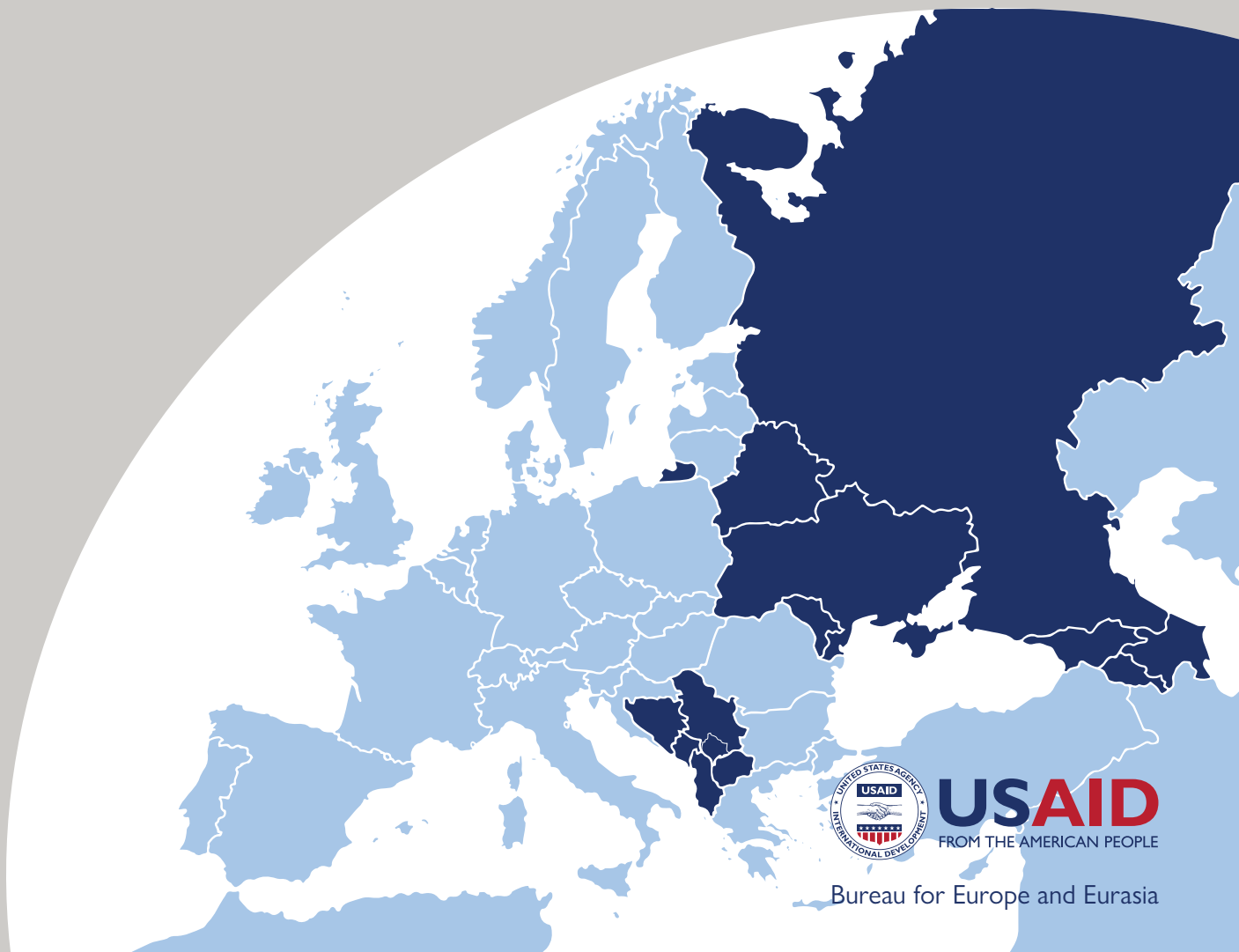


CMKI

COUNTERING MALIGN KREMLIN INFLUENCE

Development Framework

IMPLEMENTATION
REPORT



USAID
FROM THE AMERICAN PEOPLE

Bureau for Europe and Eurasia

MESSAGE FROM THE ASSISTANT ADMINISTRATOR

Across Eastern Europe and Eurasia, democracy and market-based economies are under assault. While these countries continue to pursue the hard work of democratic and economic reform, Russian President Vladimir Putin and his allies work to undermine their progress. The “managed democracy” Putin seeks to export amounts to an authoritarian attempt to cloak control within democratic infrastructure. This model of governance harms Russia’s neighbors and the Russian people themselves, who yearn for liberty and deserve the same freedom and prosperity that all people do. The United States remains a friend to the Russian people and seeks partnerships with Russia where our values and interests align, but USAID has not and will not look away as the Kremlin wages a campaign to subvert the democratic and free-market systems of its neighbors as part of its hybrid warfare strategy.



Where the Kremlin acts to destabilize, weaken, and undermine democratic processes and institutions, USAID fosters more democratic, effective, transparent, service-oriented governing institutions. These stronger governing institutions, grounded in durable, real connections to citizens, will empower partner countries to maintain, or regain momentum on their development paths. While the Kremlin wages disinformation warfare, USAID is leading efforts to bolster objective, fact-based media outlets in the region, which produce credible news and information. As the Kremlin seeks to leverage its energy dominance for its political advantage, USAID expands energy independence. While the Kremlin uses economic bullying tactics and sows doubt in the value of transparent, rule-based market economies, USAID helps partner countries open up new markets, spur business creation, foster competitiveness, and adopt new rules favorable to doing business and attracting investment. And while the Kremlin exports corruption across all of these sectors for its own benefit, we work to build transparency, accountability, and respect for law.

USAID created the Countering Malign Kremlin Influence (CMKI) Development Framework to respond to an open assault on democracies and market economies and to safeguard the development gains that our partners have worked so hard to achieve. Launched in July, 2019, the CMKI Development Framework represents an effort by USAID’s Bureau for Europe and Eurasia to tailor assistance to the most urgent threats posed by Kremlin malign influence. Initial phases of this work began in 2017. Our team recognized the need for a strategic, focused approach to this major, pressing challenge. In conceiving and devising the CMKI Development Framework, we consulted widely within USAID, across the U.S. Government, with members of congress and worked closely with USAID mission staff to ensure the framework reflects realities on the ground.

Over the course of this first year, our teams have operationalized the CMKI Development Framework in a way that builds resilience against the Kremlin’s self-serving interventions. In that same period of time, our work has achieved notable impact. Our work is also heavily focused on this challenge, and according to an internal survey, 94 percent of the Bureau’s current activities and programs directly or indirectly address CMKI objectives. From efforts to identify and shut down social media accounts spreading harmful disinformation, to bolstering elections administration against cyberthreats, to creating systems of transparency in public institutions, USAID programs are shoring up vulnerabilities routinely targeted by the Kremlin.

Taken together, USAID programs implemented under the CMKI Development Framework are helping partner countries meet the challenge of countering malign Kremlin influence while maintaining momentum toward their own long-term development goals on the Journey to Self-Reliance. Our development work is essential for preserving the self-determination, prosperity, and liberty of our partners.

This report provides an update on those efforts.

Brock Bierman

USAID ASSISTANT ADMINISTRATOR
USAID EUROPE & EURASIA



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I. The Threat of Malign Kremlin Influence: Problem Assessment

Malign Kremlin influence is now the most pressing challenge for advancing democratic and economic progress in Europe and Eurasia (E&E). Moscow’s capacity to spread malign influence throughout the E&E region and beyond is multifaceted and sophisticated. It includes the use of military force, disinformation campaigns, efforts to undermine democratic institutions and processes, and cyberattacks. E&E countries’ vulnerabilities to Kremlin malign influence are exacerbated by substantial economic dependence on Russian trade and investment, by dependence on Russian energy, by information environments that are highly connected and exposed to Kremlin-dominated media, and by democratic backsliding in several countries in the region. In addition, the communist legacy of endemic corruption across all sectors of economic and political life creates fertile soil for Kremlin interference.

DEMOCRACY AND RULE OF LAW

The Kremlin regularly interferes in the domestic political systems of countries in the region, seeking to undermine democracy and the free societies that support it. The Kremlin has tried to exert illicit influence on governmental and electoral processes in the region. Moscow has also called for the restriction, over-regulation, and defamation of nongovernmental organizations, regularly branding independent civil society organizations (CSOs) as a ‘fifth column’ representing foreign interests and enacting laws to restrict legitimate CSO activities. From the ‘foreign agents’ registration act to the ‘undesirable foreign organizations’ legislation, the Kremlin has not only harassed, restricted, and isolated CSOs at home, but also has created models that other countries in the region (and around the globe) have emulated. Additionally, the Kremlin has presented democracies in the region as chaotic, incompetent, vulnerable to Western dictates, and controlled by unreliable or dangerous leaders.

INFORMATION SPACE

The Kremlin has deployed sophisticated disinformation campaigns, manipulation of media, information, and public discourse, and a substantial cyber attack capability in the E&E region, which is vulnerable due to the erosion of democratic institutions in some countries. New data from the 2019 Varieties of Democracy index (or V-Dem) show that the Kremlin is among the most egregious “perpetrators” of false information worldwide, and that a disproportionate number of E&E countries are among the top 25 recipients of false information. The Kremlin exploits the region’s weak media sectors and low levels of media literacy through various means, including

securing ownership stakes or content development deals with domestic media outlets, facilitating exchanges or Kremlin-sponsored training for journalists, and expanding the international broadcasting reach of Kremlin controlled outlets such as RT and Sputnik International.

ENERGY SECURITY

The energy sector represents both a principal vulnerability in the region and a vector through which the Kremlin disrupts social and economic stability. The Kremlin regularly exercises its control over energy supplies, including nearly 40 percent of European natural gas supply, for political leverage. In some cases, Moscow leverages a country's outstanding debt to Gazprom to assert pressure and hinder greater energy integration with Europe. In others, the Kremlin couples its energy supply dominance with its acquisition of key downstream assets, such as local network operators and suppliers. In addition to controlling the energy supply and amassing direct ownership, the Kremlin uses opaque measures to perpetuate corruption within local natural monopolies. It also spreads disinformation to protect its vested interests and militates against reforms that would expose the region's energy sector to greater competition and foreign direct investment.

ECONOMIC SPHERE

Economic dependence on Russia in many E&E countries persists through long-standing trade and investment links and substantial remittances from expatriates working in Russia. Economic ties are strongest between Russia and its contiguous neighbors, though economic ties to Russia are significant in the Balkans as well. The Kremlin uses its economic leverage to reward or penalize governments based on their compliance with Kremlin preferences. For example, it places bans on high value agricultural exports, in response to increased collaboration with the EU and NATO. For many of the smaller economies in the region, remittances from Russia represent a significant portion of GDP, which the Kremlin controls through restrictions on migrant workers from non-compliant countries.

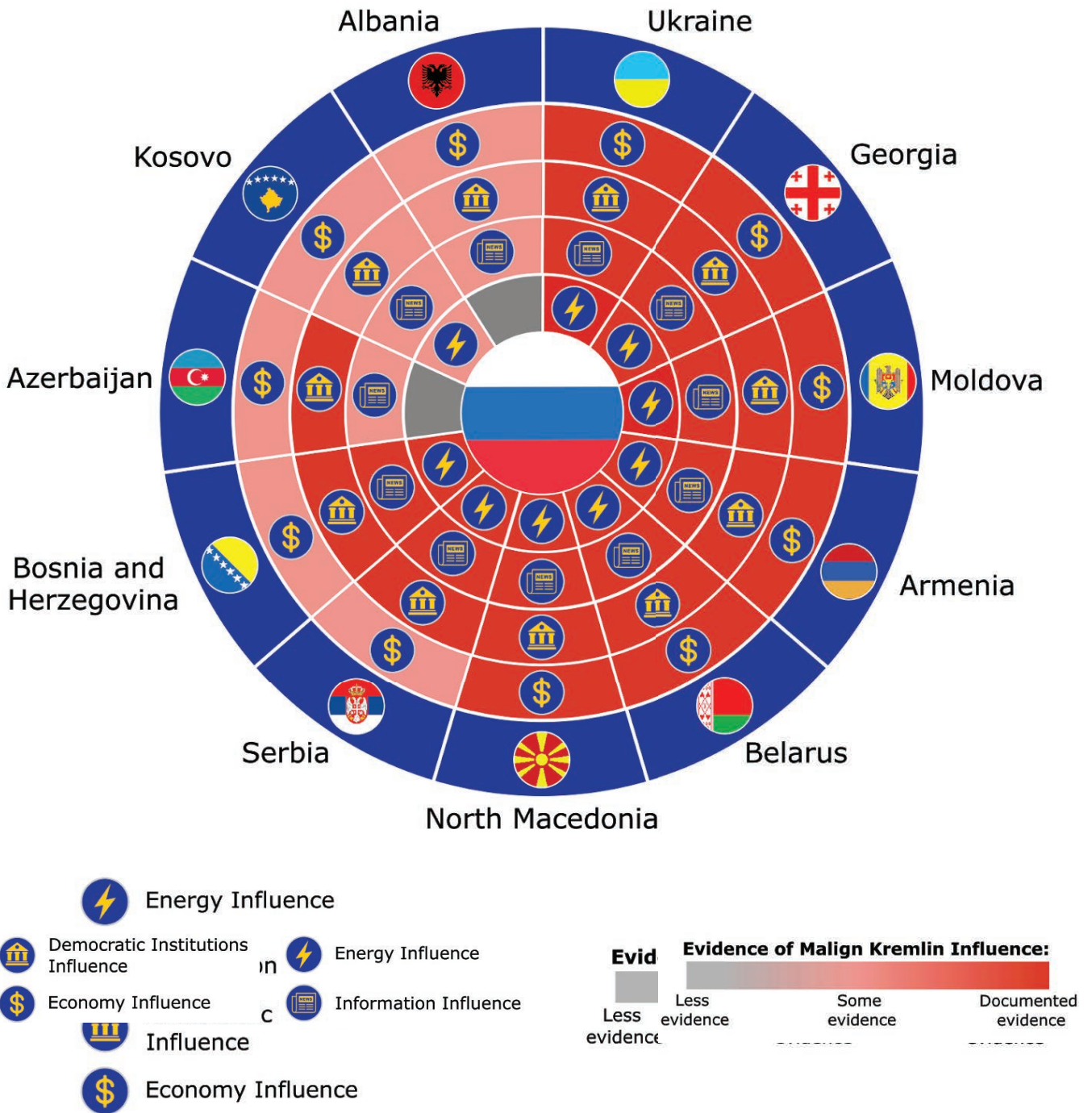
CORRUPTION

Corruption is another key entry point for Kremlin malign influence in the E&E region. In 2019, Transparency International's Corruption Perception Index ranked many countries of the region as among the world's most corrupt. Corruption has become even more of a challenge for the region, as the Kremlin seeks to involve other countries in corrupt practices for Russia's own benefit. Most notably, Kremlin interests have used illicit schemes to launder money through banks in the region. Kremlin interests have also pushed anti-competitiveness business practices across a variety of industries, including the energy sector.

COVID-19 AND MALIGN INFLUENCE

Lastly, the COVID-19 pandemic has created openings for a wide range of malign Kremlin influence. As COVID-19 wreaks havoc on economic growth and health, education, and social systems, it is also putting strain on democratic institutions. The pandemic has created new opportunities for disinformation and to make citizens distrustful of democratic governance. The pandemic also provides an opportunity for some leaders, following the Kremlin's authoritarian model, to crack down on freedoms of the press, assembly, association, and expression. As elections approach in the fall, the pandemic may provide further justifications for these leaders to influence the electoral process, weaken the rule of law, and place limits on civil society activities. In addition, the economic hardships brought by the pandemic make these countries more vulnerable to the Kremlin's economic and energy blackmail.

FIGURE 1: LEVEL OF MALIGN INFLUENCE BY COUNTRY AND SECTOR



II. USAID's Response: The CMKI Development Framework

Given the nexus of development and national security equities, USAID is uniquely positioned to spearhead U.S. efforts to help vulnerable partners resist Kremlin tactics. Specifically, USAID is increasing our partners' institutional and societal resilience to malign foreign influence, safeguarding partners' prior development gains and addressing backsliding. USAID is engaging with stakeholders outside the U.S. government to facilitate a comprehensive approach to countering Moscow's tactics. The cornerstone of USAID's response is the Countering Malign Kremlin Influence (CMKI) Development Framework.

DEVISING THE CMKI DEVELOPMENT FRAMEWORK

USAID understood the need to integrate countering malign influence into its programming early on and began devising the CMKI Development Framework in 2017. In 2016, Congress passed the FY17 Supplemental Security Sector Assistance Appropriations Act, which appropriated \$157 million to the Countering Russian Influence Fund (CRIF). In late 2017, the White House issued its National Security Strategy (NSS), emphasizing that malign actors like Russia are challenging American power, influence, and interests. In his confirmation testimony in late 2017, Assistant Administrator Brock Bierman focused on the threat from the Kremlin and the need to prioritize a robust response. USAID had already begun adapting and adjusting its work in response to Kremlin malign influence, but enhanced focus from Congress and the White House and new leadership led USAID to devise a single framework for orienting and focusing programmatic efforts and budgetary resources in Europe and Eurasia.

“Russia seeks to restore its great power status and establish spheres of influence near its borders.”

— *U.S. National Security Strategy, 2017*

USAID also recognized that malign Kremlin influence had become the most prominent and pressing challenge for advancing democratic and economic development progress in the region. Without a framework for addressing this new, fundamental challenge and integrating the framework into its overall development strategy, USAID's ability to safeguard past development gains and achieve further progress would not be possible. Following months of close consultation and collaboration with its staff in the field, stakeholders in the Departments of State and of Defense, and members of Congress, USAID launched the Countering Malign Kremlin Influence Development Framework in July, 2019.

THE CMKI DEVELOPMENT FRAMEWORK:

USAID's CMKI framework identifies key objectives and sub-objectives for focusing development programs in response to malign influence. In response to the specific areas of Kremlin interference, E&E identified four main objectives for engagement:

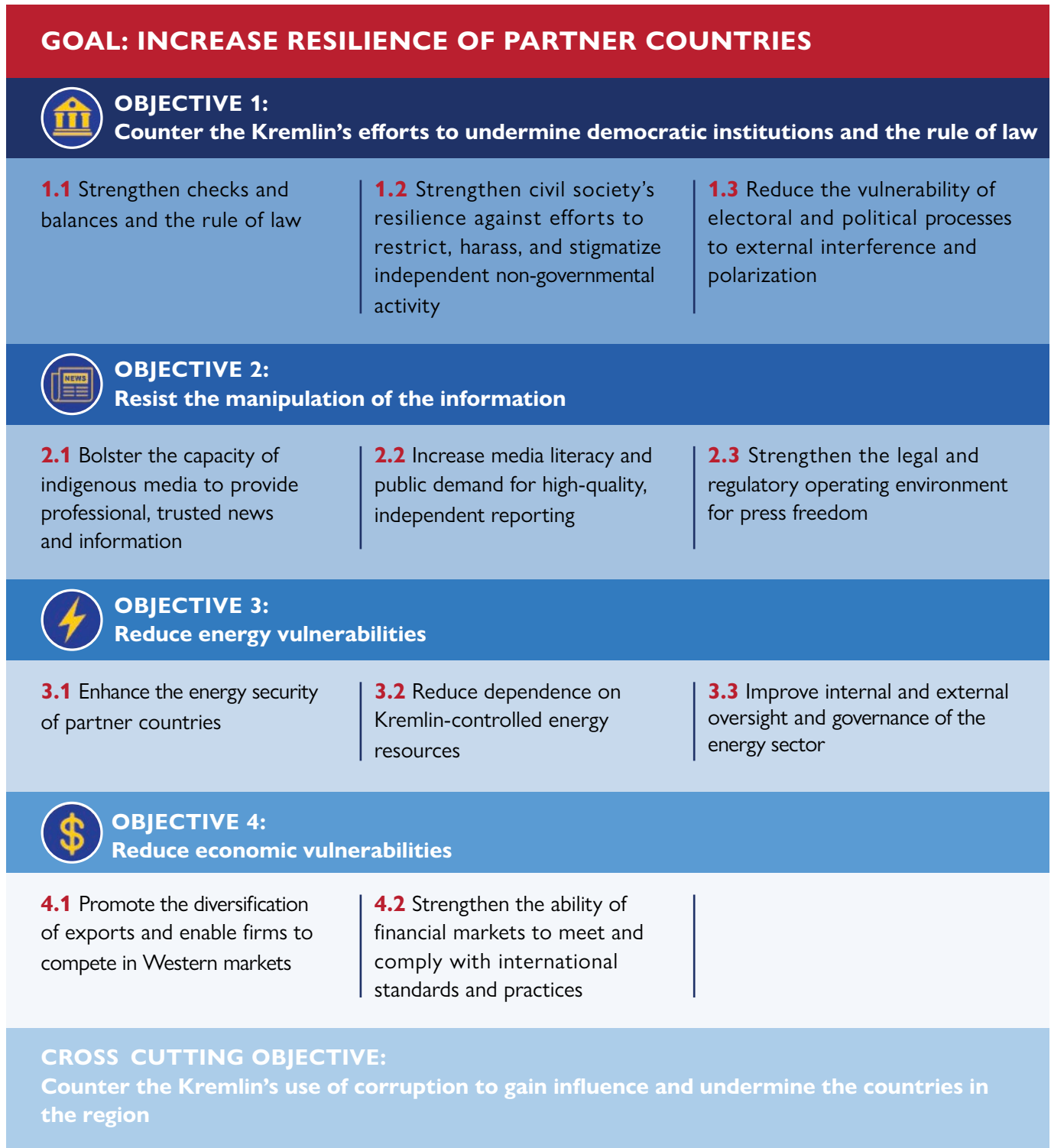
- » Protecting Democratic Institutions and the Rule of Law;
- » Resisting Manipulation of the Information Environment;
- » Reducing Energy Sector Vulnerabilities; and
- » Reducing Economic Vulnerabilities.

The framework also includes anti-corruption efforts as a cross-cutting objective that applies to all areas of engagement. Under each objective, E&E identified sub-objectives to better focus programming, guide resource allocation, and effectively target avenues of Kremlin influence.



USAID Assistant Administrator Bierman presenting the CMKI Development Framework at the launch event in 2019.

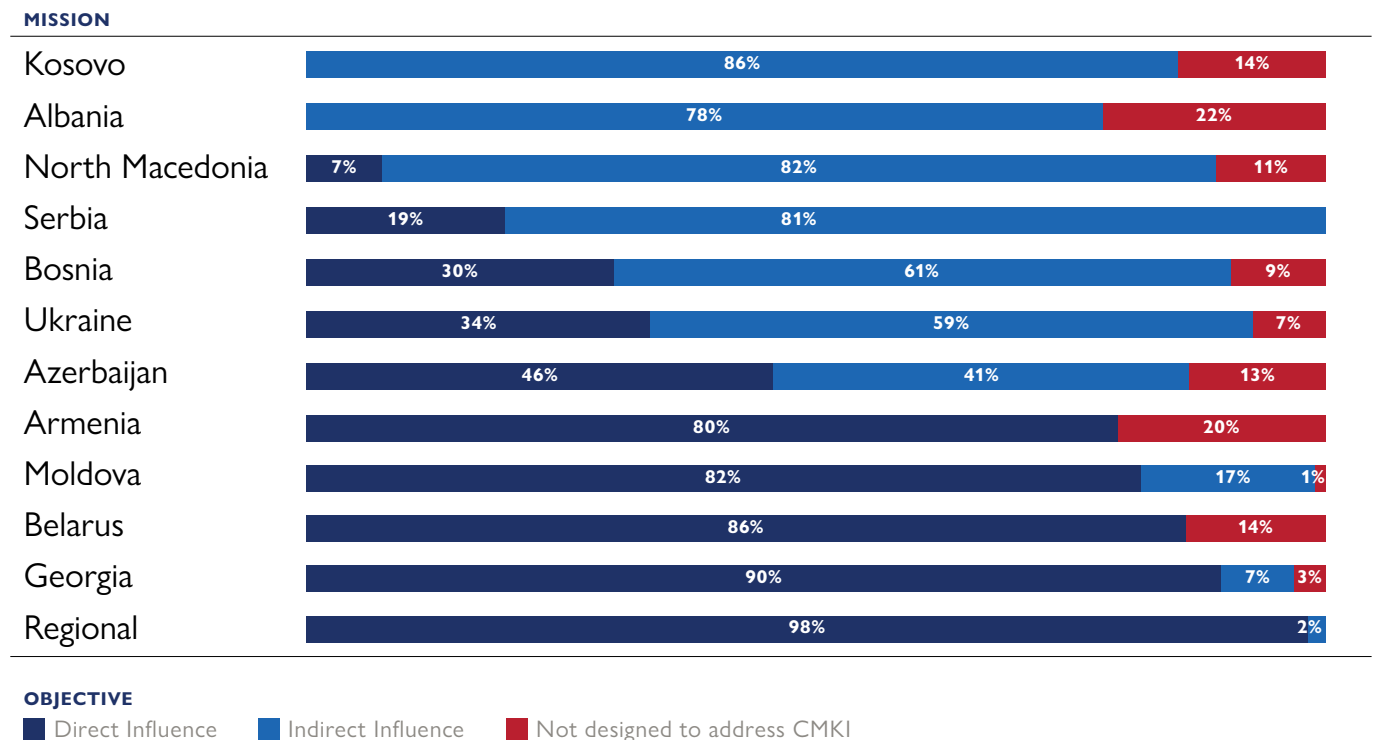
FIGURE 2: THE CMKI DEVELOPMENT FRAMEWORK



III. Implementing the CMKI Development Framework: Programmatic Snapshots and Achievements

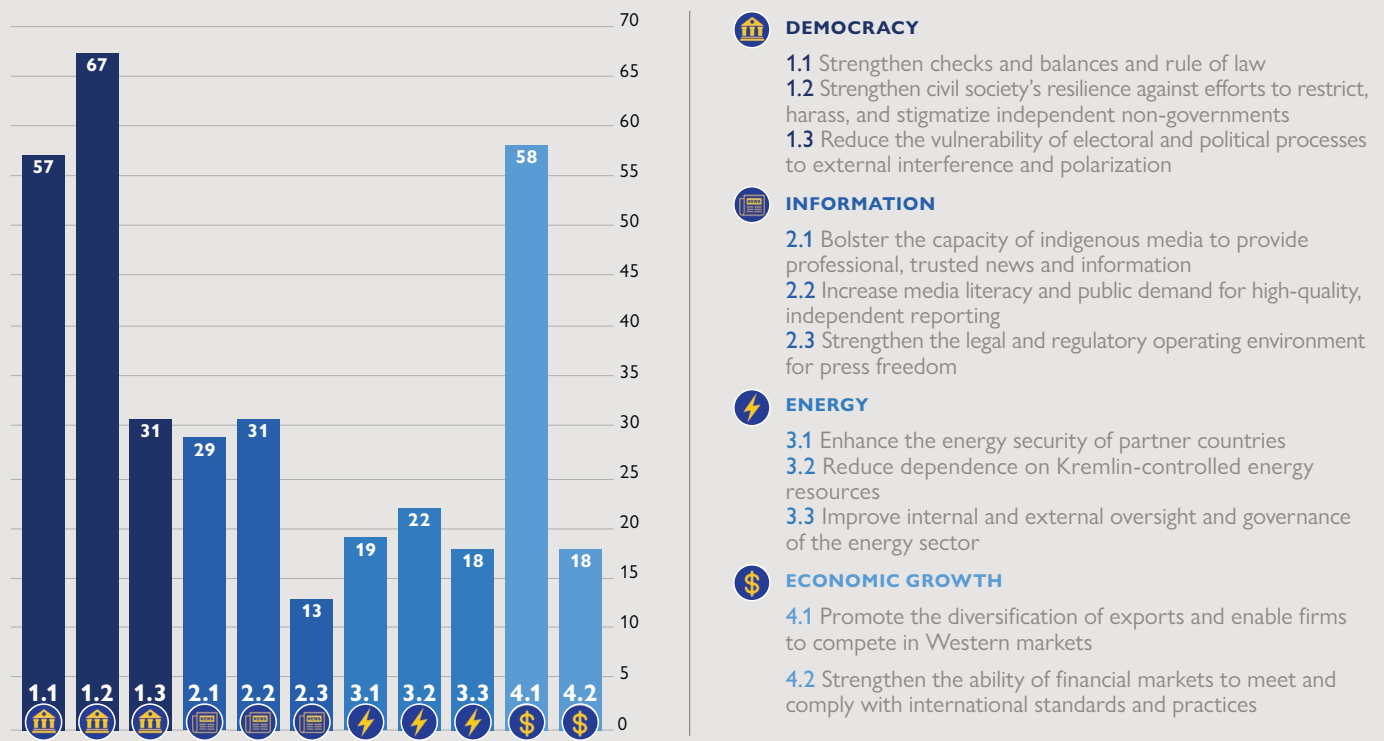
A review of USAID programming in the E&E region shows a high level of focus on CMKI goals. Based on our bureau-wide survey, E&E missions reported that 94 percent of the Bureau’s current funding directly or indirectly addresses CMKI objectives.

FIGURE 3: ACTIVITIES BY OBJECTIVE



- » Mission and bureau programs are active across all eleven sub-objectives of the CMKI Development Framework, directly helping to build partner resilience against Kremlin influence and securing hard-earned development gains.
- » The largest number of program activities are in pillar 1, strengthening countries' ability to protect and safeguard their democratic institutions, and pillar 4, diversifying and strengthening their economies. While this is not surprising, given that the two key areas of focus of USAID's pre-existing efforts were in the areas of Democratic Governance and Economic Growth, the considerable engagement across all sectors is notable.

FIGURE 4: **CMKI ACTIVITIES BY SUB-OBJECTIVE** (activities can be counted multiple times)



- DEMOCRACY**
 - 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 non-governments
 - 1.3 Reduce the vulnerability of electoral and political processes to external interference and polarization
- INFORMATION**
 - 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
- ENERGY**
 - 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
- ECONOMIC GROWTH**
 - 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

To illustrate the scope and accomplishments of USAID's CMKI programming, below are brief descriptions of the functional work USAID is conducting to support each objective and sub-objective of the CMKI Framework, along with selected "Activity Highlights" and accomplishments for each line of effort.

Objective 1:

COUNTER EFFORTS TO UNDERMINE DEMOCRATIC INSTITUTIONS AND THE RULE OF LAW



- ▶ **USAID is fostering more responsive, transparent, accountable, effective, and service-oriented governing institutions in partner countries.** These stronger governing institutions, grounded in more durable connections to citizens, will empower partner countries to maintain, or regain momentum on their development paths.

SUB-OBJECTIVE 1.1 Strengthen checks and balances and rule of law

- » Enhancing transparency in public procurement and budgeting while also supporting the creation of open government initiatives and e-governance. More transparent, accountable governance strengthens connections to citizens and makes democracies more resilient.
- » Strengthening the independence, professionalism, capacity, and transparency of judicial systems in countries most affected by malign external influence. This effort includes the establishment of automated case management information systems, open and transparent judicial selection and disciplining processes, and judicial training.
- » Supporting public awareness and civic education on how to access the justice system, which increases public confidence in judicial institutions.

SUB-OBJECTIVE 1.2 Strengthen civil society’s resilience against efforts to restrict, harass, and stigmatize independent, nongovernmental activity

- » Helping civil society organizations to advocate against new restrictive legal and regulatory measures, like those inspired and championed by the Kremlin, and to navigate new restrictions to continue to operate legally.
- » Enhancing the organizational resiliency of civil society organizations, making them less vulnerable to restrictions in their operating environment — by enabling the ability of civil society to communicate and engage with citizens, to identify new and sustainable domestic funding sources, and to recognize their own internal vulnerabilities and address them.
- » Supporting “watchdog” organizations, which monitor and report on efforts to stigmatize or delegitimize CSOs or their leaders. USAID shares this monitoring with regional and international stakeholders to help inform international advocacy efforts against the discrediting campaigns.

SUB-OBJECTIVE 1.3 Reduce the vulnerability of electoral and political processes to external interference and polarization

- » Strengthening the integrity of electoral and political processes as the first line of defense for public confidence in democracy.
- » Supporting civic and multi-partisan oversight of electoral processes to help build trust in these processes and to detect external interference, as well as provides technical assistance to election management bodies to prevent external attempts to hack tabulation systems or the public websites of election commissions.
- » Advancing the development of democratic political parties and transparent political finance, including norms for disclosure and compliance, to help ensure illicit foreign money does not distort political competition.
- » Working with politically-minded civic organizations and political parties to monitor malign external influence in political discourse and in election campaigns.
- » Engaging the next generation of leaders, promoting constructive citizen engagement and participation to counter efforts to polarize and divide young people politically.



OBJECTIVE 1: Program Highlights

- » **In Ukraine,** expansion of the “Prozorro” e-procurement system facilitates increased transparency, access, and efficiency in government solicitations and purchases. In 2019, the system saved the government an estimated \$1.4 billion that would otherwise have been lost to corruption and non-competitive purchases. This success belies the Kremlin narrative of Ukraine as a failing kleptocracy and demonstrates the benefits of establishing a transparent, competitive market that maximizes the value of taxpayer funds.
- » **In Georgia,** USAID’s Elections and Political Processes project supported the Central Election Commission (CEC) to strengthen its cybersecurity protocols and IT hardware, software, and training in advance of 2020 parliamentary elections.
- » **In Armenia,** where the Kremlin has long sought to influence electoral outcomes and shape the country’s internal political development, USAID programs have supported free and fair elections and inclusive political processes that reflect the will of the Armenian people to pursue democratic reforms.
- » **In Bosnia and Herzegovina,** USAID works to build the capacity of the judicial system to prosecute cases of corruption and organized crime. USAID assistance to 19 prosecutor offices through tailored Prosecutor Partnership Programs (PPPs) has improved capacity to efficiently prosecute corruption and economic and organized crime, strengthened their managerial skills, and improved transparency. The number of indictments for these cases increased while the number of unresolved reports by prosecutors decreased.
- » **In Kosovo,** the Justice Sector Strengthening Program has helped ensure the full functioning of courts to address the needs of all citizens.
- » **In Albania,** the Balkan Investigative Reporting Network published a significant body of investigative reporting and journalism on crime and designed and deployed a website to cover the judicial vetting process with more than 690 articles.
- » **Regionally,** USAID’s regional civil society program is working with DevLab@Duke of Duke University to develop a tool to forecast upcoming restrictions (or openings) of civic space within a given country. The tool uses machine learning to forecast changes one, three, and six months out and identifies key ‘event types’ which contribute to the forecast. This data will enable civil society and donors to better prepare for changes in civic space, including future efforts to restrict their activities.



Objective 2:

RESIST THE MANIPULATION OF INFORMATION



- ▶ **USAID is leading efforts to bolster ethical, fact-based, independent media outlets in Europe and Eurasia that produce competitive, trustworthy news and information.**

USAID does this to increase citizens' demand for professional journalism, to support the sector's watchdog role, and to improve the legal enabling environment for press freedom.

SUB-OBJECTIVE 2.1 Bolster the capacity of indigenous media to provide professional, trusted news and information

- » Bolstering the capacity of local media outlets and bloggers to provide professional, fact-based, and trusted reporting on public-interest topics strengthens the sector's ability to serve as an alternative to Kremlin narratives and to expose malign influence.
- » Sustaining independent outlets' access to the tools, resources, and knowledge needed to compete in media markets dominated by domestic and foreign political and financial interests.
- » Supporting a range of media practitioners, including traditional, digital, and citizen media, media trade unions, and press councils to enhance reporting standards and ethics.

SUB-OBJECTIVE 2.2 Increase media literacy and public demand for high-quality, independent reporting

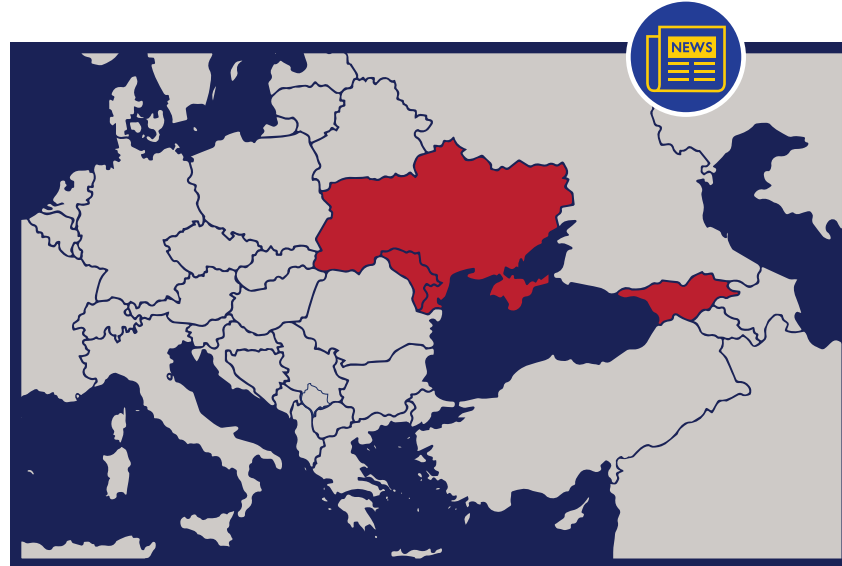
- » Increasing citizen demand for professional, independent journalism by helping consumers of information to discern fact from opinion.
- » Enabling local organizations to expose suspicious social media accounts that spread disinformation and incite enmity, and to work with social media platforms to take down accounts that violate the platforms' terms of service.
- » Building partners' skills in fact-checking and debunking false narratives.

SUB-OBJECTIVE 2.3 Strengthen legal and regulatory operating environment for press freedom

- » Promoting the growth of a more competitive and high-quality media marketplace to enable the sector to serve as a watchdog without fear of legal sanction and to provide audiences accurate information, as an alternative to Kremlin narratives.
- » Fostering media organizations' advocacy and oversight of key media reforms, such as access to information, the privatization of state media, and transparency of media ownership.
- » Supporting investigative journalism outlets by providing access to pre-publication reviews by lawyers and legal defense when they are wrongly sued for defamation and libel.

OBJECTIVE 2: Program Highlights

- » **In Ukraine**, USAID’s Media Program expands access to quality information and improves media literacy to counter malign influence, support European integration, and strengthen the role of media in democratic processes. The program works with the public service broadcaster and its affiliates to expand public demand for quality information. The program also supports the production of “Countdown,” an independent political talk-show which counters Russian propaganda and cultivates critical thinking through coverage of policy reforms and current affairs. In fall 2019, “Countdown” was viewed over 26 million times with approximately 700,000 viewers per episode.
- » **In Ukraine and Moldova**, USAID programs are proactively addressing the Kremlin’s disinformation by supporting local journalists, media, and civil-society actors. USAID support has enabled troll-hunting organizations to report more than 200 inauthentic accounts to Facebook, which later disabled these accounts.
- » **In Georgia**, Facebook credited the USAID-supported International Society for Fair Elections and Democracy for its removal of more than 500 pages, 100 Facebook accounts, and 120 groups, and 56 Instagram accounts that were spreading disinformation. USAID/Georgia is gearing up for a new activity to incubate and scale-up innovative approaches to improve the integrity of the information space and build societal resilience in the face of disinformation.
- » **In Moldova**, during the lead-up to the February 2019 parliamentary election, propaganda and disinformation by malign actors increased substantially, aiming to reduce electoral competition and create confusion around the recently revised electoral process. USAID’s activities ensured that citizens were informed on the new process and candidates’ platforms. Ongoing media and election programming will continue to support accurate voter information in the lead up to the fall 2020 presidential election.
- » **In Serbia**, USAID’s media program pioneered the first fundraising and e-payment membership campaign for independent media. With USAID mentoring, independent media outlets developed new revenue-generating approaches, including crowdfunding platforms, donations, and paid online memberships. This technical assistance has helped independent media to not only create sustainable income streams, but also to better connect with their audiences.
- » **Regionally**, USAID’s regional media program supports news partnerships reaching more than 12 million people, reporting in both Russian and local languages, that provide an independent alternative to Kremlin-affiliated news on regional and international affairs. In its first two years, the collective online audience grew from eight million to 12 million in early 2020, and hit 18.6 million in March as the COVID-19 virus was declared a pandemic.



Objective 3:

REDUCE ENERGY VULNERABILITIES



- ▶ **USAID is countering the Kremlin's manipulation of energy supply and helping partner countries build energy security and resilience.** USAID assistance supports partner countries to create effective, pro-growth legal and regulatory frameworks and assists them to join well-functioning regional energy markets. As part of these efforts, USAID also supports effective, independent regulatory authorities and strengthens the critical infrastructure of regional energy utilities.

SUB-OBJECTIVE 3.1 Enhance the energy security of partner countries

- » Engaging U.S. utility staff and industry experts to support Eastern European utilities to develop tools to identify and prioritize the most pressing actions and investments necessary to protect critical infrastructure.
- » Assisting utilities incorporate cybersecurity best practices in key areas, such as risk management; network configuration; access management; and incident response.
- » Helping utilities establish corporate policies, procedures, and training programs to strengthen defense and response capabilities. Over the past year, USAID has trained several utilities across the region to assess and improve their cybersecurity defense and response capabilities through the use of the C2M2 (cybersecurity capability and maturity model) tool used by their U.S. counterparts.

SUB-OBJECTIVE 3.2 Reduce dependence on Kremlin-controlled energy resources

- » Supporting increased electricity trade between Eastern Europe and EU countries by (1) identifying and supporting implementation of critical power generation and transmission infrastructure upgrades; and (2) supporting transfer and adoption of European network planning and operational practices. These efforts are helping partners disconnect from Russian power systems and establish reliable connections with Europe.
- » Supporting natural gas companies and energy regulators to improve energy security and break free from Russia's monopolization of gas markets.
- » Promoting the development of regional natural gas markets with the capability to accept alternative supply from the United States and other non-malign actors.

SUB-OBJECTIVE 3.3 Improve internal and external oversight and governance of the energy sector

- » Supporting improvements in procurement practices and the creation of power exchanges in the region to require public documentation of competitive energy transactions, reducing electricity costs and limiting price manipulation for political gain.
- » Building the capability of national energy regulators to monitor natural gas and electricity markets, weakening the ability of malign actors to unduly profit from or shake confidence in energy markets.

OBJECTIVE 3: Program Highlights

- » **In Georgia**, in 2019 the USAID energy program drafted and advocated for the passage of two new energy laws that are compliant with the EU Energy Community Treaty and Georgia's EU Association Agreement. These reforms will reduce Georgia's reliance on Russian energy sources and attract investment in domestic energy generation by harmonizing Georgia's regulations with EU market standards. USAID assistance also created the Power Generation Resource Adequacy Model for Georgia, highlighting Georgia's reliance on imported power and providing a significant tool in national planning for local power generation.
- » **In North Macedonia**, the National Electricity Market Operator joined the European Association of Energy Exchanges as an associate member in December 2019. USAID assisted with the development and adoption of the Energy Law, which is fully compliant with EU Directives and principles of energy market liberalization, and makes all businesses in the country eligible to purchase electricity on the open energy market at prices 30-35 percent lower than before.
- » **In Serbia**, USAID is improving the energy efficiency of heating plants. Working in three municipal district heating systems, USAID has installed American-made technology, and introduced more energy efficient measures and methods of management — showing energy savings of up to 35 percent.
- » **In Bosnia and Herzegovina**, aging power infrastructure has undermined growth in the energy sector, considered BiH's greatest potential for long-term economic development. Until 2019, no single information source provided investors clear and complete guidance about all the permits needed to build an electric power plant in BiH. USAID's energy program removed the confusion surrounding this process by publishing the first-ever Guidelines for Investors in the Electricity Sector of BiH, making the information available to the public and to investors.
- » **In Kosovo**, USAID supported the new agreement signed between Kosovo's Electricity Transmission System and Market Operator and the European Network of Transmission System Operators, which gives Kosovo control over the energy flowing over its borders. With this historic agreement, Kosovo has achieved internationally recognized independence over its energy borders and a direct connection to the European electric grid, enabling Kosovo to attract more investment and ultimately to improve its electricity supply for all its citizens.



Objective 4:

REDUCE ECONOMIC VULNERABILITIES



▶ **USAID helps partner countries expand their economic prospects, open up new markets, spur business creation, and foster competitiveness.** USAID assists partner countries to adopt new rules of the road favorable to doing business and attracting investment, while helping them to avoid the corrupt approaches promoted by the Kremlin for its own benefit.

GET STARTED

SUB-OBJECTIVE 4.1 Promote the diversification of exports and enable firms to compete in Western markets

- » Promoting competitive business environments to strengthen market reforms and to build citizens' confidence in market systems. A competitive business environment in turn enhances businesses' exports to international markets, including their ability to meet EU and U.S. quality standards for imports.
- » Building trade relationships with a more diverse set of markets reduces Russian economic leverage and mitigates the destabilizing effects of trade sanctions threatened and imposed by the Kremlin. Examples include strengthening agricultural export relationships with new partners and broadening tourism advertising to attract new visitors from different markets.

SUB-OBJECTIVE 4.2 Strengthen the ability of financial markets to meet and comply with international standards and practices.

- » Improving central banks' ability to swiftly counter crises and boosting the capacity of bank regulators. This support helps financial institutions to update regulations, risk management practices, and banking processes and increases citizens' financial literacy.
- » Establishing regulatory frameworks for capital markets, which can provide an alternative source for financing and investments. As central banks adopt and implement internationally-recognized standards, they both limit the Kremlin's ability to exploit banking systems in the region and deepen commercial and financial ties with the global financial system.

OBJECTIVE 4: Program Highlights

- » **In Ukraine,** USAID sponsored the October 2019 Mariupol Investment Forum, which brought together more than 600 local and international representatives of government, civil society, and business to discuss improvement of the investment environment and new opportunities for businesses in Ukraine. The forum spurred international donors, including the EU, to pledge over \$450M to invest in regional roads and Mariupol's dilapidated infrastructure, and over \$600M in investments from local and international companies.



- » **In Georgia,** In 2019 USAID supported 98,000 rural households along the administrative boundary line vulnerable to Russian influence, strengthened 18,000 MSMEs, created 1,600 jobs, leveraged more than \$16.8 million in new private sector investments, and promoted economic development for 81 rural communities. This assistance enabled Georgians to experience the economic benefits of Western orientation and built resilience against Russian manipulation.
- » **In Moldova,** agribusinesses have targeted high-value agricultural value chains to expand to new markets outside the Commonwealth of Independent States and Russia, resulting in first-time exports to the EU, Middle East, and South Asia. USAID equipped agribusinesses with critical certifications, cutting-edge harvest and post-harvest technologies, and market access tools to re-orient away from the unreliable Russian market. USAID has facilitated \$27.4 million in sales, and helped Moldovan products reach destinations including Belgium, Germany, Poland, Romania, the United Kingdom, and the United Arab Emirates.
- » **In Belarus,** AID-VENTURE helps grow private innovative business while enhancing entrepreneur development and developing the venture financing market. USAID's efforts to increase the role of the private sector in Belarus's economy and to improve the country's market diversification serve to decrease dependency on Russia. Annual USAID-supported nationwide fora, such as Venture Day and Global Entrepreneurship Week, have attracted thousands of participants. More than 300 Belarus startups submitted applications for funding through electronic matching platforms as part of the activity, raising around \$300,000. In 2019, for the first time ever, a fund with an acceleration model was established in Belarus. USAID and the AID-VENTURE project team engaged with leading local investors to contribute to the fund. As a result of USAID's efforts, the local partner raised approximately \$1.1 million. The acceleration fund aims to grow into a full-fledged local venture fund.
- » **In Serbia,** USAID supported an apple exporter association in its effort to expand sales in new overseas markets. In 2018, the program gathered the leading Serbian apple producers and engaged a professional management and marketing team to help increase bargaining power, consolidate the industry, improve its market intelligence, and deploy new marketing strategies. As a result, apple producers successfully penetrated new markets with export sales of approximately \$5 million.
- » **In Azerbaijan,** in response to Russia systematically closing the border to exert political and economic pressure, USAID has used assistance activities to expand Azerbaijan's trade with the United States and other countries. USAID's support to five promising agricultural value chains in 2019 increased beneficiary's export revenues by \$15.7 M.

Cross-Cutting Objective:

COUNTER THE KREMLIN'S USE OF CORRUPTION TO GAIN INFLUENCE AND UNDERMINE THE COUNTRIES IN THE REGION



- ▶ **USAID combats corruption as a source of vulnerability to malign influence by promoting transparent and accountable institutions.** This includes supporting investigative journalism that identifies and exposes the effects of corrosive capital; fostering open, transparent, and competitive energy markets; and encouraging clear, stable, and fair enabling environments for economic growth.

Counter the Kremlin's efforts to use corruption to undermine democratic institutions and the rule of law.

- » Strengthening the independence, professionalism, capacity, and transparency of judicial systems in countries most affected by malign external influence, including the establishment of automated case management information systems, open and transparent judicial selection and disciplining processes, and judicial training.
- » Supporting “watchdog” organizations which monitor and report on efforts to stigmatize or delegitimize civil society organizations or their leaders. These monitoring efforts are shared with regional and international stakeholders and help to inform international advocacy efforts against the discrediting campaigns.

Support investigative journalism to identify and expose corruption fostered by the Kremlin.

- » Supporting investigative networks engaged in cross-border, collaborative reporting, helping them analyze patterns of influence and investment, conflicts of interest, and anticompetitive business practices, and the impact of such agreements on democracy, the environment, and economic growth. Investigative journalism plays a critical role in defending against corrosive capital, particularly when elite-captured institutions fail to safeguard the integrity of the political system and the national interest.

Reduce vulnerabilities to the Kremlin by promoting transparent, well-regulated energy markets.

- » Supporting the development of EU-compliant domestic and regional energy markets that enable fair and transparent competition and reduce political influence in price regulation and infrastructure investment decisions.
- » Developing tools to increase transparency of the sector and independent regulators' ability to detect and root out market abuse and corruption.

Reduce vulnerabilities to Kremlin corruption and influence by developing fair, transparent business enabling environments and promoting competitive economies.

- » Advancing the development of fair, predictable business enabling environments and transparent, law-based economic governance. These programs increase openness, reduce costs of doing business, and prepare firms to be more competitive.

CROSS-CUTTING OBJECTIVE: Program Highlights

- » **In Armenia**, the Government has established a new Corruption Prevention Commission (CPC), which is an independent body accountable to the parliament and the main entity responsible for preventing corruption across government and society. USAID provides technical expertise and capacity building to guide the new institution's operational and organizational structure and helps the CPC accomplish its mandate.
- » **In Serbia**, USAID assisted in the development of specialized anti-corruption courts by (1) providing specialized training for judges; (2) developing an anti-corruption practicum; and (3) developing an information system for the anti-corruption courts to enable corruption cases to be tracked from beginning to end. This system enables the identification and addressing of inefficiencies and challenges in the adjudication of corruption cases.
- » **In Bosnia and Herzegovina**, a grantee of USAID's Investigative Journalism activity, Žurnal, uncovered a story in April 2020 about a company that made enormous profits by reselling COVID-19 tests to the Federal Civil Protection Office at inflated prices, leading the Sarajevo Cantonal Prosecutor's Office to launch an investigation that resulted in the arrest of the Commander of the Civil Protection in the Federation of BiH and the owner of the company involved.
- » **In Azerbaijan**, the Media Support Activity (MSA) counters malign influence by providing training to independent journalists; combating corruption; prioritizing access to fact-checked information; and promoting the free operation of press and free flow of information. MSA developed the first-ever Azerbaijani-language online journalist resource and online courses on topics including: economic journalism, data journalism, and staying safe online, and supports the only media watchdog resource in the country.



IV. Implementing CMKI:

Lines of Effort

DEVELOPING NEW EVALUATION AND LEARNING TOOLS

USAID carefully monitors, evaluates, and learns from all of its programs, but programs related to CMKI pose particular challenges. Kremlin interference is, by design, often opaque and illicit, and therefore definitively tracking its dynamics can be difficult. Because programs are contending with active efforts to undermine their progress, more careful monitoring of progress and setbacks may be needed. In order to properly monitor, evaluate and learn from ongoing CMKI efforts, USAID is developing customized monitoring tools and indices to track CMKI challenges and progress in the region.

USAID — in partnership with AIDdata, a research consortium at The College of William and Mary — is designing several cross-country comparable tools aligned to the CMKI Development Framework. These new tools will include an energy security index, a media vulnerability index, and a civil society vulnerability index. See below for a brief description of each index.

CUSTOM CMKI MONITORING TOOLS

ENERGY SECURITY INDEX

Assesses energy security by measuring:

- » age and quality of infrastructure;
- » extraction, external availability, and trade;
- » fuel distribution and electricity transmission; and
- » power generation and storage.

MEDIA VULNERABILITY INDEX

Assesses media vulnerability by analyzing:

- » the domestic media landscape;
- » the reach of foreign actors; and
- » the resilience of E&E countries to political capture and malign influence in domestic media markets.

CIVIL SOCIETY VULNERABILITY INDEX

Assesses civil society vulnerability by quantifying:

- » the enabling environment and trendline for civic space;
- » the extent and ways external actors influence civic space; and
- » areas of vulnerability and resilience to external influence.

COUNTERING MALIGN KREMLIN INFLUENCE IN THE CONTEXT OF COVID-19

In addition to hampering economic growth and burdening health, education, and social systems, COVID-19 is also challenging democratic institutions. Democracies now face a new set of governance challenges and scrutiny from citizens in responding to the pandemic. In addition, core democratic processes, such as conducting elections, legislative and judicial proceedings, receiving citizen input, and working with the media, all have become more difficult logistically under social distancing conditions.

The COVID-19 pandemic has also further exacerbated the problem of disinformation. Some have labeled the disinformation from the outbreak as an “infodemic,” describing it as an overwhelming amount of information that can make it hard for people to sort out the trustworthy from the unreliable. When uncertainty and confusion exist, misinformation and disinformation flourish, leaving communities vulnerable to rumors, conspiracy theories, and harmful content about the virus’ origin, preventative measures, and treatment.

USAID has adapted programming to address these new challenges by using new funding to bolster the ability of our partners to manufacture medical supplies and to support democracy threatened by the secondary effects of COVID-19. USAID has also redirected existing funding and modified existing activities to counter disinformation and bolster health systems that were previously reliant on goods and services from Russia. Figure 5 provides some illustrative examples of USAID programmatic efforts to respond to malign influence in the context of COVID-19.

FIGURE 5

CMKI ACTIVITIES IN THE CONTEXT OF COVID-19



DEMOCRACY:

USAID is using \$5 million in new COVID-19 funding to address the secondary impacts COVID-19 is having on democracy development in the E&E region. Interventions supporting civil society and media groups to combat pandemic related disinformation; and COVID-19. Since April, this activity has supported over 50 local civil society groups in the E&E region. These groups build trust in their communities and strengthen the legitimacy of the media and civil society organizations, thereby making them less vulnerable to malign Kremlin influence.



INFORMATION:

The COVID-19 “infodemic” of disinformation from pro-Kremlin and other malign sources promoted the coordinated effort of seven regional fact-checkers from six different countries in the Western Balkans to establish a regional fact checking network, SEE Check. By the end of June, SEE Check members had cumulatively published over 500 topical fact-checks and increased their readership by more than 400 percent. Through its partnership with the Balkan Trust for Democracy, USAID has supported the efforts of several SEE Check members and is in negotiations to support the network as a whole.



ENERGY:

USAID is improving sanitary conditions in a Serbian hospital designated for COVID-19 patients by supporting energy system efficiency and equipment modernization that will reduce the use of Russian supplied gas. These improvements include reinstating hot water supply to the surgical and maternity wards after a decade of operations under substandard conditions due to failed equipment.



ECONOMIC GROWTH:

USAID is providing approximately \$10 million to Italian businesses to increase production of medical equipment and supplies needed for COVID-19. This effort supports health-care personnel and patients by providing financing and technical assistance to Italian factories and supply chains. This will allow Italy to reduce reliance on poor-quality donations from Russia, which provided a shipment of ventilators, disinfectants, masks, protective equipment and testing kits in March. Despite reports that the products were of such poor quality that they were useless, Russia still secured positive press attention.

V. The Way Forward

As demonstrated, USAID has fully integrated CMKI goals into its work in the Europe and Eurasia region, and achieved substantial progress in bolstering the resilience of partner institutions. In the future, we will build on the foundational steps taken during this first year to further refine our approach, and USAID programs — both from regional platforms based in Washington and missions in the field — will continue to help our partners resist malign foreign influence. Towards this end, USAID will leverage the CMKI Development Framework to further guide the development, implementation, and evaluation of new and existing activities in the E&E region. Other regions in the world are also experiencing malign influence, such as the Middle East and Latin America. USAID will expand its CMKI Development Framework to take into account the challenges particular to those regions and develop tailored approaches.

However, malign influence and its vectors are not static, and Moscow is not the only power seeking to subvert democratic and free market institutions in Europe and Eurasia for its own benefit. With that in mind, USAID will continue to actively adapt its approach, and design new programs and activities as needed to respond. USAID Missions and Bureaus are well positioned to monitor the evolving nature of malign influence on the ground and can calibrate implementation of the framework as appropriate. Further, though the framework is geared toward countering influence from the Kremlin, it can also provide a foundation to inform efforts to counter external malign influence from other sources.

In addition, USAID will work to cultivate and expand on its relationships with key donor partners, who are also concerned about malign influence in Europe and Eurasia. USAID's donor partners bring valued expertise, experience, and innovative ideas to the problem, and we will coordinate our programming to minimize overlap and address gaps. The more USAID can align with its partners to counter malign Kremlin influence, the greater the resources we can deploy to address this problem across the region.

As the challenge of malign influence from the Kremlin and beyond is unlikely to abate over the near term, USAID's work to reorient its operations over the past year will ensure that we are well positioned to serve as a pillar of support for our partner countries in the region and beyond. By remaining agile and forward-thinking, USAID can help these vulnerable countries not only resist foreign malign influence, but also provide them with opportunities for greater liberty and prosperity and to chart their independent paths towards self-reliance.



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