

EUROPE AND EURASIA

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Albania
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	4,900	3,975	3,000
FMF-SUP	3,000	-	-
IMET	957	975	900
NADR-EXBS	300	300	300
NADR-SALW	350	-	-
Peace Corps	1,148	1,389	1,737
SEED	28,500	27,835	28,000

Support for East European Democracy (SEED) assistance funds remain essential for ensuring Albania's ability to continue to play a pivotal and productive role in regional stability. A democratic, stable and economically prosperous Albania will do much to help the United States in its fights against terrorism, small arms and light weapons proliferation, and transnational organized crime, including narcotics and contraband smuggling and human trafficking. Therefore, the United States targets its assistance in areas of economic reforms, democratic institution-building and rule of law development, as a means to promote a greater degree of prosperity for Albania while advancing U.S. interests in the region overall.

Sustained U.S. engagement and support are crucial if positive trends are to continue and ultimately yield long-term results in areas of essential domestic reform, including the establishment of a market-based economy, democratic institution-building, and promotion of basic human rights and civil liberties. Additionally, U.S. assistance in these reform areas is essential for guiding Albania closer to a Euro-Atlantic partnership. The United States should continue to reinforce the process of reform in Albania as part of its larger goal of transforming the political reality of the region. The United States coordinates assistance efforts closely with our European allies and European institutions, such as Italy, Greece, the European Union (EU), the North Atlantic Treaty Organization (NATO), Organization for Security and Cooperation in Europe (OSCE), and Council of Europe (CoE) to maximize the benefit of assistance programs.

Building democratic institutions remains the highest priority for the United States in Albania. FY 2005 SEED funds will support specific initiatives within Albania to meet this priority. SEED funds contribute significantly to our efforts to develop civil society and promote human capital resources in Albanian society, which is still recovering from the setbacks of economic collapse in 1997 and 45 years of harsh, xenophobic Communism. SEED funds support initiatives such as primary health care upgrades, education improvements, and journalistic professionalism. In addition, SEED-funded programs promote badly needed agricultural reforms, creating employment opportunities, modernizing production and increasing output in a country where nearly 70 percent of the work force is tied to the agricultural sector. SEED funds support specific judicial reform initiatives. They also strengthen institutions that fight financial crimes such as tax evasion, money laundering and terrorist financing. Continued SEED assistance is key to sustaining Albania's recent successes in fighting corruption, stopping human trafficking, and stemming the flow of weapons, narcotics and contraband into Western Europe. Support will continue for innovative law enforcement programs such as the Three Ports Strategy, the Vlora Anti-Trafficking Center and the regional Total Information Management System (TIMS).

Foreign Military Financing (FMF) is crucial for completing the modernization of the 16,500-member Albanian Armed Forces (AAF). A NATO membership aspirant and staunch U.S. ally in the war on terrorism, Albania contributes troops to peacekeeping efforts in NATO (SFOR), Afghanistan and Iraq, and was one of only four countries worldwide to send combat troops during the Iraq war. FY 2005 funds will

be central in the transformation process identified by the Office of Secretary of Defense and the Republic of Albania Defense Modernization Team, which includes downsizing and professionalization programs. This modernization is focused on a comprehensive policy of stabilization in the Balkans and effectively contributes to the war on terrorism by reducing, restricting and/or eliminating transnational threats in the region. Additionally, in-country English language Training (ELT) will facilitate eventual NATO interoperability of both general staff and military units in order to more effectively wage the campaign against global terrorism. FMF will assist the interoperability of the AAF with NATO secure voice and data network systems by 2010 by implementing a Control, Communications, Computers and Information study. In addition, under the umbrella of regional security and stability, the purchase and operation of ammunition incinerators will help dispose of the AAF's 2,000,000 tons of excess ammunition, directly reducing the risk of it ending up in the hands of international terrorists, as well as eliminating the danger of a potential environmental disaster.

Albania will be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Albania to meet its defense requirements and promote interoperability.

In the process of bringing Albania into NATO, the International Military Education and Training (IMET) program continues to offer both field and company grade officers with various levels of English language instruction essential to functioning in a NATO joint environment as well as enhancing the professionalism of the officer corps.

In the effort to prevent proliferation of weapons, delivery systems, related technologies and other weapons, the United States has a number of Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) ongoing in Albania. Export Control and Related Border Security (EXBS) assistance funds are directed to establish and maintain a fully effective export control system in Albania. NADR and EXBS programs support the war against global terrorism and the U.S. goal of stabilizing the region by reducing arms proliferation and restricting the transfer of existing weaponry.

Armenia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	5,000	2,485	2,000
FSA	89,415	74,558	62,000
IMET	659	900	750
NADR-EXBS	1,011	300	300
NADR-HD	250	-	-
P.L. 480 Title II	3,991	380	-
Peace Corps	1,702	1,836	2,032

The United States supports the transformation of Armenia into a democracy based on the rule of law with an active civil society that functions on free-market principles, is integrated into the world economy, has the capability to provide for the welfare of its citizens, and is at peace with its neighbors. U.S. security, law enforcement, and nonproliferation assistance and cooperation with Armenia are needed to prevent weapons and other illicit trafficking and the spread of weapons expertise. Armenia has supported the Global War on Terror, Operation Enduring Freedom, and Operation Iraqi Freedom by offering overflight rights, medical assistance, and information sharing.

Achieving a durable resolution to Armenia's conflict with Azerbaijan over Nagorno-Karabakh is key to U.S. interests. A peace settlement would eliminate a major cause of instability in the Caucasus region. It would facilitate Armenia's economic cooperation with its Caucasus neighbors and remove a major impediment to normal relations between Armenia and Turkey. Peace would free Armenia to concentrate more of its political energy and economic resources on domestic reforms, and on improving the social well-being of its citizens.

U.S. assistance to Armenia supports private sector development, economic and energy reform, democracy and good governance, and social sector reform. FREEDOM Support Act (FSA)-funded humanitarian programs seek to ease the burdens of natural disaster and regional conflict. U.S. assistance to the judicial and law enforcement bodies of Armenia is helping to ensure that Armenia plays a more effective role in combating narcotics smuggling, organized crime, and trafficking in persons, and works to support our efforts to combat terrorism.

FSA assistance also helps to mitigate difficult living conditions for needy groups, such as orphans and the elderly. Other programs support Armenian efforts to provide health care for disadvantaged citizens and to improve health management education.

Armenia is continuing efforts to improve its business climate, increase investment, create jobs, and broaden its economic base. Armenia acceded to the World Trade Organization (WTO) in February 2003. FSA-funded programs will continue to focus on developing and marketing Armenian agricultural products and helping Armenia meet its WTO commitments. At the macro-level, U.S. Treasury Department advisors will provide expertise in improving revenue collection and reducing budgetary deficits, insuring that the government will be able to maintain good relations with international financial institutions. Technical advice also will help the Armenian Government improve its audit practices, thereby helping to fight corruption. Training programs, scholarships and other programs will help Armenia develop other sectors of its economy, seek investment, and create jobs, with an emphasis on developing micro, small and medium enterprises (SMEs).

Democratic institutions and practices are developing in Armenia, but this is threatened by poor economic conditions, regional instability, and corruption. FSA-funded democracy assistance programs are working with government agencies and non-governmental organizations (NGOs) to improve the technical capacity of legislative staff and to increase public participation in government. Programs also help legislators draft and implement budget programs, train judges, lawyers and prosecutors, promote effective political parties, and increase government transparency. Support for NGOs and the independent media helps those organizations effectively articulate and advocate public interests. To help counter Armenia's isolation, U.S. programs provide educational and informational links with the West.

With substantial U.S. assistance, the Government of Armenia has successfully implemented the majority of recommendations of international experts to improve the safety of the Metzamor nuclear power plant. FSA-funded programs will continue to improve the near-term operational and physical safety of the plant. Finding alternative sources of energy and further improving the efficiency of Armenia's domestic energy system will be key to the ultimate closure of Metzamor.

FY 2005 International Military Education and Training (IMET) funding will provide opportunities for the Armenian military to attend U.S. military professional education and to facilitate Armenia's defense reform efforts through education in civil-military relations, defense resource management, and English language training. FY 2005 Foreign Military Financing (FMF) funding will enhance security cooperation by bolstering Armenia's communications capability, improving Armenia's ability to participate in regional peacekeeping operations, and improving interoperability with U.S., North Atlantic Treaty Organization (NATO), and international forces.

Armenia will be eligible to receive grant Excess Defense Articles (EDA) in FY 2005. Provision of EDA grants will enhance Armenia's ability to participate in NATO and coalition operations, as well as international peacekeeping missions.

The Armenian Government has demonstrated a willingness to cooperate with the United States in preventing the proliferation of weapons of mass destruction and related technologies and other illicit weapons trafficking, and fighting transnational crime. It has also taken several steps to strengthen its export controls and border control systems. U.S. Export Control and Related Border Security (EXBS) Assistance programs funded under the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) account are providing equipment and training assistance to customs, border guard, and other law enforcement and border security authorities to improve their export and border control capabilities to deter, detect, interdict, investigate and prevent weapons proliferation.

FSA-funded law enforcement programs provide training, technical assistance, and equipment to increase Armenia's capacity to fight international crime, corruption, and narcotics trafficking and to improve human rights practices. FY 2005 funding will continue to assist Armenia in creating the procedures necessary to investigate and prosecute cases of trafficking in persons; to improve law enforcement communications infrastructure which will improve communication and cooperation between Armenian and U.S. law enforcement agencies; to develop effective and sustainable police academy training; to improve forensics capabilities; and to continue the professional development of prosecutors, investigators and defense advocates. Funding will also support implementation of the Government of Armenia's newly adopted anti-corruption action plan.

U.S. programs funded through the FSA and NADR accounts promote the participation of former Soviet weapons scientists in peaceful research projects supported by the International Science and Technology Center (ISTC), the Biotechnology Engagement Program (BTEP), and the U.S. Civilian Research and Development Foundation (CRDF).

Azerbaijan
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	5,000	2,485	8,000
FSA	45,938	38,782	38,000
IMET	878	900	750
NADR-EXBS	1,850	850	1,545
NADR-HD	1,600	2,468	1,000
P.L. 480 Title II	2,974	2,151	-
Peace Corps	1,275	1,428	1,946

U.S. national interests in Azerbaijan center on strong bilateral security and counterterrorism cooperation, the advancement of U.S. energy security, progress in free-market and democratic reforms, and mediation of the Nagorno-Karabakh dispute. Azerbaijan's shared border with Iran, strategic position as a littoral Caspian Sea state, and its long-standing conflict with Armenia cause its internal stability to have a direct bearing on regional stability. The involvement of U.S. firms in the development and export of Azerbaijani oil is key to our objectives of diversifying world oil supplies, providing a solid base for the regional economy, and promoting U.S. energy security and U.S. exports. Azerbaijan has supported the Global War on Terror, Operation Iraqi Freedom, and Operation Enduring Freedom by offering crucial law enforcement and intelligence cooperation, blanket overflight rights, and the possible use of bases. Azerbaijan has deployed peacekeepers to Afghanistan and to Iraq, in addition to an earlier peacekeeping deployment to Kosovo.

Following the President's January 2002 waiver of Section 907 of the FREEDOM Support Act (FSA), which prohibits certain types of assistance to the Government of Azerbaijan, assistance programs previously prohibited have been developed in the areas of budget reform, customs reform, law enforcement and legal reform.

U.S. assistance to Azerbaijan enhances its ability to prevent, deter, detect, and investigate the proliferation of weapons of mass destruction (WMD), weapons technology, expertise and conventional arms, and encourages efforts to halt trans-shipment of narcotics across its borders. Meanwhile, the United States has continued to provide humanitarian assistance in the form of food, medicine and medical supplies, seeking to ease the plight of the disadvantaged and displaced. Democracy programs have sought to strengthen civil society. In FY 2005, the United States plans to focus assistance on economic development, judicial and law enforcement reforms, and export control and border security strengthening.

As a vital link in the Trans-Caspian energy corridor, Azerbaijan must develop a market-oriented, transparent and corruption-free economic, legal, and regulatory system. While there has been some economic growth, primarily in the energy sector, other areas of the economy are underdeveloped and unemployment remains high. Spillover effects from the energy sector to other sectors of the economy have not yet occurred. The agricultural sector is mired in low productivity, and privatized farms are small and lack reliable access to inputs, water, equipment and finance. Complex regulations, corruption, and underdeveloped financial systems have hampered private business development. In FY 2005, FSA-funded assistance will focus on accelerating economic growth, developing small and medium-sized agricultural enterprises, and reforming the domestic energy sector. Training opportunities will focus increasingly on economics and business development. The U.S. Government will also continue to work with Azerbaijan on oil development and to support American companies through U.S. Overseas Private Investment Corporation (OPIC), U.S. Export-Import Bank, and U.S. Trade and Development Agency (USTDA) activities.

Azerbaijan has made some progress in creating a democratic system of government. However, significant problems remain in the areas of media freedom, human rights, and political pluralism, including free and fair elections, as evidenced by the October 2003 presidential election, which was deemed flawed in many respects by the Organization for Security and Cooperation in Europe (OSCE). In FY 2005, the United States will continue to promote the development of Azerbaijan's democratic institutions and civil society. FSA-funded assistance to the government will emphasize anti-corruption and development of the rule of law. Programs to assist non-governmental organizations (NGOs), political parties and the media will continue to help them more effectively to advocate public interests and serve as a check on governmental authority.

Azerbaijan began to emerge as a drug transit route when regional conflicts in the Balkans disrupted established routes for narcotics smuggling in that region. Consequently, U.S. assistance in Azerbaijan has begun to address drug trafficking, while also improving the country's capabilities to address other forms of transnational criminal activity. FY 2005-funded law enforcement assistance programs will provide counter-narcotics training, help develop a new law enforcement training curriculum, support efforts to detect, prevent and prosecute cases involving trafficking in persons, support the expanded use of forensics investigative techniques, assist in the development of anti-terrorism and money laundering legislation, support implementation of the new criminal code, and support anti-corruption initiatives.

FY 2005 funding will provide continued support for security assistance initiated in FY 2003. The United States will continue to provide equipment, services and training through the Foreign Military Financing (FMF) and International Military Education Training (IMET) programs. FMF will provide assistance for monitoring the Caspian Sea, upgrading airspace management, and sustaining Azerbaijani troop deployments in Operation Enduring Freedom and Operation Iraqi Freedom. FMF and IMET will continue to promote interoperability with U.S. and North Atlantic Treaty Organization (NATO) forces. Assistance provided under these programs will not be usable for offensive purposes against Armenia, will not affect the military balance between Armenia and Azerbaijan, and will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan.

The United States and Azerbaijan have a mutual interest in addressing the serious dangers posed by potential trafficking in WMD, associated delivery systems, materials, technologies, conventional arms and weapons expertise in and around Azerbaijan. At the end of 2003, Azerbaijan and the United States signed an implementation agreement for activities under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program. The Government of Azerbaijan has demonstrated its commitment to nonproliferation by intercepting shipments of concern, and the United States will continue its program of assistance under the Export Control and Related Border Security Assistance (EXBS) program funded through the FSA account and the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) accounts in FY 2005. In an effort to prevent weapons proliferation and complement counterterrorism assistance, EXBS provides equipment to support the technical capacity of Azerbaijan's Customs Service, Border Guards and Maritime Brigade, including enforcement training, inspection and detection equipment, and communications. EXBS is also supporting upgrades to and training on a recently delivered U.S. Coast Guard cutter donated under the Excess Defense Articles (EDA) program.

Azerbaijan will be eligible to receive grant EDA in FY 2005. Provision of EDA grants will enhance interoperability and Azerbaijan's ability to participate in NATO and Coalition operations, as well as international peacekeeping missions.

Azerbaijan signaled its interest in redirecting former weapons scientists by acceding to the multinational Science and Technology Center in Ukraine (STCU) in 2003, thus enabling these Azerbaijani scientists to apply for U.S. grant funding to assist their transition to non-military employment.

Landmines pose a significant danger in Azerbaijan to people, productivity, and socio-economic development. Through mine clearance and mine awareness efforts, NADR Humanitarian Demining funds will be used to save lives and create conditions for the return of displaced persons and refugees and for increased economic growth and productivity. Other humanitarian assistance to internally displaced persons and refugees will continue as needed, with ongoing emphasis on sustainable development and community-based projects.

Belarus
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FSA	9,045	6,850	6,500
NADR-SALW	-	-	300

Advancing democratic principles and economic reform will help promote the independence and prosperity of Belarus, which will in turn contribute to regional stability. Currently, Belarus' oppressive regime and lack of legitimate democratic institutions, retrograde economic policies, and close relations with rogue states threaten regional development and security, potentially undermining U.S. interests. These policies also isolate Belarus from its neighbors, four of which will enter the European Union (EU) in 2004. These countries increasingly see Belarus' backwardness as an anachronism threatening their own future security and prosperity. As a result, the United States has stepped up its efforts to coordinate its programs and leverage the budgets of new EU members to foster our shared objectives with respect to Belarus. Although the Government of Belarus claims to be willing to provide assistance in the war on terrorism, in fact, credible allegations of the transfer of arms and dual-use equipment to states of concern underscore the importance of achieving a more open, transparent form of governance in Belarus.

U.S. assistance to Belarus seeks to help achieve a pluralistic and democratic political culture by empowering a large number of civil groups, political parties and independent media outlets, and, where possible, small and medium-sized enterprises (SMEs).

FY 2005 FREEDOM Support Act (FSA) funding will continue to support non-governmental organizations (NGOs) that advocate human rights and promote democracy. This support will include small grants and training in such areas as advocacy, networking and coalition building. FY 2005 FSA funding will also continue to support Belarus' besieged independent media, including material and technical support to journalists and editors who are struggling to keep their publications open in the face of continual harassment by the regime and competition from government-subsidized state media. With legislative elections scheduled for 2004, FSA-funded activities will seek to foster a more pluralistic political arena, including helping to strengthen democratically-oriented parties. In addition, a new emphasis is being placed on empowering local communities to develop their abilities to solve their own problems.

Opportunities to encourage economic reform through FSA-funded assistance programs are severely circumscribed in Belarus. Since the election of the current president in 1994, economic liberalization and structural reform measures have been frozen or in some cases reversed. The country has largely retained a centrally planned economy, with most large-scale enterprises still in government hands and barter trade dominating inter-enterprise transactions. Indeed, Russia has linked further economic integration with Belarus to specific reforms, which the regime has yet to adopt. Modest FSA-funded economic assistance programs have concentrated on supporting SMEs by developing business associations for lobbying and advocacy. Any further programs in FY 2005 will continue to focus on these areas.

Targeted U.S. humanitarian assistance financed through the FSA account is provided through NGOs to assist the most vulnerable. NGOs receiving U.S. support also work to address public health concerns, including tuberculosis, hepatitis, HIV/AIDS and women's wellness and infant care.

FY 2005 Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)-Small Arms and Light Weapons (SA/LW) Destruction funds will be used to support the destruction of SA/LW in excess of defense needs. Under the auspices of the Organization for Security and Cooperation in Europe (OSCE), the United States will work with other donor countries to address Belarus' inherited Cold War stockpiles.

Belarus is not eligible to receive U.S. Government-funded security-related assistance. In February 1997, the Clinton Administration de-certified Belarus under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program due to its poor record on human rights. Belarus remains a member of the International Science and Technology Center (ISTC), which is intended to fund grants to former Soviet weapons-of-mass-destruction scientists to assist them to transition to non-weapons-related work. The United States generally does not fund grants to Belarusian scientists. The only U.S. funds going through the ISTC to Belarus support a National Cancer Institute study of the health of Belarusians exposed to radiation from the Chernobyl accident.

Bosnia and Herzegovina

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	2,400	14,900	2,500
IMET	796	900	900
NADR-EXBS	641	600	500
NADR-SALW	-	500	400
PKO	9,900	11,730	-
SEED	50,150	44,735	41,000

Nine years after the Dayton Agreement ended the conflict in Bosnia and Herzegovina (BiH), the country is still struggling to recover from the 1992-95 war and to transition to a market economy. Despite significant progress in establishing democratic practices and building central state institutions, BiH remains a fragile state in a potentially unstable region. There is a continuing need to assist Bosnia and Herzegovina in reinforcing its border control and law enforcement structures in order to combat terrorism and trafficking. It is in the U.S. interest to help BiH complete its transition to a modern European state integrated into Euro-Atlantic institutions that contribute to regional stability.

In FY 2005, Support for East European Democracy Act (SEED) programs in BiH will continue to support democratic, economic and social sector reforms and strengthen local capacity to maintain internal security and uphold the rule of law. SEED-funded democracy programs will provide training and technical assistance to improve local governance, encourage civic participation and non-governmental organization (NGO) advocacy activities, develop a professional and responsible independent media sector, and help account for missing persons from the BiH conflict. Economic and social sector programs will offer technical advice to support tax and customs administration reforms, trade expansion, and reforms of BiH's budget, commercial laws, and power sector. Grants and loans will also assist in developing small and medium sized enterprises and provide opportunities for minority returnees. Rule of law programs will provide technical assistance, training and equipment to build the capacity of the State Border Service, State Information and Protection Agency, police and judiciary, to strengthen anti-trafficking competencies, and to enhance BiH counterterrorism efforts and institutions. These programs will build on the progress made as a result of prior years' assistance including, for example, the first self-administered general elections since the war (which were held in October 2002), the improved organizational capacity of NGOs, the implementation of an effective treasury system, the establishment of a functioning anti-trafficking task force, and full deployment of the State Border Service at all international border crossings.

FY 2005 OSCE Regional Peacekeeping Operations (PKO) assistance will fund a small portion of the U.S. share of the Organization for Security and Cooperation in Europe (OSCE) field mission in BiH, with the goals of containing and reducing instability and assisting with post-conflict rehabilitation. In previous years, PKO covered costs for the Office of the High Representative and OSCE Mission in BiH. In FY 2005 these costs will be covered in the SEED regional budget.

Foreign Military Financing (FMF) funds contribute to U.S. national security by promoting peace and stability in Bosnia. FMF funding in FY 2005 will contribute to BiH's comprehensive defense reform effort. BiH enacted defense reform legislation that placed both entity armies – the Army of the Republika Srpska (VRS) and the Federation Army (VF) – under state-level command and control in December 2003. Successful implementation of the defense reforms will meet North Atlantic Treaty Organization (NATO) technical requirements for participation in the Partnership for Peace and help create the conditions necessary to further drawdown the extraordinary international military and civilian presence in BiH. Under

the new legislation, all forces will fall under the operational command of the BiH Tri-Presidency via a new Ministry of Defense, Joint Staff, and Operational Command. In addition to creating these new state-level institutions, the reforms require downsizing the entity militaries; limiting conscription; destroying excess weapons, and divesting surplus properties. FMF funding in FY 2005 will build on the training, equipping and technical assistance programs initiated with FY 2004 funds to implement the defense reform legislation, and develop the new institutions.

The International Military Education and Training (IMET) program in Bosnia will train officers and non-commissioned officers (NCOs) working in the state defense institutions in FY 2005. IMET activities will include training for junior officer development, and leadership training for mid- to upper-level defense officials. IMET funds will also be made available to train properly vetted members of the VRS to support their participation in the state defense institutions in a manner consistent with U.S. law and policy. IMET funding from previous years was used to strengthen state-level defense institutions by training officers that agreed to serve in a state-level capacity, such as the Standing Committee on Military Matters or as a Defense Attaché in a BiH Embassy.

Bosnia is eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA). Provision of grant EDA will assist Bosnia in meeting its defense requirements, enacting defense reforms, and furthering interoperability.

The United States will continue its Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) program to assist BiH in establishing an effective export control system in FY 2005. The EXBS program is part of the U.S. effort to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons. In BiH, NADR-EXBS funds will purchase new detection equipment to be used in border control training. Funds will also support a licensing workshop for government officials and a seminar for industry representatives on how to determine whether a manufactured item is controlled and requires a license to be exported. NADR-EXBS funds in previous years helped to secure a clear political commitment from BiH to meet international nonproliferation goals and effective export controls. In February 2003, BiH Parliament adopted the Law on Import and Export of Weapons and Military Equipment. BiH plans to amend this law in the near future so that it covers dual-use items and technology as well. Additionally, NADR International Trust Fund monies effectively established a Mine Detection Dog School in BiH that now serves as regional center for demining training and capacity building.

FY 2005 NADR-Small Arms and Light Weapons (SA/LW) Destruction funds will be used to support the destruction of SA/LW designated as excess to BiH's defense needs by BiH's Defense Reform Commission. Destruction activities will prevent the diversion and illicit trafficking of these weapons that BiH does not have the resources to secure properly.

Bulgaria
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	9,000	8,450	7,000
FMF-SUP	10,000	-	-
IMET	1,324	1,350	1,395
NADR-EXBS	500	500	500
NADR-SALW	400	-	600
Peace Corps	2,844	2,814	3,457
SEED	28,000	27,835	27,000

Bulgaria's transition to a market-oriented economy and the furthering of democratic reforms hinges on continued U.S. assistance. Through its participation in international and regional security bodies, Bulgaria has played an increasingly larger role in building stability in the region over the past several years. Bulgaria has been a key partner in North Atlantic Treaty Organization (NATO) action in Kosovo in 1999 as well as with U.S. actions in both Afghanistan and Iraq in 2003. Bulgaria will join NATO in 2004 and continues in its efforts to modernize and professionalize its armed forces for a seamless entry into NATO interoperational activities. Bulgaria is poised to assume the duties of Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE) in January 2004. Bulgaria aspires to join the European Union (EU) in 2007, further raising its profile and the profile of the Balkans in the next several years. Bulgaria is strategically positioned to be a vital U.S. partner in the Balkans. Continued U.S. support is vital for Bulgaria to follow through on reforms that began over the past years and to build on democratic processes that U.S. support has greatly enabled thus far. These U.S. programs, in areas which have not been funded by other donors, include rule of law/judicial reform, anti-corruption, economic restructuring, municipal and local self-governance, privatization, pension reform, and fiscal decentralization.

Recent opinion polls have revealed a growing dissatisfaction with the top political leadership in Bulgaria due to its inability to stem the levels of unemployment and poverty as well as a lack of improved health and pension systems and of wage increases. Dissatisfaction with the government following the 2001 parliamentary elections led to the victory of Socialist leader Georgi Purvanov over deposed King Simeon Saxe-Coburg (who became Prime Minister in 2001) in the November 2002 presidential election. Despite the progress made on broad political and economic issues, the general citizenry have yet to feel the effect of job creation and a higher standard of living.

Support for East European Democracy (SEED) Act assistance in 2005 will focus on judicial reforms and enhancing border controls and largely improving civil security for the country, in turn improving regional security. SEED funding will be phased out after FY 2006 (the last year of funding); the remaining funds are being targeted accordingly. Past U.S. assistance in rule of law and anti-corruption programs has made dramatic strides towards transparency and accountability, significantly contributing to the building of democratic institutions. Further assistance in economic reform has resulted in forward movement of the banking sector while enforcing the commercial regulatory framework and assisting companies with export earnings potential which include agriculture, light manufacturing, information technology, and tourism. The United States continues to focus on programs that strengthen local self-government, bringing the democratization process to the local level for the benefit of Bulgarian citizens from urban centers to rural communities. Programs in economic restructuring are directed toward the management and sustainability of pensions, legislative reform and retraining for displaced workers, health and other social insurance funds, and promote inclusion and tolerance toward women and other vulnerable groups in society.

Though Bulgaria has been given a roadmap to EU accession and was one of the original twelve Eastern European countries slated for EU membership, it was not invited to join in the next round of expansion in May 2004. This can be attributed to an unimpressive economy over the past several years that has made an EU accession date an elusive target; hopes are now pinned on EU accession in 2007.

As part of our efforts to prevent the proliferation, delivery systems, and related technologies of weapons of mass destruction and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish a fully effective export control system in Bulgaria. NADR funding is designed to provide advanced licensing training as well as training for export control enforcement officers at the border on basic detection, targeting, and profile techniques.

Through the Small Arms and Light Weapons (SA/LW) Destruction program, also within the NADR account, the U.S. government has completed three years of successful SA/LW destruction projects in Bulgaria. Our FY 2005 efforts will focus on security of stocks and continued destruction of excess inventory. While the government of Bulgaria has taken steps to stop SA/LW from ending up on the illicit market, unscrupulous brokers continue to target Bulgaria's excess stocks.

Foreign Military Financing (FMF) is a vital element in the modernization and professionalization of Bulgaria's armed forces. This modernization is key in light of Bulgaria's new NATO membership and its ability to operate in a joint NATO environment. The majority of funds are dedicated to upgrading communications information systems in order to achieve parity with NATO standards. This upgrade allows Bulgaria to operate as a full partner within NATO, including participation in peacekeeping and crisis operations. FMF also improves coordination between the General Staff and the Ministry of Defense by continuing defense modernization efforts. Purchasing night-vision devices for peacekeeping and crisis operations will ensure that Bulgaria is meeting NATO standards, is able to deploy in all conditions, and can maintain the minimum interoperational standards. In addition, FMF will fund much-needed simulation equipment, dramatically increasing levels of training and raising overall levels of operational readiness.

Bulgaria will be eligible in FY 2005 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Bulgaria in meeting defense requirements, enacting defense reforms and furthering interoperability.

International Military Educational and Training (IMET) continues to provide crucial support to the Bulgarian armed forces. IMET funding includes training for Officers and Non-Commissioned Officers (NCOs) in professional military training, civilian/military relations, and national security affairs. IMET training is focused on developing Bulgaria's Rapid Reaction Force, gaining familiarity with U.S. methods of combating terrorism, raising English language proficiency within the ranks, streamlining communications information systems, and providing management training.

Croatia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	5,500	-	-
IMET	700	800	50
NADR-EXBS	750	750	690
PKO	-	895	-
SEED	30,000	24,853	20,000

The U.S. policy goal of regional stability in the Balkans depends to a considerable extent on Croatia's successful transition from its legacy of communism and ethnic warfare to active participation in the transatlantic community as a stable democracy. Managing that transformation also serves other important American interests, such as fighting terrorism, crime, trafficking and other transnational threats, and creating a secure and attractive climate for U.S. business.

With U.S. assistance, the Croatian government has made significant democratic and economic reforms since 2000. However, the durability of these changes, in the face of major economic and political challenges, is uncertain. Continued assistance through FY 2006 (the last year of Support for East European Democracy funding) is crucial to support Croatia's transition and U.S. policy interests in the region.

From the late 1990s until 2000, Support for East European Democracy (SEED) Act programs in Croatia focused on democracy-building activities, such as technical assistance to local governments, political parties, labor unions, media and non-governmental organizations (NGOs). In 2000, the election of a reform-oriented government opened the door to further U.S. support for economic restructuring, which had been suspended under the Tudjman regime. Our investment in Croatia's future has brought about meaningful steps toward macroeconomic stability. SEED assistance will continue to promote a competitive private sector by strengthening small business and employment in agriculture and agribusiness.

SEED programs help Croatia strengthen democratic institutions and rule of law, and complete implementation of the Dayton Accords, including full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and a judicial structure that encourages and protects foreign investment. U.S. assistance builds more effective citizen participation, improves law enforcement and governance, and supports the development of a vibrant NGO community. It will continue to create a legacy of trained leaders at local levels where reform is taking place with direct impact on communities. SEED funds create opportunities for refugees to return to their homes and restore basic utilities and community services. These achievements provide the basis for economic revitalization activities in partner municipalities in 2005.

The United States coordinates its assistance program in Croatia closely with the International Financial Institutions and the European Commission, which continue to consider it vital to preparing the ground for, launching and sustaining their own programs.

FY 2005 OSCE Regional Peacekeeping Operations (PKO) assistance will fund a small portion of the U.S. share of the Organization for Security and Cooperation in Europe (OSCE) field mission in Croatia, with the goals of containing and reducing instability in the country and assisting with post-conflict rehabilitation.

Because Croatia so far has not signed an agreement under Article 98 of the American Service-Members' Protection Act, it currently is not eligible to receive Foreign Military Financing (FMF) funds, International Military Education and Training (IMET) funds and Excess Defense Articles (EDA) under Section 516 of

the Foreign Assistance Act. Because IMET funds have provided Croatian armed forces with the training and related English language instruction necessary to function effectively in a modern, professional military and have exposed them to Western military doctrine, we are requesting funding in FY 2005 should Croatia's Article 98 status change.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and other weapons, the United States will continue providing Croatia with Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) funds in FY 2005. NADR Export Control and Related Border Security Assistance (EXBS) funds will support U.S. assistance to the government of Croatia in establishing an effective export control system. FY 2005 NADR EXBS funding will provide for training in licensing and in determining whether an item or technology is controlled. These funds will also provide for advanced enforcement training at the Radiation Academy in Washington State.

Cyprus
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	14,902	13,420	13,500
NADR-EXBS	260	400	400

The United States has a long-standing interest in facilitating a comprehensive settlement on Cyprus. Since Cyprus issues involve our North Atlantic Treaty Organization (NATO) allies Greece and Turkey, these issues have regional stability implications for the entire Eastern Mediterranean.

Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since 1974, the southern part of the island has been under the control of the Government of the Republic of Cyprus. The northern part is ruled by a Turkish Cypriot administration. In 1983 that administration proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC"). The "TRNC" is not recognized by the United States or any other country except Turkey. The two parts are separated by a buffer zone patrolled by the United Nations Peacekeeping Force in Cyprus (UNFICYP).

In FY 2005, Economic Support Funds (ESF) will support continuing United Nations efforts to achieve a comprehensive settlement on the island. Should a settlement be reached in the near future, we would re-orient our assistance programs to support implementation of its terms and priorities. In the meantime, ESF will continue to fund programs and activities that encourage tolerance, cooperation and trust between Greek and Turkish Cypriots. These activities are expected to encourage agreement on a settlement by strengthening each side's ability to compromise on a just and lasting settlement, and providing opportunities for multi-sectoral contacts. The remaining funding will be made available for scholarships, short-term training, and other politically sensitive bicomunal projects.

The United States also provides Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish fully effective trans-shipment controls in Cyprus. U.S. funding in 2005 will provide first-responder equipment and training to help Cyprus respond to a weapons of mass destruction (WMD)-related event, as well as a product identification tool and associated training to assist in the identification of dual-use goods. Cyprus has made real progress in the area of export control enforcement, having established a dedicated Cypriot Customs team to inspect trans-shipment container cargo.

Czech Republic

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	10,900	7,950	6,000
FMF-SUP	15,000	-	-
IMET	1,929	1,900	1,900
NADR-EXBS	530	-	-

U.S. assistance has contributed to the Czech Republic's development into a democratic, free-market-oriented North Atlantic Treaty Organization (NATO) ally. The Czech Government, including the small but effective Czech Army, has proven to be a stalwart partner in the global war against terrorism. The Czech Republic continues to maintain a nuclear, biological and chemical (NBC) defense unit in Kuwait, and has deployed military police and civilian-military coordination units to Iraq. A Czech military hospital was deployed to Basra through the end of 2003. In addition, the Czech Republic has offered a special forces unit to Afghanistan and has also contributed to allied efforts in Bosnia and Kosovo. Providing specialized support has become a priority for the Czech Republic, as shown by these contributions.

The primary U.S. interest remains helping the Czech Republic improve its ability to contribute fully to NATO missions and other operations related to the global war on terrorism. FY 2005 funds will focus on English language proficiency, building a NATO-compatible and secure command and control system, improving the survivability of forces, effective combat engagement, and supporting reform within the Czech Armed Forces. The United States continues to be supportive of the ongoing economic reforms intended to promote prosperity and prepare for the Czech Republic's anticipated entry into the European Union (EU) in 2004, thus providing an environment in which American business interests can thrive.

Helping the Czech Republic continue its progress on military modernization will maximize its contributions to NATO's role in European security. Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential in helping the Czech Republic realize NATO force goals. FMF, particularly, is important, as it focuses on increasing the Czech Republic's support capability to deploy or receive forces. Restructuring of the Czech military will need to be consolidated through training and further organizational reform. To date, Czech authorities have managed to stay on target to increase defense spending as a percentage of gross national product. U.S. assistance, in the form of FMF and IMET funds, will complement national resources and will help the Czech Government to stay on track in its reforms.

FY 2005 funds will be aimed at promoting the following three objectives:

- Developing a specialized capability to support NATO/Coalition operations in the area of NBC defensive capabilities. This includes the refurbishment of helicopters to enable their use in and support to NATO operations.
- Continuing development and maintenance of NATO Training and Planning Standards. This includes the provision of English language training, technical assistance and consultants, and training simulators.
- Modernizing the Czech Republic's military forces to support NATO through provision of specialized gear, including night-vision and secure communications equipment, as well as continued support for a modernized command and control system.

In FY 2005, the Czech Republic will be eligible to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist the Czech Republic in meeting its defense requirements and furthering its interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States has provided substantial Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) Assistance funds for a cooperative program to strengthen the Czech Republic's export control system. Since the Czech Republic has made significant progress in establishing an effective export control system, there is no specific NADR-EXBS funding request for the Czech Republic in FY 2005. Regional NADR-EXBS funds will continue to fund Czech participation in regional export control events, and an EXBS Advisor stationed regionally will continue to work with Czech officials on an ad hoc basis.

Estonia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	6,500	6,200	5,000
FMF-SUP	2,750	-	-
IMET	1,099	1,200	1,200
NADR-EXBS	400	1,175	1,000
NADR-HD	235	-	-

The Baltic states of Estonia, Latvia and Lithuania are important to Northern Europe's long-term stability. Especially in light of Estonia's anticipated entrance into the North Atlantic Treaty Organization (NATO) and the European Union in the first half of 2004, the country's prospects for the future appear promising. Ever since regaining its independence from the Soviet Union, Estonia has been the recipient of various forms of U.S. assistance. However, now that Estonia has graduated from Support for East European Democracy Act (SEED) assistance future U.S. support will predominantly target the military and security areas. Estonia has shown itself to be a reliable partner for the United States in the war on terrorism and on other important foreign policy issues. U.S. goals for Estonia remain its full integration into Euro-Atlantic institutions; good neighborly relations with nearby countries, especially Russia; and heightened cooperation among the Nordic and Baltic countries. Estonia is also interested in sharing its experience in political and economic reform with other former Soviet states, an effort that the United States fully supports.

Estonia's efforts to become fully interoperable for participation in NATO, Partnership for Peace (PfP), and NATO-associated operations, including peacekeeping, peace enforcement, and humanitarian assistance, will be sustained in part by Foreign Military Financing (FMF). In FY 2005, FMF will continue to support the Regional Airspace Initiative through the provision of navigational aids and Identification Friend or Foe (IFF) equipment. Funding will be made available to help improve Estonian military capabilities through the establishment of a standardized, secure-mode-capable, NATO-interoperable communications network for the Land Forces Brigade, as well as a complete ship voice and messaging system for the Navy. FMF funds will also be used to increase Estonia's support capability to receive or deploy forces.

Since regaining its independence, Estonia has faced the difficult task of rebuilding its military from the ground up. U.S. assistance has played a key role in that process. As Estonia allocates resources on a priority basis for its defense needs, as well as for its contribution to overall European security and stability, International Military Education and Training (IMET) funds will be used to provide professional military education for personnel, uniformed and civilian, serving in key positions in the National Armed Forces and Ministry of Defense. IMET will continue to expose Estonian officers and non-commissioned officers (NCOs) to American tactics, doctrine, and leadership - important elements in raising their level of professionalism. IMET will also provide access for Estonian military and civilian Ministry of Defense personnel to courses in other important areas such as defense resources management and civil-military relations.

In FY 2005, Estonia will be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA materiel will help Estonia to meet its national defense requirements and further its NATO interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance

funds for a cooperative program to help establish fully effective export controls in Estonia. Since Estonia has made significant progress in establishing an effective export control system, FY 2005 will be the last year of new NADR-EXBS funding. FY 2005 funding will focus primarily on providing sophisticated equipment to enhance the security of Estonia's borders.

Serbia and Montenegro

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	-	250	250
NADR-EXBS	794	750	735
NADR-SALW	988	80	800
SEED	150,000	134,203	102,000

Serbia and Montenegro is a linchpin in the Balkans. FY 2005 funds will keep fragile political and economic reform on track, as the Republic of Serbia (Republika Srpska) forms a new government following parliamentary elections in December 2003. Major work remains to be done on domestic war crimes trial capacity, rule of law, privatization, job creation and economic growth, and building local democracy, all key to making Serbia a positive regional player. The Government of Serbia and Montenegro has worked closely with the United States to halt arms transfers and military assistance by Serbia and Montenegro entities to states of concern, including Iraq. The Government of Serbia and Montenegro continues to work with the United States in implementing a modern and transparent export control system and is also cooperating in the destruction of excess small arms and light weapons, including Man-Portable Air Defense System (MANPADS) missiles. Serbia and Montenegro has also cooperated on implementing financial sanctions against terrorist groups, including establishing an anti-terrorism task force and a financial intelligence unit. The United States seeks to accelerate Serbia and Montenegro's Euro-Atlantic integration in order to promote regional stability in the Balkans, thus hastening the day when U.S. and North Atlantic Treaty Organization (NATO) forces can be withdrawn from neighboring states.

Support for East European Democracy (SEED) assistance to Serbia and Montenegro supports democratic transition, civil society, democratic institutions and economic reforms, and the integration of a prosperous Serbia and Montenegro into Euro-Atlantic institutions. SEED assistance has helped the government implement and build popular support for difficult political and economic reforms. SEED funding has provided critical economic and humanitarian assistance, especially in areas subject to ethnic tensions and instability. Programs specifically targeting southern Serbia and the Presevo Valley helped to stabilize the area along the administrative boundary line with Kosovo. Following the March 2003 assassination of Serbian Prime Minister Zoran Djindjic by organized crime figures linked to rogue paramilitaries and corrupt officials, the United States accelerated its support for the government's efforts to prosecute domestically organized crime figures and war criminals.

FY 2005 SEED funds will be used to revive the reform processes in Serbia and Montenegro. Government leaders at both the state union and republic levels understand the importance of strengthening democratic institutions and making progress on critical economic and legal reforms. SEED funds will target programs to strengthen democracy and civil society, including local government and community development, media, non-governmental organizations, political parties, and rule of law issues, including judicial reform. A flagship community development program will continue to build democracy at the local level and help the population see tangible benefits from the reform process, thus building support for Serbia and Montenegro's difficult transition.

FY 2005 SEED funds will also continue to provide technical assistance for economic restructuring and reform, including in the areas of fiscal, budget and banking reform. Efforts will focus on boosting private sector development, especially small business. U.S. assistance is designed to accelerate the growth of private enterprise by creating a competitive and efficient free-market economy through stabilization, restructuring and integration into regional and world markets. Stabilization efforts are being focused

principally on the banking and financial systems and on the fiscal regime, while restructuring efforts involve the transfer of state-owned assets to the private sector and the reform of the institutions and the legislative, regulatory and judicial frameworks necessary to ensure effective markets.

SEED funds are also being used to enhance Serbia and Montenegro's capacity to investigate, prosecute, and try war crimes and organized crime cases, including the establishment of special domestic courts to deal with war crimes and organized crime. A key U.S. aim is to enhance the ability of the Serbian authorities to pursue war crime cases not adjudicated by the International Criminal Tribunal for the former Yugoslavia (ICTY). Cooperation with the ICTY and arrests of publicly indicted war criminals continue to be a top priority. Other anti-crime efforts target criminal justice sector reform, corruption and trafficking in persons. Section 572 of the FY 2003 Foreign Operations Appropriations Act conditions U.S. assistance to Serbia and Montenegro on, inter alia, Serbia and Montenegro's cooperation with the ICTY. This congressionally mandated certification requirement is a key policy instrument designed to encourage Belgrade's full cooperation with the ICTY and resolution of outstanding war crimes issues.

In an effort to build on the Serbian and Montenegrin Government's recent cooperation with the investigation into past and present Serbian and Montenegrin weapons exports to states of concern, the United States is expanding its export control activities with Serbia and Montenegro. Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) Assistance funds will support an accelerated program to help establish an effective export control system in Serbia and Montenegro. FY 2005 NADR funding will provide for training in licensing and in determining whether an item or technology is controlled. Funds will also provide for non-intrusive detection equipment at the border and training for enforcement officials. The EXBS Program is part of the U.S. effort to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons. In addition, FY 2005 NADR funds will support a program advisor stationed at the U.S. Embassy in Belgrade, who will work with officials to implement EXBS programs in Serbia and Montenegro, as well as Bosnia and Herzegovina. FY 2005 NADR Small Arms and Light Weapons (SA/LW) Destruction funds will be used to continue threat reduction activities that are effectively eliminating excess small arms and light weapons (including MANPADS), while simultaneously improving the physical security of national stockpiles.

The United States is in the process of building strong bilateral military relations with Serbia and Montenegro. In May 2003, a Presidential Directive authorized the establishment of International Military Education and Training (IMET) program with Serbia and Montenegro. Because Serbia and Montenegro has so far not signed an agreement under Article 98 of the American Service-Members' Protection Act, it stands now not to be eligible in 2005 for IMET funds. Because IMET funds have supported professional military education and exchanges, as well as needed English language training, we are requesting funding in FY 2005 should Serbia and Montenegro's Article 98 status change.

Georgia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	6,900	8,000	12,000
FSA	84,056	71,376	90,000
IMET	1,184	1,300	1,200
NADR-HD	1,050	1,500	3,000
P.L. 480 Title II	3,006	2,281	-
Peace Corps	1,521	1,477	1,861

Georgia's peaceful November 2003 "Revolution of Roses" and subsequent changes in its government present a unique opportunity for advancing U.S. interests in Georgia. Lying at the crossroads of Russia, Iran and Turkey, Georgia plays a key role in furthering U.S. interests and has been a strong supporter in the Global War on Terror, Operation Iraqi Freedom, and Operation Enduring Freedom. Georgia granted the United States blanket overflight rights and potential basing permission, and contributed personnel to the U.S. Central Command's (CENTCOM) area of operations. By enhancing Georgia's ability to control its borders, the United States reduces the risk of conflict in the region and helps block the transit of terrorists and weapons into and out of the North Caucasus. Furthermore, with the completion of oil and gas pipelines in the coming years, Georgia will become a key conduit through which Caspian Basin energy resources will flow to the West, facilitating diversification of energy sources for the United States and Europe.

FY 2005 funding will support efforts of the new Georgian Government to undertake the economic and political reforms necessary to ensure that the promise of the November 2003 "Revolution of Roses" is not squandered. The funding will support the new government's focus on anti-corruption, good governance, and economic development programs. U.S. assistance to Georgia will also enhance its territorial integrity, promote regional security and nonproliferation, support the rule of law, support market-based economic reform, strengthen civil society, and help relieve human suffering. In FY 2005, the United States plans to continue a range of security-related programs to improve Georgia's ability to monitor and combat terrorism; deter, detect, prevent, and investigate the flow of illicit weapons of mass destruction (WMD), related materials and expertise; prevent the cross-border illicit transshipment of contraband; and support military reforms.

The FREEDOM Support Act (FSA)-funded Georgia Border Security and Law Enforcement (GBSLE) Program will continue to provide the necessary equipment (such as radios, remote sensors, surveillance and detection equipment), logistical and infrastructure support, and training to help the Georgian Border Guard, Coast Guard, Customs Service, and other security forces maintain an active presence on Georgia's land and sea borders. The GBSLE Program will continue to enhance Georgian capabilities to monitor and control territorial borders, patrol internal checkpoints, and prosecute criminals and terrorists. In addition, this program will continue to enhance interoperability between Georgian security forces and U.S. and Coalition forces. Assistance includes support for uniforms, transportation, infrastructure upgrades, training, command/control/communications, vessels and aircraft, spares and maintenance, radar and facilities operation and management, and new tactical utility vehicles.

With Foreign Military Financing (FMF) funds, the United States will sustain efforts initiated under the Georgia Train and Equip Program, as well as efforts to coordinate the various security services in Georgia to achieve greater interoperability and interagency coordination. FMF funds provide equipment and training to support Georgia's UH-1 helicopter counter-terrorism and security program. The International Military Education and Training (IMET) program helps Georgian soldiers develop the English-language

and professional civil-military skills necessary to augment Georgia's participation in Partnership for Peace and NATO.

In FY 2005, Georgia will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Georgia in meeting its defense requirements and furthering its interoperability.

FSA funds also provide training and equipment to give Georgia the necessary capability to prevent the spread of dual-use equipment and technology. Additional assistance through the FSA-funded Civilian Research and Development Foundation (CRDF) and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)-funded Environmental Protection Agency Bioredirect Program and Science and Technology Centers Program provides peaceful research and employment opportunities for former-Soviet weapons experts in Georgia, with a view to preventing the spread of their expertise to rogue states or terrorist organizations. These research activities include several projects focused on HIV/AIDS and tuberculosis, as well as activities that engage Georgian, Azerbaijani and Armenian scientists in regional collaboration.

Recent political changes in Georgia have opened a window of opportunity for anti-corruption, law enforcement, and judicial reform efforts. FY 2005 FSA funding will support initiatives to improve the professional development of police and prosecutors; to support reform of law enforcement agencies and the procuracy, focusing on anti-corruption initiatives within these agencies; support law enforcement academy development through assistance for curriculum development and training; support steps to address money laundering and to implement the criminal code; continue judicial reform programs; and continue to support research on criminal justice issues by Georgian academics for use by Georgian decision-makers.

Democracy programs in Georgia in FY 2005 will build on the momentum of the recent changes. Non-governmental organizations, many of which have benefited from U.S. assistance, are numerous and active, and independent media are among the strongest in the former Soviet Union. FSA funds will continue to support civil society programs and development of an independent judiciary.

FSA-funded economic assistance supports the Georgian Government's efforts to reform legal and regulatory systems, privatize the economy, implement budgetary reforms, achieve fiscal stability, and fight corruption. U.S. assistance to help Georgia privatize land has resulted in transfers of parcels on an open market, and the United States will continue to support development of such private sector markets. Lack of political will and official government corruption have been serious impediments to economic reform in Georgia, although opportunities to overcome these obstacles with the new Georgian government are being explored, especially in the areas of budget, energy, and revenue collection. FSA funding in FY 2005 will continue to support programs devoted to the non-governmental sector, including agriculture, and business support and credit programs that help small and medium-sized private businesses.

In order to help relieve poverty and suffering in Georgia, FY 2005 FSA funding will continue to support humanitarian programs for the elderly, internally displaced persons and conflict victims, and will fund food and heat assistance programs, as needed. The United States provides other humanitarian assistance through the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) funded Humanitarian Demining Program. In FY 2005, the demining program will continue to address the threat of landmines and unexploded ordnance from the civil conflict in and around the Abkhazia region of Georgia. Past funding has already helped to train and equip a team of Georgian deminers to UN standards, but much more work needs to be done.

Greece

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	594	600	600

A key North Atlantic Treaty Organization (NATO) ally, Greece is strategically located near Balkan and Middle East trouble spots, and is essential to the ability of the United States and other allies to respond to contingencies in Southern Europe and further east. The U.S. naval base in Crete has played a pivotal role in recent U.S.-led military coalition operations. Greece has given full support to Operation Enduring Freedom and has pledged over \$5 million for assistance to Afghanistan. Greek forces are serving with NATO in Afghanistan.

As the only country in its region belonging to both NATO and the European Union (EU), Greece is a role model for its neighbors, as well as a leading participant in international efforts to promote democracy, stability, and development in Southeastern Europe. Greece also is essential to U.S. efforts to promote a solution on Cyprus and, more broadly, to encourage the peaceful resolution of disputes in the Aegean region. The United States also seeks to help Greece in fulfilling its NATO responsibilities, strengthening international cooperation on counterterrorism, and taking steps that facilitate U.S. business interests.

The International Military Education and Training (IMET) Program promotes the professionalization of the Greek military, and thus U.S. interests, through the training of Greek officers in the United States, thereby establishing cooperative relations with the U.S. military. Prior-year IMET funds have helped Greece maintain a modern military capable of meeting the country's NATO commitments. Greek IMET graduates provide a base of responsible, broadly informed military leaders, as they continue to advance to senior positions.

In FY 2005, IMET funding will reinforce the involvement of the Greek armed forces in the stabilization of Afghanistan, multinational regional peacekeeping, Balkan stabilization efforts, and cooperative programs with other regional NATO allies and Partnership for Peace members. Greece continues to take positive steps with Turkey to reduce military tensions, as part of the general rapprochement in relations between the two countries. IMET also creates opportunities for greater contact and cooperation between the militaries of Greece and Turkey, by offering special Greek-Turkish joint training courses and, where possible, assigning both Greek and Turkish officers to high-level training.

Consistent with its readiness needs and NATO obligations, Greece also is a recipient of Excess Defense Articles (EDA). It will be eligible to receive grant EDA in FY 2005 under Section 516 of the Foreign Assistance Act. The transfer of grant EDA to Greece is a part of U.S. and NATO efforts to strengthen regional stability in Southeastern Europe and the Eastern Mediterranean. In view of Greece's strategic location, the United States in recent years has asked Greece to become a more active participant in key regional peacekeeping missions in Albania, Bosnia and Kosovo. As an active member of the Multilateral Peacekeeping Force in Southeast Europe, Greece may also use EDA in related regional missions, all of which are designed to promote stability in the region.

Hungary
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	10,900	7,955	6,000
FMF-SUP	8,000	-	-
IMET	1,888	1,900	1,900
NADR-EXBS	350	-	-

U.S. assistance has contributed to Hungary's development into a stable, democratic, market-oriented North Atlantic Treaty Organization (NATO) ally that contributes to the security of the Central European region, and actively participates in NATO operations. Hungary will pursue further economic and legal reform, as the country becomes part of the European Union (EU) in 2004. Hungary has contributed to international efforts in the Balkans, Iraq and Afghanistan, and has been an ally in the fight against terrorism. A 300-person Hungarian transportation battalion is currently serving in Iraq, and Hungary has provided a medical unit and materiel to Operation Enduring Freedom in Afghanistan in addition to providing basing and overflight access for U.S. and NATO forces. Hungary has also supported counterterrorism training at the Support for East European Democracy (SEED) Act-funded International Law Enforcement Academy (ILEA) in Budapest.

The current Hungarian Government has boosted defense spending by 20 percent and is following through on its plan to free more resources for modernization by reducing military personnel, closing redundant bases, and restructuring military forces. In a welcome move, the Hungarian Parliament recently amended the Constitution to facilitate the deployment of troops to NATO missions without the requirement of a two-thirds vote in Parliament. FY 2005 Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance will be used to improve Hungary's interoperability with NATO and support Hungary's program of force modernization, including fulfillment of several key NATO force goals, as well as increase its support capability in deploying or receiving forces. FY 2005 FMF funds will continue to support Hungary's identified military transformation priorities: moving from a mechanized to a light ground force; training a new contract force as conscription ends; establishing a special forces capability; and NATO interoperability. Purchase of defense articles and services will target improvements in the areas of command, control, communications, and computers; Nuclear, Biological and Chemical (NBC) defense capabilities; special forces capabilities; non-commissioned officer (NCO) development; simulation program upgrades; and continued assistance in defense reform and resource management. Planned projects include the following:

- Continued improvement of night-vision capability and ground navigational equipment allowing for rapid improvement in NATO interoperability, tactical capabilities, and combat effectiveness;
- Installation of command, control and communications equipment and a field-capable computer system so that Hungarian forces will be capable of communicating among themselves and with NATO and other Partnership for Peace forces;
- Improving capabilities in the area of NBC operations and conducting combat training through the Multiple Integrated Laser Enhancement System (MILES) Program, which provides realistic training for soldiers;
- Assist in the development of Hungary's new contract force and a Special Forces capability; and

- U.S. contactor-assisted efforts in force modernization/restructuring and personnel and logistics systems development.

IMET funds have complemented our use of FMF and supported the larger goals of NATO integration and defense reform by providing much needed exposure to American doctrine, tactics, and leadership for Hungarian officers and NCOs.

Since Hungary has made significant progress toward establishing an effective export control system, there is no separate Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) line-item for Hungary in FY 2005. Hungary has maintained a strong nonproliferation record over the last several years, implementing stringent legal controls on exports of dual-use equipment and arms. EXBS regional funds will continue to be used to support Hungary's participation in regional export control events, and a regionally based EXBS Advisor will cooperate with Hungarian officials on an ad hoc basis.

Hungary will continue to be eligible in FY 2005 for Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Hungary in meeting its defense requirements, and furthering its interoperability.

Ireland
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	28,298	21,870	12,000

A permanent political settlement in Northern Ireland remains a priority foreign policy goal of the United States. The United States seeks to assure the full implementation of the Good Friday Agreement, which provides a framework for lasting peace and reconciliation in the region.

Economic Support Funds (ESF) support two programs which contribute to the peace process: the International Fund for Ireland (IFI) and the Irish Peace Process Cultural and Training Program of 1998 (the Walsh Visa Program).

The IFI was established in 1986 by the British and Irish governments to promote economic and social advancement and encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland and Northern Ireland. The U.S. contribution of \$8.5 million in FY 2005 will foster cross-community interaction, economic regeneration, and job opportunities in Northern Ireland and the border counties of Ireland. The European Union, Canada, Australia, and New Zealand have also contributed to the Fund, although neither Australia nor New Zealand is an active donor.

Reconciliation projects and economic development will be supported in FY 2005. Disbursements from the Fund are made in support of equality of opportunity and nondiscrimination in employment, addressing needs in both Catholic and Protestant communities and encouraging cross-community cooperation. From 1986 through the end of FY 2003, the fund has underwritten nearly 5,000 projects in the areas of urban development, education, tourism, community infrastructure, and assistance to small businesses, in addition to efforts to bring about greater cross-community contact and reconciliation.

ESF funding of \$3.5 million is requested for the Walsh Visa Program, which is also dedicated to support economic regeneration and peace and reconciliation in Ireland and Northern Ireland. The October 1998 law establishing this program was designed for young residents of Northern Ireland and the border counties of Ireland, to enable them to develop job skills and conflict resolution abilities. Those meeting the program criteria are eligible for non-immigrant visas enabling them to work for up to three years in the United States to gain job experience and work skills.

The first group under the Walsh Program entered the United States in March 2000 and the last group arrived in September 2003. FY 2005 funding provides continued support and monitoring for Walsh participants until their return home.

Kazakhstan
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	2,900	2,980	6,000
FSA	43,416	33,342	28,000
IMET	872	1,200	1,000
NADR-EXBS	1,900	2,000	2,000
NADR-SALW	-	-	500
Peace Corps	2,208	2,052	2,724

The United States seeks to promote Kazakhstan's development as a stable, independent, democratic, market-oriented and prosperous state that has good relations with its neighbors and strong links to the West. Kazakhstan has vast hydrocarbon reserves and is the largest Central Asian state, sharing borders with Russia and China. In support of Operation Enduring Freedom, Kazakhstan provided the United States with overflight permission and has offered basing privileges. Kazakhstan has supported Operation Iraqi Freedom, contributing soldiers to the Coalition force.

Key U.S. interests in Kazakhstan include the following: (1) building on the Kazakhstani Government's commitments to the Global War on Terrorism; (2) building on non-proliferation programs that have achieved impressive successes, including the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program; (3) promoting democratic governance, open markets, a favorable investment climate for U.S. firms, and integration of Kazakhstan into the world trading system, and (4) supporting efforts to enhance Kazakhstan's capabilities to counter the transport of illicit drugs produced in Afghanistan.

FY 2005 FREEDOM Support Act (FSA) funds will continue to provide support for small and medium-sized enterprises (SMEs), improved management of critical natural resources, improving primary health care, fighting infectious diseases, and strengthening civil society and citizen participation in political processes. In addition, FSA-funded programs will continue to support nonproliferation cooperation and improvements in law enforcement and counter-narcotics capabilities.

An important element of FSA-funded U.S. economic reform assistance is the U.S.-Kazakhstan Business Development Partnership, also known as the "Houston Initiative," which includes technical assistance, training, small-business loans, and equity investments aimed at removing barriers to investment, increasing business opportunities for Kazakhstani and U.S. investors and helping to diversify the economy and build a middle class in Kazakhstan. The Quality Primary Health Care program is implementing systemic changes to create a higher quality, user-friendly, more cost-effective primary healthcare system in select regions. The natural resources management program is increasing access to information, knowledge, and skills needed to better manage water and energy resources.

During the course of the coming year, the Administration will develop a phase-down plan for FSA-funded assistance to Kazakhstan, which will include a plan for cost-sharing with the Government of Kazakhstan. As the flow of revenue from Caspian oil increases over the next few years, the Government of Kazakhstan should be expected to share the cost of technical assistance and training in a broad range of areas.

Disparities in income between socio-economic groups and between oil and non-oil producing regions continue to grow in Kazakhstan. Private-sector development programs are crucial to our efforts to help diversify the country's sources of economic growth, and will continue in FY 2005.

Kazakhstan's progress on democratic reform continues to be uneven. The conduct of the parliamentary election in 2004 will be an important test of the Kazakhstani Government's commitment to democracy. In the face of these challenges, FSA-funded democracy assistance programs are designed to: (1) help maintain citizen participation through support for political processes and institutions that provide a counterbalance to executive power, (2) strengthen grassroots civic organizations and (3) develop more effective, responsive, and accountable local government.

The United States will continue to provide funding for broadcast and print media assistance in Kazakhstan. Programs will help independent Kazakhstani broadcast media to meet their country's broadcast and production laws and thereby decrease their chances of legal challenges to their operation. The United States will also support local human rights defenders, government plans for judicial reform, and activities to promote free and fair elections. The local government project will continue to work to promote citizen participation and improve local governments' responsiveness to citizens; this program has been successful in addressing difficulties with the privatization of housing. USAID will also continue its work to strengthen non-governmental organizations (NGOs) by providing training, assistance and small grants.

With the dissolution of the Soviet Union, Kazakhstan became a de facto nuclear weapons state. Following its independence, Kazakhstan began to work cooperatively with the United States and others to dismantle Soviet-era nuclear, biological and chemical weapons infrastructure and redirect related expertise. U.S. nonproliferation assistance programs address these potential sources of proliferation. FY 2005 FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds will continue to help prevent, deter, detect, investigate and interdict threats of proliferation; ensure the security of nuclear materials; redirect former Soviet weapons expertise to peaceful projects; and enhance Kazakhstan's capabilities and infrastructure to control exports and secure its borders. In FY 2005, a high priority for NADR- and FSA-funded assistance will be the development of Kazakhstan's maritime border security capabilities. The United States will sponsor joint regional training programs on border searches, weapons of mass destruction (WMD) and immigration procedures; counter-proliferation awareness courses; and international border interdiction training for border security officials. It will also provide equipment and training that will enable Kazakhstan's border authorities to protect Caspian energy infrastructure and key energy transport routes.

After the breakup of the Soviet Union, Kazakhstan was left with an enormous arsenal of small arms/light weapons (SALW) and associated ammunition. Through the North Atlantic Treaty Organization (NATO) Partnership for Peace (PfP), Kazakhstan has requested assistance with the destruction of excess SA/LW and associated ammunition stocks, which are far in excess of its defense needs and at risk of leaking into the illicit market. NADR SA/LW funding will be used for this purpose.

The BN-350 breeder reactor in Aktau, Kazakhstan is in standby condition. Using Defense Nuclear Nonproliferation (NN) and FSA funds, the U.S. Department of Energy (DOE) is leading U.S. Government efforts to continue cooperation with Kazakhstan on the long-term secure storage of spent fuel from the BN-350 reactor at Aktau.

Kazakhstan's law enforcement agencies are poorly equipped and in need of reform and improvements in their capabilities. Kazakhstan's lengthy borders are inadequately monitored. Legislation criminalizing the financing of terrorism has yet to be adopted, previously enacted legislation criminalizing money laundering needs improvement, and there is no central financial intelligence unit to track suspicious financial transactions. The United States is supporting a new project to improve border controls on the southern Kazakhstani border, modernize statistics collection, train financial investigators in money laundering related to narcotics trafficking, and begin assistance and training to selected border guard and police units on the northern and southern Kazakhstani borders focused on intercepting narcotics.

FY 2005 funding will support expanded projects to fight money laundering and terrorist financing, continued efforts to address trafficking in persons and support reforms in the judicial sector and law enforcement agencies, and expand border security efforts aimed at narcotics trafficking and other organized criminal activities. FY 2005 funding will also support efforts to encourage modernization of Kazakhstan's law enforcement agencies and improved respect for the rights of suspects and prisoners and will support greater bilateral cooperation between Kazakhstani law enforcement agencies and the U.S. Drug Enforcement Administration and other U.S. law enforcement agencies.

NADR Anti-terrorism Assistance (ATA) Program regional funds will continue to provide training to Kazakhstani law enforcement and security elements engaged in the prevention of terrorism.

FY 2005 Foreign Military Financing (FMF) will continue to enhance Kazakhstan's capability to combat terrorism in the region through security enhancements and counterterrorism support. FMF will continue to provide assistance to the Peacekeeping Battalion and help support development of a rapid reaction brigade near the Caspian oil field in Atyrau. This brigade will enhance Kazakhstan's capability to respond to major terrorist threats to oil platforms or borders, while also enhancing its interoperability with NATO, U.S., and Coalition forces. FMF funds will support the purchase of interoperable communications equipment, basic individual soldier equipment, vehicles, and power generator systems.

FY 2005 International Military Education and Training (IMET) funds will help facilitate greater professionalism and reform of the armed forces. English language training will continue to foster cooperation and interoperability, especially with regard to the Kazakhstan Peacekeeping Battalion and rapid reaction brigade. IMET is the vehicle through which the United States will continue to expand its security relationship with Kazakhstan through military integration and promotion of interoperability.

In FY 2005, Kazakhstan will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Provision of EDA will help Kazakhstan meet its defense requirements and further its NATO interoperability.

Kosovo
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
PKO	-	9,444	-
SEED	85,000	78,534	72,000

Since the end of the conflict in 1999, the United States has actively promoted political and economic stability in Kosovo. In line with United Nations Security Council Resolution (UNSCR) 1244, the United States continues to support the United Nations Interim Administration Mission in Kosovo (UNMIK) while encouraging it to transfer additional responsibilities to the Provisional Institutions for Self-Government (PISG) in accordance with the Constitutional Framework and UNSCR 1244. U.S. assistance is designed to help UNMIK and the PISG make progress toward attaining eight fundamental standards key to Kosovo's multi-ethnic democratic development. These standards include the development of functioning democratic institutions, rule of law, freedom of movement, return and reintegration of refugees and displaced persons, a market economy, property rights, direct dialogue with Belgrade and professionalization of the Kosovo Protection Corps (KPC).

FY 2005 Support for East European Democracy (SEED) funds will continue to support programs that strengthen democratic institutions, the rule of law, good governance and human rights, as well as the development of a market economy integrated with the region and the rest of Europe. SEED-funded programs seek to solidify stability and democracy within Kosovo in order to hasten the day when the North Atlantic Treaty Organization (NATO)-led Kosovo Force, which includes approximately 2,200 U.S. troops, can withdraw. Given the importance of law enforcement and administration of justice, the United States will continue to support the UNMIK International Police Force and to train and equip the Kosovo Police Service (KPS), which is increasingly taking on expanded investigative processes including against organized crime.

Institution-building and democracy programs will remain important components of SEED funding in FY 2005. U.S. support will continue to boost the competency of the PISG and municipal-level governments through training, advisory services and material donations. Support will also be provided to include independent media, professionals, youth and civic leaders, as well as other human-rights activities, including the identification of missing persons. U.S. assistance will also support the return and reintegration process in Kosovo. Kosovo's economic recovery is another fundamental objective of U.S. assistance, through the provision of technical assistance and advisory services in key economic functions such as budgeting and finance, commercial law and private enterprise development both at central and grassroots level. USAID's programs support the growth of small and medium enterprise (SME) development and agribusiness support, along with community and non-governmental organization (NGO) development, which round out the U.S. contribution to Kosovo's economic recovery.

FY 2005 OSCE Regional Peacekeeping Operations (PKO) assistance will fund a small portion of the U.S. share of the OSCE's field mission in Kosovo (OMIK), with the goals of containing and reducing instability and assisting with post-conflict rehabilitation. In Kosovo, OMIK is an integral part of UNMIK's Pillar III (Democratization and Institution-Building) and is charged with oversight of activities such as human-resource capacity building, including the training of the Kosovo Police Service; democratization and governance, including the development of civil society, NGOs, political parties and the local media; organization and supervision of elections; and monitoring, protection and promotion of human rights.

Latvia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	6,500	6,610	5,000
FMF-SUP	2,750	-	-
IMET	1,091	1,200	1,200
NADR-EXBS	1,150	1,825	1,000

The Baltic states of Estonia, Latvia and Lithuania are important to the long-term stability of Northern Europe. With Latvia's expected entrance into the North Atlantic Treaty Organization (NATO) and the European Union (EU) in the first half of 2004, its prospects for the future are promising. The United States has maintained a significant assistance relationship with Latvia ever since it regained its independence from the Soviet Union. However, now that Latvia has graduated from Support for East European Democracy Act (SEED) assistance future U.S. support will concentrate on the military and security areas. U.S. goals for Latvia remain the following: Latvia's full integration into Euro-Atlantic institutions, good relations with nearby countries, including Russia, and strengthened cooperation among the Nordic and Baltic countries. Latvia is interested in sharing its experience in political and economic reform with other former Soviet states, an effort that the U.S. fully supports. In FY 2005, U.S. defense and military assistance programs will provide material aid and training, complement allied and partner-state support for Latvia by participating in multilateral projects, and strengthen the professionalism of the country's defense establishment. Latvia has proven itself to be a reliable partner for the United States in the war on terrorism and on other high-priority foreign policy issues.

Latvia's military has had to start from almost nothing since the country regained its independence. In little more than a decade, it has become a territorial defense force with a capability to take part in international operations. Progress by the Latvian Government in developing this force and procuring significant new defense materiel has been slowed by the limited availability of national funding. However, the government is committed to annual allocations for defense spending at two percent of gross domestic product through 2008. The chief goals of the Latvian military are to enhance military professionalism and NATO interoperability. At the same time, essential salary reforms and quality-of-life projects, such as improved housing, that are necessary for building a professional force have been high priorities and will continue to consume a large part of the initial budget increases.

The Foreign Military Financing (FMF) Program is a critical factor in Latvia's efforts to make its military more interoperable for participation in NATO, Partnership for Peace (PfP), and NATO-associated operations, including peacekeeping, peace enforcement, and humanitarian assistance. In FY 2005, FMF is expected to promote high-priority goals, such as support for the Regional Air Surveillance Coordination Center (RASCC)/Air Support Operations Center (ASOC); the provision of logistical training and support for the Baltic Naval/Demining Squadron (BALTRON), which takes part regularly in multinational activities to remove World War II and Cold War-era sea mines and unexploded ordnance; the enhancement of NATO-compatible communications infrastructure; support for and transportation of U.S. Excess Defense Articles (EDA); continued development of the national training center and a training system for officers, non-commissioned officers (NCOs), and conscripts; and English language training.

The International Military Education and Training (IMET) Program also support Latvia's reform efforts. In FY 2005, IMET will continue to further Latvian efforts to develop a professional, well-educated cadre of military officers and civilian defense officials that strengthens support for democratic values, civilian

control of the military, and the adoption of doctrines, procedures, and training techniques that are consistent with those of Western democracies.

In FY 2005, Latvia will be eligible to receive grant EDA under section 516 of the Foreign Assistance Act. Articles transferred to Latvia under EDA will help it in meeting its defense requirements and furthering its NATO interoperability.

As part of U.S. efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds will support a cooperative program to help establish fully effective export controls in Latvia. Since Latvia has made significant progress in establishing an effective export control system, FY 2005 will be the final year of new NADR funding. In FY 2005, NADR funding will focus primarily on providing sophisticated equipment to enhance the security of Latvia's borders.

Kyrgyz Republic
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	3,900	4,075	3,000
FSA	37,878	35,938	33,000
IMET	1,068	1,200	1,100
NADR-EXBS	2,000	500	500
Peace Corps	1,470	1,496	1,940

The United States seeks to help the Kyrgyz Republic become a democracy that is based on the rule of law and civil society, functions on free-market economic principles, is at peace with its neighbors, is integrated into the world economy, and has the capability to provide for the welfare of its citizens. The Kyrgyz Republic is providing crucial support for Coalition forces in support of Operation Enduring Freedom, Operation Iraqi Freedom, and the Global War on Terror, most notably in hosting the Ganci Coalition airbase.

U.S. assistance to the Kyrgyz Republic seeks to enhance its sovereignty and territorial integrity, increase democratic participation and civil society, support economic reform and development, improve its ability to protect human rights, help prevent weapons proliferation, and more effectively combat transnational terrorism and transnational criminal activities including drug trafficking, and trafficking in persons.

In FY 2005, the United States plans to continue economic and technical assistance for small and medium-sized enterprise development, civil society strengthening, and health reform. Efforts to improve the capabilities of Kyrgyz law enforcement agencies to intercept major narcotics smuggling out of nearby Afghanistan and to combat other forms of organized crime will be expanded. A range of security-related assistance programs for the Kyrgyz Republic will be funded through the FREEDOM Support Act (FSA), Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR), Foreign Military Financing (FMF) and International Military Education and Training (IMET) accounts.

FSA-funded economic assistance helps the Kyrgyz Republic's private sector create free and viable markets where microenterprises and private small and medium-sized enterprises (SMEs) can thrive. FSA-funded programs have helped the Kyrgyz Republic make progress in tax reform and government budget processes. Credit financing supports micro and SME development. FSA programs have also helped the Kyrgyz Republic become a regional leader in health reform.

While the Kyrgyz Republic has been a leader within Central Asia in developing democratic institutions, 2003 saw passage of constitutional amendments that were drafted without civil society participation. On a positive note, 2003 marked the opening of a U.S. Government-funded independent printing press, which will contribute to the freedom of expression and sustainability of print media in the Kyrgyz Republic. Another positive development in 2003 was passage of a new law that devolves increased financial autonomy to local governments. In comparison with its neighbors, the Kyrgyz Republic still has the most dynamic civil society in the region.

Presidential elections scheduled for 2005 present an historic opportunity for the Kyrgyz Republic to be a model for peaceful, democratic transfer of executive power in the region. FSA-funded democracy assistance will continue to support civil society and independent media, with a focus on ensuring free and fair parliamentary and presidential elections in 2005. Programs to work with local governments and citizens to strengthen the accountability of government will continue. U.S. assistance to promote education

reform, with programs focusing on civic education, basic education, and the continued development of the American University of Central Asia (formerly the American University of Kyrgyzstan), will also continue.

The FSA and NADR accounts will continue to fund peaceful scientific activities by former weapons scientists. Among other scientific activities, the FSA account supports the International Geodynamics Research Center (IGRC), which monitors the region's seismic activity and thus provides non-proliferation experts with information on man-made seismic activity in China, the Middle East and parts of South Asia. Through the Export Control and Related Border Security Assistance (EXBS) program funded under the FSA and NADR accounts, the United States will continue to work with the Kyrgyz Republic to enhance all aspects of its export control system to prevent, deter, detect, investigate and interdict weapons proliferation, with a focus on institutionalizing effective inspection and detection training for border control personnel. The United States will also continue to provide support to enhance border security capabilities through the EXBS Aviation/Interdiction Project. NADR Anti-terrorism Assistance (ATA) Program regional funds will continue to provide counterterrorism training to Kyrgyz law enforcement and other security personnel to bolster its ability to maintain security at home and to participate in the Global War on Terror.

The Kyrgyz Republic is a major transit country for illegal narcotics produced in nearby Afghanistan and bound for Russia and Western Europe. The revenues from such drug smuggling are strongly believed to be a source of financing for terrorist entities. A substantial amount of U.S. law enforcement assistance to the Kyrgyz Republic will therefore be aimed at improving the interdiction and enforcement infrastructure and training of counter-narcotics units.

FY 2005 FSA funds will further expand law enforcement assistance programs to address the rapidly growing narcotics smuggling out of Afghanistan and the very poor state of Kyrgyz law enforcement equipment, training and practices. FY 2005 funding will provide support for the operations of the new Kyrgyz Drug Control Agency, which will be staffed by vetted Kyrgyz personnel. Assistance will also be provided for further law enforcement agency reforms, including reforms to ensure proper treatment of suspects; for continued development of the judicial sector; for expanded border control improvements; for work with Kyrgyz prosecutors; and for improvements in the Kyrgyz government's ability to detect and halt money laundering and terrorist financing.

Foreign Military Financing (FMF) will be devoted to a range of projects aimed at reinforcing the Kyrgyz Republic's capability to combat terrorist insurgents moving through the region, establishing greater internal security, and promoting regional stability. FMF will sustain the professionalization of the armed forces of the Kyrgyz Republic and will promote interoperability. FMF will purchase vehicles and individual soldier equipment for troops and rapid reaction forces located in the border regions with Tajikistan and Uzbekistan. FMF will also support Command, Control and Communications nodes for tactical and state-level capabilities.

International Military Education and Training (IMET) funds will help facilitate greater professionalism and reform of the armed forces and provide English language training. Special forces and English language training for border defense will combat the continuing threat of terrorists and insurgents in the Kyrgyz Republic and across the region and promote interoperability.

The Kyrgyz Republic will continue to be eligible to receive Excess Defense Articles (EDA) in FY 2005 on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist the Kyrgyz Republic to meet its defense requirements and further its NATO interoperability.

As one of the poorest countries in the former Soviet Union, the Kyrgyz Republic continues to need humanitarian assistance for its most vulnerable citizens. FSA-funded humanitarian assistance will fund the delivery of targeted assistance, including medicines, medical supplies, food and clothing.

Lithuania
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	6,500	6,950	5,500
FMF-SUP	4,000	-	-
IMET	1,087	1,200	1,200
NADR-EXBS	820	1,020	1,000

The Baltic states of Estonia, Latvia and Lithuania are important to the long-term stability of Northern Europe. Lithuania has promising prospects for the future, especially in light of its anticipated entrance into the North Atlantic treaty Organization (NATO) and the European Union (EU) in the first half of 2004. The United States has maintained a significant assistance relationship with Lithuania ever since it regained its independence from the Soviet Union. However, now that Lithuania has graduated from Support for East European Democracy Act (SEED) assistance future U.S. support will focus on the military and security fields. Lithuania has proven itself to be a reliable partner of the United States in the war on terrorism and in other high-priority foreign policy areas. U.S. goals for Lithuania continue to include Lithuania's full integration into Euro-Atlantic institutions, good relations with nearby countries, including Russia, and strengthened cooperation among the Nordic and Baltic countries. Lithuania is also interested in sharing its experience in political and economic reform with other former Soviet states, an effort that the U.S. fully supports. The United States is supporting the Lithuanian military's ability to interact effectively with NATO and to contribute to stability and dialogue in the region.

Given its impending membership in NATO, Lithuania is on the verge of achieving full integration into Western security structures. However, since the country regained independence, its military has had to build itself up from almost nothing – a daunting task. Lithuania is committed to maintaining defense spending at two percent of gross domestic product and is seeking to prioritize its military spending, both for its own defense needs and for its contributions to European security overall. The International Military Education and Training (IMET) Program will continue to strengthen and modernize Lithuania's defense establishment through education and training for military officers and Defense Ministry civilians. The goal is to develop a well-educated, professional cadre that enhances support for democratic values, civilian control of the military, and the adoption of procedures, doctrines, and training techniques that are consistent with those of Western democracies.

Foreign Military Financing (FMF) provides essential support to the Lithuanian military's efforts to become more interoperable for participation in NATO, Partnership for Peace (PfP), and NATO-associated operations, including peacekeeping and peace enforcement, as well as humanitarian assistance. FMF helps ensure that Lithuania is ready for its participation in the Polish-Lithuanian Battalion (LITPOLBAT) and that its contingent of the Baltic Peacekeeping Battalion (BALTBAT) remains capable of full participation in peacekeeping and peace enforcement. FMF will also be used for continued support of the Regional Airspace Initiative by assisting with radar and Identification Friend or Foe (IFF) system upgrades to provide better help for coalition operations and host-country support through needed linkages. Funds will also be used to strengthen the capabilities of Lithuania's High Readiness Brigade.

In FY 2005, Lithuania will be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Materiel transferred as EDA will help Lithuania to meet its defense requirements, institute defense reforms, and further its defense and NATO interoperability. The provision of EDA also will contribute to Lithuanian maritime sovereignty and facilitate the country's ongoing contribution to European security and environmental amelioration through Baltic Naval/Demining

Squadron (BALTRON) operations to remove World War II and Cold War-era sea mines and unexploded ordnance.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. is providing Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish fully effective export controls in Lithuania. In FY 2005, NADR-EXBS funding will focus primarily on providing sophisticated equipment to enhance border security.

Macedonia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	10,900	7,950	6,500
FMF-SUP	1,000	-	-
IMET	676	700	650
NADR-EXBS	300	300	400
Peace Corps	1,393	1,473	1,852
SEED	50,000	38,770	34,000

U.S. interests in Macedonia include consolidating peace and stability gains in the wake of the 2001 insurgency and encouraging accelerated progress on democratic, economic, and military reforms on Macedonia's path to full membership in Euro-Atlantic institutions. Regionally, Macedonia could be a valuable model of a successful multi-ethnic democracy with constructive relations with its neighbors and strong, stable political institutions. Macedonia played a key supportive role to U.S. and Allied efforts during the Kosovo crisis and remains the main conduit for assistance and logistics for international forces and the United Nations administration in Kosovo. The United States has an enduring stake in reinforcing Macedonia against internal and external threats to its stability, while supporting its internal political and economic transition and facilitating its integration into the Euro-Atlantic mainstream. The armed ethnic Albanian insurgency that emerged in northwestern Macedonia in early 2001 posed an extremely serious threat to both Macedonian and regional stability. By working to strengthen its multi-ethnic, democratic institutions through implementation of the 2001 Framework Agreement that ended the insurgency, Macedonia is making an invaluable contribution to regional stability. It is also contributing to the global war against terrorism with troop contributions in Iraq and Afghanistan.

The goals of U.S. assistance to Macedonia are to deepen inter-ethnic reconciliation and cooperation, promote economic reform, and strengthen democratic institutions and security. The U.S. strategy includes both short- and longer-term efforts to advance political and security gains, to improve the environment for investment and sustained economic growth, strengthen multi-ethnic democratic institutions and cooperation in the context of the Framework Agreement, and support Macedonia's North Atlantic Treaty Organization (NATO) Membership Action Plan (MAP).

In FY 2005, Support for East European Democracy (SEED) assistance programs in Macedonia will advance economic reforms, democracy-building and decentralization, while broadening the scope of ongoing activities that promote inter-ethnic relations and address minority concerns in the spirit of the Framework Agreement, such as programs to assist Macedonian governmental institutions in ensuring non-discrimination and equitable representation. Programs will strengthen the effectiveness and representative nature of state institutions, including the police, through training police officers in the tenets of community policing to create a more constructive and cooperative environment for police operations. Other programs will stimulate local private sector economic development and help the government to develop a progressive legal framework that will foster job creation and growth. Emphasis will be placed on underdeveloped areas, including predominantly minority areas most affected by the 2001 insurgency.

SEED funds will finance assistance in enterprise development, legal, accounting, and judicial reform, privatization and labor redeployment, and financial sector reform. SEED-funded programs are helping Macedonia to improve its investment climate, economic capacity, and adherence to international standards. The U.S. strategy includes programs to reduce the negative impacts of democratic and market transition on all ethnic groups, with emphasis on those who have yet to benefit from the market transition or are

disenfranchised, alienated, or politically under-represented. These programs will reduce support for extremism within these groups and will strengthen Macedonia's democratic, economic, and civil institutions through such initiatives as Democracy Commission grants to NGOs.

FY 2005 OSCE Regional Peacekeeping Operations (PKO) funds will fund a small portion of the U.S. share of the OSCE's field mission in Macedonia, with the goals of containing and reducing instability in the country and assisting with post-conflict rehabilitation.

The armed insurgency in early 2001 fully engaged the Macedonian government's security forces, delaying and necessitating reassessment of military reorganization and training programs. In FY 2005, the Macedonian military is expected to avail itself of opportunities for training and equipment acquisition, in order to strengthen its ability to counter internal and cross-border extremist threats.

Foreign Military Financing (FMF) and International Military Education and Training (IMET) have supported defense reorganization and training, consistent with the U.S. and NATO goals of restructuring and modernizing the capabilities of the Macedonian military. FMF supports building the capabilities of the armed forces according to the parameters of the MAP. FY 2005 FMF funds will continue to improve the armed forces' operational capacity to enable participation in regional and international stabilization and peacekeeping efforts. Upgrading the military's Tactical Communication Systems will improve Command and Control and interoperability.

FMF will continue to advance reform and modernization of the armed forces by supporting Macedonia's MAP goals of NATO membership, further development of a NATO interoperable force structure for out-of-country operations, and improved civilian control of the armed forces. Funding will be used to provide training and equipment for maintaining communications equipment, command vehicles, and similar equipment. Funding will provide spare parts, maintenance and operator training and tools. Improvement of interoperability and deployability through building English language capacities will continue. In FY 2005, IMET funds will be used for professional military education and exchanges, as well as English language training.

The Macedonian military faces significant reorganization and modernization challenges in pursuit of affordable force structures that adhere to a Western, NATO-compatible model and are based on a realistic threat assessment. While some, albeit slow and inconsistent, progress in the required transformation was made prior to the insurgency, ground was lost during 2001 when existing MAP-oriented restructuring plans were shelved. Macedonia committed itself to getting MAP reforms back on track and completed a bilateral Defense Assessment in 2002. It has made efforts to improve not only the quality of its non-commissioned officer (NCO) corps as well as its senior leadership. Under IMET-funded programs, Macedonian Ministry of Defense civilians, senior military officers, and NCOs are receiving key training. Macedonia continues to use its cooperative relations with the NATO/KFOR presence in Kosovo as an opportunity to familiarize officers with NATO procedures, and it has actively sought joint training opportunities with tactical NATO units in Macedonia.

In FY 2005, Macedonia will be eligible to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Macedonia in meeting short-term defense needs, capability enhancements through continued defense reform, and further interoperability improvements.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) funds under the Export Control and Related Border Security (EXBS) Assistance Program to help the government put in place a fully effective export control and

enforcement regime. This funding will provide training and inspection/detection equipment to strengthen export control laws, regulations and enforcement, in order to bring Macedonia's control of sensitive items in line with international nonproliferation norms.

Malta
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	5,000	990	-
IMET	292	250	125
NADR-EXBS	480	100	100

Many in the international community, including European Union (EU) member and accession states, consider Malta to be a key forward boundary that bridges Europe, North Africa, and the Middle East. One third of all international maritime traffic passes through or by Malta. The United States supports Malta's integration into the Euro-Atlantic mainstream. U.S. national interests include extending our presence in Malta to check Libyan influence internationally, particularly its development of a weapons of mass destruction (WMD) program. In addition, Malta is an active partner with the United States in combating counter terrorism and WMD proliferation. By virtue of its close cooperation with the United States on a wide range of security-related activities, Malta serves as a proxy nation in promoting regional security and stability.

Malta so far has not signed an agreement under Article 98 of the American Service-Members' Protection Act and is currently not eligible to receive Foreign Military Financing (FMF) funds, International Military Education and Training (IMET) funds and Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Because IMET funds have helped Malta strengthen its counterterrorism efforts, standardize its officer corps, and enhance its WMD response capability, we are requesting funding in FY 2005 should Malta's Article 98 status change.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States will also provide Malta with Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)-funded training and equipment in FY 2005. NADR Export Control and Related Border Security (EXBS) Assistance will help Malta establish fully effective trans-shipment controls by strengthening its enforcement capabilities through training the provision of equipment. Training will focus on targeting and identification of dual-use and WMD-related commodities, as well as cargo vessel inspection. In previous years, NADR assistance helped to purchase a patrol boat and a non-intrusive inspection device: the mobile Vehicle and Cargo Inspection System (VACIS). FY 2005 NADR funding will also provide first-responder equipment and training to help Malta respond to a WMD-related event.

Moldova
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	1,000	990	800
FSA	30,242	21,898	17,500
IMET	988	1,000	900
NADR-EXBS	975	640	495
Peace Corps	1,996	2,168	2,795

Already the poorest country in Europe, Moldova is constrained from developing its economy, since many of its industrial assets are under the control of the self-proclaimed Transnistrian state. The secessionist Transnistrian region within Moldova remains a great obstacle also to regional security, and the United States has a national interest in seeing this conflict resolved in a way that protects Moldova's sovereignty and helps ensure stability in a region that includes the Balkans. The lack of border controls along the Transnistria-Ukraine border also threatens the broader region as it provides opportunities for weapons proliferation, smuggling, transnational crime and human trafficking. The United States also has a national interest in strengthening democracy and a free market economy in Moldova, which until recently had made significant reform advances.

In 2003, the Government of Moldova declared that integration into the European Union (EU) was the country's strategic priority, which potentially can be a powerful motivator to reinvigorate reform. By including Moldova in its New Neighbor Process, the EU has signaled a willingness to increase its assistance levels to Moldova, if Moldova moves closer to the EU's democracy and market standards. Moldova has been a strong supporter of the Global War on Terror, Operation Enduring Freedom, and Operation Iraqi Freedom, granting the United States overflight rights and basing rights, as well as sending a troop contingent to support Coalition forces.

U.S. assistance to Moldova is designed to strengthen its territorial integrity and security; prevent the proliferation of weapons and related expertise; combat transnational crime; support market-based economic reform; strengthen civil society and democracy; and avert humanitarian crises. In FY 2005, the United States plans to continue a range of security-related programs to improve Moldova's military capabilities and promote U.S. nonproliferation goals. In the area of law enforcement, the United States will seek to support Moldovan efforts to combat narcotics, trafficking in persons, money laundering, and corruption by providing training courses, equipment and legislative drafting support. The United States will continue to support post-privatization programs in the agricultural sector, as well as the development of independent regulatory bodies, the creation of jobs in rural areas, and local community empowerment. FREEDOM Support Act (FSA) programs will also promote Moldova's integration into the regional political and economic structures of Southeastern Europe and Moldova's participation in the GUUAM Group, a Eurasian corridor regional organization that includes Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.

Until recently, Moldova generally outpaced its former Soviet neighbors in terms of economic reform efforts, democratic development and human rights observance, thereby providing a positive example for the region. Following its victory in the spring 2001 parliamentary and presidential elections, the Communist Party's rhetoric and actions had drawn into question its commitment to reform. However, the Moldovan President's declaration in 2003 of his intention to lead Moldova towards EU integration, and the Government's subsequent adoption of a strategic document outlining the steps forward may be a sign that political and economic reform may get back on track in Moldova.

In the mid- and late-1990s, Moldova made considerable progress in reforming its agricultural sector, the mainstay of the country's economy. U.S. assistance programs helped in the privatization of over 95 percent of the country's collective farms, and contributed to a bumper harvest in 2002, after a decade of decline. Despite a poor harvest due to unusually poor weather, in 2003 the Government resisted calls to intervene in the agricultural market and has instead let the market resolve the shortfall. Our highest priority for FSA-funded assistance in FY 2005 will continue to be support for post-privatization activities in the agricultural sector. Particular emphasis will be placed on assisting new landowners in developing viable associations and cooperative structures, building markets, accessing credit, and creating an efficient input supply and processing system. FSA-funded assistance will also continue to contribute to growth and profitability of small and medium-sized enterprises (SMEs) by facilitating their access to market business skills, information, and finance and by supporting technological advancements focused on the agricultural sector and selling to export markets. FSA funds will also help promote foreign direct investment by leveraging private investment with public funds through the U.S. Government-funded Western NIS Enterprise Fund (WNISEF).

The United States will continue to provide targeted, FSA-funded humanitarian assistance including pharmaceuticals, medical supplies, vaccine supplies, food and clothing for those most in need. In addition, the United States will provide continued FSA-funded assistance to support health care reform, including health partnerships, hospital assistance, and tuberculosis and women's health/family planning activities.

FSA-funded programs will promote accountability by local officials while empowering citizens and community groups through integrated micro-lending and training programs to help bolster employment and produce tangible improvements in living conditions. The United States will also continue to support open access to information and the non-governmental sector. This will strengthen civil society, local democracy, and grassroots political activism, and will serve to democratize over time the essentially oligarchic political parties that make up Moldova's political system.

Organized crime in the Eurasian region presents a direct and growing threat to Moldovan prospects for stability, and thus to the U.S. national security interests in the stabilization and reform of the East European region as a whole. Moldova has become a primary source of persons being trafficked to other European states for illicit purposes. However, at this time, Moldovan law enforcement agencies are ill-prepared to deal with the problem. FY 2005 FSA-funded programs will provide training, technical assistance and equipment to enhance Moldovan law enforcement agencies' capabilities to investigate and prosecute organized criminal activity as well as cases of corruption, a major corrosive force to Moldova's successful economic reforms. FY 2005 funding will also support the continuation of a project to raise awareness among Moldovan citizens, media, and government and law enforcement officials of the problem of trafficking in persons. FY 2005 funding will also support the implementation of the new criminal code enacted in 2002.

Funding from the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) account supports activities to prevent the proliferation of weapons of mass destruction (WMD), conventional arms and related materials and technologies in Moldova. The NADR-funded Export Control and Related Border Security (EXBS) Assistance Program is designed to facilitate the continuing development of an effective national export control and border security system to prevent weapons proliferation. The EXBS Program will further assist Moldova in strengthening its export regulations, and licensing procedures and practices with a particular emphasis on vetting and tracking end-users of nuclear and radiological source items. It will also provide enforcement training, detection, interdiction and automation equipment, infrastructure support, and advisory assistance through a resident export control assistance program advisor. The EXBS Program will continue to provide equipment, including vehicles, computers, night-vision goggles, and ground sensors for Moldova's Border Guards and Customs Service. A significant portion of this equipment

will be used for monitoring the secessionist region of Transnistria, with a focus on the potential transit of munitions, radiological devices, and contraband. The U.S. Embassy in Chisinau, in coordination with the Moldovan Department of Civil Defense, also will help Moldova create and sustain a first-responder unit for WMD incidents.

In 2003, Moldova signaled its intent to join the Science and Technology Center in Ukraine (STCU), which would greatly facilitate efforts to help prevent the proliferation of weapons expertise. The STCU is a multinational organization that helps former weapons scientists transition to non-military employment. FSA funding provided through the Civilian Research and Development Foundation (CRDF) is currently the only vehicle for engaging former Moldovan weapons scientists, and it has been actively utilized.

Despite financial limitations, Moldova is active in the Partnership for Peace (PfP) program and is committed to reforming its military along Western lines. Foreign Military Financing (FMF) assistance will continue to support efforts to deploy Moldova's peacekeeping battalion, which will help form the core of the country's reforming military. FMF will provide the peacekeeping battalion with communication equipment, tactical vehicles, and individual soldier equipment. Moldova has engaged in an extensive defense and military contacts program with the United States, expanded its participation in PfP exercises, and made effective use of the limited International Military Education and Training (IMET) funds provided to it. IMET-funded activities will focus on training peacekeepers in English language, thereby promoting interoperability. In addition, Moldova has developed a robust state partnership program with the North Carolina National Guard.

In FY 2005, Moldova will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA). Provision of grant EDA will assist Moldova in meeting its defense requirements and furthering its NATO interoperability.

Poland
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	12,900	20,000	66,000
FMF-SUP	15,000	-	-
IMET	2,172	2,000	2,000
NADR-EXBS	500	-	-

Poland is a key ally and partner in U.S. efforts to enhance security and promote economic prosperity in Europe. The United States has a strong interest in helping Poland improve its military capabilities and interoperability with the North Atlantic Treaty Organization (NATO). Poland is a net contributor to the NATO collective defense effort, and serves as a model and a mentor for prospective NATO members. Poland also contributes significantly to the enhancement of political and economic stability in Eastern and Central Europe, by sharing its experiences in successfully transitioning to a free-market democracy with neighboring countries.

Poland is a graduate of Support for East European Democracy (SEED) assistance, demonstrating that it can sustain the reforms necessary for its transition to a free-market economy and democratic institutions without significant economic assistance from the United States.

Poland is a willing and able ally that contributes significantly to UN and NATO peacekeeping missions, as well as Operation Enduring Freedom (OEF). Poland has taken a strong leadership role in Iraq, commanding a multinational division and committing substantial forces to Operation Iraqi Freedom (OIF). Poland recognizes the need further to improve its military capabilities and continues to increase its defense spending in real terms, despite constrained budget resources and growing demands for increased social spending. Poland coordinates its military modernization and restructuring closely with NATO to ensure that its efforts mesh with Alliance goals.

The Poles have embarked upon a serious multi-year military modernization, focusing limited resources on ensuring that the one-third of their forces designated for NATO missions are fully interoperable with NATO by 2006.

Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are an important way for the United States to show support for these efforts and directly contribute to them. FMF, particularly, is important as it focuses on increasing Poland's support capability to deploy or receive forces.

For FY 2005, FMF will be used to refurbish six C-130 aircraft, which would give the Poles an indigenous heavy-airlift capability for the first time. This capability would increase Poland's ability to participate in Alliance and coalition out-of-area operations, and would help relieve demands on U.S. heavy airlift. FMF will also support sustainment and upgrading Polish tactical and strategic communications, as well as establishing a Nuclear, Biological and Chemical (NBC) defense capability, including an NBC Training Center, Rapid Reaction Response Team and Equipment, as well as other priorities.

IMET funds complement our FMF by supporting the larger goals of NATO integration and defense reform by providing access to U.S. military doctrine, tactics and leadership for Polish officers and enlisted personnel.

In FY 2005, Poland will be eligible to receive grants of Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Poland in meeting its defense requirements, enacting defense reforms, and furthering its NATO and Western interoperability.

Given the significant progress that Poland has made toward establishing an effective export control system, there is no specific request for Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance for Poland in FY 2005. However, Polish participation in regional export control events will be funded using regional NADR-EXBS funds, and EXBS program advisors stationed in-country will continue to work with Polish officials to implement programs with prior-year funds and will continue to engage their Polish counterparts on an ad hoc basis.

Portugal
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	850	850	850

Portugal's continued participation in both the North Atlantic Treaty Organization (NATO) and other international peacekeeping operations directly benefits U.S. security goals. The United States also seeks to maintain strong cooperation at Portugal's strategic Lajes Air Base in the Azores and Portugal's support within the European Union (EU) for U.S. positions on such issues as European Security Defense Program (ESDP)-NATO compatibility.

Portugal is a founding member of NATO and a member of the European Union (EU). Portugal continues to maintain strong Trans-Atlantic ties and pursue close military cooperation with the United States. The 1995 Agreement on Cooperation and Defense provides U.S. forces continued access to the Lajes Air Base, which served as a staging point for the U.S. during NATO's military operations in Kosovo and Operations Desert Storm and Desert Fox. Lajes supports ongoing U.S. operations in Afghanistan and Iraq. Portugal also contributes troops to the Stabilization Force in Bosnia and Herzegovina (SFOR) and the Kosovo Force (KFOR), has contributed assets to Operation Enduring Freedom, works closely with the United States on United Nations security issues, and has over 120 gendarmes in Iraq performing security functions with the Coalition Forces.

The International Military Education and Training (IMET) Program continues to be an essential component of the Portuguese military's force modernization program, its internal reorganization of service and joint headquarters staffing, as well as the overall professional military education of Portugal's armed forces. FY 2005 IMET funding for Portugal will continue to be a significant asset in the modernization effort, intended to strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts, e.g., in Iraq, Afghanistan, Bosnia, Kosovo and East Timor. U.S. efforts are also directed toward enhancing Portugal's Atlanticist orientation by building ties with future military leaders and reinforcing the existing preference for U.S. -manufactured defense equipment.

The IMET Program bolsters this strategy by establishing close bilateral relationships between the U.S. and Portuguese militaries, as well as providing training to support U.S.-supplied defense systems. These systems include F-16, C-130, P-3 and potentially H-60 Blackhawk helicopters; precision weapons such as the Advanced Medium-Range, Air-to-Air Missile (AMRAAM) and Joint Direct Attack Munition (JDAM); and potentially light armored vehicles.

Portugal is eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will be used to support Portugal's force readiness efforts and enable Portugal to participate in international peacekeeping, although in recent years it has been difficult to identify articles under the EDA program that meet Portugal's requirements.

Romania
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	9,900	8,950	11,000
FMF-SUP	15,000	-	-
IMET	1,651	1,500	1,500
NADR-EXBS	560	495	750
NADR-SALW	307	-	-
Peace Corps	3,653	2,826	3,534
SEED	30,500	27,835	27,000

Romania has made substantial progress in recent years in developing its democratic orientation, a stronger economy, respect for human rights, and positive relations with its neighbors. Its continued success in these areas is in the economic and strategic interest of the United States. With its strategic location and status as the largest, most populous country in its region, Romania is contributing to stability to Southeast Europe and beyond. It has been invited to join the North Atlantic Treaty Organization (NATO) and is expected to become a member in May 2004. Romania is already actively supporting the United States and NATO, through substantial, active participation in the allied military presence in Bosnia and Kosovo, as well as in Operation Enduring Freedom and the International Security Assistance Force (ISAF) in Afghanistan. Romania has also offered its territory and facilities for possible use by the United States to meet new military basing needs. Romania aims to join the European Union in 2007 and seeks full integration into the West. Despite these positive developments, however, Romania's reforms are not yet fully consolidated. Continued U.S. assistance can help make the difference by enabling Romania to complete its transition successfully.

U.S. assistance to Romania plays an important role in supporting market-based reforms, promoting participatory democracy, strengthening civil society, and relieving human suffering. It also helps Romania to strengthen its anti-corruption activities across all sectors.

Support for East European Democracy Act (SEED) assistance will help to expand a market-based private sector and improve the quality of life for people in Romania. This will be done through training and technical assistance to improve government policies and the legal and regulatory frameworks necessary for continued expansion of a market economy. The United States will seek to strengthen the institutional capacity of the government and private sector, enhance private sector competitiveness and improve the process for privatizing state-owned assets. The principal areas of focus for U.S. efforts will be agriculture, energy, the environment, financial and capital markets, and small and medium-sized enterprises (SMEs).

The United States will seek to promote its objectives in the area of democratization and civil society at the local level through training and technical assistance. USAID will concentrate its SEED-funded efforts especially on increasing the institutional capacity of local governments and civil society organizations countrywide. USAID will also work with the central government to promote the necessary legislative changes for Romania to achieve more extensive decentralization. The rule of law will also be strengthened at the local level through technical assistance to local public institutions and civil society organizations.

SEED funds will help advance child welfare, health care, and social assistance reform – all areas where Romania still is seriously behind. USAID will continue to focus its activities on shutting down the large, state-run institutions to house children, reducing the number of institutionalized children, promoting

community-based alternatives for such children, integrating reproductive health services into primary care, and promoting modern contraception and HIV/AIDS prevention.

The Bucharest-based Southeastern Europe Cooperative Initiative's (SECI) Anti-Crime Center, which coordinates regional criminal task forces working to counter human trafficking, smuggling, and the drug trade, will continue to receive SEED funding. With financial and other support from the Romanian Government, the SECI Anti-Crime Center has achieved a number of successes in the fight against trans-border crime. In FY 2005, expanded anti-trafficking-in-persons programs in Romania will also be supported with SEED funds.

In the security-related sphere, with Romania due to become a member of NATO in 2004, the United States plans to conduct programs to help the country enhance its military capabilities, in part by making its armed forces more NATO-compatible. In FY 2005, the United States will also work with Romania to prevent trafficking in persons and narcotics, and the movement of other contraband across the country's borders.

With by far the largest armed forces of the countries expected to join NATO in 2004, Romania is militarily significant, and has been very supportive of U.S. and NATO objectives in Southeast Europe, Afghanistan, and Iraq, providing troops in all three areas. In accordance with its NATO Military Action Plan (MAP) and under the Foreign Military Financing Program (FMF) and the International Military Education and Training Program (IMET), the United States will provide the Romanian military with needed defense articles, services, and training. FMF funding will be directed toward communications infrastructure enhancement and equipment, defense reform contractor services, simulation, English language training, and non-commissioned officer (NCO) training. Improvements in these areas will strengthen Romania's capabilities and effectiveness within the multi-national Southeast European Brigade (SEEBRIG). FMF funds will also support the Ministry of Defense in its efforts to downsize the Romanian military and improve NATO interoperability.

The Romanian Government seeks the inclusion of as many officers as possible in U.S. military training and to ensure appropriate follow-on assignments for graduates of those programs. In FY 2005, the IMET Program will continue to provide Western-oriented, professional military education to the most promising younger Romanian officers. It will also expose both military and Ministry of Defense civilian personnel to courses in areas such as defense resource management and civil-military relations.

In FY 2005, Romania will be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act (FAA). The transfer of materiel to Romania under grant EDA will help it meet its defense requirements, institute defense reforms, and further its NATO interoperability.

Romania and the United States are cooperating closely on improving Romania's export controls. Despite the significant progress achieved thus far in developing a system to control the export of sensitive goods and technologies, room for additional progress still exists. As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance for a cooperative program to help establish a fully effective export control system in Romania. NADR funding will provide export control enforcement assistance in FY 2005, including advanced training for specialized inspection teams and a product identification tool consisting of software to assist officials to identify dual-use items at border crossings.

Russia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	3,000	3,000	3,000
FSA	143,307	93,445	79,500
IMET	777	800	800
NADR-EXBS	2,500	2,800	2,800
P.L. 480 Title II	5,536	5,119	-
Peace Corps	888	-	-

The United States has an overriding interest in cooperating with Russia on critical national security issues. The United States works with Russia to reduce threats posed by weapons of mass destruction (WMD) through arms control, threat reduction efforts, and nonproliferation activities. Russia has been a strong supporter in the Global War on Terrorism, offering key political support, granting the United States overflight rights and sharing intelligence. Given Russia's strategic importance, the United States has a compelling national interest in seeing Russia complete a successful transition to market-based democracy. The United States advances this interest by supporting civil society, the independent media, entrepreneurs, and local governments in their efforts to implement democratic and economic reform. FREEDOM Support Act (FSA)-funded programs support Russia's transformation into a market-based democracy fully integrated into the mainstream of world political and economic relations.

Events during 2003, such as the Russian Government's asserting of control over formerly independent television news stations, manipulation of the election process, continuing violence, human rights abuses and political pressure in Chechnya, seemingly selective criminal prosecutions possibly based on political motivations, and the Kremlin's ever-growing control over local and regional government, have called into question the depth of Russia's commitment to develop meaningful democratic institutions. In FY 2005, we will give even greater emphasis to programs to support the growth of democratic institutions, such as a truly independent media, a vibrant non-governmental organization (NGO) sector capable of advocating its views, and rationally funded and accountable local governance system. We will also continue to support institutions that promote human rights and other sensitive issues for which it will be hard to find indigenous financial support.

FSA-funded programs will continue to support the partnerships already in place with civil society groups and reform-minded Russian officials in Tomsk, Samara and the Russian Far East developed under the aegis of the Regional Initiative. In FY 2005, we will emphasize dissemination of the Regional Initiative experience to other regions.

U.S. assistance programs funded under the FSA account have contributed to important legislative reforms that improve the business environment, particularly on tax and regulatory reform, often through support for the work of think tanks and provision of technical assistance to inform key policy decisions. U.S. assistance will continue to focus on the development of small and medium-sized enterprises (SMEs). Although Russia's investment policies need significant improvement, opportunities already exist for U.S. exporters and investors in the vast Russian market. Given the growing sophistication of Russian companies, and increased penetration by U.S. firms of Russian markets, FY 2005 will be the final year of FSA funding for the U.S. Commerce Department's Business Information Service for the Newly Independent States (BISNIS).

Russia's growing problems in the field of public health are a threat to U.S. national security. Russia has one of the fastest rates of increase in HIV infection in the world. FY 2005 FSA funds will focus on prevention and treatment of HIV/AIDS in Russia. U.S. programs to arrest the spread of HIV/AIDS also help address the spread of multi-drug-resistant strains of tuberculosis and will help prevent mother-to-child transmission of HIV/AIDS.

In 2003, the Administration developed a strategy to phase out FSA-funded assistance to Russia over the next several years. Consistent with this strategy, FSA-funded programs in FY 2005 will emphasize support to Russian organizations and institutions to insure that the gains made through FSA-funded programs are integrated into Russian society and governmental structures well beyond the phase-down of U.S. assistance.

The United States provides assistance through programs of the Departments of State, Defense and Energy to prevent the proliferation of weapons of mass destruction (WMD), related materials, technologies and expertise. The United States will continue to provide security and nonproliferation assistance under the FSA and Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) accounts. The State Department will continue to fund research grants in nuclear materials, aerospace, chemical, biological, seismic and other fields through the International Science and Research Center (ISTC) in Moscow to help former weapons scientists transition to sustainable commercial activities. Key emphases of the program are shared research priorities (notably infectious human and animal diseases like HIV/AIDS) and business training to help institutes better serve governmental and private consumers. The U.S. Civilian Research and Development Foundation (CRDF) will continue to leverage FSA grant assistance with Russian Government and international non-governmental matching funds.

The United States will continue to provide assistance to enhance Russian controls on transfers of sensitive materials and technologies under the NADR and FSA accounts for industry/government outreach programs to educate Russian companies about the requirements of Russian export control laws. The United States will also continue to equip key transit points with radiation detection equipment to deter, detect and interdict illicit nuclear transfers. An Export Control and Related Border Security (EXBS) Assistance Program advisor will help facilitate security assistance to Russia. The EXBS Program will continue to sponsor joint regional training programs on border searches, WMD and immigration procedures, counter-proliferation awareness courses, and international border interdiction training for border security officials.

Through the International Military Education and Training (IMET) Program, the United States will continue to promote interoperability, resource management and increased capability of civil-military operations by providing English language instruction, professional military education, and military legal and peacekeeping instruction for Russian military and officials of the Ministry of Defense.

Russia is eligible to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. Provision of grant EDA will assist Russia in meeting defense requirements, enacting defense reforms and furthering interoperability.

Russian organized crime groups operate across Russia, Eurasia, and in other European states, and carry out criminal activities in the United States and elsewhere. Russian authorities recognize the threat to their society and economy presented by such organized crime, and they have turned to the United States and other Western partners for assistance in addressing that threat. Russian officials are also increasingly aware of the specific challenges posed by the growing narcotics trafficking out of Afghanistan, which crosses both the Central Asian region and Russia, is contributing to growing drug addiction and HIV/AIDS infection rates in Russia, and which is providing a means of financing terrorist activities. In FY 2005, FSA-funded programs will continue to address criminal procedure reforms, criminal violation of intellectual property rights, corruption, cyber crime, trafficking in persons, money laundering and terrorist financing, narcotics

smuggling and other transnational criminal activities, and implementation of the U.S.-Russia Mutual Legal Assistance Treaty.

Slovakia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	8,000	7,950	6,000
FMF-SUP	6,500	-	-
IMET	920	950	950
NADR-EXBS	700	305	550

Slovakia is expected to gain full European Union (EU) and North Atlantic Treaty Organization (NATO) membership in 2004. The Slovaks have acted as a de facto ally of NATO and the United States, contributing units to the Kosovo Force (KFOR), the Stabilization Force in Bosnia and Herzegovina (SFOR) and Operation Enduring Freedom (OEF), as well as a military engineering unit in Operation Iraqi Freedom (OIF). The United States has a strong interest in helping Slovakia improve its military capabilities and NATO interoperability and is encouraging Slovakia's initiatives to share its experience in democracy building and civil society development with other countries in transition.

Given its continued progress in democratic and economic reform, Slovakia has graduated from Support for East European Democracy (SEED) assistance, and modest regional SEED funding is being discontinued in FY 2004. This includes the Democracy Commission Small Grants Program, the Partners for Financial Stability (PFS) Program and regionally based Treasury Department technical advisors.

The Slovaks have embarked upon a serious, multi-year military modernization plan, which was broadly influenced by recommendations from a U.S.-funded defense study. FY 2005 Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs will assist Slovakia in its effort to create a modern, capable force that can ensure national defense, contribute to NATO operations, and enhance regional stability. Slovakia's importance to NATO was shown during the Kosovo and Afghanistan conflicts, when the Slovak Government immediately granted crucial overflight and transit rights. In addition, Slovakia deployed 100 troops to KFOR and two transport helicopters to SFOR. The contribution of military engineering units to OIF and OEF further demonstrate the Slovak Government's commitment to support both NATO goals and the United States in the global war on terrorism.

FMF and IMET programs are a crucial way for the United States to show support for Slovakia's efforts and directly contribute to them. For FY 2005, the requested FMF and IMET funds will support a variety of programs focusing on defense reform and development of niche capabilities. This will assist the Slovaks in meeting their goal of force modernization, ensure their NATO interoperability, and enable continued Slovak assistance in the war on terrorism. Specific FMF projects include the following: a National Military Command Center (NMCC); nuclear, chemical and biological consequence management capability; search and rescue capability (including the provision of night-vision equipment); and a national maneuver training area. IMET assistance will be focused on officer and non-commissioned officer (NCO) training in areas such as professional military education (including English language instruction), managerial training, and technical training.

In FY 2005, Slovakia will be eligible to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Slovakia in meeting its defense requirements, and furthering its interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related

Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds to assist Slovakia in continuing to strengthen its export control system. This is particularly important in light of the fact that Slovakia will become part of the EU's eastern Schengen border with Ukraine. Previous EXBS program funding provided a grant to a local non-governmental organization (NGO) that conducted a study on Slovakia's export control system and arms trade. The study identified some continued weaknesses and promoted public interest and transparency. FY 2005 NADR-EXBS funds will provide continued funding for the deployment of the internal controls program to enhance export control compliance by industry, tools for enforcement officials to assist them in identifying strategic items, and funds for a program advisor stationed at the U.S. Embassy in Bratislava, who will work with Slovak officials to implement EXBS programs.

Slovenia
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	4,000	2,485	2,000
IMET	935	950	950
NADR-EXBS	500	365	495

Slovenia is scheduled to gain to full European Union (EU) and North Atlantic Treaty Organization (NATO) membership in FY 2004. In this context, the United States seeks to encourage Slovenia's continued political and economic transition to a full-fledged Euro-Atlantic partner. As a partner, Slovenia serves as a bridge between East and West, and plays a central role in exporting peace and stability to Southeast Europe. As a peaceful, middle-income democracy, Slovenia is a stabilizing factor in a crisis-ridden area. Its integration into and participation in Western institutions such as NATO and the EU could be a force for peace, especially given Slovenia's cultural, historical, social and political ties with the states that constituted the former Yugoslavia.

The primary objectives of U.S. military assistance in Slovenia are to promote modernization and reform of Slovenia's military and to assist the country in implementing its NATO Membership Action Plan goals. Foreign Military Financing (FMF) assistance aims to achieve greater interoperability between NATO and Slovenian forces and critical reform of Slovenia's military command structures. FMF assistance is also used to support programs such as defense reform and continued implementation of Membership, Partnership, and Individual Country Action Plan goals. This may include communications equipment, air defense radar, tactical vehicles, support for previous Excess Defense Article (EDA) transfers, and nuclear, biological, and chemical (NBC) equipment.

Left virtually without military equipment, infrastructure, or organization after its ten-day war for independence in 1991, Slovenia has striven to model its armed forces after those of the United States and other NATO Allies. Although Slovenia's sound economic situation has enabled it to fund a larger proportion of its defense reform needs, U.S. assistance continues to play a critical role. The Ministry of Defense (MOD) has used prior-year FMF grant money to increase Slovenia's interoperability by purchasing English language training, computer simulation center hardware and software, and small-unit infantry training equipment. Top priorities for Slovenia's FY 2005 FMF funds are to improve the Slovenian Armed Forces' (SAF) immediate combat readiness while promoting the objective of restructuring Slovenian military forces to NATO standards by 2010. FMF funds will also help to assess and establish a plan for streamlining logistics in the SAF, enhance basic infrastructure and needs for an NBC unit, continue efforts under the Regional Airspace Initiative, and work to enhance the SAF's command and control communications system by providing limited information-sharing and -collection infrastructure.

In FY 2005, Slovenia will be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will help Slovenia to meet its defense requirements and further NATO interoperability.

Through International Military Education and Training (IMET), the United States strives to integrate partner militaries into NATO structures, as a long-term guarantor of peace and stability. This will require expanded English-language training as well as greater exposure to education, rule of law, civil-military control and human rights. Slovenia's objectives in this area will be met through IMET programs that strengthen the professionalism and leadership skills of Slovenia's military and civilian personnel and help improve the technical and managerial skills of the Ministry of Defense (MOD). This will assist the MOD in making procurements for its military that benefit Slovenia's defense structure and contribute to regional

stability. IMET will also promote FMF-purchased equipment and training that improve interoperability and standardization of Slovenian forces with U.S. and other NATO forces.

FY 2005 IMET funding will assist development of a well-balanced force that is trained and combat capable at all levels of leadership and grounded in the rule of law, civilian control of the armed forces and support for human rights. IMET will also strengthen Slovenia's MOD in the areas of policy planning and English language capability. Slovenia intends to continue to focus on non-commissioned officer (NCO) training and on applying to senior and mid-level U.S. military schools.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Program (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help Slovenia establish fully effective export controls over sensitive items. FY 2005 NADR-EXBS funding will be focused on improving licensing, enforcement, and industry outreach procedures and capabilities through the regional nonproliferation advisors. NADR-EXBS assistance will also be provided to fund an annual regional conference to help states implement prior-year funds and continue engagement on an ad hoc basis.

Tajikistan
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	-	695	700
FSA	25,853	24,411	25,000
IMET	339	400	350
NADR-EXBS	350	300	300
P.L. 480 Title II	9,994	6,660	10,000

Tajikistan, a front-line state, shares a porous border with Afghanistan that gives it special importance in the region in terms of interdicting terrorists and illegal narcotics. This small nation faces daunting challenges: its democratic institutions are underdeveloped and fragile and its economy remains crippled from the effects of its 1992-97 civil war. Tajikistan has supported the Global War on Terror, Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) unreservedly from the beginning, and continues to do so.

U.S. assistance seeks to enhance Tajikistan's territorial integrity and security, prevent the flow of narcotics, illicit weapons, and persons of concern, foster democratic and economic reforms and address dire humanitarian needs. A stable, peaceful Tajikistan will help prevent the spread of radical groups and terrorists, and increase the potential for development in the region.

FREEDOM Support Act (FSA)-funded economic assistance includes a quality primary health care program that is working with the Ministry of Health to create a more cost-effective and equitable health care system. The effort to institute a family doctor system based on the successful Kyrgyz Republic model will continue in FY 2005. Infectious disease programs will continue to focus on fighting tuberculosis and malaria.

U.S.-supported economic development programs will help to improve economics and business education, and to institute accounting reform. A small and medium-sized enterprise (SME) program will seek to alleviate poverty through expanded business opportunities and employment creation, with a continuing focus on the volatile Ferghana Valley region. In this heavily agricultural country, U.S. technical assistance will also help specialists to better manage water and energy resources and to repair irrigation systems and improve on-farm water management practices.

FSA-funded democracy assistance will continue to support the development of civil society in Tajikistan by strengthening political parties and providing a network of support centers for non-governmental organizations (NGOs) and community associations and through direct grants to NGOs. Democracy programs will also promote civic education in high schools, increase access to information via independent media, work with the parliament to increase its effectiveness and responsiveness to citizen interests, and support legal education and associations.

A basic education program, begun in FY 2003, will help counteract the decline in primary and secondary education, and better equip students with civic and labor force skills. The program will train teachers in more interactive teaching methods, focused on integrating critical thinking skills into curricula and teaching materials. Other program goals include increasing parent and community involvement in schools, strengthening the capacity of school administrators, and improving school infrastructure.

Trafficking in persons is a serious problem in Tajikistan. A prevention program will inform the public about the risks and dangers associated with human trafficking through public service announcements, brochures, talk shows, radio call-in programs, and a mobile theater group.

Tajikistan has committed to cooperating with the United States on countering terrorism, the proliferation of weapons of mass destruction (WMD), weapons technology and other illicit arms and drug trafficking. In FY 2005, the United States intends to continue Export Control and Related Border Security (EXBS) Assistance funded under the FSA and Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) accounts. The EXBS Program will address all aspects of Tajikistan's export control system to prevent, deter, detect, investigate and interdict weapons proliferation, with a focus on institutionalizing effective inspection and detection training for border control personnel. Technical workshops on export control enforcement and WMD awareness training will give the Tajik Border Guard and Customs Service a critical knowledge base for dealing with proliferation issues.

Tajikistan's accession to the International Science and Technology Center (ISTC) in early FY 2003 provided an opportunity for non-proliferation experts to begin assessing weapons expertise in the country and develop a strategy for outreach. To date, limited FSA funding has been provided to allow Tajik participation in regional workshops to improve the quality of grant proposals and expose scientists to commercialization opportunities.

Foreign Military Financing (FMF) will enhance Tajikistan's immediate capabilities to combat terrorists in the region, while promoting professionalization of the military and interoperability with U.S. and international forces.

In FY 2005, Tajikistan will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Tajikistan to meet its defense requirements and further its NATO interoperability.

International Military Education and Training (IMET) funds provided in FY 2005 will be used to continue to expose the Tajik armed forces to Western concepts of democracy, rule of law, and human rights, with the goal of transforming their military from a Soviet-era military to one more appropriate for contemporary threats. IMET will continue to focus on English language training, and promoting interoperability.

A focus on institution-building will continue to characterize U.S. efforts in Tajikistan in the areas of law enforcement and judicial reform, particularly with regard to efforts to enhance the Tajik Government's ability to interdict the flow of illegal narcotics out of neighboring Afghanistan. Previously appropriated FSA funds have been provided to support the continued operation of the Tajik Government's Drug Control Agency (DCA), the provision of training and equipment for Tajik Border Guards to carry out counter-narcotics efforts, and programs to address financial crime and to support the overall development of the law enforcement and judicial institutions of Tajikistan.

FY 2005 FSA funding will support the posting of a U.S. law enforcement advisor at the U.S. Embassy in Dushanbe to better oversee U.S. law enforcement programs in Tajikistan. U.S. law enforcement assistance will increase in FY 2005 to ensure continued support for the new Tajik DCA, to support counter-narcotics cooperation between such Tajik law enforcement agencies and the U.S. Drug Enforcement Administration, to expand law enforcement development programs to improve the very poor state of Tajik law enforcement agencies equipment, training and practices, to continue border security improvements, to continue reform activities involving the judicial sector and the prosecutor's office, and to address terrorist financing and money laundering.

In FY 2005, FSA-funded humanitarian assistance to Tajikistan will target the most vulnerable members of society through the delivery of medicines, medical supplies, food and clothing.

Turkey
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	-	99,410	50,000
ESF-SUP	1,000,000	-	-
FMF	17,350	40,000	34,000
IMET	2,800	5,000	4,000
NADR-EXBS	600	600	600

Turkey is a major coalition partner in the global war on terrorism, an active ally and partner in the reconstruction of Iraq and Afghanistan, and a pro-Western democracy in a troubled region. The tragic terrorist bombings in Istanbul in November 2003 further strengthened Turkey's resolve to participate with the United States in the struggle against international terrorism. Strategically located between Europe and the Middle East, Turkey is a key North Atlantic Treaty Organization (NATO) ally and continues to demonstrate strong support for Operation Enduring Freedom (OEF) and the International Security Assistance Force (ISAF) in Afghanistan and Operation Iraqi Freedom. In Afghanistan, Turkey quickly responded to the U.S. request for additional helicopters for ISAF, and former Turkish Foreign Minister Hikmet Cetin has assumed responsibilities as NATO's Senior Civilian Representative. Turkey also has allowed critical U.S. humanitarian shipments to pass to Iraq and is also supplying much-needed electricity. In addition, Turkey has granted the U.S. blanket overflight rights and use of its key airbase Incirlik. It offered stability forces in response to U.S. requests, but agreed to suspend the offer in the face of the Iraqi reaction. U.S. bases and other facilities on Turkish territory are important elements in the ability of the United States to maintain the security of the region and of its regional allies.

Turkey's major support comes despite its fragile economy, tight fiscal restrictions, and, regarding Iraq, a reluctant public. FY 2005 Economic Support Funds (ESF) will help Turkey to consolidate the economic gains it has achieved in 2003, through compliance with an International Monetary Fund (IMF)-backed reform program, and will enable Turkey to expand its efforts in Afghanistan and the global war on terrorism. The terrorist bombings in Istanbul highlight the fragility of Turkey's progress. This fragility is compounded by Turkey's substantial debt-servicing requirements, as it struggles to implement an ambitious reform program. Balance of payments support will help Turkey meet urgent financing needs, contribute to internal stability, and demonstrate continuing U.S. support.

The Foreign Military Financing (FMF) Program is essential to the U.S. policy of helping Turkey modernize and strengthen its armed forces and to keep them fully compatible with those of other NATO allies. Turkey requires additional U.S. -origin equipment and services to continue its impressive level of support to ISAF, OEF, and the global war on terrorism. FMF-provided equipment and services will also further Turkey's efforts to modernize its armed forces, improve its interoperability with NATO and coalition forces, and to provide vehicles, disaster relief, and search-and-rescue equipment in support of their participation in anti-terrorist, peacekeeping, humanitarian, and other operations.

In FY 2005, Turkey will be eligible to receive grants of Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Turkey in meeting its defense requirements and further NATO interoperability.

The International Military Education and Training (IMET) Program continues to achieve great success as regional instability, increasing NATO demands, and international terrorism dictate the need for a well-trained, U.S.-oriented Turkish officer corps. IMET is the most effective mechanism to provide Turkish

officers with the professional skills (including English language capabilities) and outlook that will solidify Turkey's growing value to the United States as a trusted ally.

As part of its continued efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) Assistance funds for a cooperative program to help establish a fully effective export control system in Turkey. FY 2005 NADR-EXBS funding will provide training for export control enforcement officers at the border for detection, targeting, and inspection techniques and the upgrade and expansion of Turkey's radiation detection program.

Turkmenistan
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	690	695	700
FSA	7,805	5,700	6,000
IMET	216	450	450
NADR-EXBS	50	-	-
Peace Corps	1,609	1,742	2,125

The United States has strategic and economic interests in helping Turkmenistan achieve political stability, independence, and integration into the global economy. Turkmenistan, which shares a long border with Afghanistan, has been the second largest conduit for international aid into Afghanistan. The closed, intolerant nature of the Niyazov regime, however, complicates all interactions with Turkmenistan. Turkmenistan has the world's fourth largest gas reserves and significant oil reserves. U.S. assistance to Turkmenistan seeks to enhance its long-term stability and to promote security cooperation that is in the interests of both countries, while attempting to strengthen civil society and improve health care. Turkmenistan's government is not currently receptive to democratic or economic reform, or to many types of law enforcement assistance.

In 2003, the Turkmen Government took steps to criminalize the activities of unregistered non-governmental organizations (NGOs). It is now even more important that the United States remain engaged in areas where we share common interests, continue programs that provide tangible improvements to the lives of ordinary citizens, and work toward projects that address significant U.S. interests, including efforts to cut off proceeds from illicit activities, such as narcotics trafficking, that may be financing terrorist activities. FY 2005 FSA-funded programs will improve primary health care, and reach out to the next generation of Turkmenistan's leaders.

FREEDOM Support Act (FSA) funded social sector programs focus on improving health care, controlling tuberculosis and other infectious diseases, preventing the spread of HIV/AIDS, and improving maternal and child health services. Over 200 health care professionals have completed training. The Stop Diarrhea campaign in two districts resulted in a 40% increase in families' knowledge of the hydration and dietary requirements for children suffering from diarrhea. Such efforts will continue in FY 2005.

Due to the difficult business environment, the U.S. Government has discontinued its micro-credit activities in Turkmenistan. The remaining economic development program will provide technical assistance and training to entrepreneurs, agricultural producers, and self-governing associations. Assistance supports seminars on commercial law to lawyers, law students and entrepreneurs.

President Niyazov's authoritarian rule limits the scope of democracy programs. The United States will continue to support grassroots initiatives and exchange opportunities for the youth of Turkmenistan, with the goal of exposing them to democratic culture and values. This will include continued FSA funding for a scholarship fund for Turkmen students to attend the American University of Central Asia, as well as exchanges administered by the Bureau of Educational and Cultural Affairs.

In FY 2005 the United States intends to continue assistance for Turkmenistan under the FSA in the area of export control and border security, and preventing terrorism and weapons smuggling. It has proven difficult to engage consistently with the Government of Turkmenistan on many matters relating to the reform of law enforcement and the criminal justice sector. The United States has nonetheless sought to move forward

with FSA-funded law enforcement assistance programs where they are possible and serve significant U.S. interests. With an eye to addressing the flow of drugs over the border from Afghanistan into and across Turkmenistan, the United States has initiated assistance in four specific project areas: improvement in Turkmen forensic laboratory capabilities; support for a United Nations Office on Drugs and Crime (UNODC) effort to improve border security along the Turkmen-Afghan border; for an effort to improve border controls along the Turkmen border with Kazakhstan; and support for a project to reduce demand for drugs within Turkmenistan. FSA funds also go to support a project to research and analyze evidence of trafficking in persons (TIP) in Turkmenistan and to develop strategies to address causes of TIP. FY 2005 funding will support continued efforts in the area of counter-narcotics and support opportunities for expanded measures against trafficking in persons.

In FY 2005, FMF will bolster security cooperation in border controls, counterproliferation, and counterterrorism. IMET assistance will continue to support sending Turkmen officers to the United States for English language instruction and professional development for junior to mid-level officers. IMET funds provided in FY 2005 will be used to educate and expose the armed forces and civilian officials to Western democracy, and the concepts of rule of law, human rights and free markets.

Turkmenistan will continue to be eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Turkmenistan to meet its defense requirements and further NATO interoperability.

Ukraine
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
CSH	1,750	1,750	1,750
FMF	3,000	2,985	6,500
FMF-SUP	1,500	-	-
FSA	138,700	92,589	79,500
IMET	1,698	1,700	1,700
NADR-EXBS	2,000	1,500	1,500
NADR-SALW	-	1,062	1,500
Peace Corps	4,785	4,275	5,408

The United States has a national security interest in Ukraine's successful transition to a stable, independent, democratic, market-oriented, and prosperous state, with good relations with its neighbors and strong links to the West. With a population of approximately 50,000,000 and a strategic location between Russia and Central Europe, Ukraine is important for building a secure and undivided Europe. Ukraine also can be a key partner of the United States in tackling major challenges, such as the proliferation of weapons of mass destruction (WMD), the expansion of mutually beneficial trade and investment, and the shaping of a more stable and secure Europe. A strong supporter of Operation Enduring Freedom, Operation Iraqi Freedom, and the Global War on Terror, Ukraine is contributing more than 3,000 peacekeepers to missions in Iraq, the Balkans, the Middle East and Africa. Since November 1999, Ukrainian peacekeepers have been deployed in Kosovo. Ukraine provides one of the largest contingents of soldiers in the Polish-led division of troops of the coalition forces in Iraq.

The FY 2005 request for FREEDOM Support Act (FSA) funding is lower than previous years, reflecting, in part, progress achieved in economic reform in Ukraine. In FY 2004, the Administration will develop a strategy for phasing down FSA assistance to Ukraine that will seek to leave behind a legacy of sustainable institutions that can continue to promote democratic reform and economic growth. In FY 2005, FSA assistance will be used to broaden Ukraine's growing civil society, foster participatory democracy, and buttress the independent media. The media environment in Ukraine continued to deteriorate in 2003 and will most likely face elevated censorship pressure from the government in the run up to the 2004 presidential election. These actions threaten short- and long-term democratic processes in Ukraine. In FY 2005, the United States will therefore focus increased resources on strengthening local non-governmental organizations (NGOs) and independent research institutions that serve as watchdogs over the government's activities and articulate public interests. In addition, funding will continue for legal support and training for independent media. FSA funding will also continue to support the development of and access to the Internet throughout Ukraine and grassroots activism aimed at community empowerment.

Ukraine's long-term political stability is closely linked to its economic prosperity, and especially to the rise of a broad entrepreneurial middle class. In FY 2005, FSA funding will be provided for technical assistance to the Ukrainian Government to assist in the preparation of laws and regulatory codes to establish a market-oriented commercial legal framework. FSA funding also will support the government's efforts to implement economic reforms necessary to build on Ukraine's expected accession to the World Trade Organization (WTO) in 2004. The bulk of FSA-funded economic reform assistance will go to private-sector development. This assistance will help private enterprises become more competitive and efficient through programs to improve credit availability and promote international accounting standards, corporate governance and shareholder rights. Particular attention will be paid to the development of small and medium-sized enterprises (SMEs), the most likely source of long-term sustained innovation and growth,

and potentially important proponents of government transparency and accountability. A critical mass of privatized enterprises has already been restructured, but the task now is to institutionalize the structural reforms and the privatization in order to permit sustainable economic growth in Ukraine's emerging vibrant private sector. FSA-funded programs will also assist Ukraine in developing the GUUAM Group, a regional Eurasian corridor organization that includes Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.

FSA funds will also focus on the agriculture sector, continuing land privatization and support for newly emerging private farms, and on deepening technical assistance to commercial banks for mortgage and long-term lending to help fund farmers' purchases of agricultural equipment. FSA funds also will support further development of agricultural SMEs. U.S. privatization efforts have contributed to an impressive growth in agricultural output three years in a row. However, the bleak harvest of 2003, due to the worst weather Ukraine had seen in 50 years, underscored the need for U.S. assistance to now focus on developing in Ukraine a mature futures market to help farmers manage the volatile swings in commodity prices. In the energy sector, FSA-funded assistance will continue to focus on the development of a competitive wholesale electricity market to improve the sector's performance and make it more compatible with the European network, Ukraine's natural market.

The primary objectives of FSA-funded law enforcement assistance include improvements in Ukrainian law enforcement agencies' capabilities to combat money laundering, enforce intellectual property rights, and improve border security against transnational criminal activities such as narcotics smuggling and trafficking in persons (TIP). FY 2005 funding will support the development of a financial intelligence unit to assist in the detecting suspicious currency transactions in Ukraine. The provision of training and specialized forensic equipment will support the efforts of Ukrainian law enforcement agencies to detect and prosecute criminal violations of intellectual property rights, and, pending the conclusions of an FSA-funded assessment, FY 2005 assistance will also support the creation of a patent, trademark, and copyright claims database for use by Ukrainian agencies. To further support efforts to combat TIP, a TIP Prevention Center will be financed to build community awareness of trafficking issues and TIP investigative techniques will be shared with prosecutors and taught at Ministry of Internal Affairs' training centers. Funding will also support the establishment of a bilateral working group to guide the transition of the paramilitary Ukrainian Border Guards to a civilian police force.

Ukraine's growing problems in the field of public health are a threat to U.S. national security. Ukraine has one of the fastest rates of increase in HIV and tuberculosis infection in the world. Both diseases are at the pre-epidemic breakout levels seen earlier in African countries, which were later devastated by these infectious diseases. FY 2005 FSA funds will focus on prevention and treatment of both HIV/AIDS and tuberculosis with programs calibrated to leveraging funds awarded to Ukraine by the Global Fund to Fight AIDS, Tuberculosis and Malaria. U.S. programs to arrest the spread of HIV/AIDS will also help address the spread of multi-drug-resistant strains of tuberculosis and help prevent mother-to-child transmission of HIV/AIDS.

In FY 2005 both FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funded assistance activities will continue to reduce the risks of proliferation of weapons of mass destruction (WMD), related materials, and technologies and conventional arms. Assistance will focus on enhanced border controls, mobile response teams, and enhanced communications/cooperation with law enforcement in the area of border control. Internal compliance with export controls will also continue to be a high priority of FY 2005 assistance.

The Export Control and Related Border Security (EXBS) Assistance Program funded under the FSA and NADR accounts is designed to facilitate establishment of an effective national export control and border security system to prevent the proliferation of WMD, their missile delivery systems, related items and other weapons. In FY 2005, the EXBS Program will further assist Ukraine in the development of laws,

regulations, and licensing procedures and practices, and internal control procedures for industry. It will also continue to provide assistance to enhance border controls with training, equipment, and advisory assistance through the resident EXBS advisors. This assistance directly complements the U.S. overarching policy to help Ukraine combat corruption and organized crime.

North Atlantic Treaty Organization (NATO)/ Partnership for Peace has identified over 1.5 million small arms/light weapons (SA/LW) and over 133,000 tons of unsafe and unserviceable ammunition. Of all the former Soviet states (aside from Russia) Ukraine was left with the most stocks of SA/LW in excess of defense needs. After repeated attempts to engage the government of Ukraine (GOU) during the last three years, we have received indications that the GOU is interested in the destruction of excess SA/LW. We plan to establish a multi-year project (possibly beginning in FY 2004) that will result in the elimination of Ukraine's excess stocks using NADR SA/LW funding. Other NATO Members likely will contribute to this effort.

The United States continues to engage Ukrainian former weapons scientists by funding grant proposals through the multinational Science & Technology Center of Ukraine (STCU) and the U.S. Civilian Research and Development Foundation (CRDF). The goal of these programs is to fully integrate Ukrainian scientific institutes into the global scientific and business communities, and thereby enable them to move toward self-sustainability. Funding in FY 2005 will therefore focus on projects with commercial potential, or the potential to generate further research grants. In addition, there will be an emphasis on partnership projects between private companies and Ukrainian institutes.

The Department of Energy will continue programs to safeguard nuclear facilities (including nuclear power plants), material, and transportation, a critical U.S. interest, as well as increase Ukraine's energy independence by fostering diversification of its nuclear fuel supply to include the ability to purchase U.S. - produced nuclear fuel. The United States played an important role in helping to fund the closure of the Chernobyl nuclear power plant, which took place in December 2000. In FY 2005, FSA funds will continue to be obligated to the multi-year, multi-national project of building a sarcophagus around Chernobyl, thus enhancing the world's nuclear safety.

Foreign Military Financing (FMF) will support defense reform and enhance command, control, and communications capabilities, enabling Ukrainian forces to operate more effectively alongside U.S., NATO and Coalition forces. International Military Education and Training (IMET) will develop a cadre of Ukrainian mid- and senior-level officers capable of providing English language training to maximize interoperability with Western militaries. The IMET Program will also focus on training a specially designed peacekeeping battalion that can rapidly react to shifting threats, following up Ukraine's provision of forces to the Kosovo Force (KFOR) and Iraq.

In FY 2005 Ukraine will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA). Transfer of EDA will assist Ukraine to meet its defense requirements and further its NATO interoperability.

As in other Eurasian countries, segments of the Ukrainian population, including the victims of Chernobyl, are in dire need of humanitarian assistance. Humanitarian commodities are provided through U.S. private voluntary organizations (PVOs), private donations or through the U.S. Defense Department's Excess Property Program. FSA-funded humanitarian assistance to Ukraine will continue in FY 2005, targeting the most vulnerable members of society through programs executed by PVOs.

Uzbekistan
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	8,600	8,000	12,000
FSA	39,435	35,688	36,000
IMET	1,104	1,350	1,200
NADR-EXBS	1,927	1,200	1,200
Peace Corps	1,871	2,154	2,817

Uzbekistan is a key strategic partner in the Global War on Terror and one of the most influential countries in Central Asia. In support of Operation Iraqi Freedom and Operation Enduring Freedom, it has allowed U.S. and Coalition forces to use a base in Karshi-Khanabad, while consistently supporting U.S. foreign policy goals. It routinely votes with the United States at the United Nations and was the first country worldwide to bring into force an Article 98 agreement with the United States regarding the jurisdiction of the International Criminal Court. At the same time, however, Uzbekistan's poor record on human rights and religious freedom continues to be an issue complicating bilateral relations. In 2003, Uzbekistan did not demonstrate a commitment to observing internationally recognized human rights, including the protection of minorities. With respect to economic reforms, the Government of Uzbekistan managed to unify exchange rates and introduced current account convertibility in October 2003 by placing severe limitations on retail and wholesale trade, and tightening the money supply. These measures left many thousands without employment and income.

U.S. assistance to Uzbekistan seeks to enhance its sovereignty, territorial integrity and security, strengthen civil society, improve management of natural resources, and help relieve human suffering. In FY 2005, the United States plans to continue macro-economic reform assistance, if it can be concluded that this assistance is positively affecting government policy. If positive movement is not evident, the U.S. Government may reprogram macroeconomic assistance funding to micro-finance, health care, non-governmental organization (NGO) development, human rights advocacy, and support for independent media.

U.S. assistance will continue to strengthen primary health care, fight infectious diseases including HIV/AIDS and tuberculosis, and improve maternal and child health services. A natural resources management program will seek to improve Uzbekistan's management of its water and energy resources. The program includes equipping and training new irrigation system operating agencies, helping to establish water users' associations, and improving the policy and regulatory framework for management of water resources. Natural resources assistance is improving water-usage efficiency and mitigating the potential for conflict over regionally shared water. Programs designed to improve the environment for the growth of small and medium enterprises (SMEs) will include business training and advisory services, accounting reform, micro-finance, and strengthening of economics and business education in higher education institutions.

FREEDOM Support Act (FSA)-funded democracy assistance will continue to help NGOs through a network of seven civil society support centers. Support will also continue for human-rights defenders, independent media, civic education, anti-trafficking and judicial reform. U.S. assistance will continue to pursue the longer-term goal of building constituencies for democratic reform among the broader population. FSA-funded programs will expand access to information through work with the independent media.

FY 2005 security assistance funding will continue to enhance military cooperation between Uzbekistan and the United States, as well as with NATO and Uzbekistan's Central Asian neighbors through the Warsaw Initiative and Uzbekistan's active participation in the Partnership for Peace (PfP). Increased Foreign Military Financing (FMF) in FY 2005 will enhance Uzbekistan's capability to secure its borders and respond to threats in the region while complementing strategic goals of military reform and professionalization. FMF will sustain interoperability between Uzbekistani, U.S., and international forces.

International Military Education and Training (IMET) will continue to assist Uzbekistan in developing a modern, mobile, and professional force that will enhance regional stability through a robust program of training for junior leaders. IMET will also assist in the development of a viable and strong non-commissioned officer (NCO) corps, based on Western standards and norms.

In FY 2005, Uzbekistan will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Uzbekistan in meeting its defense requirements as well as promoting its interoperability with NATO.

In FY 2005, the United States also will continue to provide assistance to enhance Uzbekistan's ability to cooperate with U.S. and Coalition forces to counter the flow of weapons, narcotics, and terrorist insurgents across borders and to enhance Uzbekistan's ability to protect its sovereignty and territorial integrity. Assistance programs for weapons scientists under the FSA and Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) accounts will increasingly focus on funding research that is self-sustainable through commercial or other means.

The Export Control and Related Border Security (EXBS) Program will continue to help halt the proliferation of weapons of mass destruction (WMD), their delivery systems, related technologies, and other weapons by helping the Government of Uzbekistan to detect, deter, prevent, investigate and interdict illicit trafficking in such items and transfers to end users and end-users of proliferation concern. The EXBS program in Uzbekistan will continue to provide a wide range of non-proliferation assistance, from licensing and legal/regulatory technical workshops, to detection and interdiction equipment, and equipment and training for border patrol, control and enforcement agencies. With U.S. Government assistance, Uzbekistan will continue to tighten both its export controls and its inspections of exports.

NADR-funded Antiterrorism Training Assistance (ATA) Program regional funds will continue to provide counterterrorism training to Uzbek law enforcement to help maintain security in Uzbekistan and improve Uzbekistan's capacity to participate fully in the Global War on Terrorism.

Uzbekistan is a transit country for narcotics produced in neighboring Afghanistan. The United States cooperates with the Government of Uzbekistan in the interdiction of illicit narcotics and in the denial of illegal revenues from such drug smuggling for use as financing by terrorist groups. FY 2005 FSA law enforcement funding will be increased to ensure continued support for counter-narcotics interdiction by Uzbek law enforcement agencies and for Uzbek law enforcement agencies' improved capability to cooperate with the U.S. Drug Enforcement Administration. FY 2005 funding will also continue efforts to improve the treatment of suspects and prisoners and prevent the use of torture in law enforcement.

In FY 2005, FSA-funded humanitarian assistance to Uzbekistan will target the most vulnerable members of society through delivery of medicines, medical supplies, food and clothing.

OSCE Regional - Europe

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
PKO	7,858	9,245	2,500

Funding is provided for the Organization for Security and Cooperation in Europe (OSCE) peacekeeping and post-conflict activities. The U.S. Government pays for a share of OSCE operations, which support U.S. goals of preventing destabilizing conflicts in the former communist states, resolving certain ongoing disputes, containing and reducing instability in the Balkan states and states of the former Soviet Union, assisting with post-conflict rehabilitation, combating trans-national threats to stability, and implementing measures against terrorism. OSCE also provides a rapid crisis response capability through the Rapid Expert and Assistance Cooperation Team (REACT), and undertakes responsibilities as called for under the Dayton Agreement. OSCE stabilization efforts help prevent conflicts and unrest that can be exploited by terrorist groups.

FY 2005 Peacekeeping Operations (PKO) funds for European Regional programs will fund a small portion of the U.S. share of the OSCE's field missions in the Balkans and the former Soviet Union missions and to pay the salaries of certain American citizens seconded to work in those missions. In FY 2005, the U.S. contribution toward the cost of operating non-peacekeeping related OSCE activities in European and Eurasian countries will be funded from the SEED and FSA accounts. The day-to-day work of the OSCE Field Missions varies depending on the individual mission mandates agreed upon by the OSCE Permanent Council. All of the mission activities are in support of the OSCE's core mission of early warning, conflict prevention, crisis management and post-conflict rehabilitation, and are focused on the economic, environmental, human and political aspects of security and stability.

Regional FSA

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FSA	59,970	48,960	49,000

FREEDOM Support Act (FSA) regional programs bolster security and stability throughout Eurasia, thereby enhancing U.S. national security. FSA programs increase the ability of the Eurasian states to address issues of mutual concern, such as reducing the risk of terrorism, proliferation of weapons of mass destruction (WMD) and combating the trafficking of narcotics and persons. These programs promote regional cooperation and stability by providing opportunities for citizens of the region to work together to promote economic restructuring and democratic reform.

Several U.S. national interests in this region are advanced through assistance projects that involve more than one country. Examples include conflict prevention in Central Asia, the pursuit of a peace settlement in Nagorno-Karabakh, promoting energy-sector reform in Central Asia, enhancing border security throughout the region, and providing support for refugees and displaced people who are the victims of regional conflicts.

Central Asian regional programs focus on conflict prevention, energy and environmental issues. The FSA-funded Community Action Investment Program (CAIP) seeks to address the poverty, unemployment, inadequate communal services and education that provide fertile soil for extremist groups and have the potential to create unrest.

Caucasus regional programs focus on responding to urgent humanitarian needs and other special initiatives, including support for earthquake victims in Armenia and refugees and internally displaced persons (IDPs) from the Nagorno-Karabakh conflict. Support for refugees and IDPs also comes from Eurasian regional programs.

The FSA regional account also includes a small contingency fund to enable the U.S. Government to respond quickly to targets of opportunity such as peace settlements and the appearance of signs of genuine commitment to reform on the part of regional governments. This fund is also used to augment projects that perform very well during the year and require additional support.

Eurasian regional programs address the entire range of the U.S. Government's assistance objectives, including increased trade and foreign investment, development of small and medium-sized enterprises (SMEs), combating crime and corruption, fighting trafficking in persons, and promoting economic restructuring and democratic reform. Eurasian regional funds also support programs that redirect former Soviet WMD expertise to peaceful activities and enhance the ability of the Eurasian countries to prevent the proliferation of WMD (and associated delivery systems, materials and technologies), conventional weapons and other illicit trafficking across their borders.

In addition, Eurasian regional funds support the activities of several U.S. agencies in the region, including Trade and Development Agency feasibility studies, Treasury Department technical assistance, Agriculture Department training and exchange programs, Commerce Department training programs and trade and investment support activities, and State and Justice Department regional law enforcement training programs that help states combat trafficking in narcotics and persons, reduce the likelihood of international terrorist operations, and improve human-rights practices in criminal justice institutions.

Beginning in FY 2005, the FSA account will fund the bulk of costs for OSCE missions in the Eurasian countries. These missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. Also, regional FSA rather than Peacekeeping Operations (PKO) funds will be used to pay non-peacekeeping related activities, including the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights (ODIHR). The service of these individuals is both a crucial U.S. Government contribution to the effective work of the OSCE and a key means of maintaining U.S. influence and involvement in OSCE activities.

Regional FSA funds will also continue to be used for extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection in the Eurasian countries.

Regional SEED

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
SEED	69,437	37,775	59,000

Support for East European Democracy (SEED) regional programs sustain the transition to democracy, market economies, and social stability in Southeast Europe. Through these programs, the United States pursues its interests in economic growth, trade and investment promotion, and reducing international criminal and terrorist threats to U.S. citizens. In addition, regional SEED funds will cover almost all assessed costs for the OSCE's Balkans missions and provide U.S. support to the Office of the High Representative (OHR) in Bosnia and Herzegovina.

In FY 2005, SEED regional funding will help accelerate Southeast Europe's integration into Euro-Atlantic institutions. Regional programs will target terrorism, corruption, international crime, and trafficking in persons, as well as develop regional capacities for war crimes trials in the Balkans. These funds will support significant regional efforts to promote energy efficiency and will help facilitate infrastructure development. Through regional funding for both the Stability Pact for Southeastern Europe and the Regional Center for Combating Trans-Border Crime (under the Southeast Europe Cooperative Initiative or SECI) in Bucharest, the U.S. targets crossborder problems and leverages assistance from European and international donors to support U.S. policy priorities.

The SEED regional budget also covers traditional Congressional directives in the fields of health and HIV/AIDS, grants to regional non-government organizations (NGOs) through the National Endowment for Democracy (NED), and the professional development of U.S. academics studying Southeast Europe under the Program for the Study of Eastern Europe and the Independent States of the Former Soviet Union (Title VIII).

Through the regional account, the United States funds technical assistance, leverages significant funding from other donors, and promotes regional cooperation, including in law enforcement. Countries of the region are increasingly "taking ownership" of border and customs control reform efforts and cooperative regional law enforcement operations that combat organized crime, terrorism, and trafficking in persons. Continued U.S. engagement with these efforts, through our support for the Bucharest Anti-crime Center as well as the International Law Enforcement Academy (ILEA) in Budapest, Hungary, remains an important catalyst to increased and effective regional cooperation. For example, U.S. technical assistance to the Bucharest Center's Trafficking Task Force supported two regionally coordinated law enforcement operations that identified 933 traffickers and led to criminal procedures in 792 cases. ILEA provides high-quality training and technical assistance, supports institution building and enforcement capability, and encourages strong partnerships between countries in the region.

Through SEED contributions to the Stability Pact, the United States leverages resources from European and other donors. The USAID-administered Regional Infrastructure Program in Southeastern Europe has worked closely with international financial institutions and the EU to facilitate and accelerate over two billion Euros in water and transport infrastructure projects. That cooperation led to a joint USAID-International Finance Corporation (IFC)-financed Balkans Infrastructure Development (BID) Facility that will provide technical assistance in program proposal development. The BID Facility has garnered support from a variety of Western European donor countries.

Beginning in FY 2005, the SEED account will fund the bulk of assessed costs for OSCE missions in the Balkans, U.S. contributions to the OHR in Bosnia, and security costs for senior Americans leading such

missions. These missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. Also, regional SEED rather than Peacekeeping Operations (PKO) funds will be used to pay non-peacekeeping related activities, including the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights (ODIHR). The service of these individuals is both a crucial U.S. Government contribution to the effective work of the OSCE and a key means of maintaining U.S. influence and involvement in OSCE activities.

Regional SEED funds will also continue to be used for extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection.

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