknesses in the control environment that could result in fraud, corruption, diversion of resources, or statutory violations.

● **Violations of codes of conduct that involve sexual exploitation or abuse and expose partners or the Agency to financial loss**. We will hold our implementers and our staff to the highest possible ethical standards, and expect them to protect the interests of beneficiaries.

WE WILL:

✓ Implement rigorous safeguards against fraud, corruption, or diversion of funds.
✓ Continually maintain, assess, and update our systems of audit, risk-assessment, and internal controls.
✓ Identify additional mitigation measures as needed in the country context, such as complementary anti-corruption programming or enhanced controls.
✓ Implement smart measures that enable more funding to flow through local partners.

We have a **MEDIUM risk appetite** with regard to:

● **Implementing funding through local partners.** We will implement more funding through local partners, including (under the right conditions) host-country partner governments, to enhance the sustainability of results and enable progress toward the ultimate goal of ending the need for our assistance; however, we must balance this goal with an assessment of the potential for fraud, corruption, or the diversion of funds.

5.   REPUTATIONAL RISK

Low	Medium	High

REPUTATIONAL

Overall Risk Appetite: MEDIUM

Definition: "Reputational Risk" refers to events or circumstances that could potentially improve or compromise USAID's standing or credibility with Congress, the interagency, the American public, host-country governments, multilateral institutions, implementing partners, beneficiaries, or other stakeholders.

Overview: Our reputation among key stakeholders has a profound and direct impact on our capacity to achieve our mission. It affects everything from the budget and authorities granted to us by Congress to the degree of influence we wield as we work to facilitate greater ownership of development processes by local partners, including host-country governments. Reputational risk includes risks that arise from our *actual* contributions and value, or decisions not to contribute, as well as risks that stem from *perceptions* and *misperceptions* of our contributions and value. We are therefore committed to protecting the reputation of the Agency by not only implementing effective ERM in everything we do, but also by effectively engaging and communicating with our stakeholders toward achieving our mission.

We have a **LOW risk appetite** with regard to:

- **Deficiencies in enforcement of ethical standards.** We will hold our staff and partners to the highest level of ethical and professional standards, and address any weaknesses in enforcement of rules of ethical professional conduct, including with regard to sexual exploitation and abuse.

- **Deficiencies in Congressional consultation and notification.** We will address any weaknesses in processes, procedures, knowledge, or gaps in either required or appropriate consultation and notification to Congress and other U.S. Government Departments and Agencies. This applies to proposed and actual budgetary, management, programmatic, and other actions that could pose a legal and reputational risk to the Agency, or otherwise compromise our adherence to the law and our relations and understandings with Congress and the interagency.

WE WILL:

✓ Maintain an open, transparent relationship with key stakeholders.
✓ Continue to publish USAID data while safeguarding Personally Identifiable Information (PII) and security.
✓ Appropriately and consistently brand and mark USAID-funded activities.
✓ Dedicate time and resources to managing and monitoring social media channels that are used.
✓ Train staff to be everyday ambassadors for our work, and ensure the highest levels of ethical conduct.

We have a **MEDIUM risk appetite** with regard to:

● **Traditional press outreach and social media.** We will leverage outreach through traditional press and social media to promote and amplify the goals and results of the Agency. However, we must balance this outreach with the risks inherent in these activities, such as messages re-posted by outside groups or taken out of context.

We have a **HIGH risk appetite** with regard to:

● **Empowering our employees to represent the Agency.** We will empower our employees with the necessary skills and ability to represent USAID effectively.

● **Sharing and increasing the transparency of technical and programmatic information.** Through our Open-Data policy, we encourage employees and partners to share technical and programmatic information to demonstrate the Agency's commitment to transparency, consistent with applicable legal requirements, while balancing the risk of publishing data that could trigger privacy and security concerns. We recognize that this commitment to transparency also includes accepting the risk of possible criticism brought because data show our activities fall short of their objectives.

● **Promoting a culture of learning**. We will incentivize and foster a culture of learning by openly discussing and disseminating lessons learned to enable continuous improvement and enhance our credibility. This will mean at times identifying mistakes or errors that could affect our reputation.

6.   LEGAL RISK

Low	Medium	High
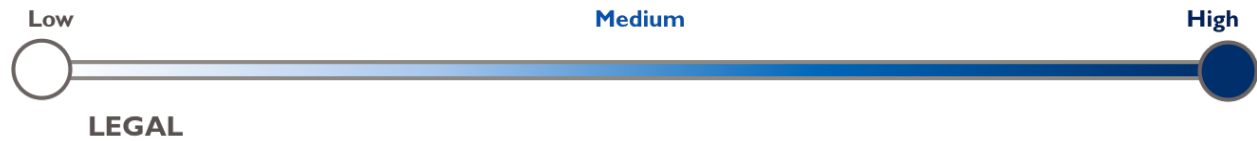
LEGAL

Overall Risk Appetite: LOW

Definition: "Legal Risk" refers to events or circumstances that could potentially improve or compromise compliance with law, regulation, Executive Order, or other legal requirement.

Overview: To be accountable stewards of the resources and expectations given to us from the American people, we must operate in accordance with all applicable laws, regulations, Executive Orders, and other legal requirements. We recognize that the need to comply with legal requirements is inherent in all aspects of our activities, and we are committed to seeking appropriate legal review of our actions to facilitate this compliance. We are obligated to maintain a strong control system that promotes compliance with legal requirements, and uses Agency attorneys as both a safeguard against unlawful actions and a resource for informed decision-making.

We have a **LOW risk appetite** with regard to:

- **Non-compliance with legal and regulatory requirements.** We will mitigate any weaknesses in processes, procedures, or gaps in staff knowledge that could result in legal risk to the Agency, or otherwise compromise our adherence to the law.

- **Acting without consultation with Agency attorneys.** We will consult with Agency attorneys to mitigate the potential for misinterpretation of legal requirements that could result in a loss to the Agency, or compromise our adherence to the law.

- **Meritorious bid protests or labor, employment, or contract claims.** We will mitigate any deficiencies in processes or procedures that could increase the likelihood of a sustained bid protest or meritorious labor, employment, or contract claim.

> **WE WILL:**
>
> ✓ Deploy training, guidance, and control systems to foster Agency-wide compliance with legal requirements.
> ✓ Monitor changes to applicable legal requirements, and communicate modifications to the Agency.
> ✓ Consult with Agency attorneys as appropriate to evaluate, quantify, and mitigate legal risks.
> ✓ Take consistent legal positions that are supported by the law, represent the best interests of the American people, and advance Agency objectives.

We have a **MEDIUM risk appetite** with regard to:

● **Areas either not covered by the law or reasonably open to interpretation.** In consultation with Agency attorneys, we will at times assume a degree of calculated risk to implement innovative solutions that could help achieve our strategic objectives.

7.   SECURITY RISK

Low	Medium	High

SECURITY

Overall Risk Appetite: LOW

Definition: "Security Risk" refers to circumstances or events that could potentially improve or compromise the security of USAID staff, partners, information, funding or facilities.

Overview: Safeguarding our personnel, partner organizations, information, and facilities is critical to delivering on our mission, yet presents one of our biggest risk-management challenges. USAID's work increasingly takes place in high-threat, NPEs characterized by conflict, government instability, and natural disasters, and the obligation to keep personnel and other assets safe must be balanced with the need to visit project sites, meet with local contacts, consult with partners, access information, and implement activities. We are continually working on strategies that reflect this reality, and we are committed to leveraging new technologies, partnerships, flexibilities, and innovative thinking to protect our personnel and assets, while also delivering needed assistance.[1]

We have a **LOW risk appetite** with regard to:

● **Actions that put our personnel in positions of unnecessary risk.** We will avoid actions that could put USAID personnel at risk of physical harm when and where reasonable alternatives exist.

● **Violations of information-security**

WE WILL:

✓ Continually strengthen controls surrounding the collection, processing and storing of vital personal and national security-related information.

✓ Provide staff with regular trainings and travel briefings (e.g., the Know-Before-You-Go briefing) so that they appropriately respond to various security threats.

✓ Continually strengthen the Partner Liaison Security Operation program in countries where partners are at elevated risk.

✓ Leverage highly-qualified local staff, partners, and innovative technologies to monitor programs in high-threat places where mobility is restricted.

✓ Conduct partner vetting using a risk-based approach to mitigate the risk of diversion of funds to terrorists or their affiliates.

✓ Continue to engage with the State Department's Bureau of Diplomatic Security, including Regional Security Officers, to maximize our ability to conduct robust oversight in NPEs, while safeguarding personal security.

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[1] It is important to note that USAID's staff assigned overseas fall under Chief of Mission (COM) authority, and therefore risk-management approaches are affected by the Overseas Security Policy Board security standards, the Regional Security Office, and USAID's participation in Emergency Action Committees chaired by each Chief of Mission.

policies and procedures. We will minimize any weaknesses in our training protocols or policies and procedures that could result in the unauthorized disclosure of sensitive data, such as PII and national-security information.

● **Compliance with nationally-established standards for Federal employment and security clearances.** We will address any weaknesses in compliance with standards for Federal employment and security clearances that could compromise the Agency's ability to recruit and retain qualified personnel who have unwavering loyalty to the United States as well as integrity and sound judgement.

We have a **MEDIUM risk appetite** in regard to:

● **Maintaining presence in non-permissive environments (NPEs).** We will maintain missions or field offices in NPEs as long as we balance the likelihood for security breaches and/or need to suddenly evacuate staff or allocate additional security resources with the NPE's impact on U.S. foreign-policy and national-security objectives.

● **Programming in a transparent manner in closed spaces.**[2] We will operate with as much transparency as possible in closed (or closing) spaces, while balancing the imperative to protect partners and beneficiaries who could face significant risks from association with the United States.

● **Undertaking mission-critical field visits.** We will support staff in undertaking field visits coordinated and approved in accordance with Post management policies and Regional Security Officers (RSOs) for the purposes of designing programs, monitoring implementation, or providing oversight (among other mission-critical purposes). However, we must balance this desire with the discretion of the RSO, the likelihood of security incidents, and the availability of effective alternatives, including those that deploy new technology.

● **Providing distinguished visitors with expedited access to USAID's domestic facilities to strengthen partnerships and program results.** We will accord special privileges to distinguished visitors, such as foreign diplomats, in recognition of their importance to achieving country self-reliance and other Agency objectives, as long as we mitigate the potential for security incidents responsibly.

We have a **HIGH risk appetite** with regard to:

● **Exploring, testing, or using new security methods or technologies.** We will harness the potential of new methods and technologies to reduce exposure to threats, or increase the preparedness of employees, while recognizing that sometimes such approaches might not always be as effective as anticipated.

● **Supporting partners' development of their security plans.** We will require partners to

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[2] "Closed spaces" refers to country settings that meet the following criteria: 1) the government in the targeted country is politically repressive; 2) the government has explicitly rejected USAID assistance or has such an adverse relationship with the United States that we cannot work with the government on development assistance; and 3) USAID does not have U.S. Direct-Hire staff in the country.

develop their security plans in accordance with our rules and parameters, while recognizing that sometimes the lack of standardization could complicate coordination, or heighten the possibility for weaknesses.

8.   HUMAN-CAPITAL RISK

Low	Medium	High

HUMAN CAPITAL

Overall Risk Appetite: MEDIUM

Definition: "Human-Capital Risk" refers to events or circumstances that could potentially improve or compromise the capacity, productivity, wellbeing, hiring, or retention of our employees.

Overview: Our success in achieving our mission directly depends on the knowledge, skills, abilities, dedication, and robustness of our workforce. We recognize that our workforce is our most-important asset for managing risk – through designing and implementing control systems; making iterative, risk-informed decisions; skillfully solving problems; coping under pressure; and going the extra mile to ensure our Agency's success. However, our workforce can also be a cause of risk, because of skill gaps, turnover and excessive workload, as well as non-compliance with, or the inconsistent application of, systems, procedures, and risk-mitigation measures. Our Agency delivers on its mission because of the capabilities and performance of our talented staff, and is committed to effectively managing the needs of our current and future workforce. Aligning workforce-planning with the Agency's Transformation is essential to ensuring the success of both.

We have a **LOW risk appetite** with regard to:

- **Non-compliance with human-resource laws, regulations, and directives**. We will act to minimize any weaknesses in compliance with legal requirements (e.g., from the Equal Employment Opportunity Commission, the Office of Personnel and Management, and the U.S. Merit Systems Protection Board) that could impair the Agency's ability to hire, train, assess, or reward USAID employees consistently and fairly, or which could put the Agency at risk for unfavorable legal outcomes.

- **Weaknesses in workforce-planning systems across all hiring categories.** We will mitigate any weaknesses in workforce-planning systems that could undermine the

WE WILL:

- ✓ Mitigate stress and resilience issues that affect personnel in high-operational-stress environments through Staff Care and other services.
- ✓ Implement agile, transparent processes to attract and onboard employees.
- ✓ Execute strategic, forward-looking and flexible workforce-planning processes.
- ✓ Empower managers with the skills and support they need to manage staff effectively.
- ✓ Uphold a transparent, equitable performance-management system that promotes excellence.
- ✓ Provide high-quality, integrated, and coordinated training and mentoring to build capacity and support rising leaders.
- ✓ Support the professional development of our Foreign Service Nationals to better leverage their expertise and historical knowledge.

Agency's ability to align its current needs and priorities with its workforce under the Transformation and ensure it will have the essential staff levels and skill mixes needed to carry out future programs amidst an uncertain environment.

- **Gaps in skills and capacity.** We will work to mitigate any deficiencies in training programs that could impair the effectiveness of our employees.

- **Weaknesses in the processes for recruiting, selecting, hiring, onboarding, evaluating, and promoting staff.** We will work to minimize weaknesses in hiring processes that could inhibit the Agency's agility and responsiveness, cause frustration among candidates, or result in the Agency's losing highly-qualified candidates. We will also work to reward excellence, deal swiftly and appropriately with poor performance, and create rigorous processes for evaluating the performance of, and promoting, employees.

- **Bullying, abuse and sexual harassment in the workplace**. We will continue to enforce a zero-tolerance approach to abusive and harassing behavior among our staff, whether in Washington or in the field.

We have a **MEDIUM risk appetite** with regard to:

- **Prioritizing family needs when assigning Foreign Service Officers (FSOs) to posts.** We will make reasonable efforts to assign FSOs to posts that meet family needs, while balancing the Agency's mandate to meet the varied needs of different OUs and the equities of other personnel.

- **Assigning FSOs to hardship posts and other difficult operating environments.** We are obliged to assign many FSOs to hardship countries and other posts with difficult operating environments to achieve our mission, while continually balancing these assignments with the potential for severe and unsustainable levels of stress that might arise from exposure to threats, unprecedented workloads, separations from family, and inadequate rest.

We have a **HIGH risk appetite** with regard to:

- **Adopting innovative best practices**. We will continually assess best practices in the industry and Federal Government for attracting, retaining, and developing talent, including seeking flexibilities for hiring and compensating staff, while recognizing that trying new approaches brings with it the potential for initiatives to fall short of objectives.

9. INFORMATION-TECHNOLOGY RISK

Low	Medium	High

INFORMATION TECHNOLOGY

Overall Risk Appetite: MEDIUM

Definition: "Information-Technology (IT) Risk" refers to events or circumstances that could improve or compromise the processing, security, stability, capacity, performance, or resilience of information technology.

Overview: IT is interwoven into all aspects of our operations, and is among the most vital investments supporting the Agency's work. The IT landscape continues to evolve at a rapid pace, and technological advances provide opportunities for USAID to operate more efficiently and effectively. At the same time, cyber threats continue to grow in aggressiveness and sophistication, as the Agency's need to share and use information grows. We recognize the important role that IT plays in supporting our mission, and are committed to delivering robust, responsive, and flexible IT services and products, while protecting information and information systems from security threats.

We have a **LOW risk appetite** with regard to:

● **Weaknesses in technology, and the transmission, processing, security, stability, capacity, or performance of data.** We will act to minimize any weaknesses that could disrupt core Agency business operations, slow productivity, heighten the risk of fraud, or threaten the security of information, such as PII. We will work to avoid unplanned downtime that could result in lost productivity or costs to recover data.

WE WILL:

✓ Proactively manage cybersecurity risks by continuously identifying and mitigating malware and other intrusion events.
✓ Ensure a cutting-edge approach to implementing change and staying ahead of the curve.
✓ Take an agile approach to fixing or patching vulnerabilities as they are identified.
✓ Champion leadership for modernization efforts from the top.

We have a **MEDIUM risk appetite** with regard to:

● **Open data.** We will reduce barriers to sharing Agency-funded data to make information more transparent and accessible to the public, while balancing the risk of publishing data that could trigger privacy and security concerns.

● **Cloud computing.** We will continue to harness the power of cloud computing to lower costs, improve reliability, and increase accessibility across the globe, while balancing the risks associated with working with third-party service providers.

We have a **HIGH risk appetite** with regard to:

● **Adoption of new technologies or platforms.** We will harness the potential of new technologies to improve Agency efficiency and productivity, while recognizing the potential for change-management challenges, time or cost overruns, and the need to harmonize digital innovation with programmatic policy.