

EUROPE AND EURASIA

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Albania
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	4,000	5,000	4,000
IMET	866	900	975
NADR-EXBS	0	140	300
NADR-SALW	450	350	200
Peace Corps	0	1,227	1,467
SEED	35,250	28,000	28,000

U.S. assistance to Albania supports market-based economic reform, strengthens civil society and promotes democracy, enhances Albania's territorial integrity and security, contributes to regional stability (especially in Macedonia and Kosovo), and helps relieve human suffering. Albania's pivotal role in assuring regional stability in Southeastern Europe requires the continued engagement and support of the United States. In collaboration with our European partners, through the EU, NATO, and the OSCE, the United States 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, organized crime, money laundering, and trafficking in humans and narcotics. U.S. relations with Albania advance U.S. interests by 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.

In FY 2004, 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 micro-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, and strengthen Albanian government law enforcement capabilities through the training of Albanian police, prosecutors, and judges. In FY 2004, we will continue to fund anti-trafficking programs in Albania at a high level, including through an international donor consortium, upgrading controls at three major air and sea transit ports and computerizing border check points.

Fostering a solid democratic basis of government remains 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) funds will continue to support the completion of the modernization of the Albanian Armed Forces (AAFs) by 2010. FY 2004 funds will assist in the transformation of the AAFs, i.e., costs of downsizing and professionalization, in accordance with the Republic of Albania's Defense Assessment (IAW) prepared by the Office of the Secretary of the Defense and the Republic of Albania Defense Modernization Team. The AAFs' ten-year plan end result is an Objective Force of 16,500 personnel that is a contributing NATO member and EU aspirant country. One focus for FY 2004 FMF will be the continuation of the Ministry of Defense (MOD) defense modernization efforts that will enable the AAFs to more effectively contribute to the stability in the Balkans and support the war on terrorism by reducing, restricting, or eliminating the transnational terrorist threat. An in-country English Language Training (ELT) (with a focus on, but not restricted to, the General Staff, the Rapid Reaction Brigade, Commando Regiment, and Special Forces Battalion) will promote the eventual NATO interoperability of General Staff and military units that can assist with war on terrorism. FMF will facilitate the interoperability of the AAFs with NATO secure voice and data network systems by 2010 by implementing the five-year Office of the Secretary of Defense (OSD) Navigational Aids (NAVAIDS)/Command, Control, Communications, Computers and Information (C4I) study. Finally, the purchase of ammunition incinerators will help eliminate the AAF's 200,000 tons of excess ammunition, which will directly reduce the chances for excess ammunition ending up in the hands of international terrorist or international drug and human traffickers; eliminate the potential of an environmental disaster which might occur due to ammunition instability or sabotage; and contribute to regional Balkan stability.

Albania's FY 2004 International Military Education and Training (IMET) program will continue to provide field and company 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 Partnership for Peace (PFP) exercises, and other activities.

Albania will be eligible in FY 2004 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 provided Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish a fully effective export control system in Albania. FY 2004 NADR EXBS funding is provided for basic equipment and training to assist in developing and strengthening export control laws and regulations and improving enforcement capabilities.

Albanian authorities continue their program of weapons collection. Over 100,000 weapons have been destroyed over the past three years through the combined assistance of the United States, Norway, and Germany, enhancing regional stability and preventing leakage into Kosovo and Macedonia. Together with several of our NATO allies, the United States is using FY 2004 NADR Small Arms/Light Weapons (SALW) funds to support the destruction of over 5,000 tons of poorly secured ammunition through the Euro-Atlantic Partnership Council/Partnership for Peace (EAPC/PfP) Trust Fund project.

Armenia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	4,000	3,000	2,500
FSA	90,200	70,000	49,500
IMET	75	750	900
NADR-EXBS	600	1,850	1,000
NADR-HD	1,200	750	0
P.L. 480 Title II	911	0	0
Peace Corps	1,417	1,535	1,685

The United States supports the transformation of Armenia into a democracy based on the rule of law with an active civil society that functions on free-market principles, is integrated into the world economy, has the capability to provide for the welfare of its citizens, and is at peace with its neighbors. U.S. security and nonproliferation assistance and cooperation with Armenia is increasingly important in the aftermath of September 11 to prevent weapons and other illicit trafficking and the spread of weapons expertise. Armenia has supported Operation Enduring Freedom by offering its cooperation, including landing rights, medical assistance, and information sharing.

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 (e.g., the 1988 earthquake) and regional conflict. Our assistance to the judicial and law enforcement bodies of Armenia is helping to ensure that Armenia plays a more effective role in combating narcotics smuggling, organized crime and trafficking in persons.

FREEDOM Support Act (FSA) assistance helps to mitigate difficult living conditions for Armenian citizens 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 and improve health management education.

Armenia is continuing its efforts to improve its business climate, increase investment and create jobs. Armenia was invited to join the World Trade Organization in December 2002. 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, insuring that the government will be able to maintain good relations with international financial institutions. Technical advice also will help the Armenian Government improve government audit practices, thereby

helping fight corruption. Training programs, scholarships and other programs will help Armenia develop other sectors of its economy, seek investment and create jobs, with an emphasis on developing micro, small and medium enterprises in the information technology and tourism sectors.

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 working with government agencies and non-governmental organizations (NGOs) to improve election laws and procedures. Programs also help legislators draft and implement budget programs, train judges, lawyers and prosecutors, promote effective political parties and increase government transparency. Support for NGOs and the independent media helps those organizations effectively articulate public interests and strengthen civil society.

In FY 2004, exchanges, training and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account. This includes training programs and the provision of Internet access and curriculum development to Armenian schools. 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 Metamor 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 Metamor.

The waiver of Section 907 of the FSA in FY 2002 allowed 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 2003. The FY 2004 budget proposes an increase in funding to increase opportunities for Armenian military members to attend U.S. military professional education. Expanded IMET will facilitate Armenia's defense reform efforts through education in civil-military relations, defense resource management, and rule of law. The FY 2004 budget also proposes a continuation of the Foreign Military Financing (FMF) to Armenia initiated in FY 2002. FMF funding will allow Armenia to acquire U.S. defense equipment necessary to ensure interoperability for effective participation in NATO and other coalition and peacekeeping operations. IMET and FMF programs with the Armenian Government will continue to focus on professional military education, the establishment of a peacekeeping capability in the Armenian military (first in the area of interoperable communications), and modernization of the Armenian military communications structures to enhance air-space management and safe response.

Armenia will be eligible to receive grant Excess Defense Articles (EDA) in FY 2004. Provision of grant EDA will enhance Armenia's ability to participate in NATO and coalition operations as well as international peacekeeping missions.

The Armenian government has demonstrated a willingness to cooperate with the United States in preventing weapons of mass destruction (WMD) and related technologies proliferation, other weapons trafficking, and in fighting transnational crime. It has taken several 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 Activities (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 to deter, detect, interdict, and prevent weapons proliferation. EXBS has provided Border Interdiction Training in the United States to Armenian Customs and Border Guards. 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, corruption, and narcotics trafficking and to improve human rights practices in criminal justice institutions. Our assistance in this area has resulted in a forensics-training program and improved information management by Armenian law enforcement and judicial agencies. Funding is planned for continuation of these programs and for additional programming in activities to combat trafficking in persons. 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), the Biotechnology Engagement Program (BTEP) and the U.S. Civilian Research and Development Foundation (CRDF).

Azerbaijan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	4,000	3,000	2,500
FSA	43,510	46,000	41,500
IMET	377	750	900
NADR-EXBS	500	1,850	1,500
NADR-EXBS-ERF	3,000	0	0
NADR-HD	1,380	1,380	1,800
P.L. 480 Title II	2,239	0	0
Peace Corps	0	1,223	1,402
PKO	1,000	0	0

U.S. national interests in Azerbaijan center on our strong bilateral cooperation in the war on terrorism, the advancement of U.S. energy security and progress in free market and democratic reforms. Azerbaijan's shared border with Iran and its long-standing conflict with Armenia means 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, promoting U.S. energy security and U.S. exports. Azerbaijan has supported the war on terrorism by offering crucial law enforcement and intelligence cooperation, blanket overflight rights, the possible use of bases, and the deployment of a platoon to the International Security Assistance Force in Afghanistan.

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 food, medicine, 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 2004, the United States plans to focus assistance to the government of Azerbaijan (GOAJ) on economic development, judicial and law enforcement reforms to combat drug smuggling and terrorism, redirecting WMD scientists towards peaceful endeavors, and strengthening export controls and border security.

As a vital link in the Trans-Caspian energy corridor, Azerbaijan must develop a market-oriented, transparent and corruption-free economic, legal, and regulatory system. While there has been some economic growth, largely related to the energy sector, other areas of the economy remain underdeveloped and unemployment is high. Spillover effects from the energy sector to 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. Complex regulations, corruption and underdeveloped financial systems have hampered private business development. U.S. assistance under the FSA in FY 2004 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 U.S. government will continue to work with Azerbaijan 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 free and fair elections. In FY 2004, the United States will continue to promote the development of democratic institutions and civil

society in Azerbaijan. FREEDOM Support Act-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 articulate effectively public interests and strengthen civil society. These efforts will be particularly critical in the run-up to the presidential elections scheduled for fall 2003. Helping the Government of Azerbaijan fight trafficking in persons also will be a priority in FY 2004. In FY 2004 exchanges, training and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account. This includes Internet access and training programs and the provision of Internet and curriculum development to schools in Azerbaijan.

In the past, U.S. assistance to Azerbaijan has 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 Export Import Bank (EXIM), Overseas Private Investment Corporation (OPIC), and Foreign Commercial Service also were permitted. The Presidential waiver of Section 907 of the FSA in 2002 opened the door to new and deeper engagement with Azerbaijan. Assessments conducted in early 2002 resulted in the provision of new technical assistance in FY 2003 by the Department of the Treasury, the U.S. Customs Service, and the State Department's Bureau of International Narcotics and Law Enforcement Affairs. Law enforcement assistance to the GOAJ planned for FY 2004 includes training for police, prosecutors, lawyers and judges; development of law enforcement data information management systems; provision of counter-narcotics training; and development of a modern forensics laboratory system.

The Department of Defense conducted its first-ever bilateral working group with Azerbaijan from March 26-27, 2002. The U.S.-Azerbaijan Bilateral Defense Consultations shaped the bilateral plan for enhanced assistance and established three primary areas of concentration for military cooperation: maritime security, airspace management, and interoperability with NATO and International Forces.

The FY 2004 budget proposes a continuation of security assistance begun in FY 2003. The United States plans to continue to provide equipment, services and training, through the Foreign Military Financing (FMF) and International Military Education Training (IMET) Programs, to assist in military reform, increase interoperability for peacekeeping and other coalition operations, and expand professional military education opportunities for Azerbaijani military officers in U.S. military schools. FMF will provide tactical communications and other NATO-compatible defense equipment in support of Azerbaijan's increased role in international security. Peacekeeping assistance funds will continue to support the establishment of a peacekeeping unit interoperable with NATO and international forces. 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. Azerbaijan will be eligible to receive grant Excess Defense Articles (EDA) in FY 2004. Provision of grant EDA could be used to improve Azerbaijan's maritime border security and law enforcement capability to support nonproliferation goals.

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 its commitment to nonproliferation 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 FSA and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts that will be continued in FY 2004. EXBS provides equipment to support the technical capacity of Customs and the Border Guards, including x-ray machines, radios and generators. EXBS assistance funded by the State Department is delivered through other U.S. agencies, including the U.S. Coast Guard (USCG)

and the U.S. Customs Service (USCS), both of which have resident advisors in Baku to implement an integrated land and maritime nonproliferation support program. United States security assistance will also continue to redirect former Soviet WMD scientists to peaceful research through the Science Centers and Civilian Research and Development Foundation programs.

Landmines pose a significant danger in Azerbaijan to people, productivity, and socio-economic development. Through mine clearance and mine awareness efforts, NADR Humanitarian Demining (HD) 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 2002 Actual	FY 2003 Request	FY 2004 Request
FSA	10,572	9,500	8,000

Advancing democratic principles and economic reform will help promote the independence and prosperity of Belarus, which will in turn contribute to regional stability. Currently, Belarus' oppressive regime and consequent lack of legitimate democratic institutions, retrograde economic policies, and close relations with rogue states threaten regional development and security, potentially undermining U.S. interests. These policies further isolated Belarus from its neighbors who are converging toward democratic and economic reform and who increasingly see Belarus' backwardness as an obstacle to their progress. Although the Government of Belarus claims to be willing to provide assistance in the war on terrorism, in fact, credible allegations of the transfer of arms and dual-use equipment to Iraq and other states of concern underscore the importance of achieving a more open, transparent form of governance in Belarus.

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

In FY 2004, we seek to continue to fund programs under the FREEDOM Support Act (FSA) that will support non-governmental organizations (NGOs) that advocate human rights and promote democracy. This support will include small grants and training in such areas as advocacy, networking and coalition building. We also seek to 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. With parliamentary elections scheduled for 2004, activities will seek to foster an environment for the emergence of democratical-oriented leaders, including helping parties develop effective campaigning skills and credible NGO election monitoring networks.

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 in Belarus. The country has largely retained a centrally planned economy, with most large-scale enterprises still in government hands and barter trade remaining one of the primary means of commerce. Indeed, the Russian Federation has linked further assistance to Belarus to specific economic reforms, which the regime has yet to adopt. 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 2004 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. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

Belarus is not eligible to receive U.S. Government-funded security-related assistance. In February 1997, the Clinton Administration de-certified Belarus under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program due to its poor record on human rights.

Bosnia and Herzegovina
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	2,250	2,500	2,000
IMET	800	900	900
NADR-EXBS	0	30	600
NADR-SALW	0	0	200
PKO	20,022	17,500	11,800
SEED	65,005	50,000	44,000

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 ending 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 Bosnia. 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 is, consequently, in our national interest.

A U.S. general officer commands the NATO-led Stabilization Force in Bosnia, which provides a safe and secure environment for implementing the Dayton Peace Accord. The United States also is deeply engaged in building Bosnian institutions -- including effective local and State police forces and a State Border Service -- that will increasingly enable the country to secure its borders and fight terrorism, crime and the trafficking of persons, drugs and other contraband. At the same time, continued U.S. efforts to promote investment and sustainable economic growth in Bosnia serve not only to make BiH's transition to democracy more sustainable, but also to promote the U.S. strategic goals of economic development and global growth and stability. U.S. assistance and policy in BiH are targeted to full implementation of the Dayton Peace Accords, promotion of democratization through the development of democratic institutions and respect for human rights, and the promotion of trade and economic growth. U.S. assistance in all areas helps leverage the funds of other donors, whose combined efforts far exceed the U.S. contribution.

In 2004, the Support for Eastern European Democracy Act (SEED) program in BiH will continue to strengthen indigenous institutions and the central State, move Bosnia further down the path to European integration and help Bosnians take ownership of their institutions and country. U.S. assistance is geared to support humanitarian, economic, democratization and rule of law programs. We will fund technical assistance to small and medium-sized enterprises, work to remove barriers to investment and economic growth, 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. U.S. assistance programs 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 advance reform of the legal and judicial systems.

The requested FY 2004 Peacekeeping Operations (PKO) funding includes support for the mission of the Organization for Security and Cooperation in Europe (OSCE) in BiH and the Office of the High Representative in Bosnia to promote civil implementation of the Dayton Peace Accords. The OHR in Bosnia is an international, civilian organization created by the Dayton Accords to implement civilian aspects of the peace agreement and related tasks assigned to it by the Peace Implementation Council (PIC)

Steering Board. The United States is a PIC Steering Board Member contributing 22% annually to the OHR Operating Budget. We cover the security detail costs for OSCE senior Mission representatives. Remaining funds cover the U.S. annual OSCE Bosnia Mission voluntary assessment of 13.57%. The civilian OSCE Mission in BiH carries out work which is crucial to the U.S. 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 confidence and security-building measures. The Mission has organized and supervised all of BiH's post-Dayton elections, until it relinquished that responsibility to local authorities for the October 5, 2002 general elections. In addition to the U.S. portion of the OSCE Mission assessment, PKO funds support U.S. 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 United States national security by promoting peace and stability in Bosnia as well as in the Balkans as a whole. Under the Train and Equip program, the United States supplied surplus defense articles and defense services to the Federation Army (VF) to help establish military stability in BiH and deter renewed hostilities. The Train & Equip program and the presence of NATO-led military forces succeeded in this goal and concluded in November 2002. However, new possibilities for enhanced strategic stability have opened which, if seized, can help create the conditions for an eventual end to the current NATO-led peacekeeping mission by moving beyond simply deterring renewed hostilities to creating a defense structure for Bosnia that supports long-term stability. In 2001, Croatia terminated financial support to the Croat component of the VF, and in February 2002, the Yugoslav government ceased financing support to the Army of the Republika Srpska (VRS). In addition, both the VF and the VRS are undergoing substantial downsizing. The reductions will continue with U.S. support. These changes permit the United States to transition FMF and other security assistance toward more conventional programs aimed at developing a State dimension of defense for Bosnia and Herzegovina. FMF funding in FY 2004 will be used to strengthen State defense by downsizing and professionalizing the militaries in BiH and stressing a unified command structure, compatibility with NATO and eligibility for NATO's Partnership for Peace (PfP) program. The Standing Committee on Military Matters (SCMM) will benefit from programs dedicated to developing a functioning staff that will form the core of a State-level military institution. Improved civil-military relations and democratization will be key. We will also support the formation of a Southeast Europe regional Staff College to cultivate stability, democracy and military professionalism.

Bosnia's International Military Education and Training (IMET) program will contribute to regional stability by helping to develop officers and non-commissioned officers (NCOs) working 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 (E-IMET) courses for mid- to upper-level officials in the defense sector. As an incentive for Bosnian Serbs, we intend to provide them training to facilitate their fuller participation in the SCMM.

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

With Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) and International Trust Fund monies, the United States has provided substantial demining assistance to Bosnia since 1996. FY 2002 and FY 2003 International Trust Fund monies supported demining and other mine action projects. The sites were high priority projects defined by the Bosnian national mine action center that promote refugee and internationally displaced person returns, social reintegration, and infrastructure rehabilitation.

Additionally, with NADR FY 2004 funds, the United States will provide increased NADR Export Control and Related Border Security (EXBS) assistance funds for an active cooperative program to assist BiH in establishing an effective export control system. These funds are provided for basic equipment and training to assist in developing and strengthening export control regulations and improving border enforcement capabilities. The EXBS program is part of the U.S. effort to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons.

Eight years after the Dayton Accords, BiH is consolidating and drawing-down the two entity forces. The resulting of small arms/light weapons (SALW), estimated to be in the hundreds of thousands, poses a threat to continued stabilization of the country and the region. FY 2004 NADR SALW funding will be used to support destruction of SALW, as a concrete contribution to rebuilding and stabilizing BiH.

Bulgaria
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	8,500	9,500	8,500
IMET	1,212	1,350	1,350
NADR-EXBS	410	730	500
NADR-SALW	980	0	200
Peace Corps	2,158	2,744	3,040
SEED	34,100	28,000	28,000

Bulgaria's transition to a market-oriented, democratic society, which was started thirteen years ago, has yet to be fully achieved. After serious setbacks during the 1997 economic crisis, U.S. assistance has become key to building new infrastructure to support further progress. Bulgaria has assumed a leadership role in promoting political and economic stability in the Southeastern Europe region in various cooperative organizations and in 2001-2002 held a non-permanent seat on the UN Security Council. Bulgaria showed itself to be a steadfast supporter of U.S. interests during the 1999 war in Kosovo. U.S. military action has received the continued backing of the Bulgarian government for 2002-03 activities in Afghanistan and Iraq. Bulgaria was invited to join NATO in 2002, and is in the process of reorganizing its defense establishment. Bulgaria aspires to be invited to join the EU in 2007, and is serving as the Coordinator of OSCE activities in 2003. Given Bulgaria's strategic importance to the United States, we will continue in 2004 to signal our support by carrying through on assistance programs that target those areas of civil security and market reform that are key U.S. priorities. These program areas, on which no other donor focuses, have had great resonance, although much work remains: rule of law, anti-corruption, economic restructuring, including privatization of state enterprises, pension reform, fiscal decentralization, and municipal governance.

Recent opinion polls reflect growing public dissatisfaction with Bulgaria's political leadership and its inability to reduce the levels of poverty and unemployment, increase wages, and improve the health and pension systems. 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, voters opted for Socialist leader Georgi Purvanov in the November 2002 presidential elections. 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.

Support for East European Democracy (SEED) assistance in FY 2004 is designed to improve civil security, strengthen border controls, and reform the judiciary and court systems. Expanded anti-corruption and rule of law programs, including support of non-governmental organization (NGO) involvement, has resulted in increased transparency and accountability at all levels of government. We will continue to focus on programs to strengthen local governments, promote fiscal decentralization and help modernize the municipal budget process. Our efforts on economic reform focus on reforming the banking sector, enforcing the commercial regulatory framework, and helping companies with export earnings potential in the agricultural, light manufacturing, information technology and tourism industries. Additional programs are designed to 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. The U.S. Embassy in Sofia, Bulgaria has developed a graduation plan for Bulgaria that focuses U.S. assistance on these programs. A three-year U.S. pledge for \$28 million annually will fund this transition plan to secure

stronger government and broader economic opportunity. With such a plan in place, Bulgaria will be ready to graduate from SEED assistance in FY 2007, with the last year of new funding in FY 2006.

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 Bulgaria was passed over in the last round of EU expansion. Bulgaria aspires to be invited into the EU in 2007. The EU has given Bulgaria a roadmap to this effect.

As part of our efforts to prevent proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish a fully effective export control system in Bulgaria. NADR EXBS funding in FY 2004 is designed to provide advanced licensing training, as well as training for export control enforcement officers at the border on basic detection, targeting, and profile techniques.

A source for gray market small arms/light weapons (SA/LW) transfers to almost every conflict zone in the world, Bulgaria is struggling to control the proliferation of its enormous surplus, a result of its military drawdown and Cold War legacy as one of the largest Warsaw Pact arms producers. Partnering with other donors through the Stability Pact, we intend to continue our support of small arms/light weapons and ammunition destruction in FY 2004 with NADR SALW funds.

Foreign Military Financing (FMF) is key to helping Bulgaria rationalize and modernize its armed forces in view of its new NATO membership. FY 2004 funds will promote defense reform along Western democratic lines. The majority of funds (\$6 million) will be devoted to upgrading Communications Information Systems (C4I) to achieve full interoperability with NATO systems. This will allow Bulgaria to be a viable partner in regional stability through participation in peacekeeping and crisis operations. FMF will improve coordination between the General Staff and Ministry of Defense with the continuation of defense modernization efforts. This will facilitate more efficient and productive interagency interaction. Purchasing night vision devices for peacekeeping and crisis reaction forces will ensure that deployable forces are able to interact with partners under all conditions. Finally, FMF will fund simulation equipment that will be used at regional training installations. This equipment assists resource-constrained units, allows other resources to be freed to focus on modernization, and helps to maintain force readiness and deployability.

International Military Education and Training (IMET) will continue to provide critical support to the Bulgarian armed forces as the government continues with its reorganization program and will be instrumental to its success. IMET funding in FY 2004 includes training for Non-Commissioned Officers and for officers in professional military training, civilian/military relations and national security affairs. IMET training is geared towards the development of Bulgaria's Rapid Reaction Force, familiarizing Bulgaria with U.S. methods of combating terrorism, improving the English language proficiency of the Bulgarian Armed Forces, streamlining C4I, and providing management training.

Bulgaria will be eligible in FY 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	5,000	6,000	5,000
IMET	593	700	800
NADR-EXBS	40	90	750
PKO	2,900	2,300	900
SEED	44,000	30,000	25,000

Croatia's successful transition from communism and the legacy of ethnic war is key to the U.S. policy goal of regional stability in the Balkans. Managing that successful transition serves important American interests including fighting terrorism, crime, trafficking and other transnational threats, and creates a more secure and attractive climate for U.S. business.

U.S. assistance has contributed to accelerated democratic and economic reforms in Croatia to date. The Croatian government has made significant progress since its election in 2000. However, it remains fragile in the face of major economic and political challenges. Continued assistance is crucial to support Croatia's transition and critical U.S. policy interests in the region.

From the late 1990s until the elections in 2000, Support for East European Democracy (SEED) programs in Croatia focused on democracy-building activities: technical assistance to local governments, political parties, labor unions, media and non-governmental organizations (NGOs). The 2000 elections of a reform-oriented government opened the door to further U.S. support for economic reform activities (which had to be suspended under the Tudjman regime) which have helped the moderate leadership to take meaningful steps toward macroeconomic stability. SEED assistance will continue to promote a competitive private sector by focusing on small business and employment in agriculture and agribusiness

SEED programs will continue to provide essential funding to help Croatia strengthen democratic institutions and rule of law, and complete implementation of the Dayton Accords, including full cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Specifically, U.S. assistance focuses on more effective citizen participation, improved law enforcement and governance, and support for the development of a vibrant NGO community. It will continue to create a legacy of trained leaders at local levels where reform is taking place with direct impact on communities. The United States has also put special emphasis on creating opportunities for refugees to return and assisting them in that process. SEED-funded programs administered by USAID have restored basic utilities and community services. They will continue to promote economic revitalization activities in partner municipalities in 2004.

Other donors, including the International Financial Institutions, and the European Commission, continue to consider the special advantages of the U.S. assistance program in Croatia to be vital to preparing the ground for launching and sustaining their own programs. For example, the SEED program is assisting Croatia's Ministry of Finance to improve its debt management and procurement offices. This will complement and lay the groundwork for the European Union's fiscal reform program to be launched in 2004.

The United States also expects to allocate Peacekeeping Operations funds (PKO) in FY 2004 for continued support of the Organization of Security and Cooperation in Europe (OSCE) Mission in Croatia. PKO funds will cover our annual OSCE Croatia Mission voluntary assessment of 13.57%.

In FY 2004 Foreign Military Financing (FMF) funds for Croatia will support force modernization and interoperability with the Partnership for Peace (PfP) and NATO. A portion of the FMF funds will support

Croatia's efforts to upgrade its communications capabilities and strengthen Croatia's ability to participate in PfP/NATO/coalition operations. FMF will also assist Croatia in creating an Air Sovereignty Operations Center, in integrating Croatian Air Force FPS-117 radars with Croatian Navy Peregrine coastal surveillance radars, and in developing an integrated Command and Control structure capable of interacting with the integrated NATO air defense structure.

International Military Education and Training (IMET) funds will continue to provide Croatian armed forces with the training and related English language instruction necessary to function effectively in a modern, professional military. IMET training will also enhance the professionalism of the Croatian armed forces and expose them to Western military doctrine. Expanded IMET will allow both military and civilians to receive education in the areas of civil-military relations and defense resource management.

In FY 2004, 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 PfP/NATO forces in crisis response operations 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 will provide Croatia with FY 2004 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funds. NADR Export Control and Related Border Security (EXBS) assistance funds will assist Croatia in establishing an effective export control system. FY 2004 EXBS assistance funds have been increased to provide basic equipment and training to assist in developing and strengthening export control laws/regulations and improving border enforcement capabilities.

Cyprus
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	15,000	15,000	7,500
NADR-EXBS	55	260	300

The United States has a longstanding interest in facilitating a comprehensive settlement on Cyprus. Because Cyprus issues involve NATO Allies Greece and Turkey, they have regional stability implications for the entire Eastern Mediterranean.

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

In FY 2004, Economic Support Funding (ESF) will support continuing United Nations efforts to achieve a comprehensive settlement on the island. Should a settlement be reached in the near future, we would re-orient our assistance programs to support implementation of its terms and priorities.

In the meantime, ESF will continue to fund programs and activities that encourage tolerance, cooperation and trust between Greek and Turkish Cypriots. These activities are expected to encourage agreement on a settlement by:

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

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

The United States also provides Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish fully effective transshipment controls in Cyprus. U.S. funding in FY 2004 will continue to focus on effective enforcement procedures and capabilities through training as well as the provision of equipment.

Czech Republic
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	10,000	11,000	10,000
IMET	1,800	1,900	1,900
NADR-EXBS	200	400	0

Assistance from the United States contributed to the Czech Republic's development into a democratic, free market-oriented NATO ally. As host of the 2002 NATO Summit, the Czech Republic has cooperated with the United States and other Allies on joint combat air patrols and other extraordinary protocol and security issues. The Czech Government, including the small but effective Czech Army, has proven to be a stalwart partner in the fight against terrorism. The Czech Republic operated a field hospital in Kabul during 2002, and continues to maintain a nuclear/biological/chemical defense unit in Kuwait. Most recently, the Czech Republic deployed a special forces unit to Afghanistan. It has also contributed to allied efforts in Bosnia and Kosovo. The primary U.S. interest remains helping the Czech Republic improve its ability to contribute fully to NATO missions and other operations related to the global war on terrorism. FY 2004 funds for this NATO ally will focus on English language proficiency, building a NATO-compatible and secure command and control system, improving survivability of forces, effective combat engagement, and supporting reform within the Czech armed forces. The United States supports the ongoing economic reforms intended to promote prosperity and prepare for the Czech Republic's anticipated entry into the European Union (EU) in 2004, thus providing an environment in which American business interests can thrive.

Helping the Czech Republic continue its progress on military modernization will maximize its contributions to NATO's role in European security, and provide a model for countries invited to accede to NATO at the Prague NATO Summit and in potential future enlargements. Robust Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential in helping the Czech Republic realize NATO force goals. FMF, particularly, is important as it focuses on increasing the Czech Republic's support capability to deploy or receive forces. Restructuring of the Czech military will need to be consolidated through training and further organizational reform. In spite of tough budgetary pressures and hard economic times, Czech authorities have managed to stay on target to increase defense spending as a percentage of GDP. U.S. assistance, in the form of FMF and IMET funds, will complement national resources.

Proposals for FY 2004 funds are aimed at improving Czech interoperability with NATO. They include:

- A secure command and control system to support commanders and staff at all levels, including the purchase of various interoperable, tactical voice and data radios, specialized networking hardware and infrastructure, and cryptographic equipment.
- Continuation of contracted logistics support for the operation of the Air Sovereignty Operations Center and the procurement of a system and hardware to modernize connectivity and integration into the NATO Integrated Air Defense Systems.
- A two-year purchase to field a battalion's worth of medium range anti-tank missile systems with associated spares, training devices and support equipment and a multi-year purchase (FY 2004-FY 2008) of a Man Portable Air Defense system needed for protection from conventional aircraft attack.

- Effective combat engagement assistance to provide specialized equipment, such as night vision gear, advanced laser targeting equipment, specialized parachutes, and associated supplies, tools and technical support to equip the NATO-tasked rapid reaction forces.
- Simulation training upgrades, combat identification of friend or foe (IFF) equipment and artillery systems upgrade.
- Additional technical assistance to support Czech Armed Forces reform of structures, policies and procedures.
- This assistance will also be used to increase Czech support capabilities and ability to deploy or receive forces.

The Czech Republic will be eligible in FY 2004 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.

In FY 2004 there is no separate bilateral Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) line-item for the Czech Republic, given the significant progress it has made toward establishing an effective export control system. Czech participation in regional export control events will be funded using regional NADR EXBS funds and program advisors stationed at Embassy Bratislava and Embassy Ljubljana will continue to work with Czech officials to implement past year funds and continue engagement on an ad hoc basis.

The Czech Republic was one of the first wave of graduates from bilateral SEED Act support. In light of continued progress in transition by the “graduates,” modest regional funding will be discontinued in FY 2004.

Estonia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	6,250	6,750	6,250
IMET	1,036	1,100	1,200
NADR-EXBS	68	100	1,750
NADR-HD	200	0	0
Peace Corps	373	0	0

Northern Europe's security and long-term stability hinge on the Baltic States, their integration into Euro-Atlantic security and economic structures, and their relations with Russia. Along with its Baltic neighbors, Estonia now has been invited to join the EU, as well as NATO. Consequently, its strategic influence will grow, as will its influence on Russia's development, especially in Northwest Russia. The continued reinforcement and enlargement of Estonia's external and internal security enhances regional security efforts. The United States can accomplish these goals by sustaining Estonia's movement into Western security structures, nurturing the continued development of a civilian-controlled and NATO-compatible military, and assisting Estonia to become a net security contributor within three years.

After its initial successful focus on accession talks with the WTO and EU, Estonia now has begun to give higher priority to the security aspects of NATO integration. The growing defense budget is projected to reach 2% of GDP in 2003.

As Estonia prioritizes resources for its own legitimate defense needs and for its contribution to the overall security of Europe, FY 2004 International Military Education and Training (IMET) funds will continue to assist in the professionalization of the military and 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.

Foreign Military Financing (FMF) will continue to be used to sustain Estonia's efforts 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 2004 FMF funds will help improve Estonian military capabilities through the establishment of a standardized, secure-mode capable, NATO-interoperable communications network. Funds will also focus on establishing a domestic air sovereignty capability and increase Estonia's support capability to deploy or receive forces.

Estonia will be eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act (FAA). 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 NADR Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish fully effective export controls in Estonia. The FY 2004 NADR export controls request focuses primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

Estonia has graduated from bilateral Support for East European Democracy (SEED) Act support. In past years, SEED 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. In light of Estonia's continued progress in transition, modest regional funding will be discontinued in FY 2004.

Federal Republic of Yugoslavia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	0	1,000	0
IMET	0	300	500
NADR-EXBS	0	100	750
P.L. 480 Title II	1,738	0	0
SEED	165,000	135,000	113,000

Ensuring that democratic and economic reforms in the Federal Republic of Yugoslavia (FRY) take hold is crucial to fostering stability in Southeast Europe. U.S. assistance to the federal government and its two constituent republics, Serbia and Montenegro, plays a key role in consolidating the democratic transition, supporting civil society, democratic institutions and economic reforms, and fostering the reintegration of a prosperous FRY into Euro-Atlantic institutions. The federal government led by President Kostunica has responded forcefully to mounting evidence of past and present links between FRY weapons exporters and states of concern, including Iraq. The FRY has also cooperated on implementing financial sanctions against terrorist groups, including establishing an anti-terrorism task force and a Financial Intelligence Unit.

Support for East European Democracy (SEED) assistance has greatly helped Belgrade implement and maintain popular support for difficult political and economic reforms. SEED funding has provided critical humanitarian assistance especially in areas subject to ethnic tensions and instability. Programs specifically targeting southern Serbia and the Presevo Valley helped to stabilize the area along the administrative boundary line with Kosovo.

FY 2004 SEED funds requested for Serbia and Montenegro will be used to sustain the reform processes in Yugoslavia. Federal-level, Serbian, and Montenegrin governments understand the importance of strengthening democratic institutions and making progress on badly needed economic and legal reforms.

SEED funds will target programs to strengthen democracy and civil society, including local government and community development, media, non-governmental organizations, political parties, and rule of law issues including judicial reform. A flagship program of community development will continue to build democracy at the local level and help the population see tangible benefits from the reform process, thus building support for the FRY's difficult transition. SEED funds will also fund intensive efforts to enhance FRY capacity to investigate, prosecute, and try war crimes and other sensitive and complex cases, including through establishment of special domestic courts to deal with war crimes and organized crime. Other anti-crime efforts hit corruption and trafficking in persons.

FY 2004 SEED funds will also be used to provide technical assistance for economic restructuring and reform, including in the areas of fiscal, budget and banking reform. Efforts will focus on boosting private sector development, especially small business. U.S. assistance is designed to accelerate the growth of private enterprise by creating a competitive and efficient free-market economy through stabilization, restructuring and integration into regional and world markets. Stabilization 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 past Foreign Operations Appropriations Acts made continuation of U.S. assistance to Yugoslav authorities 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 to ensure that relations between the Yugoslav and Republika Srpska (RS) armies are consistent with the Dayton Peace Accords. 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 press for compliance with the Dayton Accords.

In an effort to build on the GoFRY's unprecedented cooperation with the investigation into past and present FRY weapons exports to states of concern, the United States is expanding its export control activities with the FRY. Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds will support an accelerated program to help establish a fully effective export control system in Yugoslavia. FY 2004 NADR funding will help develop the laws and regulations of a strong export control system, as well as provide training for export control enforcement personnel.

Bilateral military engagement with the FRY since the democratic transition has been limited to sending small numbers of FRY personnel to Marshall Center programs. The Administration's FY 2003 budget request included IMET funds and plans are to use the bulk of that to build an English language lab inside the Yugoslav Army academy in Belgrade. The start of English language training activities would lay the groundwork for FY 2004 funding which will focus on participation in IMET professional military education 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 depend on continuing FRY commitment to improving cooperation with the ICTY, appropriate relations between the FRY and RS armies, and an end to weapons sales to states of concern.

Georgia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	11,000	7,000	10,000
FMF-SUP	20,000	0	0
FSA	89,807	87,000	75,000
IMET	889	1,200	1,300
NADR-HD	1,100	1,100	2,100
Peace Corps	1,182	1,404	1,529
PKO	340	0	0

The United States has both strategic and economic interests in promoting Georgia's stability. Lying at the crossroads of Russia, Iran and Turkey, Georgia plays a key role in furthering U.S. interests. It has been a strong supporter in the war on terrorism, granting the United States overflight rights and potential 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 and weapons into and out of the North Caucasus. Furthermore, with the completion of oil and gas pipelines in the coming years, Georgia will become a key conduit through which Caspian Basin energy resources will flow to the West, facilitating diversification of energy sources for the United States and Europe.

U.S. assistance to Georgia enhances its territorial integrity, promotes regional security and nonproliferation; supports the rule of law; supports market-based economic reform; strengthens civil society and promotes a participatory democracy; and helps relieve human suffering. In FY 2004, 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, weapons expertise, and contraband material across the borders, and pursue military reform.

Through the FREEDOM Support Act (FSA)-funded Export Control and Related Border Security/Border Security and Law Enforcement (EXBS-BSLE) 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, Customs and other security forces maintain an active presence on the Georgian-Russian border and other Georgian borders. EXBS-BSLE will continue to enhance Georgian capabilities to monitor and control territorial borders, communicate, patrol internal checkpoints, and prosecute criminals and terrorists. In addition, this program enhances interoperability between Georgian security forces and with U.S. and other Coalition forces. Assistance includes support for uniforms, transportation, communications, infrastructure upgrades, training, vessels and aircraft, spares and maintenance, radar and facilities operation and management, and new tactical utility vehicles. This assistance meets key objectives of U.S.-Georgian security cooperation.

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 (PfP). A major goal of training programs is to promote consolidation and greater professionalism of the military. Through the FMF program, we will continue to provide essential assistance for the 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 PfP and its interoperability with NATO.

Georgia will be eligible in FY 2004 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.

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), the Environmental Protection Agency's Biodirect and the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Science and Technology Centers program provides peaceful research and employment opportunities for former-Soviet weapons experts in Georgia, with a view to preventing the spread of their expertise to rogue states or terrorist organizations.

U.S. law enforcement assistance has helped to develop a modern forensics lab system in Georgia. We also work with the government on anti-corruption initiatives, and provide training to police, prosecutors, lawyers and judges. FY 2004 assistance in this area will allow for continuation of these activities and support the government efforts to restructure its law enforcement agencies.

Democracy programs in Georgia continue to provide support for ongoing reforms and the upcoming 2005 presidential elections. Non-governmental organizations, many of which have benefited from U.S. assistance, are numerous and active, and independent media are among the strongest in the former Soviet Union. 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 and a testing program for prosecutors.

U.S. economic assistance under the FSA 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 two million holders of agricultural land titles in Georgia, thanks in large part to a USG 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 official government corruption have been serious impediments to economic reform. As a result, FSA funding in FY 2004 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.

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 2003, 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 2004. 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 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 2004, 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.

In FY 2004, exchanges, training and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

Greece
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
IMET	499	600	600

A key NATO ally, Greece is strategically located near Balkan and Middle East trouble spots; it is essential to the ability of the United States and other allies to respond to contingencies in Southern Europe and further east. The U.S. Naval base in Crete has played a pivotal role in recent U.S.-led military coalition operations. Greece has given full support to Operation Enduring Freedom and is committed to contributing over \$500 million to the reconstruction of the Balkans. It has pledged over \$5 million for assistance to Afghanistan.

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

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

In FY 2004, IMET funding reinforces the involvement of the Greek armed forces in multinational regional peacekeeping, Balkan stabilization efforts, and cooperative programs with other regional NATO allies and Partnership for Peace members. Greece continues to take positive steps with Turkey to reduce military tensions, as part of the general rapprochement in relations between the two countries. IMET also creates opportunities for greater contact and cooperation between the militaries of Greece and Turkey, by offering special Greek-Turkish joint training courses and, where possible, assigning both Greek and Turkish officers to high-level training.

Consistent with its readiness needs and NATO obligations, Greece also is a recipient of Excess Defense Articles (EDA). It will be eligible to receive grant EDA in FY 2004 under Section 516 of the Foreign Assistance Act. The transfer of grant EDA to Greece accords with U.S. and NATO efforts to strengthen regional stability in Southeastern Europe and the Eastern Mediterranean. In view of Greece's strategic location, the United States in recent years has asked Greece to become a more active participant in key regional peacekeeping missions: Albania, Bosnia, and Kosovo. As an active member of the Multilateral Peacekeeping Force Southeast Europe, Greece may also use EDA in related regional missions, all of which are designed to promote stability in the region.

Hungary
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	10,000	11,000	10,000
IMET	1,789	1,900	1,900
NADR-EXBS	240	270	0

U.S. assistance has contributed to Hungary's development into a stable, democratic, market-oriented NATO ally that contributes to the security of the Central European region, and actively participates in NATO operations. Hungary will pursue further economic and legal reforms as the country moves toward EU membership expected in 2004. Hungary has proved to be a willing contributor to international community efforts in the Balkans and elsewhere. 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 deployed an engineer battalion to SFOR and a combat battalion to KFOR and provided a medical unit and materiel to Operation Enduring Freedom, in addition to providing basing and overflight access for U.S./NATO forces. Hungary has been a stalwart ally in the fight against terrorism. The Hungarian Government has provided strong rhetorical and material support for the U.S. position on Iraq and supported counter-terrorism training at the International Law Enforcement Academy (ILEA) in Budapest.

The new Hungarian Government, which took office in late spring 2002, has boosted defense spending by 20 percent and is following through on its plan to free more resources for modernization by reducing military personnel, closing redundant bases, and restructuring military forces. Previous Foreign Military Financing (FMF) assistance funded expert contributions to a force modernization study which later provided the foundation for Hungary's Strategic Defense Review and the overall blueprint for military reforms. FY 2004 FMF and International Military Education and Training (IMET) assistance will be used to improve Hungary's interoperability with NATO and support Hungary's program of force modernization, including fulfillment of several key NATO force goals, as well as increase its support capability in deploying or receiving forces. FY 2004 FMF funds will support the purchase of defense articles and services that target improvements in the areas of night fighting capability, command and control, nuclear, biological, and chemical defense capabilities, training, and continued assistance in defense reform and resource management. Specific projects include:

- Night vision capability and ground navigational equipment allowing for rapid improvement in NATO interoperability, tactical capabilities, and combat effectiveness.
- Command, control and communications equipment and a field-capable computer system so that Hungarian forces will be capable of communicating among themselves and with NATO and other PFP forces.
- Improve capabilities in the area of Nuclear, Biological, and Chemical (NBC) operations, including modern NBC detection equipment.
- Improve capabilities to conduct combat training by acquiring the Multiple Integrated Laser Enhancement System (MILES) which provides realistic training for soldiers by allowing them to fire infrared bullets from the same weapons used in actual combat.
- U.S. contactor-assisted efforts in force modernization/restructuring and personnel and logistics systems development.

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

Hungary has maintained a strong nonproliferation record over the last several years, implementing stringent legal controls on exports of dual-use equipment and arms. Given Hungary's significant progress toward establishing an effective export control system, in FY 2004 there is no separate bilateral Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) line-item for Hungary. However, Hungarian participation in regional export control events will be funded using regional NADR EXBS funds, and EXBS program advisors stationed at Embassy Bratislava and Embassy Ljubljana will continue to work with Hungarian officials to implement programs with past year funds and continue engagement on an ad hoc basis.

Hungary will continue to be eligible in FY 2004 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 further interoperability.

Hungary was one of the first wave of graduates from bilateral SEED Act support. In light of continued progress in transition by the graduates, modest regional funding will be discontinued in FY 2004.

Ireland
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	30,000	29,000	12,500

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

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

The annual U.S. contribution to the IFI helps foster economic regeneration, job opportunities, and cross-community interaction 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 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 IFI.

The FY 2004 request will help support reconciliation projects and economic development. Disbursements from the International Fund for Ireland are made on the basis of equality of opportunity and nondiscrimination in employment, addressing needs in both Catholic and Protestant communities and encouraging cross-community cooperation. Since 1986, the IFI has underwritten over 5,000 projects in the areas of urban development, education, tourism, community infrastructure, and assistance to small businesses.

The requested \$4 million in ESF funding for the Walsh Visa Program is dedicated to support economic regeneration and peace and reconciliation in Ireland and Northern Ireland. The law signed in October 1998 established a program for young people who are residents of Northern Ireland and the border counties of Ireland to “develop job skills and conflict resolution abilities.” Young people meeting the program criteria are eligible for non-immigrant visas enabling them to work for up to three years in the United States to gain job experience and work skills.

The first group entered the United States in March of 2000 and the last group will arrive by September 30, 2003. FY 2004 funding provides continued support and monitoring for Walsh participants until their return home.

Kazakhstan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	2,750	3,000	3,000
FMF-SUP	2,000	0	0
FSA	45,815	43,000	32,000
FSA/NIS-SUP	1,500	0	0
IMET	893	1,000	1,200
NADR-EXBS	655	1,750	2,200
NADR-EXBS-ERF	2,000	0	0
NADR-SALW	0	200	0
Peace Corps	2,254	2,783	3,130

Kazakhstan has vast hydrocarbon reserves and is the largest Central Asian state, sharing borders with Russia and China. 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) building upon the Government of Kazakhstan's commitments to the war on terror; (2) building upon non-proliferation programs that have registered impressive successes, particularly under the U.S.-GOK Cooperative Threat Reduction Agreement; and (3) promoting democratic governance, open markets, a favorable investment climate for U.S. firms, and integration of Kazakhstan into the world trading system, especially the WTO. In support of Operation Enduring Freedom, Kazakhstan provided the U.S. with overflight permission and has offered basing privileges. Kazakhstan has also adopted an accelerated schedule to accede to five remaining international counter-terrorism conventions and to adopt money-laundering legislation.

In FY 2004, the United States plans to continue a range of assistance for Kazakhstan under the FREEDOM Support Act (FSA), including conflict prevention in the south, support for small and medium sized enterprises, improved management of critical natural resources, improving primary health care, strengthening civil society and citizen participation, and promoting broad-based community participation in resolving local problems. In addition, FSA programs will continue to support nonproliferation cooperation and improvements in law enforcement and counter-narcotics capabilities.

An important element of U.S. economic reform assistance under the FSA is the "Houston Initiative," a U.S.-Kazakhstani partnership that includes technical assistance, training, small business loans, and equity investments aimed at removing barriers to investment, increasing business opportunities for Kazakhstani and U.S. investors and building a middle class in Kazakhstan. Due to significant progress on basic economic reforms, the budget request for FY 2004 scales back the level of economic reform assistance. The Quality Primary Health Care program is implementing fundamental systemic changes to create a higher quality, user-friendly, more cost-effective primary healthcare system in select regions. The natural resources management program is increasing access to information, knowledge, and skills needed to better manage water and energy resources.

Kazakhstan's commitment to democratic values deteriorated during the past year; the government attempted to control and stifle opposition political groups and independent media. Concern is growing among the human rights, non-governmental organization (NGO), and media community in Kazakhstan that

the country is backsliding 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. Independent journalists and media outlets have faced various forms of harassment. While this indicates a negative trend, there have been some positive steps. In the past year, Kazakhstan granted temporary registration to opposition party Ak Zhol, appointed a human rights ombudsman, and was in compliance with human rights standards on extradition issues. In the face of these challenges, FSA democracy assistance programs are designed to strengthen grassroots civic organizations and to develop more effective, responsive, and accountable local government.

We have increased funding for media assistance in Kazakhstan, broadening our support to print media. Programs will assist independent Kazakhstani broadcast media to meet Kazakhstan broadcast and production laws and thereby decrease their chances of legal challenges to their operation. The local government project works to promote citizen participation and improve local governments' responsiveness to citizens; this program has had success in addressing difficulties with the privatization of housing. USAID also works to strengthen NGOs by providing training, assistance, and small grants.

Democracy programs continue to promote long-term generational change through academic and professional exchange programs. Increased funding for the Community Connections program will facilitate outreach to professionals and religious leaders in southern areas of the country. The Internet Access and Training Program supports ten free access sites in nine cities throughout Kazakhstan. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

With the dissolution of the Soviet Union, Kazakhstan became a de-facto nuclear weapons state. Following its independence, Kazakhstan began to work cooperatively with the U.S. and others to dismantle Soviet-era nuclear, biological and chemical weapons infrastructure and redirect expertise. 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.

The FY 2004 Anti-Crime Training and Technical Assistance (ACTTA) Program will continue to support reform of criminal law and prosecutorial procedures by the Government of Kazakhstan as well as the enhancement of investigative techniques employed by Kazakhstani law enforcement agencies.

The Export Control and Related Border Security (EXBS) Program will continue to help Kazakhstan prevent, deter, detect, and interdict illicit trafficking in Weapons of Mass Destruction (WMD), missile delivery systems, related dual-use commodities, and conventional arms. Training and equipment will assist Kazakhstani Border Guard Service, Customs Control Agency, and Defense Ministry. In FY2004, a high priority for EXBS assistance will be the development of Kazakhstan's maritime border security capabilities. EXBS assistance also will continue to sponsor joint regional training programs on border search, WMD and immigration procedures, counter-proliferation awareness courses, and EXBS international border interdiction training to border security officials to enhance land and maritime border security.

The FY 2004 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 also will address Kazakhstan's military reform efforts. FMF will provide assistance to the Peacekeeping Battalion and help refurbish a military base and training center near the strategically important North Caspian Sea. The training center will facilitate joint training in

the area of counter-terrorism. FMF will purchase interoperable communications equipment, night vision devices, basic individual equipment, transportation, medical supplies and infantry equipment.

IMET funds will help facilitate greater professionalism and reform of the armed forces. New graduates from the Kazakhstan Military Academy will continue to attend U.S. basic officer schools and become platoon leaders in the Kazakhstan Peacekeeping Battalion. English language training will continue to foster cooperation and interoperability.

Kazakhstan will be eligible in FY 2004 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 (DOE) 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. Under the umbrella of the Cooperative Threat Reduction (CTR) program, the United States is helping and will continue to help Kazakhstan eliminate WMD infrastructure dating back to Soviet period. CTR will continue to assist with the transportation and storage of orphaned sources of radioactivity, and additional security for genetically altered pathogens at both the Almaty Anti-Plague Institute and the Otar Scientific Research and Agricultural Institute.

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 2002 Actual	FY 2003 Request	FY 2004 Request
CSH	131	0	0
PKO	15,400	12,500	9,500
SEED	118,000	85,000	79,000

The United States has actively promoted political and economic stability in Kosovo since the 1999 conflict. It continues to back the United Nation Interim Administration Mission in Kosovo (UNMIK) while encouraging it to transfer additional responsibilities to Kosovo's Provisional Institutions for Self-Government (PISG) in accordance with United Nations Security Council Resolution 1244 and the Constitutional Framework. UNMIK has designed a series of benchmarks against which the international community can measure progress in Kosovo. U.S. assistance helps Kosovo make progress toward these benchmarks, which include establishment of functioning democratic institutions, rule of law, and returns and reintegration of displaced persons. U.S. assistance programs complement those of other donors. The European Union and European bilateral donors are the lead donors, providing the majority of assistance for Kosovo's reconstruction and development.

FY 2004 Support for East European Democracy (SEED) funds will remain committed to programs that promote rule of law, good governance, human rights and a market economy that is integrated with the rest of Europe. Program funding aims, above all, to cultivate internal conditions that enable the earliest possible withdrawal of NATO-led (including U.S.) troops from Kosovo. Because law enforcement and administration of justice remain critical to preserving public safety and rule of law in Kosovo, the United States will continue to devote funding to support the UNMIK International Police Force, and to train and equip the Kosovo Police Service (KPS) which will increasingly take on expanded investigative processes including organized crime. The United States will also support training of the Kosovo Protection Corps (KPC), a multi-ethnic organization that assists in natural and humanitarian disasters and community-level reconstruction activities.

Institution building and democracy programs will remain important components of SEED funding in FY 2004. We intend to boost the competency of the PISG and municipal government through training, advisory services and material donations. Targets will also include independent media, professionals, youth and civic leaders. Human rights activities, including the identification of missing persons will continue. U.S. assistance will also support the return and reintegration process in Kosovo. 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, commercial law and private enterprise development. The United States has been successful in catalyzing grass-roots economic activity as well. USAID's programs small and medium enterprise development and agribusiness support, community and non-governmental organization (NGO) development will round out the U.S. contribution to Kosovo's economic recovery.

Peacekeeping Operations (PKO) funds in FY 2004 will be used to support the Organization for Security and Cooperation in Europe's (OSCE) Mission in Kosovo (OMIK). OMIK is an integral part of the United Nations Mission in Kosovo, and is charged with oversight of Institution Building (Pillar III of Dayton Accords). Specifically, OMIK focuses on the following activities: human resource capacity building, including the training of the Kosovo Police Service; democratization and governance, including the development of civil society, NGOs, political parties and the local media; organization and supervision of elections; and monitoring, protection and promotion of human rights. PKO funds will cover our annual OSCE Kosovo Mission voluntary assessment of 13.57%.

Kyrgyz Republic
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	2,000	4,000	6,000
FMF-SUP	9,000	0	0
FSA	35,489	36,000	40,000
FSA/NIS-ERF	3,500	0	0
FSA/NIS-SUP	33,000	0	0
IMET	600	1,100	1,200
NADR-EXBS	0	1,200	1,400
Peace Corps	1,063	1,304	1,673

The United States seeks 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 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, supports economic reform and development, improves its ability to protect human rights, halt environmental degradation, help prevent weapons proliferation, drug trafficking and other illicit smuggling, and more effectively combat transnational terrorism.

In FY 2004, the United States plans to continue economic and technical assistance for small and medium-sized enterprise development, civil society strengthening, conflict mitigation, and health reform. A range of security-related assistance programs for the Kyrgyz Republic will be funded through the FREEDOM Support Act (FSA), Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR), Foreign Military Financing (FMF) and International Military Education and Training (IMET) accounts.

U.S. economic assistance under the FSA helps the private sector create free and viable markets where micro-, small-, and medium-sized private enterprises can thrive. FSA-funded programs have helped the Kyrgyz Republic to lead Eurasia in accounting reform and to become fully compliant with international standards. Credit financing will support micro and SME development. FSA programs have also helped the Kyrgyz Republic become a regional leader in health reform, having completed a major restructuring of its health delivery system. Sixty eight percent of family doctors nationwide have completed standard retraining programs.

While the Kyrgyz Republic has led the region in developing democratic institutions, there have been setbacks in the area of democratic development in 2002, with the violence against protestors in Aksy and government pressure on the political opposition. However, the Presidential Administration has made an effort to reach out to some members of civil society and to address the events of Aksy. The Kyrgyz Republic will hold a constitutional referendum early in 2003, albeit with the option only to approve or disapprove the entire slate of amendments as a whole, and has agreed to the registration of an independent printing press. In comparison with its neighbors, the Kyrgyz Republic still has a relatively vibrant civil society.

U.S. democracy assistance under the FSA to the non-governmental sector is focusing on citizen participation through public hearings and advocacy campaigns, as well as continuing to work on the sustainability of non-governmental organizations (NGOs) and other elements of civil society. Support to the independent media and for Internet access will also continue. Other programs will continue work with local governments and citizens to strengthen the accountability of government. U.S. assistance will expand in the area of education reform, with programs focusing on civic education, basic education, and continuing the development of the American University of Central Asia (formerly the American University of Kyrgyzstan). FSA funds will continue to support a successful project to award university scholarships on merit by working with the Ministry of Education to develop an independent testing program. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

In FY 2004, the United States will continue programs in the Kyrgyz Republic to help prevent the proliferation of weapons of mass destruction (WMD) and weapons technology and expertise. The International Science and Technology Center in Russia, funded under the NADR account, and the FSA-funded Civilian Research and Development Foundation will keep former Soviet weapons experts in the Kyrgyz Republic employed in peaceful research. They also will continue to support growth in peaceful scientific infrastructure such as the International Geodynamics Research Center (IGRC). Through the Export Control and Related Border Security Assistance (EXBS) program funded under the FSA and NADR accounts, we 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. We will also continue to provide support to enhance border security capabilities through the EXBS Aviation/Interdiction Project. The NADR-funded Anti-terrorism Assistance (ATA) program will continue to provide counter-terrorism training to Kyrgyz law enforcement and other security personnel to bolster its ability to maintain security at home and to participate in the global war against terrorism.

Assistance for law enforcement and judicial and prosecutorial reform and for increased counter-narcotics capabilities will be provided in FY 2004 under the Anti-Crime Training and Technical Assistance (ACTTA) Program. The Kyrgyz Republic is a transit country for illegal narcotics produced in nearby Afghanistan and bound for Russia and Western Europe. The revenues from such drug smuggling are strongly believed to be a source of financing for terrorist entities. Much of the United States assistance to the Kyrgyz Republic will therefore be aimed at improving the interdiction and enforcement infrastructure and training of counter-narcotics units. Previously-appropriated funding has been provided to assist the Kyrgyz government in creating a Drug Control Agency and creating and equipping Customs posts, improving law enforcement capabilities in general through provision of training and equipment, and carrying out reforms in law enforcement, judicial and prosecutorial procedures. Funding In FY 2004 is needed to continue these programs.

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). Foreign Military Financing (FMF) funding would aim to further expand our enhanced military relationship following September 11 and increase 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 and other security forces ability to counter terrorist activities. It 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 Export Control and Related Border Security Assistance (EXBS) to support spares,

repairs, and maintenance of air assets necessary for border control and security. FMF will continue to fill major gaps in security requirements and provide lasting capabilities and infrastructure -- in line with promoting the Kyrgyz Republic's combat and counter-terrorism capabilities. Engagement will include continued work in the area of peacekeeping, with new work in search and rescue capability. Requirements for FMF will include additional training, communications equipment, personal soldier gear, and vehicles.

International Military Education and Training (IMET) funds will help facilitate greater professionalism and reform of the armed forces and provide English language training. Special Forces training for border defense will combat the continuing threat of terrorists and insurgents in the Kyrgyz Republic and across the region. 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, clothing, food and vaccines. Assistance also will be provided to help the Kyrgyz Republic deal effectively with the problem of trafficking in persons.

Latvia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	6,250	7,000	6,250
IMET	1,047	1,100	1,200
NADR-EXBS	1,113	1,400	1,800
NADR-SALW	0	200	0
Peace Corps	363	0	0

Security and long-term stability in Northern Europe hinge on the Baltic States, their integration into Euro-Atlantic political, military, and economic structures, and 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, and strengthened cooperation among the Baltic countries. Since regaining independence, the Latvian military has had to build into a territorial defense force with a modest capability to participate in international operations. The government's ability to procure defense equipment and develop this force has been hindered by limited available national funding. Latvia's chief priority is enhancing military professionalism and NATO interoperability.

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. Latvia was an early graduate from bilateral SEED Act support. In light of continued its progress in transition, further SEED funding for Latvia is not anticipated in FY 2004.

In FY 2004 Foreign Military Financing (FMF) funds will support force modernization and interoperability with NATO, Partnership for Peace (PfP), and NATO-associated operations, to include peacekeeping, peace enforcement, and humanitarian assistance. FMF funds will be devoted to continued assistance with defense reform and restructuring projects for the Latvian Ministry of Defense (MoD) and National Armed Forces. Contractors will continue to work with the Latvian MoD in the areas of command, control, communications and computers; logistics; development of a planning, programming and budgeting system; and ministerial level administration and personnel management. Funds will also support the continued development of the Regional Airspace Initiative programs. Additional funds will be devoted to develop NATO-interoperable command, control and communications capabilities, specifically the fifth year of a seven-year acquisition plan to outfit the National Armed Forces with modern, tactical communications equipment in order to allow Latvian Armed Forces to support/deploy forces globally. Finally, funds will be designated to improve the capabilities of special operations, counter-terrorist forces (including the purchase of 20 sets of specialized diving gear) in order to improve Latvia's ability to support the war on terrorism.

International Military Education and Training funds (IMET) funds will be used to provide professional military education for those personnel serving in key positions within the Latvian Ministry of Defense and National Armed Forces. Additionally, IMET will continue to provide much needed exposure to American doctrine, tactics, and leadership for Latvian officers and non-commissioned officers (NCOs) in those areas in which Latvia currently lacks the facilities and expertise to perform.

Latvia will be eligible in FY 2004 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 efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance for a program to help establish fully effective export controls in Latvia. FY 2004 NADR funding will focus primarily on improving export authorization and enforcement procedures, and strengthening capabilities and interoperability among enforcement officials. In addition to training in enforcement and identification of dual-use goods, NADR activities will expand the Electronic Border Enforcement Transmission (EBET) system to enhance the accuracy and timely transmission of information from remote border crossings to licensing authorities, chemical/nuclear experts, dual use experts and others. This information will be used in licensing determinations or identification of goods. Funds will also support radiation detection monitors along critical border crossings.

Lithuania
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	6,593	7,500	7,000
IMET	1,019	1,100	1,200
NADR-EXBS	748	920	1,800
Peace Corps	362	0	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 enclave 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.

Support for East European Democracy (SEED) program funding in past years was key to supporting the development organizations committed to democracy and rule of law, which were instrumental in bringing a reform-minded government to power. Lithuania was an early graduate from bilateral SEED Act support. In light of Lithuania's continued progress in transition, further SEED funding is not anticipated in FY 2004.

In FY 2004 Foreign Military Financing (FMF) funds will support force modernization and interoperability with NATO, Partnership for Peace (PfP), and NATO-associated operations in peacekeeping, peace enforcement, and humanitarian assistance operations. FMF will provide continued support for a standard communications system as well as the Regional Airspace Initiative by upgrading P-37 radar and Identification of Friend or Foe (IFF) systems. These systems are necessary to better support coalition operations. Funds will also be used to acquire Hummer vehicles for Lithuania's High Readiness Brigade that will enhance interoperability and Lithuania's ability to support NATO and other missions. In addition to the vehicles Lithuania would like to acquire four light armed vehicles and other equipment for nuclear, biological and chemical weapons reconnaissance. Lithuania is also seeking night vision devices and other equipment to support special operations and counter-terrorist units. Finally, provision of small arms and spare parts for vehicles for Lithuania's armed forces will support Lithuania's efforts to maintain a state of readiness for coalition operations.

Lithuania is committed to achieving full integration into Western security structures through International Military Education and Training funds (IMET) courses in defense resource management and civil-military relations. IMET funds will also be used to provide professional military education for those personnel serving in key positions within the Lithuania Ministry of National Defense and National Armed Forces. Additionally, IMET will continue to provide much needed exposure to American doctrine, tactics, and leadership for Lithuanian officers and non-commissioned officers (NCOs).

Lithuania will be eligible in FY 2004 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Lithuania in meeting defense requirements, and furthering defense and NATO interoperability.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) Export Control and Related Border Security assistance for a program to help establish fully effective export controls in Lithuania. FY 2004 NADR funding will focus primarily on improving export authorization and enforcement procedures, and strengthening capabilities and interoperability among enforcement officials. In addition to training in enforcement and identification of dual-use goods, NADR activities will expand the Electronic Border Enforcement Transmission (EBET) system to enhance the accuracy and timely transmission of information from remote border crossings to licensing authorities, chemical/nuclear experts, dual use experts and others. This information will be used in licensing determinations or identification of goods. Funds will also support radiation detection monitors along critical border crossings.

Macedonia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	10,500	11,000	10,000
IMET	579	650	700
NADR-EXBS	180	190	300
Peace Corps	341	1,138	1,389
SEED	49,506	50,000	39,000

Key U.S. interests in the Former Yugoslav Republic of Macedonia (Macedonia) include strengthening peace and stability in the country after the 2001 conflict and refocusing government efforts on continued democratic, economic, and military reforms on the path to full membership in Euro-Atlantic institutions. U.S. bilateral and regional interests lie in Macedonia serving as 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 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 its multiethnic, democratic institutions through implementation of the 2001 Framework Agreement that ended the insurgency, Macedonia will make an invaluable contribution to stability and to the global war against terrorism.

U.S. assistance to Macedonia seeks to promote inter-ethnic reconciliation and cooperation, market-based economic reform, strengthening of civil society, judicial, and democratic institutions, and the enhancement of Macedonia's ability to ensure its territorial integrity and security. Our focus is on both short and longer-term efforts to solidify and deepen political and security gains, improve the enabling environment for sustainable economic growth aimed at raising overall living standards, strengthen the legitimacy of Macedonia's multi-ethnic civil institutions and foster inter-ethnic cooperation by assisting with the implementation of the Framework Agreement, and supporting the government and military in refocusing Macedonia's NATO Membership Action Plan efforts.

In FY 2004, Support for East European Democracy (SEED) assistance programs in Macedonia will advance reforms that target the economy, democracy-building and decentralization, while broadening the scope of ongoing activities that promote inter-ethnic relations and address legitimate minority concerns in the spirit of the Framework Agreement. SEED funding will support programs to assist Macedonian government institutions in redressing inequities and ensuring non-discrimination and equitable representation. Programs will strengthen the effectiveness and ensure the representative nature of state institutions, including the police, through the training of minority police recruits. Programs will stimulate local private sector development and help to develop a progressive market economic legal framework that will stimulate employment and competitiveness. Special focus will be on helping to revive the economy of underdeveloped areas of Macedonia, including predominantly minority areas which were the primary location of conflict during the 2001 insurgency, thereby contributing to Macedonia's overall economic growth.

SEED funds finance critical technical assistance in areas of enterprise development, legal/accounting and judicial reform, privatization and labor redeployment, and financial sector reform. SEED-funded reform

efforts are helping Macedonia to improve its investment climate, improve economic capacity, and adopt international standards. Our strategy encompasses programs targeted at reducing the negative impacts of democratic and market transition across all ethnic groups, with a special focus on those who have not benefited from the market transition, are disenfranchised, 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).

Regional Peacekeeping Operations (PKO) funding is available for salaries for contract American citizens working in OSCE missions in the Balkans. These secondees are a key component of U.S. support for the OSCE's operational activities and perform duties across the full range of OSCE programs, including democratization, media affairs, human rights, rule of law, elections, police advising, press and public information, and administration and support. Funds include the salary for an American citizen OSCE Head of Mission (HoM) in Macedonia.

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). FY 2004 FMF funds will continue improving the Macedonian armed forces operational capacity with an eye toward participating in regional stability and peacekeeping efforts. Upgrading the Macedonian Tactical Communication Systems in order to improve Command and Control of the Macedonian Armed Forces will contribute to civilian control of the military, and improve interoperability. There is also a goal to improve the Command and Control capability of the Common Headquarters layout that will improve communications within the armed forces, increase the Macedonian ability to maintain their territorial integrity, and improve the armed forces' interoperability and peacekeeping capabilities. FMF will continue the reform and modernization of Macedonian armed forces by supporting the Macedonian MAP goals of NATO membership, development of a NATO interoperable force structure for out of country operations, and improved civilian control of the armed forces. Funding will be used to provide training and equipment for maintaining tactical radios, M35A1 Command Vehicles, and similar equipment. This will be done through providing spare parts for tactical radios and maintenance training; spare parts, tools, and training for command vehicles; and spare parts, tools and training to maintain M35A1 capability. Finally, interoperability and deployability of Macedonian forces through improved English capacities will continue in 2004. FY 2004 IMET for Macedonia will be used to support professional military education and exchanges, as well as some initial English language training.

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 2004 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 reorganization and modernization challenges in pursuit of affordable force structures that adhere to a western, NATO-compatible model and are based on a realistic threat assessment. While some, albeit slow and inconsistent progress in the required transformation was made prior to the insurgency, ground was lost during 2001 when existing MAP-oriented restructuring plans were shelved. Despite the setbacks of 2001, Macedonia refocused and committed itself to getting MAP reforms back on track and completed a bilateral Defense Assessment in 2002. 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 is eligible in FY 2004 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Macedonia in meeting short-term defense needs, capability enhancements through continued defense reform, and further improve interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help establish fully effective export controls in Macedonia. FY 2004 NADR funding is provided to strengthen export control laws and regulations, as well as improve export control enforcement through training and equipment.

Malta
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	1,000	1,000	1,000
IMET	295	300	250
NADR-EXBS	119	480	100

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 major post-war challenges such as preventing the proliferation of weapons of mass destruction, combating illicit trafficking, expanding mutually beneficial trade and investment arrangements, and shaping a more stable, secure Europe.

Foreign Military Financing (FMF) funds requested in FY 2004 will be used to upgrade Malta's maritime and coast guard capabilities with an eye toward stemming illicit trafficking in the Mediterranean.

International Military Education and Training (IMET) is a major tool for ensuring that Malta remains oriented towards the United States and Western Europe 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 counterterrorism activities. IMET programs enhance Maltese capability to interdict shipments of sanctioned materials to Libya and to combat narcotics trafficking through the Maltese islands. In FY 2004 IMET will focus on strengthening maritime capabilities by professionalizing the officer and enlisted corps, increasing maritime mission training, enhancing training through mobile training teams, and increasing capabilities to handle and limit weapons of mass destruction (WMD) transshipment.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States will also provide Malta with Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) funded training and equipment. NADR Export Control and Related Border Security (EXBS) assistance will help to establish fully effective transshipment controls in Malta by strengthening enforcement capabilities through training and providing equipment.

Malta will be eligible in FY 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	1,250	1,500	1,000
FSA	35,946	32,500	23,000
IMET	889	900	1,000
NADR-EXBS	0	2,320	1,000
Peace Corps	1,757	2,135	2,398

The Secessionist Transnistrian region within Moldova remains a great obstacle to regional security, and the United States has a national interest in seeing this conflict resolved in a way that protects Moldova's sovereignty. Already the poorest country in Europe, Moldova remains constrained from developing its economy since many of its industrial assets remain under the control of the self-proclaimed Transnistrian state. The lack of border controls along the Transnistria-Ukraine border also threatens the broader region as it provides opportunities for weapons proliferation, smuggling, transnational crime and human trafficking. The United States also has a national interest in strengthening democracy and a free market economy in Moldova, which until recently had 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 2004, the United States plans to continue a range of security-related programs to improve Moldova's military capabilities and promote U.S. non-proliferation goals. In law enforcement it will seek to assist officials' combat narcotics, trafficking in persons, money laundering, and corruption through training courses, the provision of equipment, and technical support for the creation of legislation. Economic assistance will continue to support post-privatization programs in the agricultural sector, energy sector restructuring, and fiscal reform as well as promote Moldova's integration into Southeastern Europe. 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 neighboring states. Following its victory in the spring 2001 parliamentary and presidential elections, the Communist Party's rhetoric and actions had drawn into question its commitment to reform. However, the Moldovan President's public statement of support for reform and for Moldova's integration into Europe during his official visit to the United States in 2003 is a reassuring sign.

In the mid- and late-1990s, Moldova made considerable progress in reforming its agricultural sector, the mainstay of the country's economy. U.S. assistance programs helped in the privatization of over 95 percent of the country's collective farms, and contributed to a bumper harvest in 2002, after a decade of decline. Our highest priority for assistance under the FREEDOM Support Act (FSA) in FY 2004 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 2004 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.

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 2004, the United States will continue to press the Government of Moldova (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, hospital assistance, and tuberculosis and women's health/family planning activities.

FSA-funded programs will promote accountability by local officials while empowering citizens and community groups through integrated micro lending and training programs to produce rapid and tangible improvements in living conditions. This will strengthen civil society, local democracy, and grass root party activism and serve to democratize over time the essentially oligarchic political parties that make up Moldova's political system.

Organized crime in the Eurasian region presents a direct and growing threat to Moldovan prospects for economic and political stability, and thus to the U.S. national security interests in the stabilization and reform of the East European region as a whole. FSA funds will continue to support improvement in Moldovan law enforcement agencies' capacities and in Moldova's capability to join the United States in fighting organized crime, trafficking in persons and commodities, narcotics smuggling, financing of terrorism, and other criminal activities. Work in this area under FSA will be complemented by elements of our nonproliferation programs.

Funding from the FSA and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) accounts supports activities to prevent the proliferation of weapons of mass destruction (WMD), conventional arms and related weapons materials and technologies in Moldova. The Export Control and Related Border Security Assistance Program (EXBS) funded by NADR and FSA 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. EXBS will continue to provide equipment, including vehicles, cell phones, computers, cameras, night vision goggles, and bulletproof vests for border guards and Moldovan Customs. A significant portion of this equipment will be used for monitoring the secessionist region of Transnistria, with a focus on the movement of munitions and contraband. The Embassy, in coordination with the Moldovan Department of Civil Defense, will help Moldova create/sustain a "first responder unit" for weapons of mass destruction (WMD) incidents.

NADR and FSA funds also will continue to support peaceful scientific research by former Moldovan WMD scientists to prevent proliferation of their expertise. Support for this work is expected to increase significantly as Moldova joins the science center program. FSA funding is also provided for the redirection of Moldovan WMD scientists through the non-governmental Civilian Research and Development Foundation (CRDF). One CRDF program, which has helped the transition of four former Moldovan defense companies to civilian commercial activity, is now being expanded to include at least four additional Moldovan defense enterprises.

Despite financial limitations, Moldova is active in the Partnership for Peace (PfP) program and is committed to reforming its military along Western lines. Foreign Military Financing (FMF) assistance will continue to support efforts to deploy Moldova's peacekeeping battalion, which will help form the core of the country's reforming military. FMF allocation will be spent on a variety of items designed to provide modern equipment and capabilities interoperable with western militaries. FMF purchases will include communications equipment, topographic printing equipment, aeronavigational aids, and funding of transportation for Excess Defense Article vehicles. 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 2004, 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. The goal is to increase Moldova's peacekeeping capability to enable Moldova to contribute units to peacekeeping operations and replace units from countries engaged militarily in the global war on terror. FMF Foreign Military Sales and IMET assistance will also focus on developing a Special Forces (SF) capability within Moldova's armed forces. The goal of improving the SF capability is to provide the Moldovan Army with the skills and equipment necessary to handle a low-level terrorist threat in Moldova.

Moldova will be eligible in FY 2004 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.

In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

Poland
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	12,000	13,000	12,000
IMET	1,891	2,000	2,000
NADR-EXBS	300	600	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 with neighboring countries its experiences with a successful transition to a free market democracy.

Poland is a graduate of Support for East European Democracy (SEED) assistance, having progressed in its transition to a free market economy and democratic institutions to such a degree that it can continue without significant economic assistance. Poland's transition from a centrally planned economy serves as a model for other countries receiving SEED support. As a result of this progress, modest regional funding will be discontinued in FY 2004.

Although Poland is a willing and able ally that contributes significantly to UN and NATO peacekeeping missions, as well as Operation Enduring Freedom (OEF), Poland has not reached 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 its efforts mesh with Alliance goals. The Poles have embarked upon a serious multi-year military modernization, focusing limited resources on ensuring that the one-third of their forces designated for NATO missions are fully interoperable with NATO by 2006.

Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are an important way for the United States to show support for these efforts and directly contribute to them. FMF, particularly, is important as it focuses on increasing Poland's support capability to deploy or receive forces. For FY 2004, FMF will be dedicated to the implementation of the Secretary of Defense's Military Cooperation Initiative (MCI) with Poland and the further implementation of other key ongoing activities. Priority programs under the MCI will focus on developing ground forces partnerships and a Polish Marine Unit; possible establishment of an experimental training center and a Nuclear, Biological and Chemical (NBC) training center; and cooperation in the area of missile defense. All of these programs will entail a considerable amount of training and some transfer of defense articles and technical services through the Foreign Military Sales (FMS) system. In addition to the MCI, FMF funds will be dedicated to the ongoing implementation of Poland's National Acquisition Strategy, an integrated logistics system, enhanced communication information (C4I) capabilities ((including Air Sovereignty Operations Center, Identification of Friend or Foe (IFF) systems, and information technology upgrades)), a simulation center, and support of previously transferred Excess Defense Articles (EDA): a Frigate and SH2G Helicopters. Non-commissioned officer (NCO) development is also envisioned as a new initiative. IMET for Poland will concentrate on officer and NCO training, such as professional military education, managerial training and technical training.

Poland will be eligible in FY 2004 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.

Given Poland's significant progress towards establishing an effective export control system, there is no separate bilateral Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance line-item for Poland in FY 2004. Polish participation in regional export control events will be funded using regional NADR EXBS funds and EXBS program advisors stationed in-country will continue to work with Polish officials to implement programs with past year funds and continue engagement on an ad hoc basis.

Portugal
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
IMET	720	850	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 EU for U.S. positions on such issues as European Security Defense Program (ESDP)-NATO compatibility.

Portugal is a founding member of NATO and a member of the European Union. Portugal continues to maintain strong transatlantic ties and to 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, Kosovo, and Afghanistan. Portugal also contributes troops to both SFOR and KFOR, has contributed assets to Operation Enduring Freedom, and works closely with the United States on UN 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 2004 IMET funding for Portugal will be a significant asset in the modernization effort, which is intended to strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts, e.g., in Afghanistan, Bosnia, Kosovo and East Timor. U.S. efforts are also directed toward enhancing Portugal's Atlanticist orientation by building ties with future military leaders and reinforcing the existing preference for U.S. manufactured defense equipment. The IMET program bolsters this strategy by establishing close bilateral relationships between the U.S. and Portuguese militaries, as well as providing training to support U.S. supplied defense systems.

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

Romania
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	9,000	10,000	9,000
IMET	1,356	1,500	1,500
NADR-EXBS	275	560	600
NADR-SALW	1,061	0	400
Peace Corps	3,178	3,656	3,962
SEED	36,000	29,000	28,000

The continued development of a democratically oriented, economically sound Romania, respectful of human rights and at peace with its neighbors, is in both the strategic and economic interests of the United States. As Southeast Europe's largest, most populous country, strategically located Romania has the potential to contribute significantly to stability and security in a troubled region. Invited in November 2002 to join NATO, Romania already is supporting U.S. and NATO goals through its contributions to the allied military presence in Bosnia and Kosovo, and to Operation Enduring Freedom and the International Security Assistance Force (ISAF). It seeks full integration with the West, including membership in the European Union. With successful political and economic reforms, Romania also should offer more 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. Strengthening the institutional capacity of the government and private sector to serve market economy goals, enhancing private sector competitiveness, and improving and speeding up the process of transferring state-owned assets to private ownership also will receive attention. This will be accomplished by focusing on agriculture, financial and capital markets, small and medium enterprises, energy, and the environment.

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

SEED funds will be used to promote reform in the areas of child welfare, health care, and social assistance, as Romania still faces serious problems in the social sector. USAID 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, and 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 funding from the Government of Romania 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 anti-trafficking programs in Romania in FY 2004.

The United States plans in FY 2004 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 block the trafficking of narcotics and other contraband across Romania's borders.

Romania has by far the largest armed forces of all the NATO invitee countries. In accordance with Romania's NATO Membership Action Plan (MAP) and under the Foreign Military Financing Program (FMF) and the International Military Education and Training Program (IMET), the United States will provide the Romanian military with needed defense articles, services, and training. FMF funding will support Romania's integration and interoperability with NATO forces, professionalization, modernization, and reform of the Romanian military. FMF 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. It also will support the Ministry of Defense's reform implementation goals of downsizing the Romanian military and improving NATO interoperability.

In FY 2004, the International Military Education and Training (IMET) program will continue to expose the new generation of Romanian military officers to Western models of force structure, tactical doctrine, democratic values, and civil-military relationships, and will enhance interoperability with NATO forces. 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 again in FY 2004 to receive grant Excess Defense Articles (EDA), under section 516 of the Foreign Assistance Act (FAA). The transfer of such materiel under grant EDA will help Romania to enact defense reforms, meet defense requirements, and promote defense and NATO interoperability.

The United States is working closely with Romania to improve its export controls. While Romania is making significant progress in developing a system to control the export of sensitive goods and technologies, there is room for 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 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance for a cooperative program to help establish a fully effective export control system in Romania. In FY 2004, NADR funding will provide export control enforcement assistance, such as advanced training for specialized inspection teams and a product identification tool, which is software to assist officials in identifying dual-use items at the border.

Romania will continue to downsize its military leaving an enormous surplus of small arms/light weapons (SALW) that could easily fall onto the illicit market. FY 2004 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Small Arms/Light Weapons (SALW) funding will support the joint efforts of the United States, United Kingdom, Norway and the Netherlands to eradicate excess SA/LW and ammunition stocks in Romania.

Russia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FSA	159,083	148,000	73,000
IMET	0	800	800
NADR-EXBS	1,500	3,980	3,000
Peace Corps	3,734	2,465	0

The United States has an overriding interest in cooperating with Russia on critical national security issues of the day. We work with Russia to reduce threats posed by weapons of mass destruction through arms control, threat reduction efforts, and nonproliferation activities. Russia has been a strong supporter in the war on terrorism, offering key political support, granting the U.S. overflight rights, sharing intelligence, and in other important ways. We work with Russian law enforcement agencies to improve their capabilities and enlist their resources in the fight against transnational crime.

The United States also has a compelling national interest in seeing Russia complete a successful transition to market-based democracy. We address this interest by supporting civil society, entrepreneurs, and local governments in their efforts to implement democratic and economic reform.

The United States provides assistance through programs of the Departments of State, Defense and Energy to prevent the proliferation of weapons of mass destruction (WMD), related materials, technologies and expertise. We will continue to provide security and nonproliferation assistance under the FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) accounts.

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. In FY 2004, NADR will continue to fund, at decreasing levels, Russian WMD scientific grants through the International Science and Technology Center (ISTC) in Moscow. The expanded focus on chemical and biological weapons scientists as well as the increasing participation of new Central Asian countries in the science centers requires the redistribution of NADR science center resources that were previously heavily concentrated in Russia. It will also lead the ISTC to focus more heavily on “graduating” scientists from USG assistance into more commercially viable endeavors and other funding sources. This general trend also is true for other sources of weapons expertise redirection funding such as the FSA-supported Civilian Research and Development Foundation, although programs focused more directly on BW/CW scientists will continue to increase.

The United States will continue to provide assistance to enhance Russian controls on transfers of sensitive materials and technologies. This will include funding under NADR and FSA for industry/government outreach programs to educate Russian companies about the requirements of Russian export control laws. Another program will equip key transit points with radiation detection equipment to deter and interdict illicit nuclear transfers. Furthermore, the addition of a full-time Export Control and Related Border Security (EXBS) Program Advisor will continue to help Russia prevent, deter, detect, and interdict illicit trafficking in weapons of mass destruction (WMD), missile delivery systems, related dual-use commodities, and conventional arms. EXBS will continue to sponsor joint regional training programs on border search, WMD and immigration procedures, counter-proliferation awareness courses, and EXBS international border interdiction training to border security officials.

Under the International Military Education and Training (IMET) program, the United States will continue to seek interoperability, resource management, and increased capability of civil-military operations by providing English language instruction, professional military education and military legal and peacekeeping instruction for the Russian military and officials of the Ministry of Defense. (In November 2002, the suspension on Russian participation in this program was lifted. The suspension had been imposed under the law governing assistance because of Russian arms transfers to a nation on the U.S. list of nations sponsoring international terrorism.)

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

The United States will continue to fund FREEDOM Support Act (FSA) programs, which support Russia's transformation into a market-based democracy fully integrated into the mainstream of world political and economic relations. In recognition of the progress Russia already has made towards this goal, the FY 2004 FSA funding request is significantly lower than in previous years. We are developing a strategy to graduate Russia over the next several years from FSA assistance that will seek to ensure a legacy of sustainable institutions to support civil society and democratic institutions.

FSA programs in FY 2004 will focus on consolidating the gains made in the establishment of a suitable business environment, particularly for small and medium size businesses; support for the development of civil society, with a particular emphasis on the free media; and improving health care and child welfare practices. FSA programs will continue to support the partnerships already in place with civil society groups and reform-minded Russian officials in Tomsk, Samara and the Russian Far East developed under the aegis of the Regional Initiative. In FY 2004, we will emphasize working with the authorities in these regions to disseminate the lessons of their experience to other regions.

The engine of future economic growth and employment creation in Russia will be private business, especially small and medium enterprises (SMEs). U.S. support for small and medium size businesses is paying dividends, as they have contributed to the impressive growth of the Russian economy over the last three years. U.S. assistance programs funded under the FSA have contributed to important legislative reforms that improve the business environment, particularly on tax and regulatory reform, often through support for the work of think tanks and provision of technical assistance to inform key policy decisions. U.S. assistance will continue to focus on the development of SMEs.

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.

Russian authorities recognize the threat to their economy presented by international crime, and they have turned to the U.S. and other Western partners for assistance in addressing these issues. The complexity of white-collar crimes, particularly corruption, money laundering, computer fraud and others, presents new challenges for Russian law enforcement. In FY 2004, 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.

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 2004 FSA funds will continue to support partnerships between U.S. and Russian hospitals. FSA funds 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 U.S. and Russia.

A successful transition in Russia depends on the strength of democratic institutions and civil society. Establishing democracy and rule of law on a solid footing will require sustained effort, particularly for critical national elections, such as the 2004 and 2008 presidential elections. Programs will seek to strengthen citizen action through programs supporting community initiatives, promotion of ethnic and religious tolerance, civic education and the independent media. FSA democracy programs are increasingly focused on the grassroots level, providing funding for small grants, legal support and training for non-governmental organizations (NGOs) and the independent media and exchange programs. The U.S. Government will continue to support alumni activities to maintain the investment it has made in Russians who have been to the United States on exchange programs. In FY 2004, funding for exchange programs will shift from the FSA account to the Educational and Cultural Exchanges (ECE) Account of the Bureau of Educational and Cultural Affairs, which administers State Department exchange programs. Exchange programs will remain an integral part of efforts to engage the next generation of Russian leaders, to promote democratic reform and economic development, and to help make information available by supporting public access Internet sites throughout Russia.

Humanitarian programs funded through the FSA will continue to facilitate the delivery of assistance donated through U.S. private volunteer organizations (PVOs) to target groups within Russia. In addition to addressing genuine humanitarian needs, FSA funding helps create and cement good relations between U.S. and Russian NGOs. However, complex and shifting Russian regulations governing the importation of humanitarian assistance and increasing reluctance by the government of Russia to accept humanitarian donations may decrease the amount of assistance delivered.

Slovakia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	7,750	9,000	8,000
IMET	845	950	950
NADR-EXBS	407	700	300
Peace Corps	616	0	0

NATO's invitation to Slovakia to accede to membership at the Prague Summit in November 2002 came as a result of substantial U.S. assistance designed to help Slovakia implement the democratic, economic, and military reforms required. With the Prague invitation, the United States has shifted its focus to assisting Slovakia to improve its ability to contribute to the Alliance as a future member. At the geographic center of Europe and a critical line of communication, Slovakia has continued to serve as a positive force for regional stability in Central and Eastern Europe (CEE). The United States encourages Slovakia's initiatives to share its success in democracy building and development of civil society with other countries in transition. Security Assistance funds will be used to strengthen Slovakia's ability to contribute to NATO peacekeeping missions - such as its units serving with KFOR, SFOR, and Operation Enduring Freedom. The United States has worked to speed the Slovak government's implementation of effective export control strategies to prevent transfer of arms to countries of concern and bolstering crime-fighting efforts to minimize the impact on the United States from CEE criminal organizations. The United States looks for continued efforts by the Slovak government to improve the business climate, including reducing corruption. Slovakia continues to be a stalwart partner in the fight against global terrorism.

The Slovak government coalition, which took office in October 2002, has continued its predecessor's commitment to democracy, reform and western-oriented policies. The United States recognized Slovakia's place in a democratic Europe by agreeing to extend membership in NATO while supporting the government's ambition to join the EU. Support for East European Democracy (SEED) program funding in past years was key to supporting the development organizations committed to democracy and rule of law. The get-out-the-vote programs, which were implemented by Slovak non-governmental organizations (NGOs) funded by SEED, EU and several European countries were key to re-electing a reform-minded government committed to democracy, a free market economy, and the protection of human rights. Slovakia has graduated from the bilateral SEED program and the EU will need to take the lead in providing assistance for economic and legal reforms that still need to be consolidated.

FY 2004 Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential tools for the implementation of Slovakia's multi-year military reform plan, which was heavily influenced by recommendations from a U.S.-funded defense study. Helping Slovakia, as a future NATO member, in its effort to 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. Slovakia's importance to NATO was shown during both the Kosovo and Afghanistan conflicts when overflight and transit rights that were crucial to the effective conduct of the military campaign were immediately granted by the Slovak government. Slovakia has deployed 100 troops to KFOR and two transport helicopters to SFOR. The contribution of an engineering unit to OEF further demonstrated the Slovak government's commitment to support the United States.

FMF assistance will emphasize force interoperability and inculcation of Western values and norms. FY 2004 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, and continued assistance in defense reform and resource management. Specific projects include:

- Equipment for the training area at Lest, Slovakia. This training area will be connected to Slovak simulation networks for integrating command and staff training at remote locations.
- Development of an effective English Language Training (ELT) program based on defined language training requirements of its forces.
- HF/VHF radio station systems and communications software to replace aging Communist-era analog equipment that is not compatible with modern digital communications equipment used by NATO and PfP military forces. This is a massive effort, which will require until 2010 to fully implement. The end-state is that all Slovak high readiness force units will be capable of communicating among themselves and with NATO and other PfP forces.
- Night vision equipment to increase the tactical capabilities, combat effectiveness, and interoperability of the Army of the Slovak Republic. The Slovak Immediate Reaction Battalion requires thermal vision capability in order to operate effectively in the framework of NATO/PfP operations, or in conjunction with another international force.
- Modernization of current air sovereignty systems so that they are compatible and interoperable with NATO aircraft. This effort will include enhancing the capability of the Slovak Republic to exchange air picture information with NATO countries and increasing the capacity of the Slovak Republic to host aircraft from NATO countries.
- Improve capabilities in the area of Nuclear, Biological, and Chemical (NBC) operations, including modern NBC detection equipment to replace aging Communist era technology.

IMET will assist in the broad restructuring and development of the Slovak armed forces as outlined in the U.S.-funded defense study. IMET funds will continue 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. This FY 2004 assistance will help Slovakia become a more capable partner in the region and as a future NATO member.

Slovakia will be eligible in FY 2004 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 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to assist Slovakia in further strengthening its export control system. In FY 2004, this funding is focused primarily on government-industry outreach to improve compliance with and enforcement of Slovak export control laws and regulations. FY 2004 NADR EXBS funds are also provided for an annual, regional conference to which countries in the region will be invited, and for a program advisor stationed at Embassy Bratislava who will work with Slovak officials to implement EXBS programs.

Slovakia was one of the first wave of graduates from bilateral SEED Act support. In light of Slovakia's continued progress in transition, modest regional funding will be discontinued in FY 2004.

Slovenia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
FMF	4,000	5,000	4,000
IMET	827	950	950
NADR-EXBS	350	550	300

The United States seeks to encourage Slovenia's continued political and economic transition to a full-fledged Euro-Atlantic partner. In light of NATO's invitation to Slovenia at the Prague Summit in November 2002, the United States also focuses on assisting Slovenia achieve full participation in the Alliance. 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 and political ties with the states that constituted the former Yugoslavia.

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 goals. Foreign Military Financing (FMF) assistance aims to achieve greater interoperability between NATO and Slovenian forces and critical reform of Slovenia's military command structures. FMF assistance can also be used to support programs such as defense reform and continued implementation of Membership, Partnership, and Individual Country Action Plan goals. This may include communications equipment, air defense radar, tactical vehicles, support for previous Excess Defense Article (EDA) transfers, and nuclear, biological, and chemical (NBC) equipment.

Left virtually without military equipment, infrastructure, or organization after its ten-day war for independence in 1991, Slovenia has striven to model its 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 Ministry of Defense (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 Slovene FMF funds in FY 2004 are to improve the Slovene Armed Forces' (SAF) immediate combat readiness while promoting the objective of restructuring Slovene military forces to NATO standards by 2010. FMF funds will also help to assess and establish a plan for streamlining logistics in the SAF, enhance basic infrastructure and needs for an NBC unit, continue efforts under the Regional Airspace Initiative, and work to enhance the SAF's C41 system by providing limited information-sharing/collection infrastructure.

International Military Education and Training (IMET) is a key assistance program of the U.S. regional strategy. Using IMET-financed training in Southeast Europe, the United States strives to integrate partner militaries into NATO structures, as a long-term guarantor of peace and stability. This will require expanded English-language training as well as greater exposure to education, rule of law, civil-military control and human rights.

Slovenia's objectives will be met through the provision of IMET opportunities that strengthen the professionalism and leadership skills of Slovenia's military and civilian personnel and help improve the technical and managerial skills of the Ministry of Defense (MOD). This will assist the MOD in making procurements for its military which benefit Slovenia's defense structure and contribute to regional stability.

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

FY 2004 IMET funding for Slovenia will assist development of a well-balanced force, which is trained and combat capable at all levels of leadership, grounded in the rule of law, civilian control of the armed forces and support for human rights. IMET will also strengthen Slovenia's MOD in the areas of policy planning and English language capability. Slovenia intends to continue to focus on non-commissioned officer (NCO) training and on applying to senior and mid-level U.S. military schools.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining, and Related Program (NADR) Export Control and Related Border Security (EXBS) assistance funds for a cooperative program to help Slovenia establish fully effective export controls over sensitive items. FY 2004 funding is focused on improving licensing, enforcement, and industry outreach procedures and capabilities through the regional nonproliferation advisors. This assistance will also fund an annual conference to assist regional states implement past year funds and continue engagement on an ad hoc basis.

Slovenia was one of the first wave of graduates from bilateral Support for East European Democracy (SEED) Act support. In light of Slovenia's continued progress in transition, modest regional funding will be discontinued in FY 2004.

Tajikistan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	700	0	700
FMF-SUP	3,000	0	0
FSA	19,372	22,500	35,000
FSA/NIS-SUP	37,000	0	0
IMET	259	350	400
NADR-EXBS	0	50	300
NADR-EXBS-ERF	7,500	0	0
P.L. 480 Title II	6,344	0	10,400
P.L. 480 Title II-ERF	19,883	0	0

Tajikistan, a front-line state, shares a porous border with Afghanistan, which gives it special importance in the region in terms of interdicting terrorists and narcotics. This small nation faces daunting challenges: its young democratic institutions are underdeveloped and fragile and its economy remains crippled from the effects of a bitter five-year civil war fought just after emerging from Soviet domination. Tajikistan has supported Operation Enduring Freedom (OEF) unreservedly from the beginning and has pledged to continue to do so. The Government of Tajikistan (GOT) immediately offered overflight and landing rights and use of their air bases. 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, which helps promote stability in a volatile and strategically important region. A stable, peaceful Tajikistan will help defend against the spread of radical groups and terrorists, and add to development in the region.

In FY 2004, the United States plans to build on the successes achieved over the last several years as its assistance shifts from a primarily humanitarian program to a broader development agenda. Programs will continue to provide security-related assistance particularly to prevent illicit trafficking, work with communities on conflict mitigation, strengthen primary health care, provide support for market reform and small and medium sized 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 brings groups together to address common concerns, provides technical assistance to strengthen democratic processes, creates new employment opportunities, improves social services, and funds community infrastructure projects. The quality primary health care program is working with the Ministry of Health to create a more cost-effective health care system that improves families' access to equitable, efficient, and quality primary health care services. The new family doctor system is based on the successful Kyrgyz Republic model and focuses on improving the quality, incentives, and the budgetary resources for primary health care services. Infectious diseases programs focus on fighting tuberculosis and malaria. The small and medium-sized enterprise program is helping to alleviate poverty through expanded business opportunities and employment creation, with new expansion in the Fergana Valley. U.S. technical assistance is helping specialists to better manage water and energy resources and repair irrigation systems and improve on-farm water management practices.

U.S. democracy assistance under the FSA will continue to support the development of civil society in Tajikistan through strengthening political parties and providing a network of support centers for NGOs and community associations and through direct grants to non-governmental organizations (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. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

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

Trafficking in persons is a serious problem in Tajikistan. USAID is preparing to design a program to address this challenge in Central Asia. The new program is proposed to be operational in FY 2004 and will focus on prevention and victim protection.

Tajikistan has committed to cooperating with the United States on countering terrorism, the proliferation of weapons of mass destruction (WMD), weapons technology and other illicit arms and drug trafficking. The United States intends in FY 2004 to continue Export Control and Related Border Security Assistance (EXBS) financed under the FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts, and FSA-funded International Narcotics and Law Enforcement assistance. The EXBS program will address all aspects of Tajikistan's 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. Communications and other equipment will bring the Tajik Border Guard up to minimal operating standards and give them a critical communications capability, especially along the non-Russian patrolled sections of the Tajikistan-China border. EXBS assistance to the Tajik Border Guards and Customs Service will also expand, including the provision of basic winter uniforms to the Border Guards and vehicle/cargo inspection toolkits to the Customs Service.

Following Tajikistan's accession to the Moscow-based International Science and Technology Center in early FY 2003, there is NADR funding programmed in FY 2004 for peaceful research projects conducted by former Tajik WMD scientists. The Civilian Research and Development Foundation funded under the FSA also will continue to provide small travel grants for scientific projects and conferences to help prevent proliferation of weapons expertise and integrate Tajik scientists into the international scientific community.

With Tajikistan's removal from the International and Trafficking and Arms list (ITAR) in December of 2001, their Ministry of Defense (MOD) became eligible for military assistance. Engagement in the areas of English language education and an expansion of direct military-to-military events between the Tajik Ministry of Defense and U.S. Central Command will continue to grow. In FY 2002, Tajikistan's MOD received \$3.7 million in Foreign Military Financing (FMF) funding that they have allocated for the purchase of desperately needed medical equipment and uniforms for their soldiers. Future plans should continue to provide basic necessities.

Tajikistan will be eligible in FY 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Tajikistan to meet its defense requirements and further NATO interoperability.

International Military Education and Training (IMET) funds provided in FY 2004 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, with the goal of exposing the Tajik military to Western standards and doctrine as well as transforming their military from a Soviet-era to one more appropriate for contemporary threats. Tajikistan's IMET budget will continue to focus on English language Mobile Training teams and attendance at English-language and military training courses in the United States. Additional assistance will help the MOD teach their soldiers and officers English. English language labs will be sustained, one in the Ministry of Defense and one in the Military Lyceum.

A focus on institution-building and development will continue to characterize U.S. efforts in Tajikistan in the areas of law enforcement enhancement and judicial reform, particularly with regard to efforts to enhance the Government of Tajikistan's ability to interdict the flow of illegal narcotics out of neighboring Afghanistan. Previously-appropriated funds have been provided to support the continued operation of the Tajik Government's Drug Control Agency (DCA), the provision of training and equipment for Tajik border guards to carry out counter-narcotics efforts, and programs to address financial crime and to support the overall development of the law enforcement and judicial institutions of Tajikistan. Funding will be sought in FY 2004 to continue such programs, and, in particular, to ensure the continued operation of the DCA as the means by which it may become self-sustaining are explored.

In FY 2004, 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.

Turkey
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	0	0	200,000
ESF-SUP	200,000	0	0
FMF	0	17,500	50,000
FMF-ERF	20,000	0	0
FMF-SUP	28,000	0	0
IMET	2,756	2,800	5,000
NADR-EXBS	1,000	600	600
NADR-EXBS-ERF	1,200	0	0

Turkey is a coalition partner in the war on terrorism, strategically located at the nexus of Europe, the Middle East, and Central Asia, and bordering Iran and Iraq -- countries that pose military, terrorist, and strategic threats to the United States. Turkey is a key NATO ally, and in the aftermath of September 11, was one of the first countries to demonstrate strong support for Operation Enduring Freedom (OEF), granting overflights and use of its airbases, and offering 90 Special Operations Forces troops. Turkey maintains substantial military forces that contribute significantly to regional security. For example, it was one of the first countries to provide troops for Phase I of the International Security Assistance Force (ISAF) in Afghanistan, and assumed the leadership of ISAF in June 2002 for a six-month period. When the Germans and Dutch could not take over command in December 2002, the Turks agreed to stay on until February 10, 2003. U.S. bases and other facilities on Turkish soil are an important element in the ability of the United States to maintain the security of the region and of its allies in it.

Turkey decided to provide critical support for the war on terrorism and OEF operations despite the fragile state of the economy. In FY 2004, Economic Support Funds (ESF) will help to mitigate the economic stress Turkey is experiencing as a result of its support for combating international terrorism. That stress is compounded by Turkey's substantial debt servicing requirements, as it struggles to implement its ambitious IMF-supported economic reform program. The transfer of ESF funds to Turkey will help to meet urgent financing needs, contribute to internal stability, and demonstrate continuing U.S. support.

The Foreign Military Financing (FMF) Program plays an essential role in helping Turkey to modernize its substantial military forces and keep them fully compatible with those of other NATO allies. Turkey requires additional U.S.-origin equipment and services needed to continue its outstanding level of support to OEF and the war on terrorism. This equipment and these services have the added benefit of furthering Turkey's efforts to modernize its armed forces, improve its interoperability with NATO and coalition forces, and to provide vehicles, disaster relief, and search and rescue equipment in support of their participation in the war on terrorism, peacekeeping, humanitarian, and other operations.

The International Military Education and Training (IMET) program for Turkey is growing substantially and will continue to do so in FY 2004. As instability in the Middle East persists and NATO expands, the need for a well trained, U.S.-oriented Turkish officer corps becomes ever greater. IMET is the best way for the Turkish officer corps to obtain the professional skills, including in the English language, and outlook that will increase Turkey's value as a trusted ally of the United States.

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

funds for a cooperative program to help establish a fully effective export control system in Turkey. NADR funding in FY 2004 is designed to provide training for export control enforcement officers at the border on detection, targeting, and inspection techniques and the upgrade and expansion of the radiation detection program.

Turkmenistan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	0	700	700
FSA	7,398	7,000	8,000
FSA/NIS-SUP	4,000	0	0
IMET	388	450	450
NADR-EXBS	0	50	200
NADR-EXBS-ERF	7,000	0	0
Peace Corps	893	1,460	1,795

The United States has strategic and economic interests in helping Turkmenistan achieve political stability, independence, and integration into the global economy. Turkmenistan, which shares a long border with Afghanistan, has been the second largest conduit for international aid into Afghanistan. Turkmenistan has the world's fourth largest gas reserves and significant oil reserves. U.S. assistance to Turkmenistan seeks to enhance its territorial integrity and to promote security cooperation that is in the interests of both countries, while attempting to strengthen civil society and improve health care. Turkmenistan's government is not currently receptive to democratic or economic reform; nevertheless it is strongly in U.S. interests to remain engaged in areas where we share common interests, and to continue programs that provide tangible improvements to the lives of ordinary citizens. In FY 2004, the United States plans FSA-funded programs that will improve primary health care, strengthen democratic culture among citizens, and improve the management of water and energy resources.

U.S. economic assistance under the FSA focuses on improving health care, controlling tuberculosis and other infectious diseases, preventing the spread of HIV/AIDS, and improving maternal and child health services. Two hundred health care professionals have completed training. The Stop Diarrhea campaign in two districts resulted in a 40% increase in families' knowledge of the hydration and dietary requirements for children suffering from diarrhea.

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

Due to the closed nature of the country and President Niyazov's authoritarian rule, democracy programs are directed at providing support to nascent civil society organizations and thereby increasing the level of involvement of citizens in their communities. Work with this sector is very difficult because of ongoing interference by the government. In addition to supporting the struggling civil society organization, 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 values. The government practice of requiring exit visas for all Turkmen citizens traveling abroad was lifted last year. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

In FY 2004, the United States intends to continue bilateral assistance for Turkmenistan under the FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts 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. 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.

The United States intends to continue assistance in FY 2004 to Turkmenistan under the Anti-Crime Training and Technical Assistance (ACTTA) Program. Previously appropriated funds have been provided to assist the Government of Turkmenistan in establishing a criminal forensics lab. We have also planned to provide funds in support of counter-narcotics programs managed by the UN Drugs and Crime Program (UNDCP) on Turkmenistan's southern border. Further assistance will be sought in FY 2004 to continue support for such counter-narcotics efforts on Turkmenistan's borders, and, should the opportunity arise, to assist the Government of Turkmenistan in establishing counter-narcotics units with enhanced capabilities.

Turkmenistan has received minimal levels of Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance in the past. In FY 2004 we plan to 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 2004 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 2004 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 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	4,000	4,000	3,000
FSA	154,937	155,000	94,000
IMET	1,638	1,700	1,700
NADR-EXBS	800	2,620	1,500
NADR-SALW	0	430	500
Peace Corps	4,252	4,723	5,410
PKO	1,000	0	0

The United States has a national security interest in Ukraine's successful transition to a stable, independent, democratic, market-oriented, and prosperous state, with good relations with its neighbors and strong links to the West. With a population of approximately 50,000,000 and a strategic location between Russia and Central Europe, Ukraine is important for building a secure and undivided Europe. Ukraine also can be a key partner of the United States in tackling major challenges, such as the proliferation of weapons of mass destruction (WMD), the expansion of mutually beneficial trade and investment and the shaping of a more stable and secure Europe.

The FY 2004 request for FREEDOM Support Act (FSA) funding is significantly lower than the FY 2003 request. This is intended as the first step toward the "graduation" of Ukraine from FSA assistance in coming years. We are developing a multi-year strategy that aims to leave behind a legacy of sustainable institutions that can continue to promote civil society development and economic growth.

In FY 2004, FSA funds will be used to support private enterprise development, with a particular focus on small and medium-sized businesses, the agricultural sector, and improving the regulatory environment for both domestic and foreign investors. FSA funding also will support the government's efforts to implement economic reforms necessary to accede eventually to WTO and join the EU as an end goal. Funds will be used to broaden Ukraine's growing civil society, foster participatory democracy, and buttress the independent media, which in 2002 came under growing censorship pressure from the government. Support for legal reforms and improvements in law enforcement will also be funded. The United States plans to continue a range of security-related programs to promote U.S. non-proliferation goals, especially improving Ukraine's export controls in light of the 2002 Kolchuga affair, as well as to enhance civilian nuclear safety controls.

Ukraine's long-term political stability is closely linked to its economic prosperity, and especially to the rise of a broad entrepreneur middle class. In FY 2004, FSA funding will be provided for technical assistance to the Government of Ukraine (GOU) to assist in the preparation of laws and regulatory codes to establish a market-oriented commercial legal framework. The bulk of FSA economic-related assistance will 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. Particular attention will be paid to the development of small and medium businesses, the most likely source of long-term sustained innovation and growth, and potentially important proponents of government transparency and accountability. Already a critical mass of privatized enterprises has been restructured.

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. FSA funds also will support further development of small and medium enterprises in the agricultural economy. U.S. privatization efforts have contributed to an impressive growth in agricultural output three years in a row. In the energy sector, FSA assistance will focus on development of a competitive wholesale electricity market to improve the sector's performance. In addition, if policy conditions permit, limited assistance may be provided to stimulate further privatization of Ukraine's generation and distribution systems to attract external capital to finance needed investment for modernization and replacement.

The media environment in Ukraine deteriorated in the second half of 2002. The government, in particular the presidential administration, attempted to censor media reports and placed other forms of pressure on media outlets and individual journalists. These actions threaten short- and long-term democratic process in Ukraine. Therefore, in FY 2004, we will focus increased resources on strengthening local non-governmental organizations (NGOs) and independent media that serve as watchdogs over the government's activities and articulate public interests. In addition, funding will continue for legal and financial support and training for independent media. FSA funding will also expand public access Internet sites throughout Ukraine, support grassroots activism aimed at community empowerment, and expand programs oriented toward the next generation of Ukrainian leaders.

In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

In the area of law enforcement assistance, U.S. objectives include assisting Ukraine in combating money laundering, enforcing intellectual property rights, and improving its ability to secure its borders from criminal activities such as narcotics smuggling and trafficking in persons and commodities.

In FY 2004, both FSA and Non-Proliferation, Anti-terrorism, Demining, and Related Programs (NADR)-funded assistance activities will continue to reduce the risks of proliferation of weapons of mass destruction (WMD), related materials, and technologies and conventional arms. Assistance will focus on enhanced border controls, mobile response teams, and enhanced communications/cooperation with law enforcement in the area of border control. Internal compliance with export controls will also continue to be a high priority of FY 2004 assistance.

The Export Control and Related Border Security Assistance Program (EXBS) funded under FSA and NADR is designed to facilitate establishment of an effective national export control and border security system to prevent the proliferation of WMD, their missile delivery systems, related items and other weapons. In FY 2004, the EXBS program will further assist Ukraine in the development of laws, regulations, and licensing procedures and practices, and internal control procedures for industry. It will also continue to provide assistance to enhance border controls with enforcement training, surveillance, detection, interdiction and automation equipment, and advisory assistance and liaison through the resident EXBS advisor. This assistance directly complements our overarching policy to help Ukraine combat corruption and organized crime.

Ukraine is home to a large number of scientists who have worked on WMD. The United States and Ukraine Governments have strong interests in providing alternative peaceful employment for such scientists to prevent the proliferation of this expertise. FSA funds for the U.S. Civilian Research and Development Foundation (CRDF), 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.

The Department of Energy will continue programs to safeguard nuclear facilities (including nuclear power plants), material, and transportation, a critical U.S. interest. The United States played an important role in helping to fund the closure of Chernobyl, which took place in December 2000. In FY 2004, FSA funds will continue to contribute to the construction of the Chernobyl sarcophagus, thus enhancing nuclear safety.

International Military Education and Training (IMET) assistance we seek 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 command, control and communications capabilities (such as computerization of peacekeeping training facilities and recruitment centers, and communications systems), mobility, logistics, and other support functions. The listed procurement will allow Ukrainian forces to operate more effectively alongside U.S. and NATO partners in real-world peacekeeping operations, humanitarian activities, and other exercises.

Ukraine will be eligible in FY 2004 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 a substantial amount of targeted assistance to those in greatest need in the form of medical supplies and equipment, pharmaceuticals, food, and clothing. Humanitarian commodities are 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 2004 at the same level, targeting the most vulnerable members of society through programs executed by private voluntary organizations. Also in FY 2004, FSA funds will support programs to help fight HIV/AIDS and tuberculosis.

Awash in excess small arms/light weapons (SALW) since the end of the Cold War, Ukraine has proved to be a source of arms being transferred to embargoed groups and governments in Africa and South America. NATO/PfP authorities have identified over 1.5 million excess SA/LW and over 133,000 tons of unsafe and unserviceable ammunition in Ukraine. A Greek-led effort to support destruction through the PfP Turst Fund is expected to cost approximately \$11 million. We expect an initial U.S. contribution to this effort in FY 2003 with additional funds in FY 2004.

Uzbekistan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FMF	207	8,750	10,000
FMF-ERF	25,000	0	0
FMF-SUP	11,000	0	0
FSA	29,190	31,500	42,000
FSA/NIS-ERF	54,500	0	0
FSA/NIS-SUP	34,500	0	0
IMET	880	1,200	1,600
NADR-EXBS	300	1,200	1,400
NADR-EXBS-ERF	4,000	0	0
Peace Corps	828	1,952	2,461

Uzbekistan is a key strategic partner in the war on terrorism and one of the most influential countries in Central Asia. It has allowed U.S. and Coalition forces to use a base in Karshi-Khanabad and has been supportive of U.S. foreign policy goals. It routinely votes with the United States at the UN and is the first country worldwide to bring into force the Article 98 agreement. Since September 11, the U.S.-Uzbekistan bilateral relationship has intensified and broadened to include not only cooperation on security issues, but human rights, political, and economic issues. While the Government of Uzbekistan has taken positive steps on human rights, economic and political reform, there have also been some disappointments. Reforms in these areas will not only lead to a more stable and prosperous Uzbekistan but also improve conditions and contribute to stability in the entire region.

U.S. assistance to Uzbekistan seeks to enhance its sovereignty, territorial integrity and security, strengthen civil society, improve management of natural resources, and help relieve human suffering.

FY 2004 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 2004 will enhance Uzbekistan's defense capabilities, counterinsurgency capability and establish greater interoperability between Uzbek, U.S., and international forces. FMF will also support joint peacekeeping initiatives with Kazakhstan, the Kyrgyz Republic, and NATO forces. Assistance will include individual soldier equipment (including boots, uniforms, cold weather gear, tents, etc); command, control and communications equipment; crew-served weapons (military equipment that provides protection or support for personnel); ammunition; transportation equipment (spares, repairs and maintenance); infrastructure upgrades; organizational equipment; and training and support including petroleum, oil and lubricants (POL).

Increased International Military Education and Training (IMET) assistance will continue to foster greater professionalism 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. This training and education is critical to U.S. objectives of security and military reform in Uzbekistan. English language training in past years has enabled closer, more fluid cooperation, particularly in relation to Operation Enduring Freedom and current cooperation on counterterrorism.

Uzbekistan will be eligible in FY 2004 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 inter-operability with NATO. The Department of Defense Cooperative Threat Reduction program will continue the demilitarization of the former chemical weapons facility in Nukus and improve the security of dangerous pathogen collections stored at scientific institutes throughout Uzbekistan.

In FY 2004, the United States also will continue to provide security-related assistance for Uzbekistan to enhance Uzbekistan's ability to cooperate with U.S. and Coalition forces to counter the flow of weapons, narcotics, and terrorist insurgents across borders and to enhance Uzbekistan's ability to protect its sovereignty and territorial integrity. Assistance programs funded under the FREEDOM Support Act (FSA) as well as the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts will continue to help prevent the proliferation of weapons of mass destruction (WMD) and weapons technology and expertise.

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

The Department of Energy (DOE) will continue its funding for nuclear material protection, control and accounting through the Institute of Physics in Tashkent. Uzbekistan will also become the first participant in DOE's program to ship spent nuclear fuel back to Russia for consolidation and safeguarding.

Former Uzbek weapons scientists continue to actively and successfully seek U.S. funding for peaceful research grants through several programs. In 2001, Uzbekistan became a full and active member of the Science and Technology Center in Ukraine (STCU), which is supported with Department of State NADR funds. Former Uzbek weapons scientists garnered \$5 million in scientific research grants from STCU in FY 2002 and additional funding for joint U.S.-Uzbek scientific endeavors and support of Regional Experimental Support Centers from the FSA-funded Civilian Research and Development Foundation. We expect to continue this activity although at a reduced level. The U.S. Department of Agriculture also will continue to be actively engaged through the STCU in working on plant and animal research projects with biological weapons scientists in Uzbekistan.

The NADR-funded Antiterrorism Training Assistance (ATA) program will continue to provide counterterrorism training to Uzbek law enforcement to help maintain security in Uzbekistan and improve Uzbekistan's capacity to participate fully in the war against terrorism.

The United States cooperates with the Government of Uzbekistan in the interdiction of illicit narcotics and in the denial of illegal revenues from such drug smuggling for use as financing by terrorist groups. Funds requested in FY 2004 will continue to support such cooperation under the Anti-Crime Training and Technical Assistance (ACTTA) Program. The funding will also support efforts to reform the criminal code, strengthen the independence of the judiciary, restructure the procuracy and strengthen the role of defense advocates. Previously-appropriated funds have been provided for the U.S. Drug Enforcement Administration (DEA) to support the creation of a specially vetted counter-narcotics unit. The unit will provide training and equipment to support counter-narcotics efforts and, enhance the capability of law

enforcement agencies to address financial crimes. The program will also fund a demand reduction program.

In FY 2004, the United States plans to continue programs for conflict prevention and water management. U.S. assistance supported macro-economic reforms undertaken by the Government of Uzbekistan, although progress on remaining difficult economic reforms, such as allowing free convertibility of the currency, will determine whether U.S. assistance will continue to include macro-economic advisors. Programs designed to improve the environment for the growth of small and medium enterprises include business training and advisory services, accounting reform, micro-finance, and strengthening of economics and business education in higher education institutions. Conflict prevention assistance will bring local groups together to address common concerns, improve social services, fund community infrastructure projects and provide short-term employment.

U.S. assistance under the FSA will continue to strengthen primary health care, fight infectious diseases including HIV/AIDS and tuberculosis, and improve maternal and child health services. The natural resources management program seeks to improve Uzbekistan's management of its water and energy resources. The program includes training for water management officials, installation of on-farm water management demonstration models, and improving the policy and regulatory framework for management of water resources. Natural resources assistance is improving water usage efficiency and mitigating the potential for conflict over regionally shared resources.

Democracy assistance under the FSA focuses primarily on strengthening non-governmental organizations through a network of seven civil society support centers. Support will also continue for human rights defenders, independent media, civic education, anti-trafficking and judicial reform. In FY 2004, 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. In FY 2004, exchanges, training, and partnership programs of the Bureau of Educational and Cultural Affairs previously funded through FSA will receive funding through the Educational and Cultural Exchanges (ECE) account.

In FY 2004, humanitarian assistance to Uzbekistan under the FSA will target the most vulnerable members of society through delivery of medicines, medical supplies, food and clothing.

OSCE Regional - Europe
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
PKO	12,275	14,550	9,300

The Organization for Security and cooperation in Europe (OSCE) is a 55-member organization based in Vienna. Its participating States span an area from Vancouver to Vladivostok. Each member has equal status, with decisions made by consensus. Promoting regional and, especially, sub-regional stability is the core task of the OSCE. The organization achieves this objective in a number of ways. Among the most valuable and effective are its field missions.

The United States pays for a share (13.57% for large missions; 9% for small missions) of OSCE operations with Peacekeeping Operations (PKO) funds which support 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 2004 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, which provides for deployment of crisis intervention teams. 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 are focused on the economic, environmental, human and political aspects of security and stability.

Regional FSA
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FSA	62,681	67,000	55,000
FSA/NIS-ERF	6,000	0	0

FREEDOM Support Act (FSA) regional programs bolster security and stability throughout Eurasia, thereby enhancing U.S. national security. FSA programs increase the ability of the Eurasian states to address issues of mutual concern, such as reducing the risk of terrorism, proliferation of weapons of mass destruction (WMD) and combating the 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.

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

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

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

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.

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

In addition, Eurasian regional funds support the activities of several U.S. agencies in the region, including Trade and Development Agency feasibility studies, Treasury Department technical assistance, Department of State and Department of Agriculture training and exchange programs, Commerce Department training programs and trade and investment support activities, and State and Justice Department regional law enforcement training programs that help 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 2002 Actual	FY 2003 Request	FY 2004 Request
SEED	74,139	60,000	51,000

Support for East European Democracy (SEED) regional programs promote economic restructuring, democratic transition, and social stability in Southeastern Europe (SEE). A stable, prosperous, and democratic SEE region will 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 U.S. and its citizens.

In FY 2004, SEED regional funding will reflect a focus on Southeast Europe (SEE) and help stabilize, transform, and integrate the area--the scene of two major wars over the past ten years and lagging social and economic reforms--into the transatlantic and European mainstream. Augmenting bilateral efforts, programs will be targeted to increase trade and foreign investment, promote greater cooperation among the countries of the region, combat terrorism, international crime, trafficking in persons, and corruption, and strengthen democracy and rights for ethnic minorities.

Through this program, the United States funds technical assistance, leverages significant new funding from other donors, and makes important legal or regulatory gains, for example in developing a regional electrical grid attractive for investment and supporting the process of trade integration through bilateral free trade agreements. Funding will support the U.S. goal of helping countries in the region develop the capacity for domestic war crimes trials, in coordination with the International Criminal Tribunal for the former Yugoslavia's completion strategy. SEED will also support the OSCE's "Human Dimension and Economic Dimension" programs that shore up SEE government institutions in an effort to minimize the need for traditional peacekeepers. Law enforcement programs will support regional efforts to combat organized crime, terrorism, and trafficking in persons, and will strengthen border and customs controls, in addition to supporting the International Law Enforcement Academy in Budapest, Hungary. Through SEED contributions to regional organizations such as the Stability Pact and the Southeast Europe Cooperative Initiative, the U.S. will leverage significant additional resources from European and non-European donors. Active U.S. participation in these initiatives helps ensure a focus on top priorities for the U.S., including organized crime and corruption, trafficking in persons, independent media, and an improved investment climate in the region. In addition, regional funding allows rapid response, if needed, for crisis management.

Through democratization programs, SEED regional funds will strengthen the rule of law and local governments, and build civil society through non-governmental organizations (NGOs) and the media. Economic reform programs will spur the growth of small and medium-sized enterprises through increased availability of financing and decreasing the investment risk to U.S. firms considering investments in the region.

Regional funding is also devoted to a number of congressional earmarks in HIV/AIDS and other health areas, and funds other congressional directives.

Given the success of SEED graduate countries, regional funding will be discontinued to these countries in FY 2004.

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