

# OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

## Countering Malign Kremlin Influence: USAID Can Do More to Strengthen Its CMKI Development Framework

Audit Report 8-199-22-002-P  
January 26, 2022



Middle East and Eastern Europe Regional Office



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

**TO:** USAID/Bureau for Eastern Europe and Eurasia, Acting Assistant Administrator,  
Margot Ellis

**FROM:** OIG Middle East and Eastern Europe Regional Office, Audit Director,  
David Thomanek /s/

**SUBJECT:** Countering Malign Kremlin Influence: USAID Can Do More to Strengthen Its  
CMKI Development Framework

This memorandum transmits the final report on our audit of USAID's efforts to counter malign Kremlin influence (CMKI) for your review and comment. Our audit objectives were to determine the extent to which (1) USAID applied risk management principles in the design of its CMKI Development Framework and (2) selected missions in Europe and Eurasia have integrated the objectives of the CMKI Development Framework into their country strategies. In finalizing the report, we considered your comments on the draft and included them in their entirety in Appendix C.

The report contains three recommendations to strengthen USAID's Countering Malign Kremlin Influence Development Framework. After reviewing information you provided in response to the draft report, we consider all three recommendations resolved but open pending completion of planned activities (recommendation 1, 2, and 3).

For recommendations 1, 2, and 3, please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff provided to us during this audit.

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## Introduction

Through modernized forms of subversive tactics—including election interference, disinformation campaigns, corruption, and organized crime—Russia continues to interfere in the domestic political affairs of other countries to destabilize democratic and pro-Western allies across Europe and Eurasia. America’s foreign policy goal to counter Russian influence is supported by both Congress and the White House. Legislative actions, such as the passage of the Countering America’s Adversaries Through Sanctions Act<sup>1</sup> and creation of the Countering Russian Influence Fund,<sup>2</sup> seek to offset Russian posturing and meddling throughout Europe and Eurasia.

USAID’s programming in Europe and Eurasia, while focused on strengthening democracy, governance, and economic growth, has been increasingly tied to countering Russian aggression. This occurred in response to heightened awareness of Russian aggression following the Russian invasion of Ukraine in 2014, which led Congress to reestablish a dedicated account for, and increased funding to, the region.<sup>3</sup> In response to questions from Congress about how USAID was resourcing efforts to counter Russian influence, Agency officials developed a framework to focus their assistance activities on the most urgent threats posed by the Kremlin. In July 2019, USAID released its Countering Malign Kremlin Influence (CMKI) Development Framework, with the overall goal of increasing the resilience of partner countries against Kremlin influence.<sup>4</sup> Accordingly, USAID used the framework to inform country strategies and programming in Europe and Eurasia.

Given the importance to America’s foreign policy goal and USAID’s establishment of a framework to counter malign Kremlin influence, we conducted this audit to determine the extent to which (1) USAID applied risk management principles in the design of its CMKI Development Framework and (2) selected missions in Europe and Eurasia have integrated the objectives of the CMKI Development Framework into their country strategies.

To address these objectives, we conducted interviews in Washington, DC, with USAID officials from the Bureau for Europe and Eurasia (E&E); Bureau for Policy, Planning, and Learning; Office of the Chief of Staff; and Office of the Executive Secretariat about their role in developing the framework for countering malign Kremlin influence. We also interviewed officials from the Departments of State and Defense and from the National Security Council to confirm their consultative input into the Agency’s efforts in countering malign Kremlin influence. We

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<sup>1</sup> Public Law 115-44, 22 U.S.C. § 9401, enacted August 2017.

<sup>2</sup> The Countering America’s Adversaries Through Sanctions Act authorized \$250 million to be appropriated for the Countering Russian Influence Fund for fiscal year (FY) 2018 and FY 2019. In FY 2019 and FY 2020, the fund was appropriated \$275 and \$290 million, respectively. The fund is a budget-neutral earmark. In other words, the act did not create new funding, but it directed already appropriated funds to programming aligned with the goals of the legislation.

<sup>3</sup> According to a 2016 USAID Transition Binder, the account for Assistance for Europe, Eurasia, and Central Asia (AEECA) was re-established and funded in FY 2016; from FY 2010 to 2015, USAID funding in Europe and Eurasia had declined by 54 percent, resulting in significant downsizing of country missions.

<sup>4</sup> Prior to the launch of the CMKI Development Framework, USAID had existing programs that addressed Russian interference and aggression, but the Agency did not have a formal development framework in place prior to July 2019.

reviewed available documentation to determine if risk management principles were applied during the design of the CMKI Development Framework. Additionally, we conducted detailed testing on the Country Development Cooperation Strategies (CDCSs, or country strategies) for four missions in Azerbaijan, Georgia, Kosovo, and Ukraine, because their CDCSs were finalized by June 1, 2020. We reviewed and analyzed these missions' CDCSs and related documentation to determine if the objectives of the CMKI Development Framework were integrated into their country strategies. We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

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## Summary

**USAID applied risk management principles in the design of its CMKI Development Framework, but it missed opportunities to further strengthen the framework.** The E&E Bureau's approach to developing the CMKI Development Framework applied essential risk management principles. Without formal Agency guidance on the framework's development, the E&E Bureau used elements of the CDCS development process to design the CMKI Development Framework. E&E Bureau officials stated that they identified and managed key risks through a deliberative process during the design of the framework and that the framework's objectives were formulated to align with their identified programmatic risks. However, during the design of the framework, the E&E Bureau did not adequately document the deliberative process—including the identification and consideration of risks as well as how to mitigate them. Additionally, a process was not developed to monitor whether the risk responses in the framework were succeeding or to assess changes in risks and update the framework as necessary. Furthermore, the E&E Bureau did not engage all internal and external stakeholders during the framework's design.

**Selected missions in Europe and Eurasia integrated the objectives of the CMKI Development Framework into their country strategies and identified implementation challenges.** All of the selected missions—Azerbaijan, Georgia, Kosovo, and Ukraine—addressed countering malign external influences in various sections of their CDCSs, such as in the executive summary, country context, or strategic approach. Moreover, all four missions aligned their CDCS development objectives to the Agency's CMKI Development Framework objectives based on their country context. While these four missions integrated objectives to counter malign Kremlin influence into their country strategies, they also identified implementation challenges in designing activities, accessing needed skill sets, and addressing financial resource constraints.

**Recommendations.** We made three recommendations to strengthen USAID's Countering Malign Kremlin Influence Development Framework. USAID agreed with all three recommendations.

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## Background

### Countering Malign Kremlin Influence

In recent years, the United States has identified Russian government actions—including election interference, disinformation campaigns, leveraging energy dominance, and engaging in corruption and organized crime—that demonstrate the Kremlin’s intentions to undermine and weaken the sovereignty of individual states in Europe and Eurasia. The U.S. National Security Strategy acknowledged the return of a great power competition with Russia as the latter began to reassert its influence regionally and globally.<sup>5</sup> The State Department and USAID, in their Joint Strategic Plan, also addressed the reemergence of a great power competition and the need to increase the capacity and resilience of partners and allies “to deter aggression, coercion, and malign influence by state and non-state actors.”<sup>6</sup> Moreover, USAID’s E&E Bureau identified malign Kremlin influence as “the most pressing challenge for advancing democratic and economic progress” in the region.<sup>7</sup> The E&E Bureau explained that countries within the region are vulnerable to malign influence because of dependence on Russian trade and investment, dependence on Russian energy, information environments connected to Kremlin media, and democratic backsliding in several countries in the region.<sup>8</sup>

Figure I displays the 11 countries in Eastern Europe and Eurasia where USAID has a presence as well as the level of evidence of malign Kremlin influence that the Agency has reported in these countries as of December 2020.

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<sup>5</sup> The White House, *National Security Strategy of the United States of America*, December 2017.

<sup>6</sup> U.S. Department of State and USAID, *Joint Strategic Plan FY 2018-2022* (Strategic Objective 1.4), February 2018.

<sup>7</sup> USAID, *Countering Malign Kremlin Influence Development Framework Implementation Report*, December 2020.

<sup>8</sup> USAID, *Countering Malign Kremlin Influence Development Framework Implementation Report*, December 2020.

**Figure I. Level of Malign Kremlin Influence in Countries Where USAID Works in Eastern Europe and Eurasia**



Note: The classifications of “documented evidence” and “some evidence” of malign Kremlin influence were established in USAID’s *CMKI Development Framework Implementation Report*, December 2020. For this map, OIG identified countries as having “documented evidence” of malign Kremlin influence if USAID designated that highest classification level to at least three of four sectors: democratic institutions, the economy, energy, and information. OIG identified countries as having “some evidence” of malign Kremlin influence if USAID found lower levels of malign influence but still designated either “some evidence” or “documented evidence” to at least three of the four sectors.

The Agency’s E&E Bureau developed the CMKI Development Framework to address the Kremlin’s malign influence by building the democratic and economic resilience of targeted countries and by working to mitigate attempts to undermine a range of key institutions. The framework aims to achieve this goal through four main objectives as shown in Figure 2. Appendix B provides a timeline for the development of the framework.

## Figure 2. Countering Malign Kremlin Influence Development Framework

<b>Goal: Increased resilience of partner countries</b>		
<b>Objective 1: Counter efforts to undermine democratic institutions and the rule of law</b>		
1.1 Strengthen checks and balances and rule of law	1.2 Strengthen civil society’s resilience against efforts to restrict, harass, and stigmatize independent, nongovernmental activity	1.3 Reduce the vulnerability of electoral and political processes to external interference and polarization
<b>Objective 2: Resist the manipulation of information</b>		
2.1 Bolster the capacity of indigenous media to provide professional, trusted news and information	2.2 Increase media literacy and public demand for high-quality, independent reporting	2.3 Strengthen the legal and regulatory operating environment for press freedom
<b>Objective 3: Reduce energy vulnerabilities</b>		
3.1 Enhance the energy security of partner countries	3.2 Reduce dependence on Kremlin-controlled energy resources	3.3 Improve internal and external oversight and governance of the energy sector
<b>Objective 4: Reduce economic vulnerabilities</b>		
4.1 Promote the diversification of exports and enable firms to compete in Western markets	4.2 Strengthen the ability of financial markets to meet and comply with international standards and practices	

Source: USAID’s Countering Malign Kremlin Influence Development Framework, July 2019.

USAID policy, through its Automated Directives System (ADS), explicitly states that "all missions should address countering malign external influences," such as those from Russia.<sup>9</sup> USAID policy also establishes that, as part of the process for developing their country strategies, missions should create a Results Framework—a dynamic, customizable logic model to illustrate the key, measurable results that they expect to achieve.<sup>10</sup> More specifically, the ADS states that the development objectives included in a mission’s CDCS Results Framework must align with the three guiding principles of U.S. foreign assistance: (1) win the great power competition, (2) share foreign-aid burdens fairly and focus aid on friends and allies, and (3) graduate countries and organizations from foreign assistance. Since USAID’s CMKI Development Framework addresses the great power competition with Russia, missions in the E&E region should include development objectives in their CDCS that align with those in the CMKI Development Framework.

<sup>9</sup> ADS, Chapter 201, Section 3.2.11, “Overview of the Content of a CDCS,” December 2019 revision.

<sup>10</sup> ADS, Chapter 201, Section 3.2.12, “The Results Framework and Associated Development Hypotheses,” December 2019 revision.



## Risk Management Principles

The Office of Management and Budget (OMB) defines risk as “the effect of uncertainty on objectives.”<sup>11</sup> Further, it states that “risk management is a series of coordinated activities to direct and control challenges or threats to achieving an organization’s goals and objectives.”

The United States Government Accountability Office’s (GAO’s) *Standards for Internal Control in the Federal Government*, dated September 2014, states that an entity’s management is responsible for assessing risk that the entity will encounter internally and externally while striving to achieve its objectives.<sup>12</sup> Specifically, management should (1) clearly define objectives to identify risks and define risk tolerances; (2) identify, analyze, and respond to risks related to achieving the entity’s objectives; and (3) identify, analyze, and respond to significant changes that could impact the internal control system. Additionally, the Federal internal control standards establish that documentation is a necessary part of an effective internal control system and is required for the design, implementation, and operating effectiveness of an entity’s internal control system.

In a report on enterprise risk management from December 2016, GAO recognized the various frameworks and models for managing risk in the Federal government and synthesized the essential elements, or good practices, of risk management to include identifying, assessing, responding to, monitoring, and communicating risks.<sup>13</sup>

Further, USAID’s Risk Appetite Statement, issued in June 2018, provides Agency staff with guidance on the types of risk the Agency is willing to accept to meet objectives. Specifically, it defines seven key categories of risk (programmatic, fiduciary, reputational, legal, security, human capital, and information technology) and their associated risk appetite.

In order to ensure effective programming, these risk considerations should inform the design of the CMKI Development Framework.

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## USAID Applied Risk Management Principles in the Design of Its CMKI Development Framework, but It Missed Opportunities to Further Strengthen the Framework

The E&E Bureau identified the risk management principles used during the design of the CMKI Development Framework and engaged with key stakeholders through a deliberative process; however, the deliberative process—including the identification and consideration of risks as well as how to mitigate them—was not sufficiently documented. In addition, a process was not developed to monitor whether the risk responses in the framework were succeeding or to

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<sup>11</sup> OMB, Circular A-123, revised July 15, 2016. The revised circular became effective for FY 2016, while the implementation of enterprise risk management across Federal agencies became effective for FY 2017.

<sup>12</sup> GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

<sup>13</sup> GAO, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk* (17-63), December 2016.

assess changes in risks and update the framework as necessary. Lastly, the E&E Bureau did not engage all internal and external stakeholders during the framework's design.

## **USAID Applied Risk Management Principles to Design the CMKI Development Framework Through a Deliberative Process**

The E&E Bureau's approach to designing the CMKI Development Framework applied essential risk management principles. Without formal Agency guidance on the framework's development, E&E Bureau personnel stated that they broadly used elements of the CDCS development process' existing guidance to design the CMKI Development Framework. The E&E Bureau stated that their design approach included the identification and assessment of risks, selection of risk responses, risk monitoring, and the communication or reporting of risk.

E&E Bureau officials stated that they identified and managed key risks through a deliberative process during the design of the CMKI Development Framework. For instance:

- The E&E Bureau explained that risks identified and considered during the design process included key programmatic, security, reputational, human capital, and IT risks. Programmatic risks, for example, included the risk of political systems in the region experiencing further democratic backsliding and the risk of information environments becoming increasingly monopolized by narrow political interests, ruling parties or governments, and false narratives discrediting and undermining democratic institutions.
- The E&E Bureau stated that the CMKI Development Framework's objectives were formulated to align with the identified programmatic risks noted in the previous bullet. Specifically, the framework includes objectives to (1) counter efforts to undermine democratic institutions and the rule of law, (2) resist the manipulation of information, (3) reduce energy vulnerabilities, and (4) reduce economic vulnerabilities.
- Selected missions in the region (Azerbaijan, Georgia, Kosovo, and Ukraine) as well as key interagency stakeholders from the Departments of State and Defense (U.S. European Command) and the National Security Council stated that the E&E Bureau had engaged with them during the framework design process. Overall, stakeholder feedback was positive. All four missions confirmed that the E&E Bureau shared drafts of the framework through an iterative process and held regular discussions on countering malign Kremlin influence during the design process from 2018 to 2019. Likewise, interagency stakeholders recalled discussions and engagement with E&E Bureau leadership on the CMKI Development Framework and confirmed policy coherence across their respective agency mandates with respect to countering Russian influence.

## **USAID Missed Opportunities to Document the Framework's Design Process, Do More to Monitor Risks, and Enhance Coordination With Stakeholders**

During the design of the CMKI Development Framework, the E&E Bureau did not document the deliberative process—including the identification and consideration of risks as well as how

to mitigate them. Additionally, a process was not developed to monitor whether the risk responses in the framework were succeeding or to assess changes in risks and update the framework as necessary. Furthermore, the E&E Bureau did not engage all internal and external stakeholders during the framework's design. Details of these missed opportunities include the following:

- *Insufficient design process documentation.* While E&E Bureau officials stated that the CMKI Development Framework documented the final results of the deliberative risk discussions, they explained that Agency approaches, procedures, and best practices for documenting the consideration of risk were evolving or not yet in place during the time of the framework's design. Given that the deliberative process was not sufficiently documented and maintained as required by Federal internal control standards, the Agency does not have the many benefits afforded by this type of documentation, such as having a collective and memorialized record of assumptions and methodologies used in developing the framework; a documentary record to inform subsequent decisions and analyses; and a recorded source for use in identifying risks, lessons learned, and developing response plans for new risks.<sup>14</sup>
- *Lack of a risk monitoring process.* E&E Bureau officials stated that they monitored risks during the framework's design through relevant literature and engagement with activity managers in the region. However, once the framework was complete, there was no process in place to monitor changes in risks or to determine if the risk responses were successful. The E&E Bureau explained that the Agency was still in the early stages of implementing enterprise risk management and, therefore, did not have much guidance available to apply to the framework. Consequently, without a process to monitor risks and risk responses as required by Federal internal control standards, there is no assurance that the framework is effective or will continue to meet its goal of countering malign Kremlin influence.<sup>15</sup>
- *Limited engagement with some stakeholders.* Given that it was on the front lines of Russian aggression, the E&E Bureau took the lead in designing the CMKI Development Framework, which focused solely on the Europe and Eurasia region and was not substantially discussed with other regional bureaus. Subsequently, after the framework was completed, the USAID Administrator decided to make it an Agency-level document, thereby expanding the framework's applicability to other regions experiencing malign Kremlin influence. However, according to the E&E Bureau's deputy assistant administrator, they had not coordinated with other regional bureaus because they envisioned hiring a full-time CMKI advisor who would liaise across the Agency.<sup>16</sup> Additionally, the E&E Bureau had not fully engaged with other donors or regional partners with shared interests and programming, such as

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<sup>14</sup> GAO's *Standards for Internal Control in the Federal Government* establishes that documentation is a necessary part of an effective internal control system and is required for the effective design, implementation, and operating effectiveness of an entity's internal control system.

<sup>15</sup> GAO's *Standards for Internal Control in the Federal Government* establishes that management should identify changes that could significantly impact its assessment of risk.

<sup>16</sup> The E&E Bureau hired a full-time CMKI advisor in August 2020, a year after the launch of the CMKI Development Framework. The advisor chairs the E&E Bureau's CMKI implementation working group and reports directly to the deputy assistant administrator.

members of the European Union’s (EU’s) Eastern Partnership Program.<sup>17</sup> Such engagement could have further informed and expanded the framework by identifying additional risks or focus areas for CMKI efforts as required by Federal internal control standards.<sup>18</sup> The limited extent to which the E&E Bureau coordinated with some stakeholders—such as the Agency’s other regional bureaus, the EU, and the E&E region’s donors and implementers—early in the process may have narrowed the pool of risks identified and weakened USAID’s ability to evaluate and respond to those unidentified risks.

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## **Selected Missions in Europe and Eurasia Integrated Objectives of the CMKI Development Framework Into Their Country Strategies and Identified Implementation Challenges**

Missions in Azerbaijan, Georgia, Kosovo, and Ukraine integrated objectives to counter malign Kremlin influence into their country strategies. Specifically, these missions complied with ADS 201 requirements to (1) address malign external influence in their CDCSs; (2) include development objectives that followed the guiding principles of U.S. foreign assistance by aligning them with the Agency’s objectives of countering malign Kremlin influence; and (3) engage in an iterative dialogue with the E&E and Policy, Planning, and Learning Bureaus that resulted in the Agency’s approval of the missions’ CDCSs.

All four missions addressed countering malign external influences in various sections of their CDCSs, such as in the executive summary, country context, or strategic approach. Moreover, all four missions aligned their CDCS development objectives to the Agency’s CMKI Development Framework objectives based on their country context. For example:

- USAID/Georgia and USAID/Ukraine established one development objective in their strategies directly focused on countering malign influence, which addressed all four CMKI objectives.
- USAID/Azerbaijan and USAID/Kosovo addressed all relevant CMKI objectives in their internal-facing strategies with due consideration to sensitivities surrounding malign Kremlin influence relative to their country contexts.

Further, selected missions identified key projects and activities that supported their CMKI-related CDCS development objectives. For example:

- USAID/Azerbaijan’s private sector activity utilized a partnership and co-investment approach to support a more resilient and prosperous Azerbaijan that allows for broad-

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<sup>17</sup> The EU Eastern Partnership Program is a joint policy initiative that aims to deepen and strengthen relations between the EU, its member states, and its six eastern neighbors: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine.

<sup>18</sup> GAO’s *Standards for Internal Control in the Federal Government* establishes that management should identify, analyze, and respond to significant changes that could impact the internal control system.

based economic growth creating opportunities for new regional and international partnerships, including with the United States.

- USAID/Georgia noted that its cybersecurity support to Georgia's Central Election Commission strengthened the commission's cybersecurity posture ahead of the 2020 parliamentary elections.
- USAID/Kosovo's assistance through the Kosovo Energy Security of Supply activity aims to strengthen the energy sector by supporting the Ministry of Economic Development to design and implement energy security projects.
- USAID/Ukraine's media program seeks to expand access to quality information and improve media literacy to counter malign influence, support European integration, and strengthen the role of media in democratic processes.

While these four missions integrated objectives to counter malign Kremlin influence into their country strategies, they also identified implementation challenges that the E&E Bureau should be aware of as it moves forward to implement CMKI activities. These included challenges in designing activities, accessing needed skill sets, and addressing financial resource constraints. Specifically:

- *CMKI activity design.* While three of the four missions (Azerbaijan, Georgia, and Ukraine) stated that they were designing new projects or activities to support the missions' CMKI efforts, the missions had not received guidance on how to intentionally design these projects for CMKI. USAID/Azerbaijan requested this information from the E&E Bureau but had not yet received it as of March 2021.
- *Access to needed skill sets.* USAID officials in Georgia and Ukraine noted the need for having staff with the right skill sets to support programming in media, disinformation, and cybersecurity. Alternatively, USAID officials cited the need for access to flexible mechanisms to bring in, for example, cybersecurity expertise at a competitive market rate.
- *Financial resource constraints.* The USAID mission director in Azerbaijan explained that, despite its geopolitical importance and proximity to Russia, the mission had very limited resources for CMKI programming. The mission director in Georgia stated that the lack of an additive budget for CMKI hindered the mission's ability to make a meaningful difference in countering malign Kremlin influence beyond its existing and planned programming.

At this time, OIG is not making a recommendation to address these implementation challenges because we plan to perform a future audit of the Agency's progress and implementation of CMKI. However, we are presenting these challenges for the Agency's awareness and sustained management attention as missions continue to integrate CMKI-targeted efforts into their new and existing programming.

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## Conclusion

USAID's E&E Bureau has focused its efforts to counter malign Kremlin influence through the design and integration of its CMKI Development Framework into missions' country strategies. While the bureau considered key risks during the design of the framework, it also missed

opportunities to ensure that the full scope of risks was considered, assessed, and monitored to inform necessary updates to its framework. As the CMKI Development Framework continues to inform programming across the Agency, it is critical that the framework remains relevant and counters the greatest potential threats that countries around the world face under malign Kremlin influence.

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## Recommendations

We recommend that USAID's Bureau for Europe and Eurasia take the following actions:

1. Develop, document, and implement a process to monitor changes in risks, determine if the risk responses were successful, and make any necessary adjustments to the framework.
2. Consult internally with USAID's regional bureaus to identify significant risks to countering malign Kremlin influence not considered during the framework's design, if any, and adjust the framework as necessary.
3. Consult externally with key partners and donors not previously consulted to identify significant risks to countering malign Kremlin influence not considered during the framework's design, if any, and adjust the framework as necessary.

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## OIG Response to Agency Comments

We provided our draft report to USAID on November 29, 2021. On December 30, 2021, we received the Agency's response, which is included as Appendix C of this report. We considered Agency technical comments in finalizing the report. Specifically, we assessed the comments against the evidence obtained during our audit within the context of the report. Overall, based on our assessment of the comments, we determined that they did not warrant adjustments to the audit findings as presented in the report.

The report included three recommendations. We acknowledge management decisions on all three recommendations.

We consider all three recommendations (recommendations 1, 2, and 3) resolved but open pending completion of planned activities.

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## Appendix A. Scope and Methodology

We conducted our work from March 2020 through November 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to determine the extent to which (1) USAID applied risk management principles in the design of its CMKI Development Framework and (2) selected missions in Europe and Eurasia have integrated the objectives of the CMKI Development Framework into their country strategies.

To address our audit objectives, we conducted interviews in Washington, DC, with USAID officials from the E&E Bureau; Bureau for Policy, Planning, and Learning; Office of the Chief of Staff and the Agency's Risk Management Officer; and the Office of the Executive Secretariat about their role in developing the framework for countering malign Kremlin influence. Additionally, we conducted interviews with officials from the Departments of State and Defense and the National Security Council to confirm their engagement with USAID on its efforts in countering malign Kremlin influence. We did not rely on computer-processed Agency data to answer the audit objectives.

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to internal control principles 1-3, 6-7, 9-10, 12, and 14-16 of the five components of internal control as defined by GAO.<sup>19</sup> These included the Control Environment, Control Activities, Risk Assessment, Information and Communication, and Monitoring.

To answer the first objective, we interviewed officials from the E&E Bureau about the CMKI Development Framework design process and the types of risks they identified, assessed, responded to, monitored, and communicated that informed decision making. We reviewed available documentation used to inform the E&E Bureau's responses on risk management to determine if risk management principles were followed. Additionally, we analyzed testimonial evidence from the E&E Bureau, selected E&E missions, interagency stakeholders, and available documentation to determine if risk management principles were applied during the framework's design. We analyzed how risks were assessed, responded to, monitored, reported, and communicated.

To answer the second objective, we conducted detailed testing of the CDCSs for four missions—USAID/Azerbaijan, USAID/Georgia, USAID/Kosovo, and USAID/Ukraine—because they had finalized CDCSs in place as of June 1, 2020. We reviewed CDCSs and related documentation from the selected missions to determine if they integrated CMKI into their country strategies. Additionally, we conducted interviews with mission officials from the selected missions (leadership, technical teams, program offices, and CMKI-assigned staff) to

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<sup>19</sup> GAO, *Standards for Internal Control in the Federal Government*, September 2014.

confirm (1) their approach to addressing CMKI within the country, (2) projects that contributed to the effort, (3) in-country interagency engagement on CMKI, and (4) any best practices gleaned or lessons learned from their experience with CMKI.



## Appendix B. Timeline of the CMKI Development Framework

The timeline of USAID's CMKI Development Framework and the finalization of selected missions' CDCSs are shown in the context of relevant legislative and strategic policy events.

### 2014

#### February – March

- Russia invades Ukraine and annexes Crimea.

#### September

- GAO revises Federal Standards for Internal Control and establishes management responsibility for assessing internal and external risks to achieving its objectives.

### 2017

#### August

- Congress passes Countering America's Adversaries Through Sanctions Act and establishes the Countering Russian Influence Fund.

#### December

- White House releases the National Security Strategy.

#### December – January 2018

- E&E Bureau undertakes planning and analysis for the CMKI Development Framework.

### 2018

#### February

- State Department and USAID release the *Joint Strategic Plan FY 2018-2022*.
- E&E Bureau shares the initial draft of the CMKI Development Framework with E&E missions.

#### April

- E&E Bureau prepares the first full iteration of the CMKI Development Framework.

#### May – July

- E&E Bureau presents its CMKI Development Framework to the U.S. European Command and the interagency Russian Influence Group, co-chaired by the Departments of Defense and State.

### 2018 (continued)

#### June

- USAID releases Risk Appetite Statement.

#### August – September

- E&E Bureau obtains clearances and incorporates feedback from internal USAID stakeholders (the Bureaus for Legislative and Public Affairs; Policy, Planning and Learning; and Democracy, Conflict, and Humanitarian Assistance; and the Offices of Security and the Executive Secretariat) and the State Department's Bureau for European and Eurasian Affairs.

#### October

- E&E Bureau submits the CMKI Development Framework to the USAID Administrator for approval.

### 2019

#### January

- USAID/Ukraine publishes its CDCS.

#### July

- USAID Administrator publicly launches the CMKI Development Framework.

#### December

- USAID revises ADS 201 to include references to external malign influence and great power competition.

### 2020

#### May

- USAID/Azerbaijan, USAID/Georgia, and USAID/Kosovo publish their CDCSs.

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## Appendix C. Agency Comments



### MEMORANDUM

**TO:** David Thomanek, Audit Director, Middle East/Eastern Europe Regional Office, Office of the Inspector General

**FROM:** Margot B. Ellis, Acting Assistant Administrator, Bureau for Europe and Eurasia /s/

**DATE:** December 21, 2021

**SUBJECT:** Management Comments to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, *Countering Malign Kremlin Influence: USAID Can Do More to Strengthen Its CMKI Development Framework* (8-199-22-00X; Task No. 88011012).

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The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. USAID appreciates the acknowledgement that 1) the Agency applied deliberately Risk Management principles to the development of the Countering Malign Kremlin Influence (CMKI) Framework; and 2) Europe and Eurasia (E&E) Missions integrated the CMKI Framework's objectives into their Country Development Cooperation Strategy (CDCS). We also appreciate the thoughtfulness and collegiality that OIG colleagues have brought to this process. The Agency, having no principled issues with the recommendations, agrees with the recommendations and herein provides plans for implementing them, and reports on significant progress already made.

While USAID appreciates the aforementioned positive conclusions reached on the OIG's two audit objectives and finds the three proposed recommendations acceptable, please consider the Agency's technical comments below to ensure the final report findings are factually accurate to support fair and balanced conclusions on the two objectives.

## TECHNICAL COMMENTS ON FINDINGS

### BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, COUNTERING MALIGN KREMLIN INFLUENCE: USAID CAN DO MORE TO STRENGTHEN ITS CMKI DEVELOPMENT FRAMEWORK (8-199-22-00X; TASK NO. 88011012).

USAID's technical comments cover three areas: 1) the report's coverage of the state of risk management at the Agency at the time of development of the CMKI framework is incomplete; 2) the report's characterization of engagement with key stakeholders during the development of the CMKI framework is misleading; and 3) the title of the audit report is overly broad and ultimately misleading. These technical comments are submitted to assist the report to reflect more accurate, balanced, and precise findings and conclusions.

#### **1. The state of risk management at the time of development of the CMKI framework**

##### **a) *Real-time risk management at the time of the CMKI Framework's development***

The audit report's treatment of risk is hypothetical throughout, while it does not mention real reputational risk that USAID faced -- from the Congress -- if the Agency did not move forward with a strategic framework to orient and guide the resources it had received through an earlier supplemental appropriation and through the ongoing Countering Russian Influence Fund (CRIF). Given that malign Kremlin influence was a pressing, overarching issue and increasing Congressional interest in a strategic framework, it would be appropriate to acknowledge, most likely in the background section on pages 3-6, that the Agency considered and mitigated risk by moving forward with the development of an orienting framework, using the limited guidance it had at the time.

##### **b) *The report's discussion of the state of risk management at the Agency at the time of development of the CMKI framework is incomplete.***

The process of developing and socializing new risk management approaches and tools at USAID took place well after the design phase of the CMKI framework. For example, it was not until October 2020 that Automated Directive System (ADS) 201, the Agency's central source of guidance to its operational units (OUs) on "Operational Policy for the Program Cycle" in the areas of strategic planning, activity design and monitoring and evaluation, was updated to represent the first reference to monitoring operational context and any key risks identified during country strategy planning. USAID is still in the process of maturing its Enterprise Risk Management (ERM) program and embedding it into the ADS. Progress in applying the Agency's risk management approach has been made with the full revision of ADS 220 Chapter on Government-to-Government (G2G) in January 2021 that is now aligned with ADS 201 Program Cycle. We believe that the audit report document would be improved and provide a more complete and accurate narrative of development of the framework by noting this sequence issue on page 6 in the "Risk Management Principles" section.

##### **c) *Inaccurate phrasing, on page 8, of the title for the finding "Insufficient design process documentation."***

This title is misleading and should be clarified to reflect the actual documentation concern flagged in the report in the same paragraph with the finding title. For the overall design process of the framework, USAID has extensive forms of documentation. Considering the state of risk management guidance at the time of the framework’s development, the audit report notes concerns about risk management documentation in the design process. The title for the finding should be more specific, for example – “Insufficient risk management documentation during the design process.” The statement “USAID Missed Opportunities to Document the Framework’s Design Process, Do More to Monitor Risks, and Enhance Coordination with Stakeholders” on page 7 also should be updated accordingly.

## **2. The report’s characterization of engagement with key stakeholders during the development of the CMKI framework is imprecise to the point of being misleading.**

On page 8 the finding “*Limited engagement with some stakeholders*” does not reflect the comprehensive breadth of internal and external stakeholders, in Washington and in the field, engaged through consultations, presentations, clearances, and information requests. In Washington, all USAID regional bureaus and most support and functional bureaus were engaged through these various ways. Likewise, State Department, National Security Council (NSC), and Congressional stakeholders were engaged in the same way. The E&E Bureau was put in the lead by the Administrator for the Agency’s efforts to design the framework because the E&E region was first and foremost affected by malign Kremlin influence; accordingly, E&E Missions were also engaged, as was the European Union (through its main assistance arm focused on the region, the Directorate-General for Neighborhood and Enlargement Negotiations (DG NEAR)). Sound planning, particularly in situations where there is an urgency to design a plan as was the case with the CMKI Framework, does not require every conceivable stakeholder to be consulted. Such a level of consultation would represent an unrealistically high and unnecessary standard. If this finding were to remain in the final report in some form, then it should be worded in a clearer, more accurate way, for example “USAID engaged a broad range of key internal and external stakeholders during the framework’s design.” The statement “USAID Missed Opportunities to Document the Framework’s Design Process, Do More to Monitor Risks, and Enhance Coordination with Stakeholders” on page 7 also should be updated accordingly.

## **3. The title of the audit report is overly broad and ultimately not reflective of the audit’s findings.**

We believe that the current title of the report is substantially broader than the two specific audit objectives and the conclusions would support. The title is also not reflective of the audit’s findings, as it implies a broader investigation of the framework overall, which the audit simply does not provide or support. That claim runs counter to the two years of documented success with implementation of the framework and the audit’s own key finding that the framework was in fact integrated into E&E Missions’ CDCSs. We would suggest changing the report title to something more specific and reflective of the audit objectives, such as: ‘Audit of USAID’s Application of Risk Management and Strategic Integration of its Countering Malign Kremlin Influence Framework’ or “USAID Effectively Integrated its CMKI Framework into its Country Strategies and Applied Risk Management Principles.”

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
(USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE  
INSPECTOR GENERAL (OIG) TITLED, *COUNTERING MALIGN KREMLIN  
INFLUENCE: USAID CAN DO MORE TO STRENGTHEN ITS CMKI DEVELOPMENT  
FRAMEWORK* (8-199-22-00X; TASK NO. 88011012).**

Please find below the management comments from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains three recommendations for USAID:

**Recommendation 1:** Develop, document, and implement a process to monitor changes in risks, determine if the risk responses were successful, and make any necessary adjustments to the framework.

- **Management Comments:** Having no principled issues with the recommendation, USAID agrees with this recommendation. By leveraging the Agency's Federal Managers' Financial Integrity Act (FMFIA) Enterprise Risk Management Program and other existing monitoring processes, the Bureau for Europe & Eurasia (E&E) plans to monitor, analyze and respond to changes in risks associated with the Countering Malign Kremlin Influence (CMKI) Framework.

*Monitor changes in risks associated with the CMKI Framework.* USAID agrees to develop a process, using existing planning, reporting and monitoring exercises, to monitor changes in risks related to implementation of its CMKI Development Framework. As the E&E region is first and foremost affected by malign Kremlin influence, these monitoring efforts will be focused on that region and the efforts of the E&E Bureau and its Missions. The process shall entail use of three existing exercises: E&E's annual sector-based portfolio reviews; E&E's annual CMKI stocktaking survey of its Missions' CMKI activities; and E&E's review of the annual ERM submissions by the Bureau and its Missions. The former two exercises already have monitoring elements for Foreign Malign Influence (FMI) and CMKI. These monitoring elements will be expanded to include discussion of CMKI-related risks and mitigation strategies. Portfolio review findings are recorded in the summary of conclusions that the bureau utilizes to monitor and modify as needed its activities. E&E's annual CMKI stocktaking survey of its Missions' CMKI is an annual data call to gather information from field missions and will similarly integrate a dedicated risk management section into the questionnaire to capture perspectives from individual missions. Field replies to the CMKI stocktaking survey are reviewed by the bureau's CMKI Advisor and Working Group, in order to compare year-on-year results to identify trends or shifting risk-related requirements to inform related decision-making or future modifications to the framework.

The third exercise to contribute to the monitoring of CMKI-related risks is the annual ERM profile submissions by the E&E Missions and Bureau. CMKI-related risks are already monitored and documented in ERM annual submissions by some Missions. The E&E Bureau will remind its Missions to monitor and document in ERM annual submissions, as appropriate, their CMKI-related risks and the Bureau will reflect those

considerations as well as others it has identified in its own ERM profile. The Bureau's ERM profile will also be reviewed by the CMKI Advisor and Working Group to inform related decision-making or future modifications to the framework.

*Analyze and respond to changes in risks* - To holistically capture the CMKI-related risks that might emerge, USAID will leverage its E&E's annual sector-based portfolio reviews; E&E's annual CMKI stocktaking survey of its Missions' CMKI activities; and a review of the annual ERM submissions by E&E and its Missions. Among others, the analysis of the CMKI-related risks will be done by the CMKI Advisor and the CMKI Working Group. Findings from this analysis will, as required, inform both implementation and modification of the framework as well as E&E Bureau and Mission CMKI-related programming.

- **Target Completion Date: February 28, 2023** or 1 year after the publication of OIG's final report, whichever comes later. Beginning in CY 2022, USAID proposes to use three existing exercises -- E&E's annual sector-based portfolio reviews, E&E's annual CMKI stocktaking survey of its Missions' CMKI activities, and E&E's review of the annual ERM submissions by the Bureau and its Missions -- to integrate CMKI-related risk monitoring and management into implementation of the framework.

**Recommendation 2:** Consult internally with USAID's regional bureaus to identify significant risks to countering malign Kremlin influence not considered during the framework's design, if any, and adjust the framework as necessary.

- **Management Comments:** USAID agrees with this recommendation.

As part of its ongoing efforts to engage key internal and external stakeholders, USAID's E&E Bureau agrees to consult internally across regional bureaus on risks related to implementation of the CMKI framework, and is already taking steps to expand inter-bureau collaboration that began during the design of the framework. Over the past year, the E&E Bureau held a series of consultations (both collectively and individually) with counterparts from other regional bureaus, including the Africa, Latin America, Middle East, and Asia bureaus, to discuss the nature of malign Kremlin influence in their areas of responsibility and if there might be opportunities to orient development programming in response. While no other regional bureau currently conducts programming under the auspices of the CMKI initiative, USAID proposes to incorporate a discussion of risk management into future consultations - for example, by dedicating a meeting to considering challenges in each region, consistent with the categories of risk considered during the conduct of this audit. The findings from these consultations would be documented in writing, and inform decisions on CMKI implementation and any future modifications to the framework.

- **Target Completion Date: February 28, 2023** or 1 year after the publication of OIG's final report, whichever comes later. Recognizing that stakeholder consultations is an ongoing process, USAID/E&E will complete further internal consultations with other

USAID regional bureaus.

**Recommendation 3:** Consult externally with key partners and donors not previously consulted to identify significant risks to countering malign Kremlin influence not considered during the framework’s design, if any, and adjust the framework as necessary.

- **Management Comments:** USAID agrees to continue consultations with key partners and donors to identify new and emerging risks and adjust the framework as necessary.

Both prior to and following the CMKI Framework’s release, USAID’s E&E Bureau conducted significant outreach to EU counterparts on the issue, though the logistical obstacles posed by the COVID-19 pandemic have limited our ability to regularly engage as much as we normally would have.

E&E will continue consulting with key partners and donors on the evolving risks to countering malign Kremlin influence. USAID proposes to continue these consultations with EU colleagues at Directorate-General for Neighborhood and Enlargement Negotiations (DG NEAR), as well as key member state donors, and also key internal USG and external stakeholders and will include risk management as an agenda item in these consultations. USAID will keep notes from these meetings to maintain written documentation of stakeholder views, and will use these insights to shape future thinking on CMKI implementation and design.

- **Target Completion Date:** February 28, 2023 or 1 year after the publication of OIG’s final report, whichever comes later. Recognizing that stakeholder consultations is an ongoing process and pandemic conditions permitting, USAID will complete further consultation with other key stakeholders.

In view of the above, we request that the OIG inform USAID when it agrees or disagrees with a management comment.

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## Appendix D. Major Contributors to This Report

Members of the audit team include:

- David Thomanek, Audit Director
- Timothy Lamping, Assistant Director
- Ryan Werner, Assistant Director
- Rameeth Hundle, Lead Analyst
- Shaun Ali, Auditor
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The audit team would also like to acknowledge contributions from Amr Adel, Diana Ghanem, Saifuddin Kalolwala, Clara Lee, Calista MacHarrie, Justin Markley, Alexandra Morgan, Steven Ramonas, and Rishi Udeshi.





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