



# USAID Risk Appetite Statement

A Mandatory Reference for ADS Chapter 596

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## 1. INTRODUCTION

### 1.1 Purpose

The purpose of the USAID Risk Appetite Statement (RAS) is to provide broad-based guidance on the level and type of risk the Agency is willing to accept—based on an evaluation of opportunities and threats—to achieve the Agency’s mission and objectives.

The RAS is a critical component of USAID’s overall effort to achieve effective Enterprise Risk Management (ERM). The Agency’s senior leadership reviews and updates this document periodically, as needed.

### 1.2 Background

In 2016, the Office of Management and Budget (OMB) updated [Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,”](#) to introduce a new requirement that Federal departments and agencies integrate ERM with their internal control systems. ERM is a holistic approach to Agency-wide 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 regarding 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. [OMB Circular A-123](#) also states that an agency’s objectives and the context in which it operates should inform its risk appetite.

#### 1.2.1 ERM at USAID

The Agency’s core mission and role in support of U.S. foreign policy and national security objectives requires that USAID work in a wide variety of fragile, [non-permissive environments](#) (NPEs). Risks range from state failure, armed conflict, and other types of violent instability to corruption, susceptibility to natural disaster, and political or macroeconomic disruptions, with many country contexts vulnerable to multiple risks at the same time. As a result, there is rarely a single path to achieving development results, and the USAID workforce is called upon every day to make a range of cross-disciplinary, risk-informed decisions about how best to deliver foreign assistance in complex and dynamic global conditions. Despite these inherent risks, USAID meets this challenge by using a variety of risk management techniques because the U.S. Government has determined 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. The vision for ERM as a USAID adopted approach is to ensure Agency objectives—including strategic planning, programming, core operations management, and resource allocations—are initiated, conducted, and monitored within a risk-aware and risk-balanced culture. The Agency’s strategic objectives are those which impact the ability to achieve goals that are aligned with the [Joint Strategic Plan FY 2022 - 2026](#), policy framework, [Mission, Vision, and Values Statement](#), or guiding principles. (**Note:** See the [Strategy and Planning](#) website for updated documents.)

#### 1.4 Risk Categories

USAID’s definition of “risk” is the effect of uncertainty on the Agency’s objectives. This definition is quite different from the everyday use of the word “risk.” It recognizes that risk can present potential opportunities, not just negative outcomes, that can threaten or enhance the likelihood of achieving a set of objectives. Using this definition of risk, the Agency emphasizes the importance of a continual weighing of risks against performance, cost, and short- and long-term benefit.

USAID defines the key categories of risk as follows:

- *Programmatic/Development Outcome Risks* are events or circumstances that could potentially improve or undermine the effectiveness of USAID’s programmatic goals, the achievement of sustained development outcomes, and the delivery and effectiveness of humanitarian assistance.
- *Fiduciary Risks* are events or circumstances that could potentially advance the efficient use or contribute to the inefficient use and control of USAID resources. It includes the risk of corruption, fraud, waste, abuse, loss, mismanagement, 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.
- *Reputational Risks* are events or circumstances that could potentially improve or compromise the U.S. Government’s and USAID’s standing or credibility with Congress, the interagency, the American public, partner 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 or Executive Orders, enforcement of contractual agreements, U.S. Government ethics requirements, and/or other sources of legal or regulatory actions.

- *Security Risks* are events or circumstances that potentially improve or compromise the security of USAID workforce members, partners, property, information, data, funding, resources, and/or facilities.
- *Human Capital Risks* are events or circumstances that could potentially improve or compromise the capacity, productivity, recruitment, hiring, retention, and well-being of the USAID workforce and implementing partners.
- *Information Technology Risks* are events or circumstances that could potentially improve or compromise the processing, security, privacy, stability, capacity, performance, and/or resilience of information technology.
- *Operational Risks* are internal and external events or circumstances related to Agency strategy selection, prioritization, modification, implementation, processes, and tools that may improve or compromise achievement of USAID goals and objectives.

#### 1.4.1 Cross-cutting Risk

Encompassing these risks is the context in which USAID programs operate. Context is often outside of USAID's control and has the potential to materially impact the Agency's ability to achieve objectives in a given country or as part of a programming portfolio.

Since context can often increase the likelihood that other types of risk may occur (e.g., programmatic, security, and fiduciary risk, as well as other risk categories not specifically referenced in the RAS, such as climate change, supply chain, or emergency preparedness risk), understanding context is the starting point for determining an Assessable Units' (AUs) (i.e., Missions and Bureaus and Independent Offices [B/IOs]) approach to the [USAID's Risk Management Process](#). For example, while USAID generally cannot mitigate the likelihood that a political conflict or weather-related event might occur, there are measures USAID can implement to lessen the threat of significant impact on the effectiveness of our programs and operations.

USAID will also ensure that its developmental, peacebuilding, human rights, and humanitarian activities *do no harm*. [USAID's Policy on Protection from Sexual Exploitation and Abuse \(PSEA\)](#) builds on and complements other Agency policies and requirements, including [Counter-Trafficking in Persons \(C-TIP\)](#) and [Child Safeguarding](#), which are designed to protect vulnerable populations across USAID development and humanitarian assistance programs with a zero tolerance policy for inaction on allegations. The Agency holds the USAID workforce and implementing partners to the highest possible ethical standards, both internally within the Agency and externally, as USAID expects them to protect the interests of beneficiaries; this is codified in [USAID's Nondiscrimination for Beneficiaries Policies](#). USAID's workforce and implementing partners must treat every allegation seriously and pursue appropriate action to resolve it; to this end, USAID is developing an Accountability Mechanism to receive and resolve

complaints by individuals or groups who have experienced economic, environmental, or social harm caused by a USAID project or activity.

## 1.5 Risk Appetite Methodology

In Sections 2-10, the RAS 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 threats or acts to minimize or eliminate the likelihood and/or impact that threats may occur because it has determined the potential downside costs are intolerable. These are areas in which USAID typically seeks to maintain a very strong control environment and may still need to exercise caution in exploring opportunities.
- Medium Risk Appetite - Areas in which the Agency must continually strike a balance between opportunities and threats and the potential upside and downside costs and benefits of a given decision.
- High Risk Appetite - Areas in which the Agency prefers evidence-based and disciplined risk taking because it has been determined that the potential opportunities and/or upside benefits outweigh potential threats or downside costs.

## 1.6 How to Use this Statement

The RAS recognizes the reality that USAID’s workforce is frequently making difficult decisions under uncertain circumstances, which requires a continuous weighing of “opportunities” and “threats.”

USAID prioritizes as an “opportunity” the ability to strengthen locally-led development for long-term sustainability, while acknowledging the “threat” that this approach to development could come at the expense of short-term performance. The RAS seeks to support the workforce with discussions and decision making on often competing and complex calculations through a risk appetite rating scale described in Section 1.5.

Since risk management is a coordinated activity to address challenges or threats to achieving an organization’s goals and objectives, it is not only about risk-taking.

Responding to risk can take many forms, including the following:

- *Avoidance* of risk by *not* pursuing 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, with the appropriate safeguards.

Descriptions of risk management strategies used across the Agency appear later in each illustrative section (see Sections 3-10). Additional strategies for managing risk 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 levels of corruption where the likelihood for fraud or diversion of funds is assessed to be notably high, USAID must implement enhanced controls to further reduce the likelihood of loss. Conversely, in situations where an innovative approach is deemed more likely to be successful, or more likely to have a transformative impact, the Agency is more likely to weigh the opportunity presented and embrace it.

### 1.7 Risk Appetite vs. Risk Tolerance

Informed by [OMB Circular A-123](#), USAID's risk appetite is the broad-based amount of risk the Agency is willing to accept in pursuit of the Agency's mission and objectives. It is established by the Agency's most senior level leadership and serves as the guidepost to set strategy and select objectives.

Risk tolerance is the acceptable level of variance in performance relative to the achievement of objectives. It is generally established at the program, objective, or component level. In setting risk tolerance levels, management considers the relative importance of the related objectives and aligns risk tolerance with risk appetite.

Risk appetite provides a higher Agency-level statement on the levels of risk USAID deems allowable. Risk tolerance is narrower and sets the acceptable level of variation around objectives, at the project/activity level. Operating within a risk tolerance helps reconcile instances where AUs may want to take advantage of programmatic opportunities while ensuring strict fiduciary thresholds are in place—thus providing management greater confidence that Agency risks are appropriately managed within USAID's risk appetite. For unique situations where actions outside of USAID's established risk appetite occur, AUs must elevate the risk through various mechanisms, including elevating it to their leadership and/or through the USAID ERM governance structure. The Agency must move forward with senior leadership awareness and buy-in.

Depending on context, AUs can also justify exceeding the risk appetite level to achieve desired objectives through the annual Agency Risk Profile exercise. During the exercise, the Agency identifies and prioritizes risks from all AUs. Risk tolerance offers a viable practical tool for AUs to identify and mitigate key risks for context-driven specific activities to implement new priorities (e.g., for locally-led development, shifting power dynamics to local partners will require risk management, monitoring and evaluation, capacity development, and a risk management approach to understand and elevate

interrelated risks and internal and external risks to the Agency). The table below provides a snapshot of how risk appetite and risk tolerance can be applied.

Table 1. Risk Appetite versus Risk Tolerance

	Risk Appetite	Risk Tolerance
<i>Goal / Purpose</i>	<ul style="list-style-type: none"> <li>• A consensus on what risks (i.e., what type and how much) an entity is willing to accept</li> <li>• Clarifies the organization’s stance and ensures consistency in risk decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Used to set risk management expectations internally and externally</li> <li>• Drills down from the overall risk appetite categories to specific identified risks</li> <li>• Acts as an escalation trigger for Missions and B/IOs, if exposures are close to set thresholds for risk categories or specific identified risks</li> </ul>
<i>Scope of Application</i>	Guides strategic risk decisions usually taken by senior management and governance structures	Guides tactical risk decisions primarily taken at the technical level
<i>Applicability to Agency Risk Management</i>	Can drive consensus within a group of cross-functional stakeholders	Can assist with establishing controls and thresholds within projects and activities



## 2. Risk Appetite Statement Ratings

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

Table 2. Risk Appetite by Category

Risk Category	Overall Risk Appetite
Programmatic / Development Outcome	HIGH
Fiduciary	LOW
Reputational	MEDIUM
Legal	LOW
Security	LOW
Human Capital	MEDIUM
Information Technology	MEDIUM
Operational	MEDIUM

Note: While the Agency’s risk appetite is divided into separate categories, the categories are interrelated and may be impacted by risks not reflected in the RAS. In addition, each category contains varying risk appetites for specific areas of focus. Sections 3-10 provide more nuanced guidance on the Agency’s risk appetite for each category.

## 3. Programmatic / Development Outcome Risk



Overall Risk Appetite: HIGH

Definition: *Programmatic/Development Outcome Risk* are events or circumstances that could potentially improve or undermine the effectiveness of USAID’s programmatic goals, the achievement of sustained development outcomes, and the delivery and effectiveness of humanitarian assistance.

Overview: If USAID is going to prioritize a purposeful and inclusive vision to expand practices and principles of locally-led and inclusive development and humanitarian assistance, the Agency must take smart and disciplined programmatic risks to achieve long-term, sustainable developmental outcomes. USAID works in contexts that are often changing rapidly, where—despite its best efforts—information to support program design is often incomplete or fragmented, 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 in NPEs where USAID is required to navigate higher levels of contextual risk to make effective progress against programmatic goals, achieve long-term development outcomes, or deliver humanitarian assistance. In addition, the disciplines of development and humanitarian assistance continue to evolve at a rapid pace, and there are significant opportunities that arise from ongoing innovations to achieve breakthrough results. USAID recognizes these opportunities and threats and is 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 USAID seeks. Nonetheless, the greatest risks of all are often the byproduct of inaction or inadequate action.

Ensuring that potential identified threats are supported by robust treatment options during the program design phase can help mitigate the threats and balance the high-risk appetite for programmatic / development outcome risk with low risk appetite categories (i.e., Fiduciary and Legal). The integration of a risk-based approach to the Program Cycle—from the planning phase, to design, implementation, and monitoring, evaluation, and learning (MEL) of activities—helps achieve the intended program outcomes with priority risks managed or mitigated to acceptable levels.

USAID has a HIGH-risk appetite with regard to:

- **Implementing long-term strategic focus in our country programs and technical portfolios.** USAID sets priorities and implements long-term strategic focus in its country programs and technical portfolios based on rigorous analysis and collaboration with key stakeholders to achieve more effective and sustainable results. In addition, USAID continually balances these actions with the obligation to implement initiatives, directives, and/or priorities from Congress and the interagency not foreseen during the strategy development process.
- **Exploring new technologies and innovations.** USAID explores the potential of technology and innovation to develop responses to global challenges, while recognizing that sometimes these approaches will fail to fulfill their promise. Technology and innovation will be particularly important during supply chain and commodity challenges, emergency preparedness, and monitoring and evaluation of Agency program performance and impact in non-permissive and non-presence

countries.<sup>1</sup>

- **Integrating climate change impacts into USAID’s program designs and strategies.** USAID continues to strengthen partner countries’ capacities to adapt and build resilience to climate change impacts; better manage climate and disaster threats; improve access to and use of climate information; and reduce resource-related conflict by using climate solutions and adaptation assistance to address intersecting climate and conflict stressors.
- **Promoting sustainability through inclusive development, local ownership, and resource mobilization.** USAID supports local ownership and financing and strengthens the capacity of local organizations and government systems to enhance the sustainability of results and the ultimate goal of inclusive, locally-led programmatic/development outcomes, while recognizing that sometimes these investments might be more resource intensive or come at the cost of short-term results. USAID also actively leverages, integrates, and uses local expertise, knowledge, and capacity in both its AUs and implementing mechanisms, including the purposeful inclusion of marginalized and underrepresented populations.
- **Implementing through local partners.** USAID continues its commitment to local partnerships, including eligible partner governments to ensure local voices, experiences, and expertise are at the heart of our programmatic/development outcomes and country sustainability. USAID shifts more ownership, decision making authority, and implementation responsibilities across its programs to local actors, who are best placed to drive change in their own communities.
- **Partnering with the private sector.** USAID co-designs and co-invests with private sector entities that promise to leverage or mobilize additional resources or expertise to amplify the impact of USAID’s work, while recognizing that sometimes partnerships may not mobilize potential capital and investment.
- **Preventing harm to USAID partners, program participants, and the systems in which we work.** *Do no harm* refers to the idea that USAID must intentionally seek to understand, avoid, or mitigate the possible negative impact of its work. This is a fundamental principle of humanitarian and development assistance. In the design and implementation of USAID programming, USAID operationalizes this principle to meet development objectives, safeguarding against unintended consequences, such as the reinforcement of social exclusion and the effects of mis/dis/mal/information. Conducting [Inclusive Development Analysis](#) can help identify measures to “do no harm” to marginalized and underrepresented groups and ensure compliance with the

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<sup>1</sup> This bullet does not apply to the implementation or use of any new technologies and innovations that require acquisition and/or implementation of IT hardware, software, services, or data for Agency use where that technology and information is covered by any legislation or directives that direct or recommend review and clearance by the Agency's Chief Information Officer (CIO), Chief Information Security Officer (CISO), Chief Privacy Officer (CPO), Chief Technology Officer (CTO), or Chief Data Officer (CDO).

principle “nothing about them without them.”

#### 4. Fiduciary Risk



Overall Risk Appetite: LOW

*Fiduciary Risks* are events or circumstances that could potentially advance the efficient use or contribute to the inefficient use and control of USAID resources. It includes the risk of corruption, fraud, waste, loss, abuse, mismanagement, 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.

Overview: USAID respects its role as a steward of the resources given to it by the American people and takes a zero tolerance approach toward inaction or non-reporting of corruption, fraud, waste, or violation of law that involve U.S. taxpayer funds. USAID also recognizes that corruption, low financial capacity, and weak management capacity in the country context can increase the Agency’s fiduciary risk, and that USAID must identify, design, and implement additional measures, as necessary, to mitigate this risk. In addition, USAID acknowledges that there are times when minimizing fiduciary or financial risk by avoiding implementation modalities that use partner country systems could come at the cost of making progress toward its mission. USAID is committed to working, in coordination with Congress, to meet its obligation of safeguarding U.S. taxpayer funds and its strategic objective to increase local capacity and sustainability.

USAID has Zero Tolerance with regard to:

- **Inaction or non-reporting of corruption, fraud, waste, or violation of law that involve U.S. taxpayer funds.** USAID leadership communicates both internally and externally a message on fraud prevention as a key component of the Agency’s programmatic and fiduciary stewardship.

USAID has a LOW risk appetite with regard to:

- **Non-compliance with acquisition and assistance (A&A) reporting, budget and financial reporting, payment mechanisms, financial systems requirements, internal controls, and audit-management.** USAID continually acts to address any weaknesses in the control environment that could result in corruption, fraud, waste, mismanagement, diversion of resources, or statutory violations. USAID enhances activities that ensure its reliance on the Agency’s

financial systems and other related systems.

- **Lack of development and maintenance of effective internal controls.** USAID identifies, designs, assesses, tests, and monitors its internal controls to efficiently and effectively provide reasonable assurance. The lack of timely, efficient, and effective internal controls could adversely affect the Agency’s ability to meet its key objectives.

USAID has a MEDIUM risk appetite with regard to:

- **Implementing funding through local partners.** Programmatic opportunities must be balanced, while ensuring corruption, fraud, waste, abuse, or diversion of funds are mitigated. USAID has integrated Enterprise Risk Management and USAID’s risk management processes into the Program Cycle and Collaborating, Learning, and Adapting (CLA) approaches to support outcome effectiveness.

## 5. Reputational Risk



Overall Risk Appetite: MEDIUM

Definition: *Reputational Risks* are events or circumstances that could potentially improve or compromise the U.S. Government’s and USAID’s standing or credibility with Congress, the interagency, the American public, partner country governments, multilateral institutions, implementing partners, beneficiaries, or other stakeholders.

Overview: USAID’s reputation among key stakeholders has a profound and direct impact on its capacity to achieve its mission. Reputation affects everything, from the budget and authorities granted to USAID by Congress to the degree of influence USAID wields as it facilitates greater sustainability and ownership of development and assistance processes by local partners, including partner governments. Reputational risk includes risks that arise from our *actual* intentions, contributions, and value—or decisions not to contribute—and the risks that stem from *perceptions, misperceptions, and disinformation*. USAID is committed to protecting the reputation of the Agency by implementing ERM in everything it does and by effectively engaging and communicating with stakeholders towards achieving its mission.

Risks related to corruption will be considered in the context of fiduciary risks when they can be addressed at the level of a specific transaction. Issues of systemic or endemic

corruption, even if considered in the context of fiduciary risks, may also be reputational risks due to the perceptions related to implementing certain forms of assistance in contexts characterized by high corruption.

USAID has a Zero Tolerance with regard to:

- **Non-action on corruption or accountability for corrupt actors.** USAID will ensure operations and programming promote accountability for corrupt actors to disrupt and deter those who would seek to act with impunity, disregard international standards, and undermine democracy and rule of law.

USAID has a LOW risk appetite with regard to:

- **Deficiencies in Congressional consultation and notification.** USAID addresses 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 and management, programmatic, and other actions that could pose a legal and reputational risk to the Agency or otherwise compromise adherence to the law and USAID's relations and understandings with Congress and the interagency.

USAID has a MEDIUM risk appetite with regard to:

- **Traditional press outreach and social media.** USAID will leverage outreach through traditional press and social media to promote, amplify the goals and results of the Agency, and counter mis/dis/malinformation. However, USAID must balance this outreach with the risks inherent in these activities, such as deliberate false campaigns that target USAID staff, programming, or approach, and messages reposted by outside groups or those that are taken out of context.

USAID has a HIGH risk appetite with regard to:

- **Empowering our employees to represent the Agency.** USAID empowers workforce members with the necessary skills and ability to represent the Agency effectively when interacting with Congress, the interagency, the American public, partner country governments, multilateral institutions, implementing partners, beneficiaries, or other stakeholders.
- **Increasing the transparency of technical and programmatic information sharing.** Through its Open Data Policy (see [Automated Directives System \(ADS\) 579, USAID Development Data](#)), USAID encourages workforce members and partners to share technical and programmatic information to demonstrate the Agency's commitment to transparency—consistent with applicable legal requirements—while recognizing the threat of publishing data that could trigger privacy and security concerns, especially in the context of NPEs, which may

decrease the Agency’s open data risk tolerance. USAID recognizes that this commitment to transparency also includes accepting the risk of possible criticism brought on because data show our activities fall short of their objectives.

- **Promoting a culture of learning.** USAID incentivizes and fosters a culture of communication, collaboration, learning, and adapting by openly discussing and disseminating lessons learned and best practices to continually improve and enhance its credibility. This will mean, at times, identifying mistakes or errors that could affect USAID’s reputation.
- **Embedding an anti-corruption posture across USAID.** USAID institutionalizes anti-corruption approaches and safeguards throughout its internal operations and integrates anti-corruption efforts across all programming sectors to ensure the accountability, transparency, and effectiveness of USAID’s programs and operations.
- **Countering mis/dis/malinformation across USAID.** USAID empowers workforce members and partners to develop proactive communications plans and institutionalizes approaches to detect, counter, or address mis/dis/or malinformation, directed at USAID workforce or programs.

## 6. Legal Risk



Overall Risk Appetite: LOW

Definition: *Legal Risks* are events or circumstances that could potentially improve or compromise compliance with law, regulation or Executive Orders, enforcement of contractual agreements, U.S. Government ethics requirements, and/or other sources of legal or regulatory actions.

Overview: USAID recognizes that the need to comply with legal requirements is inherent in all aspects of our activities, and USAID is committed to seeking appropriate legal review of Agency actions to facilitate this compliance. USAID is obligated to maintain a strong control system that promotes compliance with legal requirements and uses Agency legal advisors as both a safeguard against unlawful actions and a resource for informed decision making.

USAID has a LOW risk appetite with regard to:

- **Non-compliance with legal and regulatory requirements.** USAID mitigates any weaknesses in processes, procedures, or gaps in workforce knowledge that could result in legal risk to the Agency or otherwise compromise its adherence to the law.
- **Acting without consultation with Agency legal advisors.** USAID consults with Agency legal advisors to mitigate the potential for misinterpretation of legal requirements that could result in a legal liability to the Agency or compromise adherence to the law.
- **Sustained bid protests or labor, employment, or contract claims.** USAID mitigates any deficiencies in processes or procedures that could increase the likelihood of a sustained bid protest or meritorious labor, employment, or contract claim.

USAID has a MEDIUM risk appetite with regard to:

- **Areas either not covered by the law or reasonably open to interpretation.** In consultation with Agency legal advisors, USAID, at times, assumes a degree of calculated risk to implement innovative solutions that could help achieve its strategic objectives.

## 7. Security Risk



Overall Risk Appetite: LOW

Definition: *Security Risks* are circumstances or events that could potentially improve or compromise the security of USAID workforce members, partners, information, funding, resources, or facilities.

Overview: Safeguarding Agency workforce, partner organizations, information, and facilities is critical to delivering on USAID's mission, yet presents one of its biggest risk management challenges. USAID's work takes place in instability and natural disasters, and the obligation to keep personnel and other assets safe and healthy must be balanced with the need to conduct field visits to project sites, meet with local contacts, consult with partners, access information, and implement projects and activities. USAID is continually working on strategies that reflect this reality, and is committed to



leveraging new technologies, partnerships, training, flexibilities, and innovative thinking to protect personnel and assets, while also delivering needed assistance.<sup>2</sup>

USAID has a LOW risk appetite with regard to:

- **Actions that put USAID or implementing partner personnel in positions of unnecessary danger.** USAID avoids actions that could put the USAID workforce or implementing partner personnel at risk of physical and psychosocial harm when and where reasonable alternatives exist.
- **Violations of information security and privacy policies and procedures.** USAID minimizes any weaknesses in its training protocols or policies and procedures that could result in the unauthorized access, use, or disclosure of personally sensitive data, such as personally identifiable information (PII) and national security information.
- **Compliance with nationally established standards for Federal employment and security clearances.** USAID addresses 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 judgment.

USAID has a MEDIUM risk appetite in regard to:

- **Maintaining presence in NPEs.** USAID maintains Missions, field offices, and temporary duty presence in conflict, post-conflict, natural disaster, health emergency, or other insecure and/or high risk environments, as long as USAID balances 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. USAID facilitates mission critical travel in line with the U.S. Government guidelines on health, safety, and security to address major overseas disruption in Agency operations.
- **Programming in a transparent manner in closed spaces.**<sup>3</sup> USAID cooperates with as much transparency as possible in closed (or closing) spaces, while balancing the imperative to protect workforce members, contractors, partners, and

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<sup>2</sup> USAID workforce members assigned overseas fall under the Chief of Mission (COM) authority. 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 COM.

<sup>3</sup> *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.

beneficiaries who could face significant risks from association with the United States.

- **Undertaking mission critical field visits.** USAID supports workforce members undertaking field visits coordinated and approved in accordance with post management policies and by Regional Security Officers (RSOs) for the purposes of designing programs, monitoring implementation, or providing oversight, among other mission critical purposes. However, USAID 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 (e.g., virtual site visits).
- **Providing distinguished visitors with expedited access to USAID’s domestic facilities to strengthen partnerships and program results.** USAID provides expedited screening processes to distinguished visitors, such as foreign diplomats, in recognition of its development collaboration and other Agency objectives, as long as we mitigate the potential for security incidents responsibly.

USAID has a HIGH risk appetite with regard to:

- **Exploring, testing, or using new security methods or technologies.** USAID explores 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.<sup>4</sup>
- **Supporting partners’ development of their security plans.** USAID works with members of the workforce, contractors, and partners to develop their security plans with the Agency's guidance and support, while recognizing that sometimes the lack of standardization could complicate coordination or heighten the possibility for weaknesses.

## 8. Human Capital Risk



Overall Risk Appetite: MEDIUM

<sup>4</sup> This bullet does not apply to the implementation or use of any new technologies and innovations that require acquisition and/or implementation of IT hardware, software, services, or data for Agency use, where that technology and information is covered by any legislation or directives that direct or recommend review and clearance by the Agency's CIO, CISO, CPO, CTO, or CDO.

Definition: *Human Capital Risks* are events or circumstances that could potentially improve or compromise the capacity, productivity, recruitment, hiring, retention, and well-being of the USAID workforce and implementing partners.

Overview: Human Capital Risks arise when there is a gap between the goals and needs of the Agency and the workforce's capacity to accomplish them. USAID's success in achieving its mission directly depends on the knowledge, skills, abilities, level of engagement, and forward leaning posture of its workforce. USAID recognizes that its workforce is its most important asset for managing and mitigating risk. USAID intentionally designs and implements robust control systems, makes iterative, risk-informed decisions, and skillfully solves problems to ensure Agency success.

USAID recognizes that its workforce can also be a cause of risk because of skill gaps, turnover, excessive workload, and burnout, as well as their non-compliance with, or inconsistent application of, systems, procedures, and risk mitigation measures. The Agency delivers on its mission because of the capabilities and performance of its talented workforce and is committed to effectively managing current and future needs.

USAID has a Zero Tolerance with regard to:

- **Bullying, abuse, and sexual harassment in the workplace.** USAID continues to enforce a zero tolerance approach to bullying, abusive behavior, and harassment among its staff, whether at headquarters or overseas. USAID promotes respect and civility and adherence to standards of conduct and workplace safety. USAID continues to expand training opportunities for leaders, managers, and supervisors related to promoting diversity, equity, inclusion, and accessibility (DEIA) and supporting respectful, inclusive, and safe environments. USAID establishes enhanced victim/survivor support services for the workforce to complement improvements to USAID policies, business processes, training, and awareness efforts around workplace safety and harassment.
- **Discrimination in the workplace.** USAID continues to enforce a zero tolerance approach to discriminatory behavior among the USAID workforce, including, but not limited to, whether that behavior is based on race, ethnicity, gender identity, sexual orientation, religion, ability, or gender expression.

USAID has a LOW risk appetite with regard to:

- **Non-compliance with human resource laws, regulations, and directives.** USAID acts 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 recruit, hire, train, assess, or reward the workforce consistently and fairly, or which could put the Agency at risk for unfavorable legal outcomes.

- **Weaknesses in workforce planning systems across all hiring categories.** USAID mitigates any weaknesses in workforce planning systems that could undermine the Agency's ability to align its current needs and priorities with its workforce and ensure it will have the essential staff levels and skill mixes needed to carry out future development programs and respond to humanitarian needs amid an uncertain environment. USAID's efforts ensure that, within the constraints of its appropriated resources, the Agency maximizes its staff levels and the skill and expertise mix needed to carry out programs, operations, and initiatives amid uncertainty and unprecedented challenges.
- **Gaps in training, skills, and capacity.** USAID works to mitigate any deficiencies in hiring practices and training programs that prevent the Agency from closing skill gaps that have been identified through rigorous workforce planning, internal discussions, assessments, and evaluations.
- **Weaknesses in the processes for recruiting, selecting, hiring, onboarding, evaluating, and promoting staff.** USAID works to minimize weaknesses in hiring and internal operating processes that could inhibit the Agency's agility and responsiveness, cause frustration among candidates, or result in the Agency's losing highly qualified candidates. USAID works to reward excellence, deals swiftly and appropriately with poor performance, and creates rigorous processes for evaluating the performance of, and promoting, employees. USAID seeks to improve opportunities for advancement for all workforce members, including locally-hired foreign national staff.
- **Inattention to DEIA.** USAID continues to make strides toward hiring and retaining a more diverse workforce that is representative of the American population. USAID works to diminish inequity between staff from across the various hiring mechanisms. USAID fosters a culture where all members of its workforce can thrive. USAID establishes a mandatory DEIA training policy applicable to all USAID leadership and staff.

USAID has a MEDIUM risk appetite with regard to:

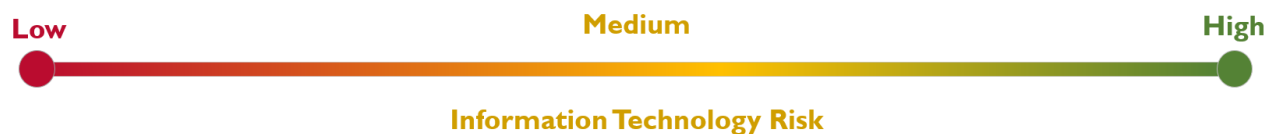
- **Prioritizing family needs when assigning Foreign Service Officers (FSOs) to posts.** USAID makes reasonable efforts to assign FSOs to posts that meet family needs, while balancing the Agency's mandate to meet the varied needs of different AUs and the equities of other personnel.
- **Support for USAID staff at hardship posts and in other difficult operating environments.** USAID staff can be assigned to hardship posts with difficult operating environments to carry out the Agency's mission. Staff in these situations must continually balance 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. To address

these challenges, USAID has expanded Employee Assistance Program (EAP) services, particularly for those serving in high threat and/or high stress, complex environments. EAP services provide enhanced tools, knowledge, skills, and resources (with slight variations across hiring mechanisms in the level of services available) to help staff and their families increase stress awareness, develop resilience skills, stay healthy, and continue supporting the USAID mission. Additionally, in the event of major disruptions in overseas Agency operations, the first priority is the safety and wellbeing of USAID staff while ensuring adequate staffing at post to fulfill the Agency's mission.

USAID has a HIGH risk appetite with regard to:

- **Adopting innovative best practices.** USAID continually assesses best practices in the industry and the Federal Government for attracting, retaining, and developing diverse talent, including seeking flexibilities for hiring and compensating staff and creating inclusive and welcoming workspaces, while recognizing that trying new approaches brings with it the potential for initiatives that fall short of objectives.
- **Adaptations of locations, assignments, authorities, and capabilities of overseas staff and workforce flexibilities.** USAID transports staff to safe haven to work remotely using state-of-the-art mobile and digital tools to address a major disruption in overseas operations, while empowering Foreign Service Nationals (FSNs) remaining in the country by expanding their procurement capabilities, access to telework, and opportunities for leadership under mission supervision. For all staff to sustain capacity and effectiveness, USAID allows appropriate levels of telework and provides workforce flexibilities, such as excused absence or administrative leave, under appropriate supervision and approvals for as long as the Agency deems necessary to ensure the health, safety, and wellbeing of USAID workforce members. At the same time, USAID empowers those remaining in-country by expanding their procurement capabilities and their access to telework and opening up opportunities for leadership under mission supervision.
- **Flexibility for the workforce, adapting to a hybrid work environment, and considering lessons learned from the COVID-19 pandemic.** USAID's Future of Work (FOW) framework draws on lessons learned from the COVID-19 pandemic and workforce engagement surveys to provide guidance for how USAID schedules work and where work is accomplished (i.e., location) in a manner that facilitates connection, engagement, and increased flexibility. The framework is designed to 1) ensure sufficient in-office presence to meet the Agency's global development and national security mission and 2) create a more flexible and inclusive work environment that meets workforce members' professional and personal needs.

## 9. Information Technology Risk



Overall Risk Appetite: MEDIUM

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

Overview: IT is interwoven into all aspects of USAID’s operations and is among the most vital investments supporting the Agency’s work. The Agency relies on an increasingly mobile and technologically dependent workforce to carry out its mission. USAID, under guidance from the Bureau for Management, Office of the Chief Information Officer (M/CIO), embraces a strong pursuit of technology that advances its ability to be more effective and capitalize on investments made by some units to benefit all. M/CIO-approved information and information systems supports USAID functions with sufficient capability, capacity, resilience, privacy, and security from threats.

USAID has Zero Tolerance with regard to:

- **Sharing data with unauthorized persons.** The Agency has zero tolerance for sharing data with unauthorized persons that puts individuals at risk of personal injury or death, financial injury, or in contact with classified data.
- **Unauthorized access to systems.** The Agency has zero tolerance for unauthorized access to databases and/or computer systems that might cause personal injury, death, or financial injury.

USAID has a LOW risk appetite with regard to:

- **Weaknesses in technology, procedures or practices that threaten the transmission, processing, security, confidentiality, stability, capacity, or performance of data.** USAID acts to minimize any weaknesses that could disrupt core Agency business operations, slow productivity, heighten the risk of fraud, or threaten the privacy and security of information, such as PII. USAID works to avoid unplanned downtime that could result in lost productivity or costs to recover data.

USAID has a MEDIUM risk appetite with regard to:

- **Adoption of new technologies or platforms.** USAID explores the potential of new technologies to improve Agency efficiency and productivity, while recognizing the

potential for change management challenges and time or cost overruns with the need to harmonize digital innovation with operational and programmatic policy.

- **Sharing of Agency data.** USAID reduces 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 safety, privacy, and/or security concerns.
- **Cloud computing.** USAID continues to explore the power of vetted and approved cloud computing services and/or providers that are vetted and approved by M/CIO to lower costs, improve reliability, and increase accessibility across the globe, while balancing the risks associated with working with third-party service providers.

USAID has a HIGH risk appetite with regard to:

- **Sharing Open Data.** USAID shares data that is in the public domain or otherwise conforms with Federal guidelines as open source. USAID also shares data that has been created or shared publicly by its partners, while recognizing that this information might result in mis/dis/malinformation efforts. When operating in NPEs, the Agency's open data risk tolerance may decrease.

## 10. Operational Risk



Overall Risk Appetite: MEDIUM

**Definition:** *Operational Risks* are internal and external events or circumstances related to strategy selection, prioritization, modification, implementation, processes, and tools that may improve or compromise the achievement of USAID goals and objectives.

**Overview:** *Operational Risk* represents possible scenarios that can increase or become a possible source of depletion of USAID planned performance, objectives, and overall strategy. Such risks can either arise from external factors (e.g., supply chain and commodity fluctuations or geopolitical competition) or decisions taken by USAID to adapt internal operational processes for new programming priorities or rapidly advance support or services deemed as vital in accomplishing its mission. Internally, these risks may result in the need to review agreements, awards, and A&A instruments; possible policy or procedural changes; and resource allocations to ensure that USAID can make good on its strategic planning objectives. USAID may accept threats to strategic performance in the short-term to support action that may eliminate or reduce them in the

long-term. For example, USAID's commitment to sustainability may result in balancing a diverse and inclusive partner base, while revisiting and redesigning programs and processes to diversify funding resources that maximize (or eliminate) single source dependence.

USAID has a LOW risk appetite with regard to:

- **Static strategies and operations that are slow to respond to change.** USAID constantly monitors and revisits inefficient or ineffective pathways in its development performance or management operations. USAID aligns risk management with strategy formulation, operational execution, and strategic renewal, where appropriate, while considering how static strategies make the Agency slow to respond to change and create bureaucratic barriers.

USAID has a MEDIUM risk appetite with regard to:

- **Communicating strategic and operational decisions.** USAID's workforce, with support from Agency leadership, are empowered to ask difficult questions or express alternative viewpoints and perspectives to support overall Agency mission delivery. Strategic and operational decisions are consistently made after soliciting input from appropriate internal and external stakeholders, and the rationale for decisions is ultimately documented and shared.

USAID has a HIGH risk appetite with regard to:

- **Embracing flexible, iterative design, and implementation.** USAID continually learns and adapts its programming in rapidly changing contexts where evidence is incomplete to achieve the intended results, while recognizing that such approaches can sometimes require the need for additional resources or add another layer of complexity in the design, funding approaches, implementation, and monitoring of programs. To address a major disruption in Agency operations—such as those caused by pandemics and/or climate events—USAID provides flexibility and streamlining processes in design, implementation, and operations management; scales up the use of leading indicators and innovative monitoring approaches; and documents these innovative steps for later learning and audit, while understanding the impact of achieving pre-existing development objectives.
- **Innovative modalities for acquisition and assistance.** USAID employs a broader range of innovative A&A methods, such as co-creation, to achieve its objectives more effectively, including exploring innovation and partnering with the private sector and local stakeholders. USAID provides A&A professionals the authority to use expedited procedures and flexibilities in managing awards to address a major disruption in Agency operations, while ensuring senior official review of new major investments. USAID also rapidly and comprehensively expands communication and outreach with implementing partners facing similar challenges and strengthens



resources available to them to manage complementary threats to sustaining or initiating program delivery.

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