

EUROPE AND EURASIA

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Albania
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 8,631 | 4,000 | 5,000 |
| IMET | 1,200 | 800 | 900 |
| NADR-EXBS | 0 | 15 | 140 |
| SEED | 35,123 | 35,000 | 28,000 |

Our relations with Albania advance U.S. interests by helping stabilize Southeastern Europe; promoting economic reform; developing democracy; countering international terrorism and crime; stopping illicit trafficking in persons, narcotics, and conventional weapons; assisting and protecting American citizens overseas; providing humanitarian relief; and addressing global environmental, population, and health challenges. Albania's pivotal role in assuring regional stability places a high premium on the continued engagement and support of the United States. In collaboration with our European partners, through the EU, NATO, and the OSCE, we will continue to reinforce and strengthen a process aimed at stabilizing Albania and bringing it into the Euro-Atlantic mainstream. A stable and prosperous Albania can do much to help the United States combat arms proliferation and trafficking in humans and narcotics. In the wake of September 11, Albania has played a firm and constructive role in the war on terrorism.

U.S. assistance to Albania supports market-based economic reform, strengthens civil society, promotes democracy, enhances Albania's territorial integrity and security, contributes to regional stability, and helps relieve human suffering.

In FY 2003, Support for East European Democracy (SEED) funds will continue to nurture a small but growing economy that is simultaneously making the transition to a free market while recovering from civil strife in 1997 and the effects of the Kosovo crisis in 1999. SEED programs help strengthen an agricultural sector that accounts for more than half of output and about 70 percent of the workforce, as well as an enterprise sector dominated by very small businesses. SEED programs accordingly target problems afflicting every type of economic activity in Albania: an extremely poor infrastructure, crippling energy shortages, and a sometimes corrupt judicial system. SEED assistance also supports the private sector with programs that promote banking sector reform, capital market development, the availability of micro-credit, and the work of the Albanian-American Enterprise Fund.

Domestically, combating terrorism, organized crime, trafficking in persons, and corruption remain major Albanian government priorities. SEED programs, as a consequence, support a range of projects that provide anti-trafficking, counter-narcotics, and anti-organized crime training. These programs strengthen Albanian government law enforcement capabilities through the training of Albanian police, prosecutors, and judges. In FY 2003, we will continue to fund anti-trafficking programs in Albania at a high level.

Fostering a solid democratic basis of government is also a major SEED priority in Albania. SEED programs will continue to encourage respect for human rights in Albania's domestic political institutions and help develop a viable civil society. SEED funds will continue to support such initiatives as: the Democracy Commission, which gives small grants to non-governmental organizations (NGOs); the International Visitor Program, which brings future leaders to the United States; the Ron Brown program, which provides graduate scholarships in law and economics; training for journalists; civic education programs; and English teaching programs. We will also work to solidify the rule of law under Albania's constitution and promote the growth of a viable NGO sector in coordination with international partners.

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 Albanian military. The Albanian government continues efforts to reform its armed forces, including approval of new national security and defense policies and an accompanying overhaul of basic command structures. FMF will continue to support this process by helping to build the capabilities of the Albanian armed forces according to parameters contained in Albania's NATO Membership Action Plan. Albania's FY 2003 FMF program will focus on NATO-compatible communications equipment, sustainability for patrol boats, contractor support for a defense reform initiative, upgrades to training areas, and air and coastal surveillance radar.

Albania's FY 2003 IMET program will continue to provide numerous officers with the training and related English language instruction necessary to function effectively in a modern, professional military, as well as to enhance Albania's ability to participate alongside NATO forces in crisis response operations, in PfP exercises, and in other activities.

Albania will be eligible in FY 2003 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 further promote 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 continuing to provide Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish a fully effective export control system in Albania. FY 2003 NADR funding will be provided to develop the laws and regulations of a strong export control system.

Armenia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------------|----------------|------------------|-----------------|
| FMF | 0 | 4,000 | 3,000 |
| FSA | 89,802 | 90,000 | 70,000 |
| IMET | 0 | 400 | 750 |
| NADR-EXBS | 500 | 270 | 1,850 |
| NADR-HD | 850 | 1,200 | 750 |
| Peace Corps | 1,219 | 1,441 | 1,333 |
| P.L. 480 - Title II | 742 | 0 | 0 |

The United States seeks to promote peace and stability in the Caucasus and to help the three Caucasus countries fulfill their potential as gateways from the Caspian Basin to the West. Armenia is a front-line state and has offered cooperation in support of Operation Enduring Freedom, including overflight/landing rights, medical assistance, and information sharing. The United States supports the transformation of Armenia into a democracy based on the rule of law and 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.

Achieving a durable and mutually acceptable resolution to Armenia's conflict with Azerbaijan over Nagorno-Karabakh is key to several U.S. interests. A durable 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 development 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, social sector reform, education, and agriculture. Humanitarian programs seek to ease the plight of a country in transition that carries the additional burdens of natural disaster, such as the 1988 earthquake, and regional conflict. U.S. security and nonproliferation assistance and cooperation with Armenia is increasingly important in the aftermath of September 11.

FREEDOM Support Act (FSA) assistance helps to mitigate difficult living conditions for Armenians who lost their homes and sources of income during the devastating earthquake of 1988, those affected by the conflict over Nagorno-Karabakh, and various other needy groups, such as orphans and the elderly. Programs to address housing shortages in the earthquake zone have proven extremely effective and have led to significant improvements in conditions in Gyumri and the surrounding area. Other programs support Armenian efforts to provide health care for disadvantaged citizens.

Armenia is continuing its efforts to improve its business climate, increase investment, and create jobs. The government is implementing final measures necessary for entry into the World Trade Organization. FSA-funded programs will continue to focus on developing and marketing Armenian agricultural products. At the macro-level, U.S. Treasury advisors will provide expertise in improving revenue collection and reducing budgetary deficits, ensuring that the government will be able to maintain good relations with international financial institutions. Exchange and training programs, scholarships, and other programs will help Armenia develop other sectors of its economy, including information technology and tourism.

The Armenian government has continued on a path toward normalizing democratic practices, but poor economic conditions and regional instability could jeopardize this progress. Strengthening democratic institutions and providing educational and informational links with the West help to counter Armenia's isolation. FSA democracy assistance programs are helping government agencies and non-governmental organizations (NGOs) improve election laws and procedures. Programs also help legislators draft appropriate laws, train judges and prosecutors, and promote effective political parties. Support for NGOs and the independent media helps those organizations effectively articulate public interests and strengthen civil society.

Exchanges and training and partnership programs provide opportunities for current leaders and the next generation of Armenians to learn about U.S. society and institutions at first hand and to forge personal ties with individual Americans and U.S. institutions. Over 2,900 Armenians have participated in U.S. exchange programs since 1992. In FY 2003, FSA funding will continue to expand the provision of Internet access and related training and curriculum development to Armenian schools throughout all 11 regions of the country. Internet access and training programs increase the free flow of information and support contact with partners in the United States and the West in a variety of academic and professional fields.

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. Rationalizing and privatizing the energy sector and finding alternative sources of energy will be key to Armenia's ultimate closure of Metzamor.

The waiver of Section 907 of the FSA in January 2002 allows the United States to provide security assistance to Armenia, which was previously withheld because of the policy of even-handedness between Armenia and Azerbaijan. Modest International Military Education and Training (IMET) was provided to both Armenia and Azerbaijan in FY 2002. The FY 2003 budget proposes a near doubling of military education for Armenian officers in U.S. military professional education schools. The FY 2003 budget also proposes a continuation of Foreign Military Financing (FMF) to Armenia, initiated in FY 2002, to support legitimate defense requirements, interoperability, and potential peacekeeping activities.

The Armenian government has demonstrated a willingness to cooperate with the United States in preventing weapons of mass destruction (WMD) proliferation, other weapons trafficking, and in fighting transnational crime and has taken steps to strengthen its export controls and border control systems. U.S. Export Control and Related Border Security Assistance (EXBS) programs funded under the FSA and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts 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 and to prevent weapons proliferation. U.S. programs also help Armenia fight narcotics trafficking and financial crimes that threaten U.S. security. U.S. law enforcement agencies, working through the State Department's Bureau of International Narcotics and Law Enforcement Affairs, provide training to increase Armenia's capacity to fight international crime and corruption and to improve human rights practices in criminal justice institutions. Other U.S. programs funded through FSA and NADR also promote the participation of former Soviet weapons scientists in peaceful research projects supported by the International Science and Technology Center (ISTC) and the U.S. Civilian Research and Development Foundation (CRDF).

Landmines pose a significant danger in Armenia to people, productivity, and socio-economic development. Through mine clearance and mine awareness efforts, NADR funds will help save lives and create conditions for the return of displaced persons and refugees and for increased economic growth and productivity.

Azerbaijan
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------------|----------------|------------------|-----------------|
| FMF | 0 | 4,000 | 3,000 |
| FSA | 36,024 | 43,310 | 46,000 |
| IMET | 0 | 400 | 750 |
| NADR-EXBS | 825 | 100 | 1,850 |
| NADR-HD | 1,100 | 1,380 | 1,380 |
| ERF-NADR-EXBS | 0 | 3,000 | 0 |
| P.L. 480 - Title II | 2,501 | 582 | 0 |

U.S. national interests in Azerbaijan center on the advancement of U.S. energy security and progress in free market and democratic reforms, which will help ensure long-term internal stability. Azerbaijan's shared border with Iran and its long-standing conflict with Armenia mean that its internal stability has 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 and promoting U.S. energy security and U.S. exports. Azerbaijan, a front-line state, has supported the war on terrorism by offering the exchange of intelligence, blanket overflight rights, and the use of bases in support of U.S. military operations.

U.S. assistance to Azerbaijan enhances its ability to prevent the proliferation of weapons of mass destruction (WMD), weapons technology, expertise, and conventional arms and encourages efforts to halt transshipment of narcotics across its borders. Humanitarian programs through the delivery of commodities, principally medicines and medical supplies, seek to ease the plight of the disadvantaged and displaced and to avert crises, while democracy programs seek to strengthen civil society in Azerbaijan. In FY 2003, the United States plans to focus assistance to the Government of Azerbaijan (GOAJ) on economic development, combating drug trafficking and terrorism, and strengthening export controls and border security.

U.S. assistance to Azerbaijan has in the past been severely constrained by Section 907 of the FREEDOM Support Act (FSA), which restricted U.S. assistance to the program areas of nonproliferation, humanitarian assistance, and democratization. Activities by the Export-Import Bank (EXIM), the Overseas Private Investment Corporation (OPIC), and the Foreign Commercial Service were also permitted. The Presidential waiver of Section 907 of the FSA in 2002 opened the door to new and deeper engagement with Azerbaijan. To assess needs and program options, technical assistance teams from the Department of the Treasury, the U.S. Customs Service, and an interagency group under the State Department's Bureau of International Narcotics and Law Enforcement Affairs traveled to Azerbaijan in January and February of 2002. The Department of Defense will conduct its first-ever bilateral working group with Azerbaijan in March.

The FY 2003 budget proposes a continuation of security assistance begun in FY 2002 following the waiver of Section 907. The United States plans to provide equipment, services, and training, through the Foreign Military Financing (FMF) and International Military Education Training (IMET) programs to assist in military reform, interoperability for peacekeeping, and expand professional military education opportunities for Azeri military officers in U.S. military profession training schools. In accordance with current restrictions, 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 Azerbaijan. The GOAJ has demonstrated that it takes this issue seriously by intercepting shipments of concern. The United States has responded with an expanding program of assistance under the Export Control and Related Border Security Assistance (EXBS) program funded through the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account in FY 2003. Azerbaijan's maritime region has enormous potential for both legitimate and illegal commerce. The agencies responsible for maritime law enforcement are sorely in need of both resources to conduct surveillance and boardings in the Caspian Sea and port security training in Baku. In FY 2003 USG agencies will continue to provide assistance under a multi-year comprehensive program to enhance Azerbaijan's capabilities in this area. Assistance will also continue to redirect former Soviet WMD scientists to peaceful research through programs such as the Science Centers and Civilian Research and Development Foundation.

Azerbaijan will be eligible to receive grant Excess Defense Articles (EDA) in FY 2003. Provision of grant EDA could be used to improve Azerbaijan's maritime law enforcement capability to support nonproliferation goals.

While economic growth is apparent in Baku as a result of oil industry development, spillover effects into other sectors of the economy have not yet occurred. The agricultural sector, which has the potential to employ many people, is mired in low productivity. Recently privatized farms are small and lack reliable access to inputs, water, equipment, and finance. Private business development has been hampered by complex regulations, corruption, and underdeveloped financial systems. The unemployment level remains stagnant at a high level. Because Azerbaijan is a vital link in the Trans-Caspian energy corridor, it is essential that the GOAJ develop a market-oriented, transparent, and corruption-free economic, legal, and regulatory system. U.S. assistance under the FSA in FY 2003 will focus on accelerating growth and development of private small and medium enterprises in agriculture and other targeted areas. Training opportunities will focus increasingly on economics and business development. In addition, the USG will continue to work with the GOAJ on oil development and to support American companies through OPIC, EXIM, and Trade and Development Agency (TDA) activities.

While Azerbaijan has made some progress towards the creation of a democratic system of government, significant problems remain in the areas of media freedom, human rights, and conducting free and fair elections. In FY 2003, the United States will continue to promote the development of democratic institutions and a civil society in Azerbaijan. FSA-funded assistance to the government will focus on programs that promote the development of the rule of law. The United States will also continue programs to assist non-government organizations, political parties, and the media to help them to articulate effectively public interests and strengthen civil society. Exchanges and training and partnership programs provide opportunities for current leaders and the next generation of Azerbaijani leaders to learn about U.S. society and institutions first-hand and to forge personal ties with individual Americans and U.S. institutions. Over 1,600 Azerbaijani citizens have traveled to the United States on USG exchange programs since 1992. Internet access and training programs expand the availability of information to Azerbaijanis throughout the country.

Landmines pose a significant danger in Azerbaijan to people, productivity, and socio-economic development. Through mine clearance and mine awareness efforts, NADR 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.

Belarus
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| FSA | 11,383 | 10,072 | 9,500 |

Advancing democratic principles and economic reform will help ensure the independence and prosperity of Belarus, which will in turn contribute to regional stability. Currently, Belarus' lack of legitimate democratic institutions, political oppression, retrograde economic policies, and close relations with rogue states threaten regional development and security, potentially undermining U.S. interests. The Government of Belarus has not offered any assistance in the war on terrorism (although its president did condemn the September 11 attacks). A democratic and sovereign Belarus would result in increased Euro-Atlantic security, reinforcement of regional democratic and economic reform trends, improved human rights, increased opportunities for U.S. investors and exporters, and more effective treatment of the long-term effects of the 1986 Chernobyl nuclear disaster.

U.S. assistance to Belarus seeks to help achieve a pluralistic and democratic political culture through strengthening of the political process, and development of civil society, media, and small and medium enterprises.

Although the September 2001 presidential elections were seriously flawed, the election process did provide a context for the emergence of a more vibrant civil society and independent media. In FY 2003, the United States plans to continue to fund programs under the FREEDOM Support Act (FSA) which will support non-governmental organizations (NGOs) that directly advocate human rights and actively promote democracy. This support will include small grants and training in such areas as advocacy, networking, and coalition-building. The United States will also continue to provide support to 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 continued harassment by the regime and competition from government-subsidized state media. U.S. Government-funded academic and professional exchange programs will continue to provide opportunities for Belarusian citizens – especially young people – to familiarize themselves with the day-to-day functioning of a market-based, democratic system. In addition, U.S. assistance will include legal assistance and legal education, as well as training for civic and political activists. With local elections scheduled for early 2003, programs will seek to foster an environment for the emergence of democratically oriented leaders at the local level.

Opportunities to encourage economic reform through FSA assistance programs are severely circumscribed in Belarus. The election of the current president in 1995 froze economic liberalization and structural reform. As a result, according to one 2001 study, Belarus had the lowest GDP growth and highest inflation of all former Soviet states. Modest FSA economic assistance programs have concentrated on supporting small and medium enterprises, and developing business associations for lobbying and advocacy. Any further programs in FY 2003 will continue to focus on these areas.

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

Bosnia and Herzegovina
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 5,986 | 2,250 | 2,500 |
| IMET | 1,109 | 800 | 900 |
| NADR-EXBS | 0 | 0 | 30 |
| PKO | 19,800 | 20,500 | 17,500 |
| SEED | 79,824 | 65,000 | 50,000 |

The 1992-95 war in Bosnia and Herzegovina (BiH) devastated the country's human and physical infrastructure and threatened both European stability and the cohesion of the NATO alliance. The United States led the negotiations that resulted in the 1995 Dayton Peace Accords, which ended the conflict in BiH. Today, the United States plays a critical role in the Dayton peace implementation process – the framework for building a multi-ethnic, democratic BiH. A peaceful and stable BiH that respects international human rights and adheres to the rule of law is critical to the peace and the future prosperity of Southeast Europe and, consequently, is in our national interest. Authorities in BiH have been cooperative in the war on terrorism, taking measures to more effectively control borders, passing stricter citizenship laws, and arresting key figures associated with the al Qaeda network.

The United States leads NATO's Stabilization Force in BiH, which provides a security guarantee for the country. The United States is also deeply engaged in building Bosnian institutions – including an effective police force and a State Border Service – that will increasingly enable the country to secure its borders and fight terrorism, crime, and the illegal trafficking of persons and drugs. At the same time, continued U.S. efforts to promote investment and sustainable economic growth in BiH serve not only to make BiH's transition to democracy more sustainable, but also promote the U.S. strategic goals of economic development and global growth and stability. U.S. assistance and policy in BiH are targeted on full implementation of the peace accords, promotion of democratization through the development of democratic institutions and respect for human rights, and promotion of investment and economic growth. U.S. assistance in all areas helps leverage funding from other donors, whose combined efforts far exceed the U.S. contribution.

In FY 2003, the Support for East European Democracy Act (SEED) program in BiH will continue to strengthen indigenous institutions and the central state, move BiH further down the path to European integration, and help Bosnians take ownership of their institutions and country. Our assistance is geared to support humanitarian, economic, democratization, and rule of law programs. We will provide economic support and infrastructure assistance to aid displaced war refugees returning to homes they fled during the war. We will fund technical assistance to small and medium enterprises, work to remove barriers to investment and economic growth, create alternate dispute resolution mechanisms, and strengthen the standards of corporate governance. We will also help build advocacy institutions that will advance the interests of the private sector. By assisting in the development of regional government treasuries we will improve governments' ability to budget and manage scarce resources. Our assistance program will also support non-governmental organizations (NGOs) and non-profit organizations through a small grant program and other capacity-building initiatives, build more democratic and responsive legislatures and political parties, professionalize the police, and seek to reform the legal and judicial systems.

The requested FY 2003 Peacekeeping Operations (PKO) funding includes support for the mission of the Organization for Security and Cooperation in Europe (OSCE) in BiH. The civilian OSCE mission in BiH carries out work which is crucial to the United States' objective of advancing democracy, democratic institutions and respect for human rights in BiH – work which also contributes substantially to stability and

security in the region. Specifically, the mission plays a major role in the creation of a stable, peaceful BiH through promotion of democratic values, monitoring and furthering the development of human rights, as well as implementing arms control and security-building measures. The Mission organized and supervised all of BiH's post-Dayton elections but is relinquishing that responsibility to local authorities in 2002. In addition to the United States' portion of the OSCE Mission assessment, PKO funds support United States personnel seconded to the OSCE as well as the U.S. Ambassador who currently heads the OSCE Mission.

Foreign Military Financing (FMF) funds contribute to U.S. national security by promoting peace and stability in BiH as well as in the Balkans as a whole. Under the Train & Equip program, the United States has supplied nearly \$100 million in surplus defense articles and defense services to the Federation Army (VF) since 1996 to help establish military stability in BiH and prevent renewed hostilities. The Train & Equip program and the presence of NATO-led military forces have succeeded in this goal. However, new possibilities for enhanced strategic stability have opened over the last year which, if seized, can help create the conditions for an eventual end to the current NATO-led peacekeeping mission. In 2001, Croatia terminated financial support to the Croat component of the VF, and in February 2002 the Yugoslav government announced its decision to cease financing support to the Army of the Republika Srpska (VRS). In addition, both the VF and the VRS are undergoing substantial downsizing. In the first quarter of 2002, the VF will reduce its personnel strength by more than 40 percent. This will be accompanied by equipment consolidation. The totality of these changes permits the United States to begin transitioning FMF and other security assistance support away from the peculiar requirements of the Train & Equip program to a more conventional program aimed at developing a state dimension of defense for Bosnia and Herzegovina. FMF funding in 2003 will be used to support programs that help this transition through focused assistance for a state defense establishment, equipment sustainment and consolidation, and initial development of a state procedure for obtaining logistics assistance.

BiH's International Military Education and Training (IMET) program will also contribute to regional stability by helping to develop officers and non-commissioned officers who agree to work in the state defense establishment. IMET funds will be used to provide training with emphasis on junior officer professional development (Army basic and advanced courses), staff training for mid-level officers (service staff colleges), and Expanded IMET courses for mid- to upper-level officials in the defense sector.

BiH 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 BiH in meeting its defense requirements, enacting defense reforms, and furthering interoperability.

With Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) and International Trust Fund monies, the United States has provided over \$45 million in demining assistance to BiH since 1996. FY 2002 and FY 2003 funding from the International Trust Fund is planned for demining and other mine action projects. The sites to be demined will be high priority projects defined by the Bosnian national mine action center that promote refugee and internationally displaced person returns, social reintegration, and infrastructure rehabilitation.

As part of its efforts to prevent the proliferation of weapons of mass destruction and their delivery systems, related technologies, and other weapons, the United States in FY 2003 is providing NADR Export Control and Border Security Assistance funds to help establish a fully effective export control system in BiH. This initial program funding will focus on developing the laws and regulations of a strong export control system.

Bulgaria
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 13,470 | 8,500 | 9,500 |
| IMET | 1,599 | 1,200 | 1,350 |
| NADR-EXBS | 100 | 410 | 730 |
| Peace Corps | 1,972 | 2,296 | 2,037 |
| PKO | 2,500 | 0 | 0 |
| SEED | 35,123 | 34,000 | 28,000 |

Bulgaria's transition to a market-oriented, democratic society has been moving forward for the past decade steadily, albeit slowly due to lags in some key areas where it is important to maintain U.S. assistance. Bulgaria has assumed a leadership role in promoting political and economic stability in the region in various cooperative organizations and was elected in October 2001 to a non-permanent seat on the UN Security Council. During the 1999 war in Kosovo, U.S. military action had the backing of the Bulgarian government, which has shown itself to be a steadfast supporter of U.S. interests in the region. Bulgaria is actively pursuing NATO and EU membership and is still in the process of reorganizing its defense establishment. Bulgarian support for the war on terrorism has been exemplary, including hosting the temporary deployment of U.S. military aircraft flying missions in support of Operation Enduring Freedom. Given Bulgaria's strategic importance to the United States, we should carry through in FY 2003 with assistance programs that have had the most impact, but where much work remains, particularly in regard to market-oriented reforms: economic restructuring, including privatization of state enterprises; fiscal decentralization; and municipal governance and strengthening the rule of law.

The outcome of key elections in the past year is a clear barometer of growing public dissatisfaction with Bulgaria's political leadership and its inability to reduce the level of poverty and unemployment or to increase wages. After the June 2001 parliamentary elections, deposed King Simeon Saxe-Coburg became Prime Minister on a reform platform. Disappointed in the Saxe-Coburg government's handling of the economy and its inability to cope effectively with mounting social hardships, in the November presidential elections the voters opted for Socialist leader Georgi Purvanov. Although Bulgaria has made progress on broad economic and political reforms, these gains have not yet filtered down to the general citizenry in the form of more jobs and a higher standard of living. Indeed, 12 years into the transition, increased poverty, morbidity, and joblessness confront the majority of Bulgarians.

Support for East European Democracy (SEED) assistance in FY 2003 will support further economic reform with a focus on the banking sector, enforcement of the commercial regulatory framework, and help to companies with export earnings potential in the agricultural, light manufacturing, information technology, and tourism industries. A new anti-corruption program and expanded support to rule of law programs and to the non-governmental organization community will promote increased transparency and accountability at all levels of government, as well as judicial reform. We will continue to focus on programs to strengthen local governments, promote fiscal decentralization, and help modernize the municipal budget process. In addition, programs will improve the regulation, management, and sustainability of pension, health, and other social insurance funds; overcome barriers to formal sector employment through tripartite dialogue and decision making, legislative reform, and training for displaced (including military) workers; and promote increased inclusion of and tolerance toward women, minorities, and other vulnerable groups in society.

One of the original twelve Eastern European countries slated for eventual membership in the European Union, Bulgaria signed a Europe Agreement in 1993 to launch the process and in 2000 formally began

negotiations. However, given Bulgaria's laggard economic performance, the timetable for actual accession remains elusive, and it is unlikely that Bulgaria will be included in the next round of EU expansion.

Foreign Military Financing (FMF) is helping Bulgaria rationalize and modernize its armed forces – action key to eventual NATO membership – and contribute to regional stability. The Defense Ministry has embarked on a major equipment modernization program, including updated communications systems for its new rapid reaction brigade and for ground forces. This is a costly, multi-year undertaking that will take at least four and perhaps up to six to eight years. A portion of the FMF budget will provide trainers and simulation equipment to help keep the Bulgarian military ready for peacekeeping operations and continue contractor support in regards to defense reform initiatives.

International Military Education and Training (IMET) will continue to provide critical support to the Bulgarian armed forces as the government continues with its massive reorganization program and will be instrumental to its success. IMET funding in FY 2003 will continue training for non-commissioned officers and for officers in professional military training, civilian/military relations, and national security affairs.

As part of its efforts to prevent proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish a fully effective export control system in Bulgaria. NADR funding in FY 2003 is to provide enhanced enforcement training; chemical and biological warfare and radiation detection training and equipment; portal monitors; and other equipment for export control enforcement personnel.

Bulgaria will be eligible in FY 2003 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.

Croatia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 3,991 | 5,000 | 6,000 |
| IMET | 1,032 | 600 | 700 |
| NADR-EXBS | 0 | 85 | 90 |
| PKO | 2,900 | 3,300 | 2,300 |
| SEED | 44,527 | 44,000 | 30,000 |

The United States has a strong interest in ensuring that Croatia makes a successful transition to a stable democracy and market-oriented economy. As one of the more developed countries that emerged from the former Yugoslavia, Croatia has the potential to be an anchor for peace and stability in the Balkans and to serve as a significant economic actor in the region. U.S. assistance programs have helped Croatia make progress in overcoming the negative legacies of the past decade from the war with Serbia and the nationalistic, autocratic Tudjman regime's mismanagement of the economy. The reform-oriented coalition government that was elected in early 2000 had made sufficient progress by late 2001 to win approval of a Stand-By Arrangement from the IMF and a Structural Adjustment Loan from the World Bank. Nevertheless, Croatia's situation remains fragile, and the government still faces major economic and political challenges.

Our commitment to help Croatia with its transition is key to its success. Continued Support for East European Democracy (SEED) assistance to Croatia is crucial to support critical U.S. policy interests in Croatia and throughout the region. Croatia has been very supportive of the U.S.-led fight against terrorism. In addition to making public statements of support, the Croatian government has offered the use of Croatian airspace and ports and made offers of humanitarian assistance and access to information. From the late 1990s until the elections in 2000, SEED programs in Croatia focused on democracy-building activities: technical assistance to local governments, political parties, labor unions, media, and non-governmental organizations (NGOs). Once a reform-oriented government was elected, the United States was able to resume funding for economic reform activities (which had to be suspended under the Tudjman regime) with the expectation that the new leadership would take meaningful steps to carry out needed structural changes, including privatization, and thus promote a more positive business climate and improved competitiveness for Croatian companies and exports.

SEED programs will continue to provide essential funding to help Croatia strengthen democratic institutions, complete implementation of the Dayton Accords, including full cooperation with ICTY, and carry out the economic reforms needed to develop a dynamic, competitive private sector.

To strengthen democratic institutions, U.S. assistance focuses on more effective citizen participation, improved governance, support for the development of a vibrant NGO community, including the necessary NGO legislation, and acceleration of the return and sustainable reintegration of refugees and displaced persons.

SEED support for infrastructure reconstruction and economic revitalization in the regions most affected by the war will peak in 2002. We expect the rebuilding component to be completed by 2003. However, we will continue our support for social sector and economic revitalization programs to address the issues of high unemployment (nearly 22 percent), slow business growth and job creation, mounting government debt, and lack of investment.

U.S. Government assistance in FY 2003 includes a gamut of security-related programs. PKO funds will continue support of the Office of Security and Cooperation in Europe (OSCE) Mission in Croatia, which focuses primarily on refugee return and property reparation and democracy issues.

As a member of the Partnership for Peace (PfP), Croatia will receive Foreign Military Financing in FY 2003, as it has since 2000. This will include acquisition of tactical radios to enhance NATO-compatible communications, purchase of computers/software to integrate radar systems, and purchase of tactical simulations systems to enhance unit training. The Croatian armed forces has embarked on a major undertaking to restructure, downsize, and then develop greater interoperability and commonality with NATO. International Military Education and Training (IMET) funds are aimed at instilling in Croatian military officials appreciation for and understanding of the proper role of the military in a democracy. IMET assistance will continue to promote the professionalization and democratization of the Croatian armed forces and will include training on national security planning, how to structure peace support operations, and English language training.

In FY 2003, Croatia will again be eligible to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will help Croatia meet defense requirements and enhance Croatia's ability to participate alongside NATO forces in crisis response operations, in PfP exercises, and other activities.

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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish a fully effective export control system in Croatia. FY 2003 NADR funding will be provided for the legal and licensing aspects necessary for a strong export control system and initial enforcement training.

Cyprus
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| ESF | 14,967 | 15,000 | 15,000 |
| NADR-EXBS | 100 | 55 | 260 |

The United States has a longstanding interest in facilitating a comprehensive settlement on Cyprus. Because the conflict on Cyprus involves NATO Allies Greece and Turkey, tensions on Cyprus undermine regional stability in the 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 2003, we are requesting Economic Support Funding (ESF) to continue to support UN efforts to achieve a comprehensive settlement on the island. ESF supports programs and activities that encourage tolerance, cooperation, and trust between Greek Cypriots and Turkish Cypriots. These programs and activities are expected to support a settlement by:

- Strengthening each side's ability to compromise on a just and lasting settlement.
- Providing opportunities for multi-sectoral contacts to increase the number of stakeholders in a solution.
- Promoting tolerance and mutual understanding among individuals, businesses and groups.

Most of the funding requested would be used to support bi-communal projects that promote institutional development and civil society. The remaining amount would be available for scholarships, short-term training, and other politically sensitive bi-communal projects.

The United States also provides Export Control and Related Border Security Assistance (EXBS) funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Cyprus. U.S. funding in FY 2003 will continue to focus on effective enforcement procedures and capabilities, including the provision of equipment.

Czech Republic
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 8,981 | 10,000 | 11,000 |
| IMET | 1,370 | 1,800 | 1,900 |
| NADR-EXBS | 317 | 200 | 400 |

U.S. interests in the Czech Republic center on its development of a modern military able to meet its own defense needs and contribute fully to NATO missions. The Czech Republic will host the 2002 NATO Summit. The United States supports ongoing economic reforms intended to promote Czech prosperity and eventual integration into the European Union, thus providing an environment in which U.S. business interests can thrive. The Czech Republic has been a stalwart partner in the war against terrorism.

Helping the Czech Republic continue its progress on military modernization will maximize its contributions to NATO's role in European security and help lay the groundwork for future successful enlargements. Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential to helping the Czech Republic realize NATO force goals. Reform and restructuring of the Czech military, particularly in the area of personnel, will continue through 2003, and U.S. assistance will have maximum impact during this period. FY 2003 FMF and IMET funds will build upon and complement Czech funding available for defense requirements. Despite the fact that it still faces severe economic difficulties, the Czech Republic continues to meet its commitment to increase defense spending as a percentage of GDP. The Czech Army is small but capable and has contributed to allied efforts in Bosnia and Kosovo, as well as to Operation Enduring Freedom.

FY 2003 security assistance funds are aimed at improving Czech interoperability with NATO. FMF funding will be used to broaden and to intensify English language training; develop a professional non-commissioned officers corps; improve combat service support, including development of a more sophisticated logistics system; modernize command, control, communications, computers, and intelligence capability; procure combat equipment, training, and munitions for special forces designated to participate in NATO crisis response; and develop a simulation center for advanced combat and combat-support training.

The proposed FY 2003 IMET funding will provide training activities to support the above goals, especially professionalization of the military, improvements in combat service support and logistics systems, and development of a professional non-commissioned officers corps. IMET funds will also be used to continue support for development of the junior to mid-level officer corps. The Czech Republic will be eligible in FY 2003 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 defense requirements, enacting defense reforms, and furthering interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction (WMD), delivery systems, related technologies, and other weapons, the United States is providing Export Control and Related Border Security Assistance (EXBS) funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to strengthen established export controls in the Czech Republic. FY 2003 NADR funding will focus primarily on bringing the Czech Republic's export control regime into conformity with EU standards.

The Support for East European Democracy (SEED)-funded Democracy Commission program, administered by the American Embassy, gives small grants to support grassroots, indigenous non-governmental organizations engaged in building social and intellectual foundations in the Czech Republic.

Estonia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 6,186 | 6,250 | 6,750 |
| IMET | 750 | 1,000 | 1,100 |
| NADR-EXBS | 301 | 68 | 100 |
| NADR-HD | 0 | 200 | 0 |
| Peace Corps | 739 | 486 | 0 |

Security and long-term stability in Northern Europe hinge on the Baltic States – their integration into Euro-Atlantic security and economic structures and their relations with Russia. Tensions between Russia and the Baltic States affect U.S.-Russian and U.S.-Nordic relations. Estonia has set the pace for the former Soviet Baltic republics for integration into Western economic structures, having been the first to receive European Union (EU) candidate status. Estonia's success has become a motivating factor for these now-independent states. Estonia's integration into the EU will make it and Finland the only EU states bordering Russia, enhancing its strategic influence. Continued reinforcement and enlargement of Estonia's external and internal security enhances regional security efforts. We can accomplish these goals by sustaining Estonia's movement into Western security structures, by nurturing the continued development of a civilian-controlled and NATO compatible military, and by assisting Estonia to graduate from a net security user to contributor within four years. Estonia stood by NATO, EU, and UN actions to fight terrorism after September 11, ratified the International Convention for the Suppression of Financing of Terrorism, and offered troops to serve in a Danish-led contingent to the Kyrgyz Republic as part of Operation Enduring Freedom.

After its initial successful focus on accession talks with the WTO and EU, Estonia now has begun to give higher priority towards security aspects of NATO integration. Current defense spending stands close to 1.8 percent of GDP, and the defense budget is projected to reach 2 percent of GDP by 2003.

Foreign Military Financing (FMF) will continue to be used to sustain Estonia's effort to become fully interoperable for participation in NATO, Partnership for Peace (PfP), and NATO-associated operations, to include peacekeeping, peace enforcement, and humanitarian assistance. The FY 2003 FMF request will provide the Estonian military with needed defense articles, services, and training. FMF funding will target enhancement of NATO-compatible communications infrastructure, modernization of tactical and combat vehicles and airfield equipment, continued support for the Regional Air Surveillance Coordination Center (RASCC) and the Air Support Operations Center (ASOC), support for previous Excess Defense Articles (EDA) transfers, and English language training.

As Estonia prioritizes resources for its own legitimate defense needs and for its contribution to the overall security of Europe, FY 2003 International Military Education and Training (IMET) funds will continue to assist in the professionalization of the military. IMET will provide necessary leadership and administrative skills to more junior officers, who have replaced former Soviet-trained officials. IMET will also provide Estonia's military and Ministry of Defense civilians access to such expanded IMET courses as defense resources management and civil-military relations.

Estonia will be eligible in FY 2003 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Estonia in meeting defense requirements, and furthering defense and 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Estonia. The FY 2003 NADR export controls request is focused primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

The Support for East European Democracy (SEED)-funded Democracy Commission program, administered by the American Embassy, gives small grants to support grassroots, indigenous non-governmental organizations engaged in building the social and intellectual foundations of democracy in Estonia.

Federal Republic of Yugoslavia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------------|----------------|------------------|-----------------|
| ESF | 14,256 | 0 | 0 |
| FMF | 0 | 0 | 1,000 |
| IMET | 0 | 0 | 300 |
| NADR-EXBS | 0 | 31 | 100 |
| SEED | 172,120 | 165,000 | 135,000 |
| P.L. 480 Title II | 33,978 | 0 | 0 |

Ensuring that democratic and economic reforms in the Federal Republic of Yugoslavia (FRY) take hold is crucial to promoting peace and stability within South East Europe. U.S. assistance can help transform the FRY into a key building block for lasting peace and stability in the region. U.S. assistance to the FRY and its two constituent republics (Serbia and Montenegro) is vital to consolidating the democratic transition in Belgrade and the gradual reintegration of a prosperous FRY into Euro-Atlantic institutions. U.S. assistance can help advance this goal by assisting in building civil society and democratic institutions and supporting economic reforms undertaken by governments in Belgrade and Podgorica. The FRY has cooperated with the United States on implementing financial sanctions against terrorist groups and has established an anti-terrorism task force.

Support for Eastern European Democracy (SEED) assistance has allowed Belgrade to make substantial progress on implementing economic reforms and maintaining popular support for political and economic reforms. SEED funding has provided critical humanitarian assistance especially in areas still plagued by ethnic tensions and instability. Programs specifically targeting Southern Serbia and the Presevo Valley help ensure stabilization of the area along the administrative boundary line with Kosovo.

FY 2003 SEED funds requested for both Serbia and Montenegro will be used to sustain the reform processes in Yugoslavia. Federal, Serbian, and Montenegrin governments have pledged to continue with democratic reforms and to make progress on badly needed economic and legal reforms.

SEED funds will target programs to strengthen democracy and civil society involving local government and community development, media, non-governmental organizations, political parties, and rule of law issues including judicial reform. To speed stabilization of the situation in southern Serbia, programs continue to target economic reform and community development. SEED funds will also be used for pre-election assistance in the event federal or republic elections are called.

FY 2003 SEED funds will also be used to provide technical assistance for economic restructuring and reform, including the areas of fiscal, budget, and banking reform, as well as to assist private sector development. 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 is focused principally on the banking and financial systems and on the fiscal regime, while restructuring involves 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.

The certification provisions in the FY 2001 and FY 2002 Foreign Operations Appropriations Acts made continuation of U.S. assistance to Serbia contingent on progress on cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), steps to improve respect for the rule of law and

minority rights, and steps consistent with Dayton to end financial, political, security, and other support which has served to maintain separate Republika Srpska institutions. The Administration has integrated our assistance programs into our ongoing diplomatic campaign to promote progress by FRY and Serbian authorities on ICTY cooperation, boost efforts for the rule of law and respect for minority rights, and compliance with the Dayton Accords.

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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish a fully effective export control system in Yugoslavia. FY 2003 NADR funding is requested to develop the laws and regulations of a strong export control system, as well as to provide initial training for export control enforcement personnel.

Activity in security cooperation with the FRY since the democratic transition has been limited to sending a small number of FRY personnel to Marshall Center programs. For FY 2003, we plan to continue low-level contacts, such as the Marshall Center program, and to offer professional military education under the IMET program, as well as courses under the Expanded IMET program that focus on military justice and the rule of law, human rights, civilian control of the military, and defense resource management. Further progress in our bilateral military relations and expansion of these kinds of assistance programs will be dependent on FRY efforts to reform their military and improve the nonproliferation and export control behavior of FRY defense and export entities.

The FY 2003 budget requests Foreign Military Financing (FMF) to begin the task of helping reform the Yugoslav military along the lines necessary for potential PfP membership and activity and, if desired by NATO and Belgrade, an eventual NATO Membership Action Plan. The resumption of FMF funding for the FRY is designed to help their armed forces purchase equipment that will enable FRY armed forces to operate with NATO and Partnership for Peace countries. While there have been no discussions yet of the types of equipment to be purchased, the most likely category would be U.S. manufactured communications equipment.

Georgia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------------|----------------|------------------|-----------------|
| FMF | 4,490 | 11,000 | 7,000 |
| FSA | 92,808 | 89,010 | 87,000 |
| IMET | 481 | 850 | 1,200 |
| NADR-HD | 1,000 | 1,100 | 1,100 |
| Peace Corps | 1,172 | 1,224 | 1,192 |
| P.L. 480 - Title II | 9,205 | 0 | 0 |

The United States has both strategic and economic interests in promoting Georgia's political and economic stability. Situated at the crossroads of Russia, Iran, and Turkey, Georgia could play a key role in furthering U.S. interests. A front-line state, Georgia has been a strong supporter in the war on terrorism, granting the United States overflight rights and basing permission. By enhancing Georgia's ability to control its borders, the United States works to reduce the chances of conflict in the region and helps block the transit of terrorists into and out of the North Caucasus. With the completion of oil and gas pipelines in the next few 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.

U.S. assistance to Georgia enhances its territorial integrity and promotes regional security; supports market-based economic reform; strengthens civil society and promotes a participatory democracy; and helps relieve human suffering. In FY 2003, the United States plans to continue a range of security-related programs to improve Georgia's ability to monitor and combat terrorism; prevent the flow of weapons, narcotics, and other contraband material across the borders; and pursue military reform.

Under the Foreign Military Financing Program (FMF), we will provide the Georgian military with defense articles, services, and training it needs to improve counterinsurgency capabilities, take steps toward military reform and promote its participation with NATO through the Partnership for Peace. A major goal of training programs is to promote consolidation and professionalization of the military. Through the FMF program, we will provide essential assistance for a targeted "Train and Equip" program, including equipment such as communications gear, winter clothing, ammunition, vehicles, aviation assets, training, and spare/repair parts to support Georgia's UH-1 program. The International Military Education and Training (IMET) program helps Georgian soldiers to develop the English-language and professional military skills necessary to augment Georgia's participation in the Partnership for Peace (PfP) and its interoperability with NATO.

Georgia will be eligible in FY 2003 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 defense requirements, enacting defense reforms, and furthering interoperability.

Through the FREEDOM Support Act (FSA)-funded Border Security and Law Enforcement program, the United States will continue to provide the necessary equipment, such as radios, remote sensors, surveillance, and detection equipment; logistical and infrastructure support; and training to help Georgia's Border Guards maintain an active presence on the Georgian-Russian border. This program enabled the Georgian government to resist pressure to allow the Russian military to pursue Chechen rebels onto Georgian territory. FSA funds also provide technical export control legal, licensing, and regulatory training and equipment to give Georgia the necessary legal, technical, and operational capability to prevent the spread of dual use equipment and technology. Additional assistance through both the FSA under the

Civilian Research and Development Foundation (CRDF) and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)-funded Science and Technology Centers programs 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.

U.S. economic assistance under the Freedom Support Act supports Georgian government efforts to reform legal and regulatory systems, privatize the economy, implement budgetary reforms, achieve fiscal stability, and fight corruption. There are now more than one million holders of agricultural land titles in Georgia, largely due to a U.S. Government program that advised the Georgian parliament on land privatization, helped register land parcels, and supported landowners associations that serve as advocates for the rights of a new class of private farmers. Lack of political will and corruption have been serious impediments to economic reform. As a result, FSA funding in FY 2003 will continue to emphasize assistance programs devoted to the non-governmental sector, including agriculture, and business support and credit programs that help small and medium private businesses.

U.S. humanitarian assistance has helped improve the lot of the more than 300,000 Georgians who lost their homes during civil conflicts in Abkhazia and South Ossetia. For the last several years, the FSA-funded Georgia Winter Heat Assistance Program (GWHAP) has paid heating bills for the poorest Georgians. During the winter of 2002, more than a quarter million poor Georgians and hundreds of hospitals, orphanages, and facilities housing internally displaced persons received GWHAP assistance. This program will continue in 2003.

In addition to easing human suffering, GWHAP supports our broader effort to reform the energy sector by providing essential revenues to the private firms that now produce and distribute electricity for Tbilisi. To ensure that the program improves Georgia's long-term energy security, some U.S. funding is conditioned on the Georgian government's meeting key goals in the national energy strategy, which the United States helped develop.

The United States provides other humanitarian assistance through the NADR-funded Humanitarian Demining program. In FY 2003, the demining program will continue to address the threat of landmines and unexploded ordnance from the civil conflict in and around the Abkhazian 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.

When measuring the progress of democratic reform, Georgia stands out among its neighbors. Non-governmental organizations (NGOs), many of which have benefited from U.S. assistance, are numerous and active, and the independent media is among the strongest in the former Soviet Union. FSA-funded programs have opened seven public access Internet sites in Georgia, and three more are on the way. Georgia has made significant progress on legal reform, although implementation of the new laws is often lacking. U.S. assistance programs have helped to establish a merit-based process for selecting judges.

FY 2003 FSA assistance will continue to support democratic and legal reform through existing programs. U.S. support for the Georgian Foundation for Strategic and International Studies and for the Georgian Institute for Public Affairs provides training and outreach opportunities for Georgian government officials, NGO leaders, and journalists. A particular focus of U.S. democracy assistance has been the development of a Western-oriented and trained generation of young Georgians. The American Academy in Tbilisi provides a model U.S.-style high school education with U.S.-trained teachers. Nearly 3,000 Georgians have participated in U.S. exchange programs since 1992. In FY 2003, funding will continue support for this and other education/exchange programs.

Greece
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| IMET | 25 | 500 | 600 |

Greece is a key NATO ally strategically located near Balkan and Middle East trouble spots and essential to allied ability to respond concretely to Southern European contingencies. Greece facilitated the movement of NATO troops and humanitarian aid to Kosovo and plans to contribute over \$500 million to Balkan reconstruction. Greece has offered full support for Operation Enduring Freedom.

As a member of NATO and the EU, Greece is a role model for its neighbors and a leading participant in international efforts to promote stability, development, and democracy in the Balkans. Greece is central to U.S. efforts to encourage the peaceful resolution of disputes in the Aegean region and a settlement on Cyprus. The United States also seeks to assist Greece in fulfilling its responsibilities to NATO, to strengthen cooperation on counter-terrorism, and to promote U.S. business interests.

By training Greek officers in the United States and establishing cooperative ties to the U.S. military, the International Military Education and Training (IMET) program contributes to the professionalization and strategic awareness of the Greek military and thus to U.S. interests. Greece has used IMET funds from past years to help sustain a modern military capable of fulfilling Greece's NATO responsibilities. Greek IMET graduates continue to advance into senior positions, providing a base of responsible and broadly-informed military leaders.

FY 2003 IMET funding will support Greek involvement in multinational regional peacekeeping (three separate operations), Balkan stabilization efforts, and cooperative programs with other regional NATO allies and Partnership for Peace members. Greece has taken positive steps with Turkey to reduce military tensions, consistent with the general rapprochement in their bilateral relations. IMET will create opportunities for the Greek and Turkish militaries to increase contact and cooperation.

Greece is also a recipient of Excess Defense Articles (EDA), consistent with its readiness needs and NATO obligations. Greece will be eligible in FY 2003 to receive grant EDA under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Greece is consistent with U.S. and NATO efforts to promote regional stability in Southeastern Europe and the Eastern Mediterranean. As one of the few NATO allies bordering on the volatile Balkan region, the United States has asked Greece in recent years to participate more broadly than before in important regional peacekeeping missions: Bosnia, Albania, and Kosovo. Greece is also active in the Multilateral Peacekeeping Force Southeast Europe (MPFSEE) and may use EDA in related regional missions - all of which are intended to promote regional stability.

Hungary
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 8,981 | 10,000 | 11,000 |
| IMET | 1,394 | 1,800 | 1,900 |
| NADR-EXBS | 371 | 240 | 270 |

The primary U.S. national interest in Hungary is the promotion of a stable, democratic, market-oriented NATO ally that enhances the security of the Central European region and actively participates in Alliance operations. Two weeks after joining NATO, Hungary provided airbases for NATO operations in Kosovo. Later, Hungary provided shelter for more than 20,000 refugees from Yugoslavia. Hungary has maintained an engineer battalion in Bosnia for several years and has deployed a combat battalion to KFOR since the start of the operation in the summer of 1999.

The Government of Hungary (GOH) has supported the campaign against terrorism. Post September 11, the GOH was strongly in favor of invoking NATO Article V, offered immediate search and rescue assistance for New York/Washington, pledged \$1 million for Afghan humanitarian assistance, granted overflight/landing/basing rights for U.S./NATO forces, and offered a military medical unit for use by the Coalition.

Due to successful economic and democratic development, Hungary has graduated from Support for Eastern European Democracy (SEED) assistance. Hungary has kept its commitment of increasing its defense budget and is also following through on its plan to free more resources for modernization and interoperability by reducing military personnel, closing redundant bases, and restructuring military forces.

Through Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance, the United States is able to participate directly in Hungary's modernization efforts, building cooperation and improving the Hungarian Defense Forces capabilities. Hungary has focused previous FMF assistance on tactical communications and computer equipment, Hungary's Air Sovereignty Operations Center (ASOC), and a contractor-assisted force modernization study. The latter was used as input for the Security and Defense Principles document promulgated by the Hungarian Parliament in December 1999 and formed the basis for Hungary's Strategic Defense Review and the blueprint for military reforms. In FY 2003, FMF will be used to support programs that further Hungary's reforms. The United States will also extend FMF as a means to develop leadership and personnel management systems. Other Ministry of Defense priorities utilizing FMF will directly relate to meeting NATO force goals. Funds will be used to procure equipment that enhances Hungary's C4I (communications, command, control, computerization, and intelligence capabilities) and NATO interoperability. For example, FMF funds will support the procurement of U.S. radios and data processing equipment, search and rescue equipment, and chemical detection equipment.

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 non-commissioned officers (NCOs) at all echelons of command. In FY 2003, Hungary plans to expand the number of NCOs receiving IMET training in civil-military relations and defense resource management.

Hungary has maintained a strong nonproliferation record over the last several years, implementing stringent legal controls on exports of dual-use equipment and arms. 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) to further strengthen established export and border controls in Hungary.

Hungary will continue to be eligible in FY 2003 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 defense requirements and will further interoperability.

Ireland
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| ESF | 29,934 | 30,000 | 29,000 |

A permanent political settlement to the conflict in Northern Ireland is a priority foreign policy goal of the United States. The Northern Ireland conflict has been a major preoccupation for both the British and Irish governments, a serious drain on their resources, and a breeding ground for terrorism. The U.S. goal is to assure the full implementation of the “Good Friday” peace agreement, which provides the best opportunity for lasting peace and reconciliation in the province.

With Economic Support Funds, the United States supports two programs that contribute to the implementation and sustenance of peace: the International Fund for Ireland (IFI) and the Irish Peace Process Cultural and Training Program of 1998 (the Walsh Visa Program).

The annual U.S. contribution to the IFI helps foster economic regeneration, job opportunities, and cross-community cooperation in Northern Ireland and the border counties of Ireland. The IFI was established by the British and Irish governments in 1986 to promote economic and social advancement and to encourage contact, dialogue, and reconciliation between nationalists and unionists throughout Ireland and Northern Ireland. In addition to the United States, the European Union, Canada, Australia, and New Zealand contribute to the Fund.

The FY 2003 request will help support job creation and the expansion of private sector activities. Disbursements from the Fund are made on the basis of equality of opportunity and nondiscrimination in employment, addressing needs in both Catholic and Protestant communities. The fund has underwritten over 5,000 projects in the areas of urban development, education, tourism, community infrastructure, and assistance to small businesses. The thousands of jobs created have opened opportunities for young adults who might have otherwise gravitated to paramilitary groups.

The FY 2003 ESF funding request for the Walsh Visa Program is for the third and last program year. The Walsh Visa program supports economic regeneration and peace and reconciliation in Ireland and Northern Ireland. Signed into law in October 1998, the law established a program for young people who are residents of Northern Ireland and the border counties of the Republic of Ireland to “develop job skills and conflict resolution abilities.” Up to 4,000 non-immigrant visas were authorized in each of three years to enable participants with confirmed job offers to enter the United States and work up to 36 months.

The first group entered the United States in March of 2000. For FY 2003 we expect no new arrivals, but will use the requested funding to provide support for those participants in the United States until their return home.

Kazakhstan
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------|----------------|------------------|-----------------|
| CSD | 200 | 0 | 0 |
| FMF | 1,896 | 2,750 | 3,000 |
| FSA | 45,699 | 45,015 | 43,000 |
| IMET | 583 | 800 | 1,000 |
| NADR-EXBS | 605 | 370 | 1,750 |
| Peace Corps | 2,206 | 3,027 | 2,610 |
| ERF-NADR-EXBS | 0 | 2,000 | 0 |

Kazakhstan is a front-line state whose strategic importance to the United States continues to grow. In addition to its vast hydrocarbon reserves, Kazakhstan is located between Russia and China, and neighbors Iran and Afghanistan. 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.

Key U.S. interests with respect to Kazakhstan are: (1) encouraging development of the Caspian basin's hydrocarbon resources and means for their secure access to international markets; (2) continued cooperation on dismantling weapons of mass destruction (WMD) infrastructure and redirecting WMD expertise; (3) encouraging economic liberalization and diversification away from over-dependence on the energy sector; and (4) promoting Kazakhstan's long-term political stability through the development of democratic institutions, the rule of law, and respect for human rights. In support of Operation Enduring Freedom, Kazakhstan has offered the United States overflight and basing privileges. Kazakhstan has also adopted an accelerated schedule to accede to five remaining international counterterrorism conventions and to adopt money-laundering legislation.

In FY 2003, the United States plans to continue a range of assistance for Kazakhstan under the FREEDOM Support Act (FSA), including conflict prevention measures in the south, support for small and medium enterprises, improved management of critical natural resources, improving primary health care, strengthening civil society and citizen participation, promoting broad-based citizen dialogue and community participation, and sending students on academic exchanges to the United States. In addition, FSA programs will continue to support nonproliferation cooperation.

U.S. economic assistance under the FSA will continue to enhance Kazakhstan's role as a leader of private sector reform in Eurasia. The program seeks to strengthen financial institutions and increase availability of business loans and other forms of finance. U.S. assistance programs have led to over 200 percent growth in Kazakhstan's corporate bond market. The health care reform program is restructuring health systems to develop new primary care practices and is contributing to a decline in incidence of infectious diseases. The water management program will continue to focus on models that demonstrate simple, inexpensive, and easily replicated technology and practices.

Kazakhstan has yet to show a firm commitment to democratic values; the government continues to attempt to control and stifle critical political groups and independent media. Concern is growing among the human rights, non-governmental organization (NGO), and media community in Kazakhstan that the country will backslide toward increased authoritarianism. NGOs allege that most large media outlets are controlled by members of the president's family and his close circle of friends through holding companies. In the face of these challenges, FSA democracy assistance programs are working to promote democratic culture among

citizens and grassroots civic organizations and to develop more effective, responsive, and accountable local government. These programs are enhancing the free flow of information by supporting access to the Internet and training independent journalists. Exchange programs will continue to provide Kazakhstani youth and professionals in a range of fields the opportunity to learn how the U.S. democratic system functions. NGOs that have received FSA-funded assistance have led a number of significant advocacy campaigns in the areas of trade and consumer rights, media law, a new student contract with universities, and Kazakhstan's first NGO law.

Kazakhstan is a former nuclear weapons state that is working cooperatively with the United States and others to dismantle Soviet nuclear, biological, and chemical weapons infrastructure and expertise and conventional arms and related dual-use technology. Our nonproliferation assistance programs address these potential sources of proliferation. Funds requested under the FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts will continue to help prevent, deter, detect, and interdict threats of proliferation, ensure the security of nuclear materials at nuclear facilities, redirect former Soviet weapons expertise into peaceful projects, and enhance Kazakhstan's capabilities and infrastructure to control exports and secure its borders. This includes funding for the Civilian Research and Development Foundation, Science Centers, Bio Redirection Assistance, and Export Control and Border Security Assistance programs.

The FY 2003 Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs for Kazakhstan will continue to enhance regional cooperation by deepening Kazakhstan's cooperation in Partnership for Peace (PfP), and will also address Kazakhstan's military reform efforts. A large portion of FMF will be devoted to the refurbishment of a strategically located air base. Refurbishment of this base will improve U.S.-Kazakh military cooperation while establishing a U.S.-interoperable base along the oil-rich Caspian. Some FMF will also be used to purchase interoperable communications equipment, night vision devices, basic individual equipment, transportation, medical supplies, and infantry equipment. IMET funds will help facilitate professionalization and reform of the armed forces and help Kazakhstani officials better understand Western democracy and free markets.

Kazakhstan will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Provision of EDA will assist the country to meet its defense requirements and further NATO interoperability. The BN-350 breeder reactor in Aktau, Kazakhstan, is in standby condition. Using Defense Nuclear Nonproliferation (NN) and FSA funds, the Department of Energy is leading USG efforts to continue cooperation with Kazakhstan on the long-term secure storage of spent fuel from the BN-350 reactor at Aktau.

U.S. humanitarian assistance and special transport of donated humanitarian goods under the FSA will allow the United States to help Kazakhstan address specific, compelling social needs.

Kosovo
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| PKO | 11,000 | 14,500 | 12,500 |
| SEED | 149,670 | 118,000 | 85,000 |

In 1999, the United States fought its biggest military campaign in Europe since 1945 to defend the human rights of Kosovars against the continued oppression of the Milosevic regime. It also undertook a commitment, as part of a larger international effort, to promote the political and economic stability of Kosovo. With the November 2001 elections, Kosovars took the first step toward establishing provisional institutions of self-government and gradually taking over authorities that were managed by the UN Interim Administration in Kosovo (UNMIK).

U.S. assistance programs in Kosovo complement those of other donors. The European Union and European bilateral donors are the lead donors, providing the majority of assistance for housing and reconstruction of large-scale physical infrastructure in Kosovo. In FY 2002, U.S. assistance will continue to support a stable Kosovo by promoting new self-governing institutions and a market economy that is integrated into the rest of Europe. Above all, program funding fosters the development of internal conditions that enable the earliest possible withdrawal of NATO-led troops (including U.S. personnel) from Kosovo. Achieving these conditions will contribute to the stability and economic development of the Balkan region.

Peacekeeping Operations (PKO) funds in FY 2003 will be used to support the Organization for Security and Cooperation in Europe's (OSCE) Mission in Kosovo (OMIK), which is tasked to support the development of democratic structures and to promote a vibrant civil society in Kosovo. The OSCE is one of the four pillars that make up UNMIK. OMIK concentrates its work on human resource capacity building (police, judiciary, civil administrators); democracy and governance projects (non-governmental organization development, citizens forums, political parties, local media); and organization, supervision, and monitoring of elections.

FY 2003 Support for East European Democracy (SEED) funds will remain committed to programs that promote rule of law, good governance, human rights, and economic development. Law enforcement and administration of justice remain critical to preserving public safety and rule of law in Kosovo. The United States will continue to support the UNMIK International Police Force and train and equip the Kosovo Police Service (KPS). Limited SEED funding will also support training for the Kosovo Protection Corps (KPC), a multi-ethnic body of personnel available to assist in natural and humanitarian disasters and community-level reconstruction activities.

Institution building and democracy programs will remain important components of SEED funding in FY 2003. We intend to boost the capacity of the Provisional Institutions of Self-government and municipal government through training, advisory services, and material donations. Aid targets will also include media, professionals, students, and civic leaders. Human rights activities, including the identification of missing persons, will also continue.

Kosovo's economic recovery is a fundamental objective of U.S. assistance. The United States will provide technical assistance and advisory services in key functions, such as budgeting and finance and private enterprise development. The United States has been successful in catalyzing grassroots economic activity as well. USAID's programs in micro-lending and community and NGO development will round out the U.S. contribution to Kosovo's economic recovery.

Kyrgyz Republic
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------|----------------|------------------|-----------------|
| FMF | 1,846 | 2,000 | 4,000 |
| FSA | 32,997 | 34,988 | 36,000 |
| IMET | 380 | 600 | 1,100 |
| NADR-EXBS | 0 | 0 | 1,200 |
| Peace Corps | 1,130 | 862 | 955 |
| ERF-NADR-EXBS | 0 | 3,500 | 0 |

The United States seeks to promote peace and stability in the countries of Central Asia, a crossroads between Asia and the West, and to prevent the spread of radical groups and terrorists. The United States seeks a renewal of the Kyrgyz Republic's earlier progress toward creation of a democracy based on the rule of law and civil society – one that 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, a front-line state, is providing crucial support for the coalition against terrorism, most notably in authorizing the basing of coalition aircraft and military personnel on Kyrgyz territory.

U.S. assistance to the Kyrgyz Republic enhances its sovereignty and territorial integrity and improves its ability to protect human rights; halt environmental degradation; prevent weapons proliferation, drug trafficking, and other illicit smuggling; and combat transnational terrorism more effectively.

In FY 2003, the United States plans to increase FREEDOM Support Act (FSA)-funded economic and technical assistance to programs for small and medium enterprises, strengthening civil society, conflict mitigation, student exchange, and health reform. A range of security-related assistance programs for the Kyrgyz Republic will be funded from various accounts: FSA; Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR); Foreign Military Funding (FMF); and International Military Education and Training (IMET).

U.S. economic assistance under the FSA helps the private sector create free and viable markets where micro, small, and medium private enterprises can thrive. FSA-funded programs have helped the Kyrgyz Republic lead Eurasia in accounting reform and become fully compliant with international standards. FSA assistance programs also facilitated the adoption of flat fees for business licenses, significantly reducing opportunities for corruption. FSA programs have also helped the Kyrgyz Republic become a regional leader in health reform with the completion of a major restructuring of its health delivery system. People now have the right to choose their own doctors, 48 percent of whom have completed standard retraining courses. A new, transparent hospital co-payment system means citizens in two oblasts are paying less than they previously paid under the table.

While the Kyrgyz Republic has been ahead of its neighbors in the region in the development of civil society and democracy, the past year has witnessed increasing challenges to independent media and political opposition. U.S. democracy assistance under the FSA to the non-governmental sector will provide a higher level of direct support for organizations threatened by an increasingly unfavorable economic and regulatory environment. Support for independent media and Internet access will also continue. Other programs will continue work with local governments and citizens to strengthen the accountability of government and the involvement of citizens. Exchange programs will continue to target the next generation of Kyrgyz leaders as well as professionals in a range of fields critical to democratic and market transition. U.S. assistance will

expand in the area of education reform, with programs focusing on civic education, further development of the American University of Kyrgyzstan, and a pilot project to reform the highly corrupt system of university admissions and scholarship distribution by working with the Ministry of Education to develop an independent testing program.

In FY 2003, the United States will continue programs in the Kyrgyz Republic to help prevent the proliferation of weapons of mass destruction (WMD), weapons technology, and expertise, including work to redirect scientists under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR). Additional assistance for projects approved by the NADR-funded Science and Technology Center in Ukraine (STCU) will keep former Soviet weapons experts in Kyrgyzstan employed in peaceful research. Through NADR-funded Export Control and Related Border Security Assistance (EXBS) program we also will continue to work with the Kyrgyz Republic to enhance all aspects of its export control system to prevent, deter, detect, and interdict weapons proliferation, with a focus on institutionalizing effective inspection and detection training for border control personnel.

The Kyrgyz Republic regularly participates in the Partnership for Peace (PFP) and in regional and multilateral fora on security, including those sponsored by the United Nations and the Organization for Security and Cooperation in Europe (OSCE). FMF funding requested for FY 2003 will aim at further expanding our military relationship, which was enhanced following September 11, and increasing cooperation under Operation Enduring Freedom. Assistance will focus on establishing interoperability with United States and international forces and promoting critical military reform. FMF will seek to address the equipment and training shortfalls in the Kyrgyz Republic to aid the Ministry of Defense's ability to counter terrorist activities. Funding will be used to purchase basic counterinsurgency equipment, which includes individual protection equipment, mountain and cold weather gear, communications equipment, vehicles, infrastructure support, and training. FMF may also be used in coordination with FSA/ Export Control and Related Border Security Assistance (EXBS) to support spare parts, repairs, and maintenance of air assets necessary for border control and security. IMET funds will help facilitate professionalization and reform of the armed forces, provide English language training, and help Kyrgyz Republic officials better understand Western democracy and free markets.

The Kyrgyz Republic will be eligible in FY 2003 to receive Excess Defense Articles (EDA) 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 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. U.S. humanitarian assistance under the FSA will fund the delivery of targeted assistance, including emergency pharmaceuticals, medical supplies/equipment, clothing, and vaccines.

Latvia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 5,188 | 6,250 | 7,000 |
| IMET | 815 | 1,000 | 1,100 |
| NADR-EXBS | 260 | 1,113 | 1,400 |
| Peace Corps | 635 | 413 | 0 |

Security and long term stability in Northern Europe hinge on the Baltic States – their integration into Euro-Atlantic political, military, and economic structures, as well as their relations with Russia. The U.S.-Baltic Charter of Partnership establishes a framework for long-term cooperation in the political, economic, and security fields. U.S. assistance promotes the Charter's principles: Latvia's integration into Euro-Atlantic institutions; good-neighbor relations, including with Russia; and strengthened cooperation among the Baltic countries. U.S. defense and military assistance programs will provide material aid and training, complement allied and partner-nation support for Latvia by participating in multilateral projects, and enhance the professionalism in the Latvian defense establishment. Latvia aligned itself with NATO Article V and United Nations Security Council Resolution 1373 in the war against terrorism, passed legislation to stop the finance of terrorism, and offered troops to serve in a Danish-led contingent to Kryrgyzstan as part of Operation Enduring Freedom.

Since regaining independence, the Latvian military has had to build from essentially nothing into a territorial defense force with a modest capability to participate in international operations. The government's ability to procure significant new defense equipment and develop this force has been hindered by limited national funding. Nevertheless, Latvia's defense budget increased by 30 percent over the past two years and is projected to reach two percent of GDP by 2004. Essential salary reforms and quality of life projects, such as housing, that are necessary to build a professional force have been top priorities and will continue to consume a large part of these initial budget increases. The chief priority is enhancing military professionalism and NATO interoperability.

Foreign Military Financing (FMF) is, and will continue to be, critical in sustaining Latvia's effort to become more interoperable for participation in NATO, Partnership for Peace (PfP), and NATO-associated operations, to include peacekeeping, peace enforcement, and humanitarian assistance. The FY 2003 FMF request will support high priority goals, including support for the Regional Air Surveillance Coordination Center (RASCC)/Air Support Operations Center (ASOC); logistical training and support for the Baltic Naval/Demining Squadron (BALTRON), which regularly participates in multinational efforts to clear the Baltic Sea of World War II and Cold War sea mines and unexploded ordnance; enhancement of NATO-compatible communications infrastructure; defense reform contractor services; support for and transportation of excess defense articles; continued development of the national training center and a training system for commissioned and non-commissioned officers and conscripts; and English language training.

The International Military Education and Training (IMET) program also assists Latvian defense reform efforts. Latvia's FY 2003 IMET program will be used to continue developing a professional and well-educated corps of civilian defense officials and commissioned armed forces officers that strengthen support for democratic values, civilian control of the military, and adoption of doctrine, procedures, and training techniques consistent with Western democracies.

Latvia will be eligible in FY 2003 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Latvia in meeting defense requirements, in enacting defense reforms, and in furthering defense and 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Latvia. FY 2003 NADR funding will focus primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

The Support for Eastern European Democracy (SEED)-funded Democracy Commission program, administered by the American Embassy, gives small grants to support grassroots, indigenous non-governmental organizations engaged in building the social and intellectual foundations of democracy in Latvia.

Lithuania
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 6,486 | 6,593 | 7,500 |
| IMET | 797 | 1,000 | 1,100 |
| NADR-EXBS | 371 | 748 | 920 |
| Peace Corps | 586 | 365 | 0 |

Security and long-term stability in Northern Europe hinge on the Baltic states – their incorporation into Euro-Atlantic security and economic structures and their relations with Russia. Lithuania's integration into regional security structures and its development of civilian-controlled, NATO-compatible defense forces contribute directly to U.S. national interests by increasing regional stability. Within the past decade, Lithuania has repeatedly proven its ability to sustain productive and positive relations with every country in the region. It has promoted, funded, and implemented confidence and security building measures in Belarus and in the Russian exclave of Kaliningrad, where others have not even attempted to act, or have failed. By supporting Lithuania's development of a credible deterrent force and enhancing its ability to interact with NATO forces, the United States is fostering stability and dialogue in the region. Lithuania is a firm and engaged partner of the United States in the war on terrorism.

Lithuania is committed to achieving full integration into Western security structures. With Lithuanian Americans serving as President and Chief of Defense, Lithuania clearly looks to the United States as its primary partner in enhancing security. Current defense spending stands at two percent of GDP, a level Lithuania intends to maintain in FY 2003. As Lithuania prioritizes resources for its own legitimate defense needs and for its contribution to the overall security of Europe, the International Military Education and Training (IMET) program contributes to the overall professional development of the military and exposes both military and Ministry of Defense civilian personnel to such expanded IMET courses as those in defense resource management and civil-military relations. IMET also gives necessary leadership and administrative skills to more junior officers, who effectively have replaced former Soviet-trained officials.

Foreign Military Financing (FMF) bolsters Lithuania's participation in the full range of Partnership for Peace (PfP) exercises and its expanded engagement in international peacekeeping operations, including the Polish-Lithuanian Battalion (LITPOLBAT). FMF ensures that the Lithuanian contingent of the Baltic Peacekeeping Battalion (BALTBAT) remains qualified to participate fully in peacekeeping and peace enforcement. The FY 2003 FMF request will be used to procure: additional NATO-compatible communications equipment; support for the Regional Airspace Surveillance Coordination Center (RASCC); wheeled vehicles, spare parts, and support for existing U.S. equipment; support for and transportation of various Excess Defense Articles (EDA) equipment; and English language laboratories and training. Provision of additional U.S. equipment and maintenance training needed to support the new RASCC facilitates Lithuanian and regional civilian/military airspace control and, concomitantly, the Alliance's, through shared intelligence. FMF will help Lithuanian force planners and logisticians stay focused on the practical, here-and-now steps toward meeting their Membership Action Plan/NATO milestones.

Lithuania will be eligible in FY 2003 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Lithuania in meeting defense requirements, enacting defense reforms, and furthering defense interoperability. By offering EDA to Lithuania to complement others' contributions, the United States enhances Lithuania's NATO interoperability and helps Lithuania carry out NATO-compatible peacekeeping operations in Bosnia and Kosovo. Provision of excess equipment will contribute

to Lithuanian maritime sovereignty and facilitate Lithuania's ongoing contribution to European security through minesweeping operations.

As part of its efforts to prevent the proliferation of weapons of mass destruction, delivery systems, related technologies, and other weapons, the United States is providing Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Lithuania. FY 2003 NADR funding is focused primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

The United States also provides assistance to Lithuania through the Support for East European Democracy (SEED)-funded Democracy Commission Small Grants program. This program gives small grants to indigenous non-governmental organizations (NGOs) engaged in building the social and intellectual foundations of democracy.

Macedonia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 13,619 | 10,500 | 11,000 |
| IMET | 741 | 550 | 650 |
| NADR-EXBS | 215 | 180 | 190 |
| Peace Corps | 728 | 294 | 0 |
| PKO | 4,100 | 0 | 0 |
| SEED | 33,523 | 49,500 | 50,000 |

Key U.S. interests in the Former Yugoslav Republic of Macedonia (Macedonia) include restoring peace and stability in Macedonia and refocusing its energies on continued democratic and economic reforms. U.S. bilateral and regional interests lie in Macedonia's being a model of a working multi-ethnic democracy with constructive relations with neighbors and strong, stable political institutions. Macedonia played a key role as the primary refuge for hundreds of thousands of refugees and as a launching pad for U.S. and Allied military efforts during the Kosovo crisis. It continues to be the main conduit for assistance and logistics for the international forces and the UN administration in Kosovo. The United States has a compelling 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 both to Macedonian and regional stability. By working to strengthen peace and stability through implementation of the Framework Agreement, Macedonia will make an invaluable contribution to stability and to the global war against terrorism.

U.S. assistance to Macedonia promotes inter-ethnic reconciliation and cooperation, supports market-based economic reform, strengthens civil society and democratic institutions, and enhances Macedonia's territorial integrity and security. U.S. focus is on short- and longer-term efforts to help restore a stable peace, reenergize the economy, strengthen Macedonia's multi-ethnic and multi-lingual civil institutions, rebuild inter-ethnic cooperation and understanding through implementation of the Framework Agreement that ended the insurgency, and assist the government and military in refocusing Macedonia's NATO Membership Action Plan efforts.

In FY 2003, Support for East European Democracy (SEED) assistance programs in Macedonia will advance economic reforms and democracy-building initiatives while broadening their scope to include further activities that promote inter-ethnic relations and address legitimate minority concerns. SEED funding will focus on programs to assist the Macedonian government in redressing inequities while expanding programs aimed at raising overall living standards. It will stimulate local private sector development, develop a progressive market economic legal framework, and foster reforms to promote equality under Macedonia's multi-ethnic democratic system. Programs will strengthen state institutions, in particular the police, through the training of minority police recruits. Special efforts will be made to help revive the economy of northwest Macedonia, the primary location of conflict during the armed insurgency in 2001, thereby contributing to Macedonia's overall economic growth.

SEED funds finance critical technical assistance in areas of enterprise development, legal/accounting reform, privatization and labor redeployment, and financial sector reform. SEED-funded reform efforts are helping Macedonia to improve its investment climate, solidify its economy, and adopt international standards. Our strategy encompasses programs targeted at easing the transition to a democratic and market-oriented system across all ethnic groups, with a special focus on those who have not benefited from the

market transition and feel alienated and under-represented politically. These programs will mitigate support for extremism within these communities. Our aim is to strengthen Macedonia's democratic, economic, and civil institutions through such initiatives as Democracy Commission grants to non-governmental organizations (NGOs); an enhanced international visitor program bringing future leaders for training and orientation to the United States; the Ron Brown Fellowship program providing graduate-level scholarships in fields such as law and economics; training for journalists; civic education; and English teaching programs.

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 Macedonian armed forces according to the parameters of Macedonia's NATO Membership Action Plan (MAP). FMF in FY 2003 will focus on: acquiring NATO-compatible tactical communications equipment; acquiring cargo and troop transport vehicles; continuing the work of an American contract firm to provide guidance and advice on the defense restructuring process; and improving basic infrastructure.

The armed insurgency in early 2001 fully engaged the Macedonian government's security forces, delaying and necessitating reassessment of military reorganization and training programs. We expect the Macedonian military in FY 2003 to avail itself of expanded military training and equipment acquisition opportunities in order to strengthen its ability to counter effectively and appropriately internal and cross-border extremist threats.

The Macedonian military faces significant challenges. The military still suffers from the legacy of the Yugoslav National Army's pulling out of Macedonia in 1991 with virtually all equipment. Its senior leadership tends to be top-heavy and conservative and reluctant to reorganize total force structures along a western, NATO-compatible model that is based on a realistic threat assessment and affordable force structure. While some progress in the required transformation was being made prior to the insurgency in conjunction with pressure from Macedonia's civilian government leadership, it was slow and inconsistent. Existing MAP-oriented restructuring plans were shelved during the insurgency and now need to be refocused.

Despite the setbacks of 2001, Macedonia is committed to getting its MAP reforms back on track. It is making efforts to improve not only the quality of its non-commissioned officer (NCO) corps but also of its senior leadership. Under IMET, Macedonian Ministry of Defense civilians, senior military officers, and NCOs are receiving key training through U.S. programs. Macedonia continues to use 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. Macedonia will be eligible in FY 2003 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Macedonia in meeting short-term defense needs, enhancing capabilities through continued defense reform, and further improving 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Macedonia. FY 2003 NADR funding is provided to develop the laws and regulations of a strong export control system, as well as training for export control enforcement officers at the borders on basic detection, targeting, and profiling techniques.

Malta
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 2,993 | 0 | 1,000 |
| IMET | 136 | 300 | 300 |
| NADR-EXBS | 5,130 | 119 | 480 |

The United States supports Malta's integration into the Euro-Atlantic mainstream. This will reduce Libyan influence and help Malta become a more important partner of the United States in tackling global challenges, such as preventing the proliferation of weapons of mass destruction (WMD), combating illicit trafficking, expanding mutually beneficial trade and investment, and shaping a more stable, secure Europe.

Foreign Military Financing (FMF) funds requested in FY 2003 will be used to enhance the search and rescue and maritime protection capabilities of Malta's armed forces and to purchase communications equipment to facilitate the inspection and detainment of vessels carrying contraband. As part of its efforts to prevent the proliferation of WMD, their delivery systems, related technologies, and other weapons, the United States is providing Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Malta. FY 2002 NADR funding will focus primarily on establishing effective enforcement procedures and capabilities, especially through the provision of equipment. In order to promote safety and security of the Malta freeport and its personnel, U.S. funding in FY 2003 will focus on developing a contingency operating plan of action in the event of discovery and identification of WMD-related items and purchasing monitoring equipment for the port and the Armed Forces.

As the primary element of U.S. assistance to Malta, International Military Education and Training (IMET) is a major tool for ensuring that Malta remains oriented towards the United States and Western Europe, particularly in security matters. IMET has become our most important means of accessing Malta's security establishment and maintaining a positive dialogue on important regional security issues, including Libya and counterterrorism. IMET programs enhance Maltese capability to interdict shipments of sanctioned materials to Libya and narcotics trafficking through the Maltese islands. The FY 2003 IMET program will provide professional military and communications training and support maritime twinning programs.

Malta will be eligible in FY 2003 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The provision of grant EDA will assist Malta in meeting defense requirements, enacting defense reforms, and furthering defense interoperability.

Moldova
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 1,497 | 1,250 | 1,500 |
| FSA | 44,803 | 35,416 | 32,500 |
| IMET | 630 | 850 | 900 |
| NADR-EXBS | 0 | 0 | 2,320 |
| Peace Corps | 1,436 | 1,855 | 1,744 |

The United States has a national interest in ensuring security in Moldova and regional stability. The lack of success in negotiating a settlement with the separatist Transnistrian region threatens regional stability and Moldova's prospects for success as an independent state – a fact exacerbated by the presence of Russian troops and large quantities of munitions in Transnistria. The lack of border controls along the Transnistria-Ukraine border also 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 has been a model for reform for the former Soviet states. Moldova has been a strong supporter of the war on terrorism, granting the U.S. overflight rights and basing rights.

U.S. assistance to Moldova is designed to enhance its territorial integrity and security, prevent weapons proliferation and combat transnational crime, support market-based economic reform, strengthen civil society and democracy, and avert humanitarian crises. In FY 2003, the U.S. plans to continue a range of security-related programs to improve Moldova's military capabilities, promote U.S. non-proliferation goals, and prevent trafficking of individuals. Economic assistance will continue to support post-privatization programs in the agricultural sector, energy sector restructuring, and fiscal reform. The United States will also provide significant humanitarian assistance.

Until recently, Moldova generally outpaced its former Soviet neighbors in terms of economic reform efforts, democratic development, and human rights observance. Moldova's progress in these fields provided a positive example for other neighboring states to follow in their democratic development. Following its victory in the spring 2001 parliamentary and presidential elections, the Communist Party remained supportive of reform. However, recent rhetoric and actions have called into question President Voronin's commitment to reform. This trend will bear watching and could affect the scope of our assistance programs, particularly those that work directly with the Government of Moldova (GOM).

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 2001, after a decade of decline. Our highest priority for assistance under the FREEDOM Support Act (FSA) in FY 2003 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 assistance in FY 2003 will also continue to contribute to growth and profitability of small and medium enterprises by facilitating their access to market business skills, information, and finance. FSA funds will also help promote private sector development through support for fiscal reform, commercial law and banking development, and financial management training.

Since the sale of three of Moldova's five electric power distribution companies, which was assisted by FSA-funded programs and which helped the country overcome the worst of its energy crisis, energy sector

reform has stalled. In FY 2003, the United States will continue to press the GOM to move forward in this area and promote energy efficiency through FSA programs concentrating on the continued privatization of state-owned utilities, regulatory changes, and the introduction of new technologies.

In recognition of the hardships associated with Moldova's ongoing reform efforts, the United States will continue to provide FSA funding to facilitate the delivery of targeted humanitarian assistance including emergency pharmaceuticals, medical supplies, vaccine supplies, food, and clothing to those most in need. Additionally, in an attempt to improve healthcare for vulnerable groups of Moldova's population, the United States will provide continued FSA assistance to support health care reform, including health partnerships, women's health/family planning activities, and hospital assistance.

FSA-funded academic and professional exchange programs will continue to provide opportunities for Moldovan citizens, especially young people, to familiarize themselves with the day-to-day functioning of a market-based, democratic system. FSA assistance will also focus on strengthening civil society and independent media.

Organized crime in the Eurasian region presents a direct and growing threat to Moldovan prospects for economic and political stability, and thus for U.S. national security interests. FSA funds will continue to support cooperative efforts between U.S. Government law enforcement agencies and Moldovan government and local government officials to combat organized crime, including trafficking in women and children and narcotics.

Funding from the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account will support programs to prevent the proliferation of weapons of mass destruction (WMD), conventional arms and related weapons materials, technologies, and expertise in Moldova. Preventing the export or transit of arms or strategic materials that could be used for WMD is a key U.S. objective in Moldova. The Export Control and Related Border Security Assistance program (EXBS), funded by NADR, 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 the development of laws, regulations, and licensing procedures and practices. It will also provide additional enforcement training, surveillance, detection, interdiction and automation equipment, infrastructure support, and advisory assistance and liaison through a resident export control assistance program advisor.

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. Moldova has engaged in an extensive defense/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 it. Additionally, Moldova has developed a robust program with its State Partner, the North Carolina National Guard. In FY 2003, FMF and IMET funds will continue to be used to further develop and reform Moldova's armed forces, enhance the capability of its peacekeeping battalion to operate alongside NATO forces with common, interoperable equipment, and promote the integration of Moldova into Euro-Atlantic security structures.

Moldova will be eligible in FY 2003 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 NATO interoperability.

Poland
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 12,274 | 12,000 | 13,000 |
| IMET | 1,318 | 1,900 | 2,000 |
| NADR-EXBS | 645 | 300 | 600 |
| Peace Corps | 967 | 0 | 0 |

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 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 with a successful transition to a free market democracy. Stressing solidarity as a NATO ally, Poland immediately moved to demonstrate support following the September 11 attacks, contributing politically and materially to the campaign against the Taliban and al Qaeda and energizing regional cooperation.

Poland is a graduate of Support for Eastern European Democracy (SEED) assistance having progressed in its transition to a free market economy to the point where economic assistance was unnecessary. Poland's transition from economic assistance now serves as a model for other countries receiving SEED support. Although a graduate, Poland will receive limited SEED funds for a grant program that supports non-governmental organizations and non-profit organizations in capacity building activities.

Although Poland is a willing and able ally that contributes significantly to UN and NATO peacekeeping missions, as well as Operation Enduring Freedom (OEF), more still needs to be done for Poland to achieve its full potential to contribute to NATO's collective defense. Poland continues to increase defense spending in real terms, despite growing demands for increased social spending and constricting budget resources. Poland coordinates its military modernization and restructuring closely with NATO to ensure that the resources are used to the maximum effect.

The Poles have embarked upon a serious six-year military modernization focusing limited resources on ensuring that the one-third of their forces that are designated for NATO missions are fully interoperable with NATO by 2006. Foreign Military Financing (FMF) and International Military Education and Training (IMET) enable the United States both to show support for these efforts and to contribute to them directly. For FY 2003, FMF and IMET will fund a variety of programs, including the acquisition of professional military education, technical training, and equipment to enhance Poland's C4I (communications, command, control, computerization, and intelligence); to strengthen logistics, transport, and international deployment capabilities; and to meet NATO force goals. FMF may also be used to upgrade Polish airfields, support transfers of Excess Defense Articles (EDA) frigates and helicopters, and enhance search and rescue capabilities.

Poland will be eligible in FY 2003 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Poland in meeting defense requirements, enacting defense reforms, and furthering NATO and Western interoperability. As part of its efforts to prevent the proliferation of weapons of mass destruction, delivery systems, related technologies and other weapons, the United States is providing Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export and border controls in Poland. FY 2003 funding will support improvements in enforcement procedures and capabilities.

Portugal
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| IMET | 594 | 750 | 850 |

Portugal's continued participation in both NATO and other international peacekeeping operations directly benefits U.S. security goals. The United States also seeks to maintain strong cooperation at the Lajes Air Base 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 has also supported U.S. efforts on the war on terrorism. Portugal immediately strengthened security around U.S. facilities, instituted a blanket waiver for Operation Enduring Freedom flights transiting Lajes, and will join the two conventions on terrorism to which it is not already party.

Portugal is a founding member of NATO and a member of the 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 strategic Lajes Air Base in the Azores. Lajes served as a staging point for the United States during NATO's military operations in Kosovo, Desert Storm, and Desert Fox. Lajes supports ongoing U.S. operations in Bosnia and Kosovo. Portugal also contributes troops to both SFOR and KFOR and works closely with the United States on United Nations security issues.

The International Military Education and Training (IMET) program continues to be an essential component of the Portuguese military force modernization program, which includes its ongoing efforts to create an all-volunteer military; conscription is scheduled to end by 2004. FY 2003 IMET funding for Portugal will be a significant asset in the modernization effort that is intended to strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts (e.g., in 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.

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 modernization efforts and enable Portugal to participate in international peacekeeping.

Romania
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 16,962 | 9,000 | 10,000 |
| IMET | 1,544 | 1,400 | 1,500 |
| NADR-EXBS | 394 | 275 | 560 |
| Peace Corps | 2,287 | 2,929 | 2,942 |
| SEED | 38,415 | 36,000 | 29,000 |

The United States has both strategic and economic interests in promoting the continued development of a democratically oriented, economically sound Romania, at peace with its neighbors and respectful of human rights. As Southeast Europe's largest country in both size and population, strategically located Romania has the potential to contribute significantly to stability and security in a troubled region. Romania already is supporting U.S. and NATO goals through its contributions to the allied military presence in Bosnia and Kosovo and aiding the war on terrorism by opening its airspace to U.S. forces and making concrete offers of military personnel and equipment. Romania seeks full integration with the West, including membership in NATO and the European Union. With successful political and economic reforms, Romania will be better able to offer attractive business opportunities for U.S. companies, which in turn will contribute to its development.

U.S. assistance supports Romania's market-based economic reforms, promotes participatory democracy, strengthens civil society, and helps relieve human suffering. It also promotes the fight against corruption in all sectors.

To advance the goal of expanding a market-driven private sector and improve the quality of life for ordinary Romanians, Support for East European Democracy Act (SEED) assistance will provide technical assistance and training to improve policy and the legal and regulatory frameworks supportive of market expansion. Attention will also be given to strengthening the institutional capacity of the government and private sector to serve market economy goals, enhancing the competitiveness of the private sector, and improving the process of transferring state-owned assets to private ownership. This will be done through focusing on agriculture, financial and capital markets, small and medium enterprises, energy, and the environment.

Improving democratic governance at the local level through technical assistance and training will promote U.S. objectives in both the democratization and civil society areas. Using SEED funds, USAID will focus particularly on building the capacities of local government units and numerous civil society organizations throughout the country, as well as assisting central government bodies with legislative changes needed to further decentralization in Romania. Local public institutions and civil society organizations will also receive technical assistance to reinforce the rule of law at the local level.

Since Romania still faces serious problems in the social sector, SEED funds will be used to promote reform in the areas of child welfare, health care, and social assistance. USAID's activities will concentrate on closing large state-run residential institutions for children, reducing the number of institutionalized children, creating community-based alternatives to institutionalization, integrating reproductive health services into primary care, promoting modern contraception, and HIV/AIDS prevention.

SEED funding will continue to support the Southeastern Europe Cooperative Initiative's (SECI) Anti-Crime Center in Bucharest, which coordinates regional criminal task forces working on human trafficking, smuggling, and drug trafficking. With the Government of Romania's own funding and other support, the

SECI Anti-Crime Center has been effective in fighting trans-border crime, including human trafficking. Other SEED funds will be used to support stepped-up anti-trafficking programs in Romania in FY 2003.

In FY 2003, the United States plans to continue a range of security-related programs to improve Romania's military capabilities, help its armed forces become more NATO compatible, prevent trafficking in persons, and prevent the trafficking of narcotics and other contraband across Romania's borders.

Romania has by far the largest armed forces of all the NATO aspirant countries and is an active participant in the Partnership for Peace Program (PfP). In accordance with Romania's NATO Military Action Plan (MAP) and under the Foreign Military Financing Program (FMF) and the International Military Education and Training Program (IMET), we will provide the Romanian military with needed defense articles, services, and training. FMF funding will focus on areas that will increase Romania's effectiveness and capabilities in the context of the multi-national Southeast European Brigade (SEEBRIG), whose headquarters will rotate to Romania in FY 2003. Those funds will target communications infrastructure enhancement and equipment, defense reform contractor services, simulation, English language training, and non-commissioned officer training. They will also support the Ministry of Defense's reform implementation goals of downsizing the Romanian military and improving NATO interoperability.

The FY 2003 IMET program will continue to expose the new generation of the Romanian armed forces to Western-oriented, professional military education and both military and Ministry of Defense civilian personnel to such expanded IMET courses as those in defense resources management and civil-military relations. The Government of Romania continues to seek to expose as many officers as possible to U.S. military training and to make good use of graduates in their follow-on assignments.

Romania will be eligible in FY 2003 to receive grant Excess Defense Articles (EDA), under section 516 of the Foreign Assistance Act (FAA). The transfer of materiel under grant EDA will assist Romania to meet defense requirements, enact defense reforms, and further defense and NATO interoperability.

Romania is working closely with the United States to improve its border controls. Although it has made progress in developing a system to control the export of sensitive goods and technologies, there is room for further improvement. 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish a fully effective export control system in Romania. FY 2003 NADR funding is to provide enforcement training, such as chemical and biological weapons (CBW) and radiation detection, and portal monitoring and contraband detection equipment for export control enforcement personnel.

Russia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| CSD | 3,543 | 0 | 0 |
| FSA | 159,861 | 157,728 | 148,000 |
| IMET | 156 | 800 | 800 |
| NADR-EXBS | 1,500 | 1,500 | 3,980 |
| Peace Corps | 4,131 | 5,136 | 4,825 |

The United States has an overriding national security interest in working with Russia to reduce the threats of international terrorism and weapons of mass destruction. Russia's development into a stable democratic country with a market-based economy, fully integrated into the mainstream of world political and economic relations, will benefit a range of U.S. interests. Russia is a front-line state and has been a strong supporter in the war on terrorism – offering key political support, granting the United States overflight rights, sharing intelligence, and assisting in other important ways.

U.S. assistance to Russia combats weapons proliferation and transnational organized crime, supports market-based economic reform, strengthens civil society, promotes participatory democracy, and helps prevent the spread of infectious diseases. In FY 2003, the United States plans to continue to promote non-proliferation goals and counter transnational organized crime. The United States will also continue to fund programs to strengthen the small and medium business sector, support the development of civil society (with a particular emphasis on the free media), and improve health care and child welfare practices.

In recent years, U.S. economic and democratic assistance to Russia has moved away from the national government and toward the regions. This will continue in FY 2003. This movement to the regions is exemplified by the "Regional Initiative" (RI), which is funded under the FREEDOM Support Act (FSA). Under the RI, the U.S. Government develops partnerships with reform-minded Russian regions in an effort to help them establish favorable conditions for economic growth, and then enlists their help in disseminating the lessons of their experience to other regions. Efforts will continue in FY 2003 in the current RI regions – Samara, the Russian Far East, and Tomsk – to put in place the building blocks of a market system (with particular emphasis on small business development) to attract both foreign and domestic investment and to strengthen civil society.

The success of democratic and economic reform in Russia depends, in part, on individual Russians' belief that their day-to-day lives will improve. The engine of future economic growth in Russia will be private business, especially small and medium enterprises. Our private sector development program will continue to receive significant FSA funds in FY 2003 in order to increase access to credit (primarily in the regions outside Moscow), support efforts by regional governments to improve conditions for small business by removing regulatory and administrative barriers, and strengthen regional business associations. Other programs will provide training to thousands of entrepreneurs in basic business skills, both in Russia and in the United States. An additional focus will be women entrepreneurs. U.S. support for small and medium businesses is already beginning to pay dividends, as they have contributed to the impressive growth of the Russian economy over the last three years, despite being hampered by excessive government regulation and lack of access to resources and services.

Over the past 18 months, the Government of Russia has enacted legislation crucial to the country's long-term economic future. This includes groundbreaking legislation on personal income tax, land ownership, business deregulation, and leasing. U.S. assistance programs funded under the FSA have contributed to these accomplishments, particularly on tax and regulatory reform, through support for the work of think

tanks and provision of technical assistance to inform key policy decisions. Still, much remains to be done, and the United States will continue efforts in economic policy reform in FY 2003. Russia must continue to build a positive investment climate to attract the capital flows needed to bring about long-term economic growth. FSA programs will provide training and expertise to improve fiscal management, promote pension reform, and tighten regulation of the banking sector. In addition, although Russia's investment policies need significant improvement, opportunities already exist for U.S. exporters and investors in the vast Russian market. FSA-funded programs run by the Department of Commerce provide U.S. companies with information about these opportunities and facilitate direct linkages with Russian partners.

Russia's growing problems in the field of public health are a threat to U.S. national security. Russia has the fastest rate of increase in HIV infection in the world. FY 2003 FSA funds will continue to support partnerships between U.S. and Russian hospitals. FSA will also help address the spread of multi-drug-resistant strains of tuberculosis and of HIV/AIDS, promote better maternal and child health, support Russian orphans, and promote partnerships between community health organizations in the United States and Russia. FSA-funded programs will also continue to help address Russia's serious environmental problems, particularly where they affect U.S. interests. For example, FSA assistance programs help Russia combat forest pests and water-borne pollutants, which could constitute cross-border threats to the United States.

A successful transition in Russia depends on the strength of democratic institutions and civil society. Establishing democracy and rule of law on a more solid footing will require long-term, generational change. FSA democracy programs, therefore, are increasingly focused on the grassroots level, providing funding for exchange programs, as well as small grants for legal support and training for non-governmental organizations (NGOs) and the independent media. In FY 2003, there will be increasing focus on exchange programs that support entrepreneurs and on alumni activities so as to maintain the investment we have made in Russians who have been to the United States on exchange programs. FSA programs also seek to increase the availability of information for Russians throughout the country by establishing public access Internet sites and offering training. FSA funding will support this type of long-term democratic change in FY 2003.

Russian authorities recognize the threat to their economy presented by international crime, and they have turned to the United States and other Western partners for assistance. The complexity of white-collar crime, particularly corruption, money laundering, and computer fraud, presents new challenges for Russian law enforcement. In FY 2003, U.S. law enforcement agencies will continue to work with their Russian counterparts through FSA-funded programs to improve Russia's capacity to combat transnational crime, focusing on counter-narcotics, border security, alien smuggling/trafficking, and export controls. FSA funds will also support more grassroots, regional efforts to combat crime through grants to U.S. organizations to work with Russian counterparts to promote community policing and combat domestic violence. With FSA funds, the U.S. Government will provide training, equipment, and expertise to Russian law enforcement authorities to help them deal with these issues and to promote respect for human rights.

The United States continues to provide 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. Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds will continue to enhance Russian controls on transfers of sensitive materials and technologies, including industry/government outreach programs to educate Russian companies about their requirement under Russian export controls and helping to outfit key transit points with radiation detection equipment to deter and interdict illicit nuclear transfers. Scientific collaboration programs supported by NADR and FSA funds will help prevent proliferation of weapons expertise and redirect former Soviet weapons experts to peaceful pursuits.

Under the International Military Education and Training (IMET) program, the United States will continue to provide English language instruction, professional military education, and military legal and peacekeeping instruction for the Russian military and officials of the Ministry of Defense.

Russia will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act (FAA). Transfer of EDA could assist Russia to meet its defense requirements and further NATO interoperability.

Humanitarian programs funded through the FSA will continue to facilitate the delivery of assistance donated through U.S. private volunteer organizations to target groups within Russia. In addition to addressing genuine humanitarian needs, FSA funding will do much to engender good relations between U.S. and Russian NGOs.

Slovakia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FMF | 10,777 | 7,750 | 9,000 |
| IMET | 992 | 850 | 950 |
| NADR-EXBS | 125 | 407 | 700 |
| Peace Corps | 1,210 | 706 | 0 |

The United States has an interest in having Slovakia, situated at the geographic center of Europe, continue to be an increasingly positive force for regional stability in Central and Eastern Europe (CEE). Assistance funds support continued economic, political, and military reform facilitating Slovakia's eventual integration into Euro-Atlantic institutions. The United States supports Slovakia's initiatives to share its success in democracy building and development of civil society with other countries in transition. The United States also promotes Slovak implementation of effective export control strategies to prevent the transfer of arms to countries of concern and to bolster crime-fighting efforts to minimize the impact on the United States from CEE criminal organizations. The United States has an interest in Slovakia's developing an improved business climate, including reducing corruption, to create expanded trade and investment opportunities for U.S. firms. Slovakia has been a stalwart partner in the fight against global terrorism.

The government of Prime Minister Dzurinda, unlike its predecessor, has shown a clear commitment to democracy, reform, and western-oriented policies. U.S. policy seeks to recognize this commitment and anchor Slovakia into a democratic Europe by supporting the government's ambition to integrate into Western institutions. Support for East European Democracy (SEED) program funding in past years was a key to supporting the development organizations committed to democracy and rule of law, which were instrumental in bringing a reform-minded government to power. While Slovakia has graduated from the bilateral SEED program, continued access to regional SEED programs will be crucial to helping Slovakia consolidate democratic, economic, and legal reform and continue to advance in other important areas such as the fight against corruption.

The United States provides assistance to Slovakia through the SEED-funded Democracy Commission Small Grants program. This program gives small grants to indigenous non-governmental organizations (NGOs) engaged in building the social and intellectual foundations of a democracy.

Slovakia is one of the nine aspirants for NATO membership participating in the Membership Action Plan (MAP) process. The Slovaks have established 64 Partnership Goals (of which 41 are MAP-related) with NATO geared toward westernizing their military and enhancing NATO interoperability. FY 2003 Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential for the implementation of Slovakia's multi-year military reform plan that was heavily influenced by recommendations from a U.S.-funded defense study. Helping Slovakia create a modern, capable force that can ensure national defense and contribute to NATO operations is a major U.S. goal that will enhance regional stability and strengthen Slovakia's ties with the West. Slovakia's importance to NATO was demonstrated during both the Kosovo and Afghanistan conflicts, when the Slovak government immediately granted overflight and transit rights that were crucial to the effective conduct of the military campaign.

Priorities for use of the FMF funds were jointly developed with Slovakia to support Slovak and USG objectives. Both FMF and IMET funds will be used to strengthen Slovakia's ability to contribute to NATO peacekeeping missions, such as its 100-member unit serving with KFOR and Partnership for Peace (PfP) activities. FMF funds will support purchase of defense articles and services that target improvements in the areas of command and control, airspace sovereignty, communications and night fighting capability for rapid

reaction forces, simulation and English language training, navigational aids, continued assistance in defense reform, resource management, and search and rescue.

IMET funds will complement Partnership Goals by continuing to support personnel development and professionalization of the Slovak military and Ministry of Defense through training at U.S. facilities and with Mobile Education Teams in country. The requested assistance will help Slovakia become a more capable partner in the region and a stronger candidate for NATO membership.

Slovakia will be eligible in FY 2003 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Slovakia in meeting defense requirements, enacting defense reforms, and furthering 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Slovakia. FY 2003 funding is focused primarily on an assessment of Slovakia's capabilities and needs and improving enforcement procedures and capabilities through regional nonproliferation advisors.

Slovenia
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 5,487 | 4,000 | 5,000 |
| IMET | 1,022 | 800 | 950 |
| NADR-EXBS | 130 | 350 | 550 |

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 eventual integration into and participation in Western institutions such as NATO and the European Union could be a force for peace, especially given Slovenia's cultural, historical, social, political, and personal ties with the states that constituted the former Yugoslavia. Slovenia has been a firm and steadfast partner in the war on terrorism.

The primary objectives of U.S. military assistance in Slovenia are to allow modernization and reform of Slovenia's military and to help the country toward its NATO Membership Action Plan (MAP) 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. International Military Education and Training (IMET) will also help meet Slovenia's objectives. IMET opportunities will strengthen the professionalism and leadership skills of Slovenia's military and civilian personnel; help improve the technical and managerial skills of the Ministry of Defense (MOD), assisting the MOD in making procurements for its military which not only benefit its own defense structure, but also contribute to regional stability; and promote FMF-purchased equipment and training that improve interoperability and standardization of Slovenian forces with U.S. and other NATO forces.

Left virtually without military equipment, infrastructure, or organization after its ten-day war for independence in 1991, Slovenia has striven to model its fledgling armed forces on those of the United States and other NATO Allies. Slovenia's sound economic situation has enabled it to fund a larger proportion of its defense reform needs, though U.S. assistance continues to play a critical role. The MOD has used previous-year FMF grant money to increase Slovenian interoperability by purchasing English language training, computer simulation center hardware and software, and small-unit infantry training equipment. Top priorities for FMF funds for Slovenia in FY 2003 are simulation equipment, Identify Friend or Foe (IFF) upgrades, an automated acquisition and logistics system, and computers for military centers that will complement Slovenia's MAP strategy. The FY 2003 IMET request will continue to support professional military training for the Slovenian military, including expanded IMET to address resource management, rule of law, civil-military relations, and human rights. Slovenia intends to continue to focus on non-commissioned officer training as well as applying to senior and mid-level U.S. military schools.

Slovenia will be eligible in FY 2003 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Slovenia in meeting defense requirements, enacting defense reforms, and furthering defense interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, delivery systems, related technologies, and other weapons, the United States is providing Export Control and Related Border Security Assistance funds under the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account to help establish fully effective export controls in Slovenia. FY 2003 NADR funding is

focused primarily on improving enforcement procedures and capabilities through the regional nonproliferation advisors.

The United States also provides assistance to Slovenia through the Support for East European Democracy (SEED)-funded Democracy Commission Small Grants program. This program gives small grants to indigenous non-governmental organizations engaged in building the social and intellectual foundations of democracy.

Tajikistan
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-----------------------|----------------|------------------|-----------------|
| FMF | 0 | 700 | 0 |
| FSA | 16,735 | 19,222 | 22,500 |
| IMET | 0 | 250 | 350 |
| NADR-EXBS | 0 | 0 | 50 |
| ERF-NADR-EXBS | 0 | 7,500 | 0 |
| ERF-P.L. 480 Title II | 0 | 19,883 | 0 |
| P.L. 480 Title II | 12,631 | 4,156 | 0 |

Tajikistan, a front-line state, is the poorest of the former Soviet republics. Its porous border with Afghanistan gives it special importance in the region in terms of interdicting terrorists, narcotics, and other smuggling. A longtime supporter of the late General Masood in the Northern Alliance and enemy of the Taliban, Tajikistan has unreservedly supported Operation Enduring Freedom from the beginning and has pledged to continue to do so for as long as necessary. The Government of Tajikistan (GOT) immediately offered overflight and landing rights and use of their air bases. They negotiated an agreement in only three days to allow U.S. troops to operate in Tajikistan, changed their visa and border transit regime to help facilitate the delivery of humanitarian assistance to Afghanistan, and are actively engaged in establishing three bridges across the Pyanj River to expedite the delivery of humanitarian aid. Their assistance and cooperation has been quick and timely, as well as accommodating to our changing needs.

U.S. assistance enhances Tajikistan's territorial integrity and security, addresses dire humanitarian needs, and fosters democratic and economic reforms – measures which help promote stability in a volatile and strategically important region. A stable, peaceful Tajikistan will help defend against the spread of radical groups and terrorists now that their bases in Afghanistan have been disrupted.

In FY 2003, the United States plans to expand its assistance beyond humanitarian food deliveries to longer-term development as it continues to implement security related programs, work with communities on conflict mitigation, strengthen primary health care, provide support for small and medium enterprises, strengthen civil society, and improve management of natural resources.

U.S. economic assistance under the FREEDOM Support Act (FSA) includes a Conflict Mitigation Initiative, which promotes public dialogue, rebuilds essential local services, improves management of transboundary water resources, and increases education and short-term employment opportunities for youth. The health care program seeks to support infectious disease and child survival programs and continues to work on systemic reform. FSA-funded assistance programs have resulted in a 60 percent decrease in registered malaria cases. The small and medium enterprise program is helping to alleviate poverty through expanded business opportunities, with new expansion in the Ferghana Valley. Water programs will focus on improving the capability of the Tajik National Hydromet Service to better collect, process, and transmit critical water data for regional coordination.

U.S. democracy assistance under the FSA will continue to support the development of civil society in Tajikistan through 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 the Internet and independent media, work with the Parliament to increase its effectiveness and responsiveness to citizen interests, and support legal education and associations. Exchanges will continue to bring a wide range of Tajik students and

professionals to the United States to develop ties with professional counterparts and to gain a stronger understanding of how democracy functions in this country.

Tajikistan has committed to cooperating with the United States on countering the proliferation of weapons of mass destruction, weapons technology, and other illicit arms and drug trafficking. The United States has provided Tajikistan Export Control and Related Border Security Assistance (EXBS) and International Narcotics Control and Law Enforcement assistance under the FREEDOM Support Act and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts and intends in FY 2003 to continue and increase assistance in these high priority areas. The EXBS program will address all aspects of Tajikistan's export and border control system to prevent, deter, detect, and interdict weapons proliferation, with a focus on institutionalizing effective inspection and detection training for border control personnel.

Tajikistan only recently applied for membership in the Partnership for Peace. While minimal funding for Foreign Military Financing (FMF) for Tajikistan was allocated for FY 2002, current plans do not include additional FMF for FY 2003 as the program is still in development. International Military Education and Training (IMET) funds provided in FY 2003 will be used to educate and expose the armed forces and civilian officials to Western concepts of democracy, rule of law, human rights, and free markets.

In FY 2003, humanitarian assistance to Tajikistan under the FSA will target the most vulnerable members of society through the delivery of medicines, medical supplies, food, and clothing. This humanitarian assistance remains central to U.S. programs and will continue to be executed through private voluntary organizations as Tajikistan makes the transition from emergency relief to long-term development.

Turkey
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------|----------------|------------------|-----------------|
| FMF | 0 | 0 | 17,500 |
| IMET | 1,689 | 2,700 | 2,800 |
| NADR-EXBS | 100 | 1,000 | 600 |
| ERF-FMF | 0 | 20,000 | 0 |
| ERF-NADR-EXBS | 0 | 1,200 | 0 |

Turkey is a front-line state and one of our most important allies. Its strategic location in the nexus of Europe, the Middle East, the Caucasus, and the Caspian, coupled with its unique status as the only predominantly Muslim NATO member, make it an active and extremely valuable partner. In addition, Turkey borders two countries – Iran and Iraq – which pose military, terrorist, weapons of mass destruction, and strategic economic threats to the United States. In the immediate aftermath of September 11, Turkey was among the first countries to demonstrate its strong support for Operation Enduring Freedom by, among other actions, granting overflights, use of its air bases, and offering 90 Special Operations Forces troops. Turkey contributed a light battalion and additional HQ personnel to phase I of the UK-led International Security Assistance Force (ISAF) and has indicated its willingness to lead ISAF Phase II. Turkey’s economic situation, however, means that the international community, including the United States, will need to provide Turkey with significant assistance.

The FY 2003 Foreign Military Financing (FMF) requested for Turkey is aimed at providing military assistance relevant to Turkey’s participation in coalition efforts in Afghanistan, the broader war on terrorism, and meeting NATO’s Defense Capabilities Initiative requirements. Specifically, FMF will be used to purchase needed U.S.-origin spare parts and equipment in support of these objectives.

The FY 2003 International Military Education and Training (IMET) program will provide Turkish military personnel with the training needed to improve interoperability with United States and NATO forces. Turkey has drawn on this training through its participation in NATO peacekeeping activities in Kosovo, Bosnia, and now in Afghanistan. IMET training will also contribute to the improvement of the professionalism of Turkey’s armed forces and will teach fundamental democratic principles which help strengthen Turkey’s commitment to democracy and human rights. IMET funding also will provide for joint training with Greece, furthering the improvement of relations between our two NATO allies.

Turkey will be eligible in FY 2003 to receive Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Turkey in meeting defense requirements, enacting defense reforms, and furthering 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 Export Control and Related Border Security Assistance funds under Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) to help establish fully effective export controls in Turkey. U.S. funding in FY 2003 is focused primarily on improving enforcement procedures and capabilities, especially through the provision of equipment.

Turkmenistan
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------|----------------|------------------|-----------------|
| FMF | 699 | 0 | 700 |
| FSA | 6,275 | 7,072 | 7,000 |
| IMET | 258 | 450 | 450 |
| NADR-EXBS | 0 | 0 | 50 |
| Peace Corps | 1,490 | 743 | 1,238 |
| ERF-NADR-EXBS | 0 | 7,000 | 0 |

The United States has strategic and economic interests in helping Turkmenistan, which has the world's fourth largest gas reserves and significant oil reserves, achieve political stability, independence, and integration into the global economy. The United States has a keen interest in seeing these important resources reach world markets, preferably via secure pipelines that do not transit the territory of regional powers that might shut off the flow for political purposes. Turkmenistan, a front-line state, has a long border with Afghanistan and has been the second largest conduit for aid into Afghanistan during the war on terrorism. More than 30 percent of the United Nations and World Food Program food aid to Afghanistan since October 2001 has transited Turkmenistan. The current security situation in the region puts trade routes at risk of exploitation by terrorists and smugglers of narcotics and weapons. U.S. assistance to Turkmenistan enhances its sovereignty, territorial integrity, and security; strengthens civil society; and supports improved health care.

In FY 2003, the United States plans FREEDOM Support Act (FSA)-funded programs that will bring Turkmen exchange students to the United States, improve primary health care, strengthen democratic culture among citizens, and improve the management of natural resources.

U.S. economic assistance under the FSA is introducing a comprehensive approach to screening children for key illnesses that threaten their survival. The health program is also addressing HIV/AIDS prevention and tuberculosis control. FSA-funded programs are working to provide all newborns with Hepatitis B vaccine over the next five years. Due to the government's unwillingness to implement privatization and other business sector reforms, small and medium-size enterprise assistance is a limited program to develop business knowledge and skills. The natural resources program involves working with local oil businesses to improve their environmental and business performance.

FSA-funded democracy programs continue to pursue a limited agenda in Turkmenistan due to the closed nature of the country and the lack of commitment to reform on the part of the "President for Life." Assistance is directed at developing a foundation for democracy by providing support to nascent civil society organizations and thereby increasing the level of involvement of citizens in their communities. The government continues to hamper work with this sector. The primary avenue for democracy assistance continues to be providing exchange opportunities for the youth of Turkmenistan with the goal of exposing them to U.S. democratic culture and practice. The government practice of requiring exit visas for all Turkmen citizens traveling abroad was recently lifted, which should make possible an expansion of exchanges in FY 2003. This restrictive visa regime has, in the past, caused complications for participants in the USG-funded exchanges.

In FY 2003, the United States intends to increase bilateral assistance for Turkmenistan under the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account in the areas of export control and border security, and preventing terrorism and weapons smuggling. These issues are of

particular concern in Turkmenistan, which lies along centuries old trade and smuggling routes between the North Caucasus and Southwest Asia. NADR nonproliferation assistance will continue to focus on the Export Control and Related Border Security Assistance (EXBS) program to enhance Turkmenistan's capabilities to deter, detect, and interdict weapons proliferation. This assistance will include communications, transport/patrol assets, surveillance, and detection equipment; export control, legal, licensing, and regulatory training; and other border security infrastructure support. In addition, EXBS assistance will support maritime border security including patrol craft, spares, repairs, and additional training on the 82-foot U.S. Coast Guard patrol boat provided under the Excess Defense Articles (EDA) Program to the Government of Turkmenistan in FY 2000.

Turkmenistan has received minimal levels of Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance in the past. FY 2003 will build on these programs and increase assistance for defense articles and services to facilitate interaction between U.S. and Turkmen military forces. Assistance will include communications gear and training. 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 2003 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 be eligible in FY 2003 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 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| CSD | 1,019 | 0 | 0 |
| FMF | 3,991 | 4,000 | 4,000 |
| FSA | 171,581 | 154,196 | 155,000 |
| IMET | 1,443 | 1,700 | 1,700 |
| NADR-EXBS | 770 | 470 | 2,620 |
| Peace Corps | 2,954 | 3,161 | 3,186 |
| PKO | 1,200 | 0 | 0 |

The United States has a strong 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. Its successful transition may assist similar transitions elsewhere in the region. With a population of approximately 50 million and a strategic location between Russia and Central Europe, Ukraine is important for building a secure and undivided Europe. A stable, independent, and democratic Ukraine can also 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. Ukraine has been a strong supporter in the war on terrorism, granting the United States overflight rights.

U.S. assistance to Ukraine enhances regional security and promotes U.S. non-proliferation goals and nuclear safety, supports market-based economic reform, strengthens civil society and the development of participatory democracy, and helps relieve human suffering. In FY 2003, the United States plans to continue a range of security-related programs to promote U.S. non-proliferation goals. Economic assistance will continue to support private enterprise development, with a particular focus on small and medium-size businesses, the agricultural sector, and improving the regulatory environment for both domestic and foreign investors. U.S. funds will also foster civil society, independent media, and participatory democracy, as well as help avert humanitarian crises.

Ukraine's long-term political stability is closely linked to its economic prosperity. Although Ukraine made notable progress in 2001 and 2002, achieving prosperity requires significant reform to foster long-term sustainable economic growth. In FY 2003, some FREEDOM Support Act (FSA) funding will be provided for technical assistance to Ukrainian economic ministries for preparation of laws and regulatory codes to establish a market-oriented commercial legal framework. However, the bulk of FSA economic-related assistance will continue to go to the non-governmental sector. 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. Emphasis will be on development of small and medium businesses, the most likely source of long-term sustained innovation and growth. Already a critical mass of privatized enterprises has been restructured, contributing to a 15 percent increase in industrial output and nine percent increase in GDP in 2001.

FSA funds will also focus on the agriculture sector, continuing land privatization and support for newly-emerging private farms and deepening technical assistance to commercial banks for mortgage and long-term lending to help fund farmers' purchases of agricultural equipment. U.S. privatization efforts have contributed to an impressive growth in agricultural output in 2000 and 2001. FSA assistance will continue to provide significant support for energy sector reform through promotion of energy efficiency programs and privatization of electric generating companies. The United States has played an important role in

helping to fund the closure of Chernobyl, which took place in December 2000. In FY 2003, FSA funds will continue to contribute to the construction of the Chernobyl sarcophagus. Significant funds will also be used to continue safety upgrades at other Ukrainian nuclear power plants, a critical U.S. interest. The United States will also continue to serve as a catalyst for economic reform by encouraging partnerships with neighboring countries, such the FSA-funded Poland-America-Ukraine Cooperative Initiative (PAUCI).

In FY 2003, we will continue the trend of recent years to focus increased attention and resources on grassroots activism and local reforms, as well as to expand programs oriented toward the next generation of Ukrainian leaders. FSA-funded programs will provide opportunities for students, policy makers, and other young leaders to come to the United States on academic and professional exchange programs. These exchanges enhance the linkages between individuals, businesses, institutions, and communities in the United States and Ukraine. In FY 2003, FSA funds will strengthen local non-governmental organizations and independent media that can serve as watchdogs over the government's activities and articulate public interests. Funding will continue for legal and financial support and training for independent media. FSA funding will also expand public access Internet sites throughout Ukraine.

Ukraine is home to a large number of scientists who have experience working on WMD. The U.S. and Ukrainian Governments have strong interests in providing alternative peaceful employment to prevent the proliferation of this expertise. In FY 2003, Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)-funded assistance programs will continue to reduce the risks of proliferation of WMD, related materials, and technologies and conventional arms. FSA funds for the U.S. Civilian Research and Development Foundation and NADR funds for the Science and Technology Center in Ukraine and other nonproliferation programs will help redirect former WMD scientists to civilian research, development, and commercial activities. Finally, the Export Control and Related Border Security Assistance program (EXBS) funded by NADR is designed to continue 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. 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 provide additional enforcement training, surveillance, detection, interdiction and automation equipment, and advisory assistance and liaison through a resident assistance program advisor.

International Military Education and Training (IMET) assistance will provide English language training, professional military education, and training for non-commissioned officers to enhance Ukraine's military interoperability with U.S. and NATO security structures and support military reform. Foreign Military Financing (FMF) funds will support procurement of equipment and services to enhance its interoperability, command, control, and communications capabilities (such as computerization of peacekeeping training facilities and recruitment centers, and communications systems); mobility; logistics; and other support items that will enable Ukrainian forces to operate more effectively alongside U.S. and NATO partners in real world peacekeeping operations and exercise activities. Ukraine will be eligible in FY 2003 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 NATO interoperability.

As in other Eurasian countries, segments of the Ukrainian population, including the victims of Chernobyl, are in dire need of humanitarian assistance. FSA-funded humanitarian programs have traditionally delivered substantial targeted assistance to those in greatest need in the form of medical supplies and equipment, pharmaceuticals, food, and clothing. In FY 2001, the State Department-funded program Provide Hope delivered \$30 million in humanitarian commodities provided through U.S. private volunteer organizations, private donations, or through the Department of Defense Excess Property Program. It is anticipated that this humanitarian assistance to Ukraine will continue in FY 2003 at the same level, targeting the most vulnerable members of society through programs executed by private voluntary organizations. Also in FY 2003, FSA funds will support programs to help fight HIV/AIDS and tuberculosis.

Uzbekistan
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------------|----------------|------------------|-----------------|
| CSD | 700 | 0 | 0 |
| FMF | 2,445 | 207 | 8,750 |
| FSA | 24,800 | 28,890 | 31,500 |
| IMET | 494 | 1,000 | 1,200 |
| NADR-EXBS | 330 | 0 | 1,200 |
| Peace Corps | 1,830 | 899 | 1,298 |
| ERF-FMF | 0 | 25,000 | 0 |
| ERF-FSA/NIS | 0 | 40,500 | 0 |
| ERF-NADR-EXBS | 0 | 18,000 | 0 |

Uzbekistan is a front-line state and a key strategic partner in the war on terrorism. It has allowed U.S. and Coalition forces to use its bases and has opened its border with Afghanistan for humanitarian shipments. As a byproduct of the intensified engagement between the United States and Uzbekistan since September 11, the Government of Uzbekistan has declared its intention to take difficult steps to reform its economy and advance democracy. Uzbekistan also has the strongest military in Central Asia, and its security policies directly affect its neighbors, especially in the heavily populated Ferghana Valley. These factors help make Uzbekistan vital to stability in Central Asia.

U.S. assistance to Uzbekistan enhances its sovereignty, territorial integrity, and security; strengthens civil society; improves management of natural resources; and helps relieve human suffering.

FY 2003 security assistance 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 2003 will enhance Uzbekistan's counterinsurgency capability and establish greater interoperability between Uzbek and U.S./international forces. FMF will also support joint peacekeeping initiatives with Kazakhstan, Kyrgyzstan and NATO forces. Assistance will provide individual soldier equipment, to include boots, uniforms, cold weather gear, and tents; command, control, and communications equipment; crew served weapons (military equipment that provides protection/support for personnel); ammunition; transportation equipment (spares, repairs, and maintenance); infrastructure upgrades; organizational equipment; and training and support, including fuel and consumables for exercises and training. Increased International Military Education and Training (IMET) assistance will continue to foster the professionalization of Uzbekistan's military leadership, including greater respect for and understanding of the principle of civilian control of the military, improved military justice systems and procedures, and effective defense resource management. IMET training will also include substantive training relating to human rights and the military.

Uzbekistan will be eligible in FY 2003 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 defense requirements as well as further interoperability with NATO.

In FY 2003, the United States will increase security-related 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. The United States will continue assistance programs to help prevent the proliferation of weapons of mass

destruction (WMD) and weapons technology and expertise, including work to redirect scientists funded by the FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR). Additional assistance for projects approved by the NADR-funded Science and Technology Center in Ukraine (STCU) will keep former Soviet weapons experts in Uzbekistan employed in peaceful research. Through the NADR Export Control and Related Border Security Assistance (EXBS) program we also will continue to work with Uzbekistan to enhance all aspects of its export control system to prevent, deter, detect, and interdict weapons proliferation, with a focus on institutionalizing effective inspection and detection training for border control personnel.

In FY 2003, the United States plans to continue programs for conflict prevention, water management, health care, and democratic reform. If the Government of Uzbekistan undertakes difficult economic reforms, such as allowing free convertibility of the som, U.S. assistance will also include macro-economic advisors and greatly increased assistance to micro, small, and medium enterprises. Increased importance will be placed on local level social services that encourage community dialogue and provide short-term employment.

U.S. economic assistance under the FSA is expanding activities to strengthen primary health care and fight infectious diseases, including HIV/AIDS and tuberculosis. The geographic focus will be on the Ferghana Valley, Karakalpakstan, and Sukhandarya. U.S.- supported community groups have implemented clean water projects that reach almost 25,000 people. Natural resources assistance is improving water usage efficiency and mitigating the potential for conflict over regionally shared resources. An important focus is improving the capability of the National Hydromet Service to better collect, process, and transmit water data for regional coordination.

Democracy assistance and accomplishments under the FSA have been limited due to government restrictions on civil and political liberties in Uzbekistan. In FY 2003, we hope to build on the Uzbek government's stated plans to carry out democratic reforms. Our 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 via the Internet and through work with the independent media. We will continue to bring Uzbek youth and professionals from a range of fields to the United States for short- and long-term exchange programs. FY 2003 will see the introduction of a new exchange program that will bring entrepreneurs and other professionals to the United States for a four to six week program that includes hands-on internships and living with American families. Work in the non-governmental sector will continue, with a greater emphasis on non-governmental organizations that are trying to work in the political sphere, including indigenous human rights groups. In FY 2003, our programs will build on real progress in the area of judicial reform, in part as a result of USG assistance to increase the independence of the judiciary.

In FY 2003, humanitarian assistance to Uzbekistan under the FSA will target the most vulnerable members of society through delivery of medicines, medical supplies, food, and clothing. This humanitarian assistance remains central to U.S. programs and is consistent with increasing U.S. interests in the region.

OSCE Regional - Europe
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| PKO | 14,221 | 16,300 | 14,550 |

The United States pays for a share of the operations of the Organization for Security and Cooperation in Europe (OSCE). These operations support the U.S. goals of preventing destabilizing conflicts in the former Soviet Union, resolving certain on-going disputes, containing and reducing instability in the Balkan states and Caucasus, 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 & Assistance Cooperation Team (REACT) program 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.

The bulk of the FY 2003 Peacekeeping Operations (PKO) funds for European Regional programs is intended to fund the U.S. share of the OSCE's institutions and field missions and the REACT program. It also funds some 100 seconded American citizens working in the OSCE's 20 field missions. The remaining funds will be used to fund election observation efforts and other operations as needed. 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 focus on the economic, environmental, human, and political aspects of security and stability.

Regional FSA
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|-------------|----------------|------------------|-----------------|
| FSA | 75,450 | 69,356 | 67,000 |
| ERF-FSA/NIS | 0 | 6,000 | 0 |

FREEDOM Support Act (FSA) regional programs contribute to regional security by enhancing the ability of the states of Eurasia to address issues of mutual concern, such as terrorism, the proliferation of weapons of mass destruction (WMD), and the spread of narcotics trafficking and other transnational crimes. These programs promote regional cooperation and stability by providing technical assistance, funding exchange programs, and providing opportunities for citizens of the region to work together to promote economic restructuring and democratic reform.

U.S. national security is enhanced by the successful transformation of the Independent States into democratic, law-based, pluralistic societies functioning on market principles and integrated into the world economy. Several U.S. national interests in this region are pursued 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 poverty, unemployment, inadequate communal services, and lack of education – all of which have the potential to create unrest and provide fertile soil for extremist groups. Caucasus and Eurasian regional programs focus on responding to urgent humanitarian needs and other special initiatives, including support for refugees and internally displaced persons (IDPs) from the Nagorno-Karabakh conflict.

The Peace/Reform Fund enables 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. The Peace/Reform Fund is also used to augment projects that perform very well during the year and require additional support.

FSA regional programs address the entire range of USG assistance objectives, including increased trade and foreign investment, greater regional cooperation, combating crime and corruption, and promoting economic restructuring and democratic reform. Regional funding can also be used to support programs that redirect former Soviet WMD expertise to peaceful activities and enhance the ability of regional states to prevent the proliferation of WMD (and associated delivery systems, materials, and technologies) across their borders.

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

Regional SEED
(\$ in thousands)

| Account | FY 2001 Actual | FY 2002 Estimate | FY 2003 Request |
|---------|----------------|------------------|-----------------|
| SEED | 86,013 | 74,500 | 60,000 |

Support for East European Democracy (SEED) regional programs promote economic restructuring, democratic transition, and social stability in Central and Eastern Europe (CEE). A stable, prosperous, and democratic CEE region will enhance stability in Europe, promote U.S. investment, reduce the need for future U.S. expenditures to restore peace, and help minimize the impact of terrorism and international crime on the United States and its citizens.

In FY 2003, SEED regional funding will reflect two trends already present in FY 2002: the overall level will be less than the preceding year and, since the countries of Central and Northern Europe have now graduated from the SEED program, funds will be focused primarily on South East Europe (SEE). SEED regional programs in FY 2003 will help stabilize, transform, and integrate South East Europe – the scene of chronic instability, two major wars over the past ten years, and a recent armed insurgency in Macedonia – into the trans-Atlantic mainstream. Programs will be targeted to increase trade and foreign investment; promote greater regional cooperation among the countries of the region; combat terrorism, crime, and corruption; and strengthen democracy and rights for ethnic minorities.

Through the SEED regional program, the United States funds assistance programs where we have a comparative advantage, where we can provide technical assistance to leverage significant new funding from other donors, and where we can make important legal or regulatory gains. Major program areas for FY 2003 will be: technical assistance to help SEE states continue fiscal and economic reforms crucial for attracting private investment and increasing trade; assistance to help targeted SEE states harmonize their trade policies by achieving World Trade Organization (WTO) membership; increased focus on fighting terrorism, cross-border crime, and corruption, as well as on strengthening the rule of law; strengthening local governments, non-governmental organizations (NGOs), and the media to consolidate democratic reform and build civil society; spurring the growth of small and medium enterprises through increased availability of financing; decreasing the investment risk to U.S. firms considering investments in the region; technical assistance to tie the region together by developing a regional power grid for SEE; and reform of SEE customs services.

These priorities will augment ongoing bilateral assistance programs, the foundation of the SEED program. The success of these regional programs will depend in large part on the degree of economic and democratic reform achieved in each SEE state. The regional SEED program also builds on the economic and democratic reforms achieved in each state in the region by linking together successful reformers and by using progress achieved in one country as an example for others. Regional initiatives such as the development of an SEE electrical grid will use the collective pressure of all SEE states, combined with the influence of outside donors, to break regulatory or legal logjams that domestic reformers have been unable to solve. Each regional program will be evaluated in accordance with standard USAID benchmarks and performance indicators set forth in the annual report, or similar indicators for other USG implementing agencies.