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# Information Report: Countering Russian Influence Fund

INFORMATION REPORT

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## SUMMARY OF REVIEW

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The Consolidated Appropriations Act, 2017<sup>1</sup> specified that not less than \$100 million in existing foreign assistance funding be “made available to civil society organizations and other entities . . . for rule of law, media, cyber, and other programs that strengthen democratic institutions and processes, and counter Russian influence and aggression.” From FY 2017 through FY 2022, Congress designated \$1.5 billion within four foreign assistance appropriations accounts as the Countering Russian Influence Fund (CRIF). CRIF programs are designed to (1) achieve Countering America’s Adversaries Through Sanctions Act<sup>2</sup> (CAATSA) goals for countering malign Russian influence and (2) support the Department of State (Department) and U.S. Agency for International Development (USAID) Joint Strategic Plan and Joint Regional Strategy. The Office of the Coordinator of U.S. Assistance for Europe and Eurasia (ACE), in coordination with the Office of Foreign Assistance leads Department CAATSA and CRIF implementation. In addition, ACE oversees CRIF-designated foreign assistance allocations funded through two foreign assistance appropriations accounts: the Assistance for Europe, Eurasia and Central Asia (AEECA) account and the International Narcotics Control and Law Enforcement (INCLE) account.<sup>3</sup>

The Office of Inspector General (OIG) conducted this review to determine whether the Department complied with legislative requirements and Department guidance applicable to CRIF. These requirements include submitting annual reports on programs and activities implemented to achieve CAATSA goals,<sup>4</sup> incorporating CAATSA goals into strategic planning efforts, and incorporating CRIF-designated foreign assistance funds into annual budget processes.

OIG found that the Department complied with legislative requirements and Department guidance applicable to CRIF. From FY 2018 through FY 2022,<sup>5</sup> ACE complied with CAATSA-mandated annual reporting requirements, submitting reports to Congress that detailed the amount of foreign assistance funding for each CAATSA-related program or activity, the CAATSA goal to which each program or activity related, and an assessment of whether the goal was met. In addition, ACE’s annual CAATSA-mandated reports included detailed program narratives and breakdowns of funds for each CAATSA goal by country. The reports also

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<sup>1</sup> Consolidated Appropriations Act, 2017, Public Law 115-31, § 7070(d)(1), May 5, 2017.

<sup>2</sup> Countering America’s Adversaries Through Sanctions Act, Public Law 115-44, § 254(b), August 2, 2017, codified at 22 U.S. Code § 9543(b).

<sup>3</sup> In addition to AEECA and INCLE, CRIF designations also include Foreign Military Financing Programs (FMF) and International Military Education and Training (IMET) foreign assistance funds. However, according to the Foreign Affairs Manual (FAM), the Bureau of Political-Military Affairs is responsible for directing FMF and IMET security assistance programs, including policy development and review, budget formulation, and program oversight [1 FAM 416.2(b)].

<sup>4</sup> Public Law 115-44, § 254(d)(3), page 131 Stat. 929, codified at 22 U.S. Code § 9543(d)(3).

<sup>5</sup> CAATSA was enacted on August 2, 2017, and the first report to Congress was due by April 1, 2018. According to the FY 2017 report, FY 2017 funds had not yet been fully obligated, so this report only covered planned Department activities. OIG did not verify whether ACE and its implementing partners complied with these policies and procedures when reporting on FY 2017 CRIF funds. However, the Department included information for appropriated FY 2017 funds as part of the FY 2018 report.

identified the amount of CRIF-designated and non-CRIF-designated foreign assistance funds associated with each program and activity.

With respect to Department strategic planning efforts, OIG found that CAATSA goals align with countering malign Russian influence goals and objectives within the Department and USAID's *Joint Strategic Plan FY 2018 – 2022*<sup>6</sup> and *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)*.<sup>7</sup> This alignment is in accordance with Department requirements, the Foreign Affairs Manual (FAM), and Program Design and Performance Management Toolkit guidance. Furthermore, with respect to annual Department budget processes, OIG found that budget formulation efforts, annual budget requests, and program allocations consider and incorporate CRIF-designated foreign assistance funds in accordance with the FAM. Although the Department does not specifically request CRIF-designated foreign assistance funds and does not address CRIF in its annual Congressional Budget Justification, ACE and the Office of Foreign Assistance consider and incorporate CRIF-designated funds when formulating foreign assistance funding requests.

OIG also found that ACE developed and implemented policies and procedures for directing CRIF-designated foreign assistance funds to achieve CAATSA goals. Specifically, ACE conducts annual budget reviews (ABR) to assess program performance and build annual budgets that support assistance strategies, including CRIF-attributed program planning. ACE also uses ABR results to inform final program allocation determinations, including CRIF-designated foreign assistance funding allocations, which the Office of Foreign Assistance approves prior to implementation.

ACE and the Office of Foreign Assistance were well positioned to comply with legislative requirements and Department guidance related to CRIF due, in part, to ACE efforts to address deficiencies identified and implement recommendations offered in OIG's 2020 audit of ACE efforts to monitor foreign assistance funds transferred to implementing partners.<sup>8</sup> For example, ACE developed and implemented policies and procedures to help implementing partners identify and request CRIF-designated foreign assistance funding. Such procedures include using annual budget and project proposal templates and convening annual review panels to discuss and program CRIF-attributed proposals.

Although this report contained no recommendations and was solely intended as an information report, OIG provided a draft to the Bureau of European and Eurasian Affairs and the Office of Foreign Assistance and requested a formal response as part of OIG's standard practice. The Department elected not to provide a formal response or technical comments.

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<sup>6</sup> Department and USAID, *Joint Strategic Plan FY 2018 – 2022* (February 2018).

<sup>7</sup> Department and USAID, *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)* (January 1, 2019).

<sup>8</sup> OIG, *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners* (AUD-CGI-20-12, March 2020). See also Appendix A, "Purpose, Scope, and Methodology," of this report for details of the prior OIG audit as it relates to the purpose of this review.

## OBJECTIVE

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OIG conducted this review to determine whether the Department complied with legislative requirements and Department guidance applicable to CRIF.<sup>9</sup> These requirements include submitting annual reports on programs and activities implemented to achieve CAATSA goals,<sup>10</sup> incorporating CAATSA goals into strategic planning efforts, and incorporating CRIF-designated foreign assistance funds into annual budget processes.

## BACKGROUND

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CRIF's purpose is to provide foreign assistance to countries vulnerable to influence and aggression by the Russian Federation that lack the economic capabilities to effectively respond.<sup>11</sup> CRIF assistance is provided to North Atlantic Treaty Organization and European Union member countries, as well as countries seeking membership in those organizations, including Albania, Bosnia and Herzegovina, Georgia, Kosovo, Macedonia, Moldova, Serbia, and Ukraine.<sup>12</sup>

CRIF was first established in the Consolidated Appropriations Act, 2017,<sup>13</sup> which specified that not less than \$100 million of the approximately \$8.2 billion appropriated under the AEECA, Foreign Military Financing Programs (FMF), and INCLE appropriation accounts for FY 2017 "be made available to civil society organizations and other entities . . . for rule of law, media, cyber, and other programs that strengthen democratic institutions and processes, and counter Russian influence and aggression."<sup>14</sup> Subsequent appropriations for FY 2018 through FY 2022 specified that additional funding within the three accounts, as well as funding within the International Military Education and Training (IMET) account, be designated for CRIF.<sup>15</sup> From FY 2017 through FY 2022, CRIF-designated foreign assistance fund appropriations totaled

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<sup>9</sup> OIG intended to review ACE oversight of CRIF-designated foreign assistance funding as part of this review. However, OIG excluded assessments of ACE oversight of funding transferred to implementing partners due to previous OIG findings, associated recommendations, and updates to ACE policies and procedures. In addition, ACE did not attribute FY 2022 programs to CRIF prior to or during OIG's review. See Appendix A of this report for additional details.

<sup>10</sup> Public Law 115-44, § 254(d)(3), page 131 Stat. 929, codified at 22 U.S. Code § 9543(d)(3).

<sup>11</sup> See Public Law 115-44, § 254(b), page 131 Stat. 928, codified at 22 U.S. Code § 9543(b).

<sup>12</sup> The 29 countries eligible to receive CRIF funding are identified in Appendix B, "Countering Russian Influence Fund-Designated Foreign Assistance Funding Recipient Countries," of this report.

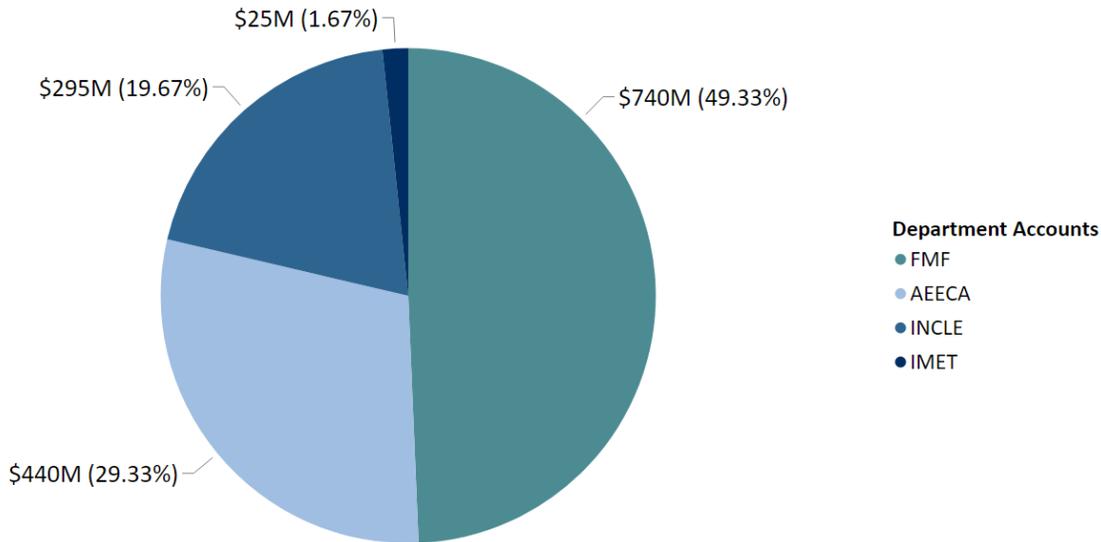
<sup>13</sup> Public Law 115-31, May 5, 2017.

<sup>14</sup> Public Law 115-31, § 7070(d)(1), page 131 Stat. 706.

<sup>15</sup> Consolidated Appropriations Act, 2018, Public Law 115-141, § 7070(d)(1), March 23, 2018, page 132 Stat. 953; Consolidated Appropriations Act, 2019, Public Law 116-6, § 7047(d)(1), February 15, 2019, page 133 Stat. 360; Further Consolidated Appropriations Act, 2020, Public Law 116-94, §7047(d)(1), December 20, 2019, page 133 Stat. 2909; Consolidated Appropriations Act, 2021, Public Law 116-260, §7047(d)(1), December 27, 2020, page 134 Stat. 1789; and Consolidated Appropriations Act, 2022, Public Law 117-103, §7047(d)(1), March 15, 2022, page 136 Stat. 661.

\$1.5 billion. Figure 1 shows the total amount and percentage of CRIF-designated funds appropriated from FY 2017 through FY 2022, broken down by foreign assistance account.

**Figure 1: FY 2017–FY 2022 CRIF-Designated Funding Appropriations by Foreign Assistance Account**



**Source:** Generated by OIG based on reviews of FY 2017–FY 2022 appropriations laws and associated joint explanatory statements.

In August 2017, Congress passed CAATSA,<sup>16</sup> which established goals for programs implemented using CRIF-designated foreign assistance funds and mandated an annual report to Congress on the achievement of those goals.<sup>17</sup> Specifically, CAATSA established six goals for countering Russian influence and authorized the Department to modify goals as necessary, which the Department subsequently did, establishing three additional goals.<sup>18</sup> CAATSA also required that the Department submit an annual report to appropriate congressional committees on the programs and activities carried out to achieve CAATSA goals during the preceding fiscal year. Each report must include the amount of funding for each program or activity, the CAATSA goal to which each program or activity relates, and an assessment of whether the applicable CAATSA goal was met.<sup>19</sup>

### ACE and Office of Foreign Assistance Roles and Responsibilities

ACE, in coordination with the Office of Foreign Assistance, leads the Department’s implementation of CAATSA and CRIF. ACE is responsible for coordinating U.S. government agencies’ foreign assistance to European and Eurasian countries, including efforts to counter

<sup>16</sup> Public Law 115-44, August 2, 2017.

<sup>17</sup> Public Law 115-44, § 254, codified at 22 U.S. Code § 9543.

<sup>18</sup> See Appendix C, “Countering America’s Adversaries Through Sanctions Act Goals and Linkages to Department Strategic Planning,” of this report for a list of the current nine CAATSA goals.

<sup>19</sup> Public Law 115-44, § 254(d)(3)(A) and (B), page 131 Stat. 929, codified at 22 U.S. Code § 9543(d)(3)(A) and (B).

malign Russian influence through CAATSA and CRIF. Accordingly, ACE directs region-wide strategic planning, program policy development, program budget planning, performance monitoring, and reporting and evaluation of U.S. government assistance.<sup>20</sup> ACE coordinates with the Office of Foreign Assistance, which leads and coordinates the Department and USAID's overall foreign assistance resources to ensure that foreign assistance funds and programs align with and are advancing U.S. policy goals. In addition, the Office of Foreign Assistance provides general oversight and direction for policy, strategy, budget, and performance related to U.S. foreign assistance.<sup>21</sup>

ACE, in conjunction with the Office of Foreign Assistance and in consultation with internal and external stakeholders, also determines how to allocate AEECA and INCLE foreign assistance funds designated for CRIF. The Bureau of Political-Military Affairs is responsible for directing FMF and IMET security assistance programs.<sup>22</sup> ACE officials confirmed ACE is not responsible for programming FMF and IMET funds. ACE officials also stated that ACE is responsible for completing the Department's annual reports required under CATSAA.<sup>23</sup>

## **Department Strategic Planning and Budget Formulation**

According to the FAM, strategic planning takes place at several levels.<sup>24</sup> At the agency level, the Department and USAID develop a 4-year Joint Strategic Plan outlining overarching goals and objectives guiding bureau and mission planning. The Department and USAID also develop 4-year joint regional strategies that establish priorities and guide resource allocation at the regional level. The objectives from these strategies are used for a range of purposes, including Congressional Budget Justifications, Foreign Assistance Operational Plans, ensuring alignment with other relevant strategies, and linking bureau or mission objectives to U.S. foreign policy priorities, among others.<sup>25</sup> In addition, the Department's Program Design and Performance Management Toolkit states that aligning programs to existing strategies, such as a joint regional strategy, helps to operationalize strategic documents and support bureaus, offices, or posts in meeting goals and objectives. Aligning programs to existing strategies can help reduce the risk of lost time or resources and further strategic goals and objectives.<sup>26</sup>

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<sup>20</sup> 1 FAM 143.1(3), (5), and (7), "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)."

<sup>21</sup> 1 FAM 033.1(b), (c), and (d), "Responsibilities."

<sup>22</sup> 1 FAM 416.2(b), "Office of Security Assistance (PM/SA)," states that the Bureau of Political-Military Affairs, Office of Security Assistance, is responsible for directing security assistance programs, including policy development and review, budget formulation, and program oversight.

<sup>23</sup> For this review, OIG included FMF and IMET in its assessment of the Department's compliance with annual CAATSA reporting requirements because both appropriations accounts apply to CAATSA. However, OIG excluded FMF and IMET from its review of ACE's consideration of CRIF funds when formulating annual budgets because ACE has no role in budget development or program implementation for either account.

<sup>24</sup> 18 FAM 301.2-1(b), "Purpose."

<sup>25</sup> Ibid.

<sup>26</sup> Department, Program Design and Performance Management Toolkit, "Section 1: Align Programs to Advance Existing Strategies," page 8.

According to the FAM, the “Department’s annual budget formulation process aligns and prioritizes resources against strategic plans.”<sup>27</sup> Once a final budget is passed, Congress generally requires the Department to submit operating or allocation plans to present how the enacted funds will be distributed amongst specific bureaus, programs, and priorities.<sup>28</sup>

## RESULTS

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### **The Department Complied With Legislative Requirements and Department Guidance Applicable to CRIF**

OIG determined that the Department complied with legislative requirements and Department guidance applicable to CRIF. Specifically, ACE submitted annual reports on the programs and activities carried out to achieve CAATSA goals for FY 2018 through FY 2022, and the reports included all required elements. In addition, the Department incorporated CAATSA goals into strategic planning efforts and incorporated CRIF-designated foreign assistance funds into annual budget processes. ACE also convenes a review panel annually to discuss, program, and attribute CRIF-designated foreign assistance funding proposals. ACE and the Office of Foreign Assistance were well positioned to comply with legislative requirements and Department guidance related to CRIF, in part, because ACE developed, updated, and implemented internal guidance and standard operating procedures to improve oversight activities in response to a prior OIG audit.<sup>29</sup> For example, ACE developed and implemented policies and procedures to help implementing partners identify and request CRIF-designated foreign assistance funding. Such procedures include using annual budget and project proposal templates and convening annual review panels to discuss and program CRIF-attributed proposals.

### ***The Department Complied With CAATSA Annual Reporting Requirements***

OIG determined that ACE’s annual CAATSA reports included all mandated elements<sup>30</sup> and met legislative requirements. OIG reviewed ACE’s annual CAATSA reports for FY 2018 through FY 2022, which addressed CRIF-attributed programming for FY 2017–FY 2021. The reports (1) identified the amount of funding directed to achieving CAATSA goals, broken down by goal and country, (2) identified the CAATSA goal to which each program or activity related, and (3) included an assessment of whether the goal was achieved. ACE’s annual CAATSA reports have accounted for the full amount of CRIF-designated foreign assistance funds appropriated for FY 2017–FY 2020.<sup>31</sup>

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<sup>27</sup> 18 FAM 301.1-3, “Budgeting.”

<sup>28</sup> Ibid.

<sup>29</sup> AUD-CGI-20-12, March 2020. See also Appendix A of this report for details of this prior OIG audit related to the purpose of this review.

<sup>30</sup> See Public Law 115-44, § 254(d)(3).

<sup>31</sup> As of the most recent CAATSA report, the full amount of FY 2021 CRIF-designated foreign assistance funds had not been allocated. ACE officials stated that FY 2021 CRIF deliberations were ongoing at the time of OIG’s review.

Although CAATSA reports must include all CRIF-designated foreign assistance funds allocated annually, the reports ACE submitted to Congress also included non-CRIF designated foreign assistance funds allocated to achieve CAATSA goals. For example, in its FY 2021 CAATSA report,<sup>32</sup> ACE stated that the Department allocated approximately \$208 million to achieve CAATSA Goal 2, “Rule of Law & Anticorruption.” This included funds from Department and USAID bilateral foreign assistance accounts;<sup>33</sup> however, only approximately \$75 million of the \$208 million (36 percent) was attributed to CRIF. ACE also reported on programs that were funded through other accounts. For example, ACE reported that in FY 2021, the Department allocated approximately \$999,000 to achieve CAATSA Goal 6, “Countering Propaganda & Disinformation;” however, the funding was allocated from the Global Engagement Center’s Diplomatic Programs account, rather than Department and USAID bilateral foreign assistance accounts. Annually, CRIF-designated foreign assistance funds comprise approximately 26 percent of total funding allocated to achieve CAATSA goals, with non-CRIF designated foreign assistance funds comprising the remaining 74 percent.

ACE’s annual CAATSA reports also contained detailed narratives of programs and activities that the Department and its implementing partners carried out to achieve CAATSA goals in countries throughout Europe, Eurasia, and Central Asia. For example, in the FY 2021 CAATSA report, ACE reported that

[The] Rule of Law program in Moldova improved the accountability and transparency of the justice system, increased delivery of services, supported the National Institute of Justice on ethics standards and professionalization, built capacity to investigate and prosecute corruption and transnational organized crime, supported court reorganization, upgraded case management system, and supported the general police inspectorate and the prosecution service.<sup>34</sup>

ACE also stated in its FY 2021 CAATSA report that the Independent Media and Civil Society program in Bosnia and Herzegovina “increased the resilience of media and [civil society organizations] to disinformation, supported investigative journalism focused on corruption, improved the ability of [civil society organizations] to counter corruption, and promoted education initiatives to counter Russian disinformation efforts to stoke distrust among ethno-religious groups.”<sup>35</sup>

In addition to these detailed narratives, ACE noted in its FY 2018 CAATSA report that “[a]cross Europe, U.S. assistance has made a significant contribution towards the achievement of CAATSA

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<sup>32</sup> ACE, “Report to Congress on Programs and Activities Carried Out to Achieve Goals During the Preceding Fiscal Year regarding the Countering Russian Influence Fund 22 USC 9543(d)(3): Coordinating Aid and Assistance Across Europe and Eurasia,” April 13, 2022.

<sup>33</sup> This includes all foreign assistance except Nonproliferation, Anti-Terrorism, Demining, and Related Programs account funding.

<sup>34</sup> ACE, “Report to Congress on Programs and Activities Carried Out to Achieve Goals During the Preceding Fiscal Year regarding the Countering Russian Influence Fund 22 USC 9543(d)(3): Coordinating Aid and Assistance Across Europe and Eurasia,” April 13, 2022, page 4.

<sup>35</sup> *Ibid.*, page 2.

goals. Nevertheless, challenges remain given the dynamic nature of Russian malign influence and varying degrees of vulnerabilities across the region, and the achievement of these goals remains a work in progress.”<sup>36</sup> Similarly, in FY 2019 and FY 2020, ACE stated in the Congressional Report Memoranda associated with the annual CAATSA reports that progress had been made but that continued, long-term engagement and foreign assistance support are needed to achieve CAATSA goals. Based on the review of ACE’s annual CAATSA reports, OIG determined that the Department complied with legislative requirements related to required annual reporting. However, OIG did not validate the statements ACE included in the reports.

### ***The Department Incorporated CAATSA and CRIF in Strategic Planning and Budget Formulation Efforts as Required***

OIG found that ACE and the Office of Foreign Assistance incorporated CAATSA goals into Department strategic planning in accordance with the FAM and the Department’s Program Design and Performance Management Toolkit. In addition, ACE considered CRIF-designated foreign assistance funds when formulating annual budget requests. Furthermore, ACE developed and implemented policies and procedures for directing CRIF-designated foreign assistance funds to achieve CAATSA goals.

### ***CAATSA Goals Align With Department and Bureau Strategic Plans***

OIG compared CAATSA goals<sup>37</sup> to the Department and USAID *Joint Strategic Plan FY 2018 – 2022*, as well as the *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)* and found that each CAATSA goal aligns with one or more goals from these documents. For example, CAATSA Goal 9, “Security,” aligns with Joint Regional Strategy Goal 1, “Strengthen the Western Alliance by making Allies more willing to confront threats,” and Goal 3, “Secure Europe’s eastern and southern frontiers,” which all align with Joint Strategic Plan Goal 1, “Protect America’s Security at Home and Abroad.” In addition, CAATSA Goal 5, “Independent Media & Civil Society,” aligns with Joint Regional Strategy Goal 4, “Promote American values to compete for positive influence against authoritarian rivals,” both of which align with Joint Strategic Plan Goal 3, “Promote American Leadership through Balanced Engagement.”<sup>38</sup>

### ***The Department Considered CRIF When Developing Annual Budget Requests***

OIG found that ACE considered CRIF-designated AEECA and INCLE foreign assistance funds when formulating annual budget requests for FY 2018 through FY 2022. Specifically, as part of the budget formulation process, ACE conducts ABRs with each agency that implements

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<sup>36</sup> ACE, “Report to Congress on Implementation of Section 254(d)(3) of the Countering America’s Adversaries Through Sanctions Act of 2017 P.L. 115-14,” page 1.

<sup>37</sup> See Appendix C of this report for a list of the current nine CAATSA goals.

<sup>38</sup> See Appendix C of this report for the results of OIG’s comparison of the Department and USAID *Joint Strategic Plan FY 2018 – 2022* and *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)*, to CAATSA goals.

assistance programs<sup>39</sup> to assess program performance and build annual budgets that support assistance strategies. Through the ABR process, ACE requests monitoring and evaluation data from implementing partners, analyzes activities and performance over the past year, and solicits funding requests for the coming fiscal year. These reviews are conducted for all programs, including those that previously received CRIF-designated funding. The reviews help determine the amount of foreign assistance funding the Department will request from Congress for any given fiscal year.

Although the Department considers CRIF when developing budget estimates, it does not specifically request CRIF-designated foreign assistance funds. As a result, the Department does not address CRIF in its annual Congressional Budget Justification. According to Office of Foreign Assistance officials, CRIF-designated foreign assistance funds are not explicitly incorporated into the Department's annual Congressional Budget Justification because, at the time CAATSA authorized CRIF funds, the legislation did not provide new foreign assistance funding.<sup>40</sup>

In addition, Office of Foreign Assistance officials told OIG that CRIF-designated foreign assistance funds are not included in annual budget requests because the Department's total spending on countering malign Russian influence in Europe, Eurasia, and Central Asia exceeds annual CRIF-designated funding levels. According to Department planning documents required under the Foreign Assistance Act of 1961,<sup>41</sup> from FY 2017 through FY 2021,<sup>42</sup> CRIF comprised \$1.2 billion of the \$4.9 billion (24 percent) in total foreign assistance allocated to 29 CRIF-eligible countries in Europe, Eurasia, and Central Asia. CRIF comprised approximately 26 percent of the \$4.6 billion in total assistance provided under the AEECA, FMF, IMET, and INCLE accounts over this same period. Figure 2 depicts this funding comparison.

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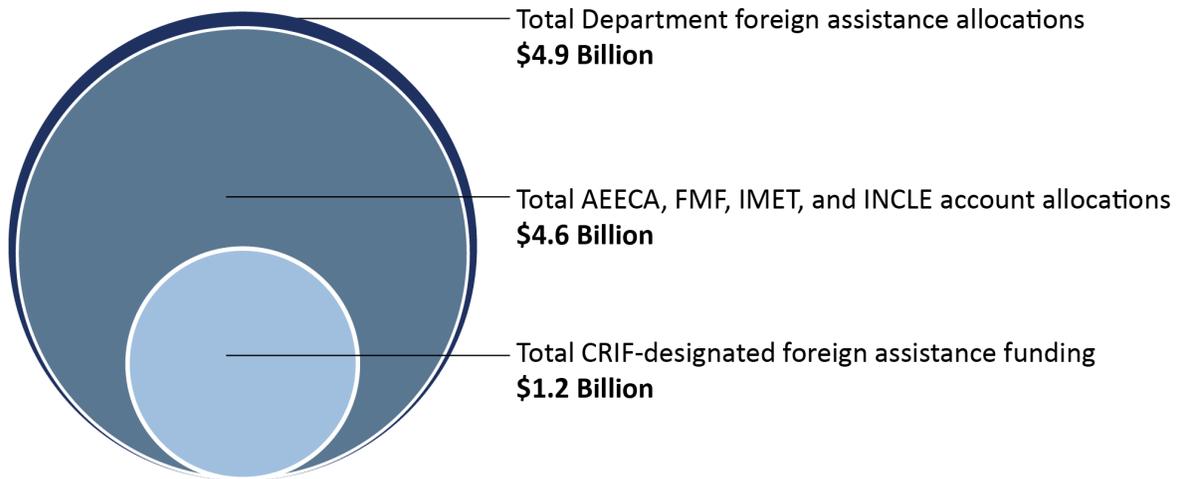
<sup>39</sup> According to ACE officials, most CRIF-designated foreign assistance funding is transferred to implementing partners, such as the Department of Defense and USAID, to carry out assistance programs in Europe, Eurasia, and Central Asia to achieve CAATSA goals.

<sup>40</sup> In accordance with FY 2017 through FY 2022 annual appropriations, CRIF-designated foreign assistance funds are provided via existing foreign assistance funds appropriated to the AEECA, FMF, IMET, and INCLE accounts.

<sup>41</sup> Section 653(a) of the Foreign Assistance Act of 1961, as amended [Public Law 92-226, February 7, 1972, § 653(a), codified at 22 U.S. Code § 2413(a)], requires the President to notify Congress of each foreign country and international organization to which the U.S. government intends to provide appropriated foreign assistance funds and the amount of funds, by category of assistance, that the U.S. government intends to provide to each foreign country and international organization. Such notifications are commonly referred to as "653(a) reports."

<sup>42</sup> OIG excluded FY 2022 from this analysis because the Department had not yet developed foreign assistance allocations, including CRIF-designated appropriations, to country programs prior to OIG's review.

**Figure 2: FY 2017–FY 2021 Foreign Assistance Funding Allocations in Countries That Received CRIF-Designated Funds**



**Source:** Generated by OIG based on review of annual appropriations laws and Department 653(a) reports for FY 2017–FY 2021.

In addition to building annual budgets that support ACE assistance strategies, ABRs also help ACE and its implementing partners make informed decisions on preliminary resource allocations, including CRIF-designated foreign assistance funds, and identify problems and issues with current program implementation. In conjunction with the Office of Foreign Assistance, and in consultation with other Department and external stakeholders, ACE determines how to allocate foreign assistance funds, a substantial portion of which are subject to earmarks and directives, such as CRIF. Allocation decisions are ultimately reflected in spend plans agreed upon by ACE and overseas posts. During ABRs, ACE discusses funding requests with partners, develops preliminary allocations based on information gathered from partners and ACE’s understanding of the Department’s regional priorities, and finalizes allocations in dialogues with overseas posts.

***ACE and the Office of Foreign Assistance Were Well Positioned to Comply with Legislative Requirements***

ACE and the Office of Foreign Assistance were well positioned to comply with legislative requirements and Department guidance related to CRIF due, in large part, to ACE efforts to address deficiencies identified and implement recommendations offered in OIG’s 2020 audit of the ACE efforts to monitor foreign assistance funds transferred to implementing partners.<sup>43</sup> In addition to completing CAATSA-mandated annual reporting and incorporating CAATSA goals and CRIF-designated foreign assistance funding in strategic planning and budget formulation processes, OIG found that ACE developed and implemented policies and procedures for directing CRIF funds to achieve CAATSA goals.

<sup>43</sup> AUD-CGI-20-12, March 2020. See also Appendix A of this report for details of this prior OIG audit and associated limits of this review.

For example, in July 2021, ACE implemented “Standard Operating Procedures for Decisions on CRIF Proposals,”<sup>44</sup> for AEECA-funded project proposals, which “integrated CRIF earmark planning into the broader ABR process.”<sup>45</sup> The guidance outlines ACE requirements for implementing partners submitting CRIF applicable proposals, including:

- Completing ABR budget and narrative templates that include justifications for CRIF.
- Determining whether to request only AEECA funds, only CRIF AEECA funds, or a combination of the two.
- Identifying ongoing versus new programming and attributing programs to specific CAATSA goals.
- Prioritizing programming associated with specific CAATSA goals.

In addition, ACE encouraged implementing partners to use CRIF-designated foreign assistance funding for immediate and short-term interventions rather than for long-term activities.

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<sup>44</sup> ACE, Standard Operating Procedures for Decisions on CRIF Proposals, July 13, 2021.

<sup>45</sup> Ibid., page 1.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The purpose of this review was to determine whether the Department of State (Department) complied with legislative requirements and Department guidance applicable to the Countering Russian Influence Fund (CRIF). These requirements include submitting annual reports on the programs and activities carried out to achieve Countering America's Adversaries Through Sanctions Act (CAATSA) goals,<sup>1</sup> incorporating CAATSA goals into strategic planning efforts, and incorporating CRIF-designated foreign assistance funds into annual budget processes.

OIG conducted its work from April to July 2022 in the Washington, DC, metropolitan area at the Office of Foreign Assistance and the Office of the Coordinator of U.S. Assistance for Europe and Eurasia (ACE). OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that OIG plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the review objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the review objective.

To determine whether the Department complied with CRIF legislative requirements, OIG reviewed pertinent laws, including annual appropriations laws from FY 2017 through FY 2022, accompanying explanatory statements, and CAATSA. To determine whether the Department complied with guidance applicable to CRIF, OIG analyzed Department guidance related to program management, including the Foreign Affairs Manual (FAM), the Program Design and Performance Management Toolkit, and ACE internal guidance regarding annual budget review (ABR) and program management processes.

OIG also reviewed the Department's Office of Foreign Assistance annual 653(a) reports<sup>2</sup> to determine the amount of foreign assistance funding provided to 29 CRIF-eligible countries in Europe, Eurasia, and Central Asia, as well as ACE's annual CAATSA reports to determine the amount of CRIF-designated foreign assistance funding each country received. Additionally, OIG reviewed the Department and U.S. Agency for International Development (USAID) *Joint Strategic Plan FY 2018 – 2022*<sup>3</sup> and *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)*<sup>4</sup> to determine whether Department strategic plans incorporated CAATSA goals. Furthermore, OIG reviewed the

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<sup>1</sup> Countering America's Adversaries Through Sanctions Act, Public Law 115-44, § 254(d)(3), page 131 Stat 929, codified at 22 U.S. Code § 9543(d)(3).

<sup>2</sup> Section 653(a) of the Foreign Assistance Act of 1961, as amended (Public Law 92-226, February 7, 1972, § 653(a), page 28), codified at 22 U.S. Code § 2413(a), requires the President to notify Congress of each foreign country and international organization to which the U.S. government intends to provide appropriated foreign assistance funds and the amount of funds, by category of assistance, that the U.S. government intends to provide to each foreign country and international organization. Such notifications are commonly referred to as "653(a) reports."

<sup>3</sup> Department and USAID, *Joint Strategic Plan FY 2018 – 2022* (February 2018).

<sup>4</sup> Department and USAID, *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)* (January 1, 2019).

Department's annual Congressional Budget Justifications to determine whether CRIF-designated foreign assistance funds were considered when formulating annual budgets.

Although this report contained no recommendations and was solely intended as an information report, OIG provided a draft to the Bureau of European and Eurasian Affairs and the Office of Foreign Assistance and requested a formal response as part of OIG's standard practice. The Department elected not to provide a formal response or technical comments.

## **Prior Audit Report**

In the *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners* (AUD-CGI-20-12, March 2020), OIG reported that ACE did not ensure implementing partners conducted monitoring and evaluation activities. In addition, OIG reported that ACE did not obtain necessary data from implementing partners to analyze U.S. foreign assistance being provided to Europe, Eurasia, and Central Asia or effectively coordinate funding for policies and programs among all U.S. government agencies. The lack of oversight occurred, in part, because ACE's primary focus was foreign assistance funding allocation, rather than foreign assistance program oversight. In addition, ACE did not establish standard operating procedures to verify that implementing partners performed required oversight activities and executed sound management of ACE-provided resources or to ensure that the office consistently collected monitoring and evaluation data. Furthermore, ACE did not have a tool to analyze and maintain such data to determine whether implementing partners achieved U.S. policy goals in the region.

OIG offered six recommendations that were intended to improve ACE oversight of its implementing partners. To address these recommendations, ACE developed, updated, and implemented internal guidance and standard operating procedures related to project design, monitoring and evaluation, and tools to improve oversight activities. Such tools include templates for documenting progress review summaries, indicator trackers, and fund transfer agreements and letters. In addition, ACE communicated Department requirements for managing, monitoring, and evaluating outcomes and expectations for reporting data and information to implementing partners. All six recommendations were implemented and closed by March 2021.

## **Scope Limitations**

OIG excluded assessments of implementation of Foreign Military Financing Programs (FMF) and International Military Education and Training (IMET) security assistance funds, as well as ACE oversight of assistance funds transferred to implementing partners from this review. According to the FAM,<sup>5</sup> the Bureau of Political-Military Affairs is responsible for directing FMF and IMET security assistance programs, including policy development and review, budget formulation, and program oversight. ACE officials confirmed that ACE is not responsible for programming FMF and IMET funds; therefore, OIG excluded those funds from its review of ACE's

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<sup>5</sup> 1 FAM 416.2(b), "Office of Security Assistance (PM/SA)."

incorporation of CRIF-designated foreign assistance funds in annual budget formulation processes. However, ACE is responsible for annual CAATSA reports, which addressed all foreign assistance funding programmed to achieve CAATSA goals. Therefore, OIG did consider FMF and IMET funds in the context of annual CAATSA reporting.

Additionally, OIG excluded assessments of ACE oversight of funding transferred to implementing partners for two reasons. First, the prior OIG report's findings were based on analyses of funds transferred to implementing partners during FY 2017 and FY 2018. Although the prior audit did not examine funds transferred during FY 2019–FY 2021, such funds would have been managed, in whole or in part, under ACE's pre-March 2021 procedures. Therefore, any deficiencies identified during this review would be reflective of ACE's previous processes, which OIG had already reported on and ACE had taken actions to correct. Secondly, during this review, ACE had not yet established which programs from FY 2022—the first year in which program implementation would come fully under the new standard operating procedures for making decisions on CRIF proposals—would be attributed to CRIF. Therefore, during the research phase for this review, OIG excluded ACE oversight of FY 2022 funds transferred to implementing partners because there would be an insufficient amount of information on which to base findings and conclusions. Therefore, OIG limited its review to legislative reporting requirements and Department guidance related to strategic planning and budget processes.

## APPENDIX B: COUNTERING RUSSIAN INFLUENCE FUND-DESIGNATED FOREIGN ASSISTANCE FUNDING RECIPIENT COUNTRIES

Figure B.1 shows the countries throughout Europe, Eurasia, and Central Asia that received Countering Russian Influence Fund (CRIF)-designated foreign assistance funds from FY 2017 through FY 2021.

**Figure B.1: Areas of Europe, Eurasia, and Central Asia That Received CRIF-Designated Foreign Assistance Funding**



**Source:** Generated by OIG based on review of annual Countering America’s Adversaries Through Sanctions Act (CAATSA)-mandated reports for FY 2017–FY 2021.

Table B.1 lists the individual countries that received CRIF-designated foreign assistance funds and the total amount of CRIF funds designated to each from FY 2017 through FY 2021.

**Table B.1: Countries That Received CRIF-Designated Foreign Assistance Funding From FY 2017 Through FY 2021**

Country	Total CRIF-Designated Funds
Moldova	\$98,172,456
Regional Programs*	\$94,204,853

<b>Country</b>	<b>Total CRIF-Designated Funds</b>
Bosnia and Herzegovina	\$80,846,580
Latvia	\$73,278,170
North Macedonia	\$67,472,572
Romania	\$66,146,297
Lithuania	\$64,109,742
Kosovo	\$61,157,070
Serbia	\$55,567,000
Montenegro	\$50,021,746
Estonia	\$48,679,989
Bulgaria	\$47,709,686
Slovenia	\$40,354,270
Albania	\$39,020,431
Armenia	\$30,464,000
Hungary	\$17,697,850
Georgia	\$15,403,638
Croatia	\$11,426,480
Slovakia	\$11,388,440
Ukraine	\$10,800,000
Czech Republic	\$10,077,680
Belarus	\$8,370,000
Uzbekistan	\$8,000,000
Azerbaijan	\$4,728,670
Poland	\$2,554,890
Kyrgyz Republic	\$2,000,000
Greece	\$684,730
Kazakhstan	\$600,000
Turkey	\$239,090
Malta	\$75,000
<b>Total</b>	<b>\$1,021,251,330†</b>

\* CRIF-designated foreign assistance funds were also allocated to regional programs, providing funds to multiple CRIF recipient countries to further CAATSA goals.

† According to the CAATSA report for FY 2021, issued April 13, 2022, the full amount of FY 2021 CRIF-designated foreign assistance funds had not been allocated. ACE officials stated that FY 2021 CRIF deliberations were ongoing at the time of the Office of the Inspector General (OIG) review.

**Source:** Generated by OIG based on review of ACE's annual CAATSA reports from FY 2017 through FY 2021.

## APPENDIX C: COUNTERING AMERICA’S ADVERSARIES THROUGH SANCTIONS ACT GOALS AND LINKAGES TO DEPARTMENT STRATEGIC PLANNING

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The Countering America’s Adversaries Through Sanctions Act<sup>1</sup> (CATSAA) initially established six goals for funds designated for the Countering Russian Influence Fund (CRIF). CRIF assistance was initially provided to North Atlantic Treaty Organization and European Union member countries, as well as countries seeking membership in those organizations, including Albania, Bosnia and Herzegovina, Georgia, Kosovo, Macedonia, Moldova, Serbia, and Ukraine.<sup>2</sup> CAATSA also provided the Secretary of State the authority to modify these goals by notifying appropriate congressional committees.<sup>3</sup> In June 2018, the Department of State (Department) issued a Congressional Notification to modify CAATSA goals, adding three countries to Goal 1 (Armenia, Azerbaijan, and Belarus), and incorporating three additional goals.<sup>4</sup> Table C.1 shows the nine CAATSA goals as of July 2022.

**Table C.1: Current CAATSA Goals**

CAATSA Goal	Short Title	Full CAATSA Goal Language
1	Cybersecurity	Assisting in protecting critical infrastructure and electoral mechanisms from cyberattacks.
2	Rule of Law & Anticorruption	Combating corruption, improving the rule of law, and otherwise strengthening independent judiciaries and prosecutors’ general offices.
3	Humanitarian Response	Responding to the humanitarian crises and instability caused or aggravated by the invasions and occupations of Georgia and Ukraine by the Russian Federation.
4	Political Processes	Improving participatory legislative processes and legal education, political transparency and competition, and compliance with international obligations.
5	Independent Media & Civil Society	Building the capacity of civil society, media, and other nongovernmental organizations countering the influence and propaganda of the Russian Federation to combat corruption, prioritize access to truthful information, and operate freely in all regions.

<sup>1</sup> Countering America’s Adversaries Through Sanctions Act, Public Law 115-44, § 254(b), August 2, 2017.

<sup>2</sup> See Appendix B, “Countering Russian Influence Fund-Designated Foreign Assistance Funding Recipient Countries,” of this report for a map showing the areas in Europe, Eurasia, and Central Asia that received CRIF funds from FY 2017 through FY 2021, as well as a complete listing of the individual countries and the associated CRIF-designated funding level for each.

<sup>3</sup> Public Law 115-44, § 254(c), page 131 Stat. 928, codified at 22 U.S. Code § 9543(c).

<sup>4</sup> Memorandum to The Honorable Bob Corker, U.S. Senate Committee on Foreign Relations Chairman, transmitting the Department’s CAATSA Congressional Notification (June 20, 2018).

## CAATSA

Goal	Short Title	Full CAATSA Goal Language
6	Countering Propaganda & Disinformation	Assisting the Secretary of State in executing the functions specified in the National Defense Authorization Act for Fiscal Year 2017,* for the purposes of recognizing, understanding, exposing, and countering propaganda and disinformation efforts by foreign governments in coordination with the relevant regional Assistant Secretary or Assistant Secretaries of the Department.
7	Energy Security	Providing technical advice and assistance designed to address energy vulnerabilities and lessen dependence on energy from the Russian Federation.
8	Economic Resilience	Reducing economic vulnerabilities leveraged by Russia by promoting diversification of exports and improving the transparency, efficiency, and competitiveness of regulatory frameworks and their enforcement in the business and financial sectors.
9	Security	Enhancing the capacity and capabilities of security forces and strengthening security cooperation between these countries with the United States and NATO, as appropriate.

\* National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328, December 23, 2016, § 1287(b)(1)-(10), page 130 Stat. 2546, codified at 22 U.S.C. § 2656, note.

**Source:** Generated by the Office of Inspector General (OIG) based on review of CAATSA; Memorandum to The Honorable Bob Corker, U.S. Senate Committee on Foreign Relations Chairman, transmitting the Department's CAATSA Congressional Notification (June 20, 2018); and annual CAATSA reports from FY 2018 through FY 2022.

As discussed in the Results section of this report, OIG determined that each of the nine CAATSA goals aligns with one or more goals in the Department and USAID *Joint Strategic Plan FY 2018 – 2022*,<sup>5</sup> as well as the *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)*.<sup>6</sup> Table C.2 shows the alignment between each documents' goals.

**Table C.2: CAATSA Goal Alignment With Department Strategic Planning Documents**

CAATSA Goal*	Joint Strategic Plan Goals	Joint Regional Strategy Goals
Goal 1: Cybersecurity	Goal 1: Protect America's security at home and abroad.  Goal 3: Promote American leadership through balanced engagement.	Goal 1: Strengthen the Western Alliance by making Allies more able and willing to confront threats.  Goal 3: Secure Europe's eastern and southern frontiers.

<sup>5</sup> Department and USAID, *Joint Strategic Plan FY 2018 – 2022* (February 2018).

<sup>6</sup> Department and USAID, *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)* (January 1, 2019).

<b>CAATSA Goal*</b>	<b>Joint Strategic Plan Goals</b>	<b>Joint Regional Strategy Goals</b>
Goal 2: Rule of Law & Anticorruption	Goal 1: Protect America’s security at home and abroad.	Goal 3: Secure Europe’s eastern and southern frontiers.
	Goal 3: Promote American leadership through balanced engagement.	Goal 4: Promote American values to compete for positive influence against authoritarian rivals.
Goal 3: Humanitarian Response	Goal 1: Protect America’s security at home and abroad.	Goal 1: Strengthen the Western Alliance by making Allies more able and willing to confront threats.
	Goal 3: Promote American leadership through balanced engagement.	Goal 3: Secure Europe’s eastern and southern frontiers.
Goal 4: Political Processes	Goal 1: Protect America’s security at home and abroad.	Goal 3: Secure Europe’s eastern and southern frontiers.
	Goal 3: Promote American leadership through balanced engagement.	Goal 4: Promote American values to compete for positive influence against authoritarian rivals.
	Goal 4: Ensure effectiveness and accountability to the American taxpayer.	Goal 5: Align resources with strategic priorities.
Goal 5: Independent Media & Civil Society	Goal 1: Protect America’s security at home and abroad.	Goal 3: Secure Europe’s eastern and southern frontiers.
	Goal 3: Promote American leadership through balanced engagement.	Goal 4: Promote American values to compete for positive influence against authoritarian rivals.
Goal 6: Countering Propaganda & Disinformation	Goal 1: Protect America’s security at home and abroad.	Goal 3: Secure Europe’s eastern and southern frontiers.
	Goal 3: Promote American leadership through balanced engagement.	
Goal 7: Energy Security	Goal 1: Protect America’s security at home and abroad.	Goal 1: Strengthen the Western Alliance by making Allies more able and willing to confront threats.
	Goal 2: Renew America’s competitive advantage for sustained economic growth and job creation.	Goal 2: Strengthen and balance the transatlantic trade and investment relationship.
	Goal 3: Promote American leadership through balanced engagement.	
Goal 8: Economic Resilience	Goal 2: Renew America’s competitive advantage for sustained economic growth and job creation.	Goal 2: Strengthen and balance the transatlantic trade and investment relationship.

<u>CAATSA Goal*</u>	<u>Joint Strategic Plan Goals</u>	<u>Joint Regional Strategy Goals</u>
Goal 9: Security	Goal 1: Protect America’s security at home and abroad.  Goal 3: Promote American leadership through balanced engagement.	Goal 1: Strengthen the Western Alliance by making Allies more able and willing to confront threats.  Goal 4: Promote American values to compete for positive influence against authoritarian rivals.

\* See Table C.1 for CAATSA goal details.

**Source:** Generated by OIG from review of CAATSA; Memorandum to The Honorable Bob Corker, U.S. Senate Committee on Foreign Relations Chairman, transmitting the Department’s CAATSA Congressional Notification (June 20, 2018); and the Department and USAID *Joint Strategic Plan FY 2018 – 2022*; and *Joint Regional Strategy: State Bureau of European and Eurasian Affairs (EUR) and USAID Bureau for Europe and Eurasia (E&E)*.

## ABBREVIATIONS

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ABR	Annual Budget Review
ACE	Office of the Coordinator of U.S. Assistance for Europe and Eurasia
AECA	Assistance for Europe, Eurasia and Central Asia
CAATSA	Countering America's Adversaries Through Sanctions Act
CRIF	Countering Russian Influence Fund
FAM	Foreign Affairs Manual
FMF	Foreign Military Financing Programs
IMET	International Military Education and Training
INCLE	International Narcotics Control and Law Enforcement
OIG	Office of Inspector General
USAID	U.S. Agency for International Development

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