

EUROPE AND EURASIA

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Albania
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	5,000	2,976	3,500
IMET	1,198	900	900
NADR-EXBS	600	300	515
NADR-SALW	-	300	300
Peace Corps	1,501	1,787	1,914
SEED	28,235	28,000	28,000

Albania continues to play a pivotal and productive role in regional stability, and Support for East European Democracy (SEED) assistance funds remain essential for ensuring Albania's ability to play that role. A democratic, stable and economically prosperous Albania is essential if Albania is to be an effective partner in the Global War on Terrorism, small arms and light weapons proliferation, and transnational organized crime, including narcotics and contraband smuggling and human trafficking. Therefore, the U.S. Government (USG) targets its assistance in the areas of economic reform, democratic institution building and the rule of law, as a means to promote a greater degree of prosperity for Albania while advancing U.S. interests in the region.

Sustained U.S. engagement and support for political and economic reform measures are crucial if positive trends are to continue and ultimately yield long-term results. The SEED request funds approximately 14 percent of the costs of the Organization for Security and Cooperation in Europe (OSCE) field mission to Albania. In addition, U.S. assistance is essential for guiding Albania closer to a Euro-Atlantic partnership. The U.S. coordinates assistance efforts closely with our European allies and European institutions, such as Italy, Greece, the European Union (EU), NATO, OSCE, and Council of Europe (CoE) to maximize the benefit of our assistance programs.

Consolidating democratic institutions and improving their capacities remains the highest priority for the U.S. in Albania. FY 2006 SEED funds will support specific initiatives within Albania to meet this priority. SEED funds contribute significantly to our efforts to develop civil society and human capital resources in Albania, which is still recovering from the economic collapse of 1997 and 45 years of harsh, xenophobic communism. SEED funds support initiatives such as primary health care upgrades, education improvements, and professional journalism. In addition, SEED-funded programs promote badly needed agricultural reforms, creating employment opportunities, modernizing production and increasing output in a country where nearly 70 percent of the work force is tied to the agricultural sector.

SEED funds also support judicial reform initiatives and target institutions that fight financial crimes such as tax evasion, money laundering, and terrorism financing. Continued SEED assistance is key to sustaining Albania's recent successes in fighting corruption, stopping human trafficking, and stemming the flow of weapons, narcotics and contraband into Western Europe. Support will continue for innovative law enforcement programs such as the Three Ports Strategy, the Vlora Anti-Trafficking Center and the regional Total Information Management System (TIMS).

Foreign Military Financing (FMF) is important for continuing the modernization of the 13,750-member Albanian Armed Forces (AAF). A NATO membership aspirant and staunch U.S. ally in the Global War on Terrorism, Albania contributes troops to peacekeeping efforts in NATO (formerly SFOR), Afghanistan and Iraq, and was one of only four countries in the world to send combat troops during Operation Iraqi Freedom. FY 2006 funds will be central to continued institutional and strategic reform as well as support of

deployed forces. Funds will directly support the development of niche military capabilities in line with Albania's current operational responsibilities in Iraq. Specifically, funding will be used to help modernize the Albanian military through contract services to meet NATO partnership goals, which in turn supports the Global War on Terrorism by reducing, restricting and/or eliminating transnational threats in the region. Additionally, funding will be used for English language training for the Albanian forces, specifically to upgrade English language training laboratories and procure instructor mobile training teams. FMF will also help cover the procurement cost for air surveillance and tactical radios, which support readiness of the AAF and Albania's integration into NATO.

In the process of assisting Albania to fulfill its aspiration to join NATO, the International Military Education and Training (IMET) program continues to provide both field and company-grade officers with training and professional development opportunities. IMET funds will provide English language training; professional military education for officers; tuition for attendance at U.S. military academies; and mobile training teams to assist the implementation of human resources, training and logistics systems reforms.

Albania is eligible in FY 2006 to receive grant transfers of Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will further Albania's force modernization in concert with its NATO Membership Action Plan (MAP) goals.

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

Albania will continue to receive support from the U.S. Small Arms/Light Weapons Destruction Program. Programs to collect and destroy the enormous stocks of Man Portable Air Defense Systems (MANPADS), small arms and light weapons (under 100mm) and ammunition will continue in FY 2006 both through direct bilateral programs and U.S. supported destruction projects via the OSCE. Over 100,000 weapons have been destroyed to date through the combined assistance of the United States, Norway, and Germany. The U.S. bilateral program, utilizing NADR Small Arms/Light Weapons (SA/LW) funds, enhances the overall security environment within the region by preventing illegal arms transfers to Kosovo and Macedonia. Matching funds from NADR International Trust Fund (ITF) are channeled through the ITF to provide support for humanitarian mine action in Albania.

Armenia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	2,485	7,936	5,000
FSA	74,558	70,000	55,000
IMET	869	750	750
NADR-EXBS	300	300	700
Peace Corps	1,604	1,717	1,743

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

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

In recognition of Armenia's progress in 16 criteria areas, Armenia was one of only 16 countries deemed eligible to compete for Millennium Challenge Account (MCA) funds in FY 2004 and in FY 2005. Should Armenia actually receive MCA funds, implementation would be closely coordinated with FREEDOM Support Act (FSA)-funded programs to ensure maximum development effect and poverty alleviation.

U.S. assistance to Armenia supports private-sector development, economic and energy reform, democracy and good governance, and social sector reform. FSA-funded assistance to judicial and law enforcement bodies of Armenia is helping to ensure that Armenia plays a more effective role in combating narcotics smuggling, organized crime, and trafficking in persons, and works to support our efforts to combat terrorism.

Continuing in FY 2006, FSA-funded humanitarian programs will provide critical medical and emergency help to impoverished persons in underserved and remote areas of Armenia. U.S. private voluntary organizations working with the U.S. Government in partnership with the Government of Armenia and local non-governmental organizations (NGOs) administer basic medical services and provide essential medicines, clothing and food to children, the elderly and other vulnerable populations. This assistance is integral to alleviating poverty and preventing widespread health problems and suffering in populations beyond the reach of limited local government social welfare programs. Other programs support Armenian efforts to provide health care for disadvantaged citizens and to improve health management education.

Armenia is continuing efforts to improve its business climate, increase investment, create jobs, and broaden its economic base. FSA-funded programs will continue to focus on developing and marketing Armenian agricultural products and helping Armenia meet its World Trade Organization commitments. At the macro-level, U.S. Treasury Department advisors will provide expertise in improving revenue collection and

reducing budgetary deficits, insuring that the government will be able to maintain good relations with international financial institutions. Technical advice also will help the Armenian Government improve its audit practices, thereby helping to fight corruption. Training programs, scholarships and other programs will help Armenia develop other sectors of its economy, seek investment, and create jobs, with an emphasis on developing micro, small and medium-sized enterprises (SMEs).

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

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

FY 2006 International Military Education and Training (IMET) funding will provide opportunities for the Armenian military to attend U.S. military professional education, and to facilitate Armenia's defense reform efforts through education in civil-military relations, defense resource management, and English language training. FY 2006 Foreign Military Financing (FMF) funding will enhance security cooperation by bolstering Armenia's communications capability, improving Armenia's ability to participate in regional peacekeeping operations, and improving interoperability with U.S., NATO and international forces.

Armenia will be eligible to receive grant Excess Defense Articles (EDA) in FY 2006. Provision of EDA grants will enhance Armenia's ability to participate in NATO and coalition operations, as well as international peacekeeping missions. Assistance provided under these programs will not be usable for offensive purposes against Azerbaijan, will not affect the military balance between Armenia and Azerbaijan, and will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan.

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

FSA-funded law enforcement programs provide training, technical assistance, and equipment to increase Armenia's capacity to fight international crime, corruption, and narcotics trafficking and to improve human rights practices. FY 2006 funding will continue to assist Armenia in creating the procedures necessary to investigate and prosecute criminal cases, including trafficking in persons; to improve law enforcement communications infrastructure which will improve communication and cooperation between Armenian and U.S. law enforcement agencies; to develop effective and sustainable police academy training; to improve forensics capabilities; and to assist in the professional development of prosecutors, investigators and

defense advocates. Funding will also support implementation of the Armenian Government's newly adopted anti-corruption action plan.

The U.S. Science Centers and Bio/Chem Redirect programs funded through the NADR Nonproliferation of WMD Expertise account promote the participation of former Soviet weapons scientists in peaceful research projects. The International Science and Technology Center (ISTC) and Biotechnology Engagement Program (BTEP) cooperate in the design and delivery of this NADR assistance. The U.S. Civilian Research and Development Foundation (CRDF) uses FSA funds to support scientists in Armenia, including but not exclusively from the former Soviet WMD complex.

Azerbaijan

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	2,485	7,936	5,000
FSA	38,782	37,355	35,000
IMET	1,084	750	750
NADR-EXBS	600	1,545	1,650
NADR-HD	2,468	3,500	4,000
P.L. 480 Title II	2,883	-	-
Peace Corps	1,326	1,527	1,729

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

Following the President's January 2002 waiver of section 907 of the FREEDOM Support Act (FSA), which prohibits certain types of assistance to the Government of Azerbaijan, assistance programs previously prohibited were initiated in the areas of budget reform, customs reform, law enforcement, and legal reform. This waiver was renewed in December 2003 and January 2005.

U.S. assistance enhances Azerbaijan's ability to prevent, deter, detect, and investigate the proliferation of weapons of mass destruction (WMD), weapons technology, expertise and conventional arms, and encourages efforts to halt trans-shipment of narcotics across its borders. Meanwhile, the U.S. has continued to provide humanitarian assistance in the form of food, medicine and medical supplies, seeking to ease the plight of the disadvantaged and displaced. Democracy programs have sought to strengthen civil society. In FY 2006, the United States will focus assistance on economic development – particularly with regard to expenditure of Azerbaijan's anticipated oil wealth, health care reform, judicial and law enforcement reforms, and export control and border security strengthening.

As a vital link in the Trans-Caspian energy corridor, Azerbaijan must develop a market-oriented, transparent and corruption-free economic, legal, and regulatory system. While there has been some economic growth, primarily in the energy sector, other areas of the economy are underdeveloped and unemployment remains high. Spillover effects from the energy sector to other sectors of the economy have not yet occurred. The agricultural sector is mired in low productivity, and privatized farms are small and lack reliable access to inputs, water, equipment and finance. Complex regulations, corruption, and underdeveloped financial systems have hampered private business development. In FY 2006, FSA-funded assistance will focus on accelerating economic growth, developing small and medium-sized agricultural enterprises, and reforming the domestic energy sector. Training opportunities will focus increasingly on economics and business development. The U.S. Government will also continue to work with Azerbaijan on

oil development and to support American companies through U.S. Overseas Private Investment Corporation (OPIC), U.S. Export-Import Bank, and U.S. Trade and Development Agency (USTDA) activities.

Although Azerbaijan has made some progress in creating a democratic system of government, significant problems remain in the areas of media freedom, human rights, and political pluralism, including free and fair elections, as evidenced by the flawed October 2003 presidential election and the 2004 municipal election. In FY 2006, the United States will continue to promote the development of Azerbaijan's democratic institutions and civil society, with a strong emphasis on combatting corruption and strengthening the rule of law. Programs to assist non-governmental organizations, political parties, and the media will continue to help them more effectively to advocate public interests and serve as a check on governmental authority.

U.S. assistance to Azerbaijan improves the country's capabilities to combat domestic and transnational criminal activities, including drug trafficking. FY 2006-funded law enforcement assistance programs will provide counter-narcotics training, help develop a specialized law enforcement training curriculum, support efforts to detect, prevent and prosecute cases involving trafficking in persons, support the expanded use of forensics investigative techniques, assist in the development of anti-terrorism and money laundering legislation, support implementation of the new criminal code, and support anti-corruption initiatives.

FY 2006 security assistance will provide continued support for projects initiated in previous years. The U.S. will continue to provide equipment, services and training through the Foreign Military Financing (FMF) and International Military Education Training (IMET) programs. FMF will provide assistance for monitoring the Caspian Sea, upgrading airspace management, and sustaining Azerbaijani troop deployments in Operation Enduring Freedom and Operation Iraqi Freedom. Funding will focus on acquisition of search-and-rescue and electronic reconnaissance equipment; on naval communications infrastructure improvements and training; on equipment for a peacekeeping unit, including uniforms, tactical radios, field equipment, night vision devices, and global positioning system units; and on airbase infrastructure upgrades to accommodate NATO aircraft, and a contingency and modeling simulation center. FMF and IMET will continue to promote interoperability with U.S. and NATO forces. Assistance provided under these programs will not be usable for offensive purposes against Armenia, will not affect the military balance between Armenia and Azerbaijan, and will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan.

The U.S. and Azerbaijan have a mutual interest in addressing the serious dangers posed by potential trafficking in WMD, associated delivery systems, materials, technologies, conventional arms and weapons expertise in and around Azerbaijan. At the end of 2003, Azerbaijan and the U.S. signed an implementation agreement to upgrade Azerbaijan's maritime interdiction capabilities regarding WMD and associated dual-use items under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program. CTR is also planning a new effort to work with Azerbaijan to increase their biosafety and biosecurity posture. The Government of Azerbaijan has demonstrated its commitment to nonproliferation by intercepting shipments of concern, and the U.S. will continue its program of assistance under the Export Control and Related Border Security Assistance (EXBS) program funded through the FSA account and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account in FY 2006. In an effort to prevent weapons proliferation and complement counter-terrorism assistance, EXBS provides equipment to support the technical capacity of Azerbaijan's Customs Service, Border Guards and Maritime Brigade, including enforcement training, inspection and detection equipment, and communications. EXBS is also supporting upgrades to and training on a U.S. Coast Guard cutter donated under the Excess Defense Articles (EDA) program. Azerbaijan will be eligible to receive grant EDA in FY 2006. Provision of EDA grants will enhance interoperability and Azerbaijan's ability to participate in NATO and Coalition operations, as well as international peacekeeping missions.

Azerbaijan acceded to the Intergovernmental Science and Technology Center in Ukraine (STCU) in 2003. Late in FY 2004, Azerbaijan hosted a Governing Board meeting of the STCU. The U.S. provided Azerbaijani scientists the first STCU research grant for the country, drawing on NADR Nonproliferation of WMD Expertise funding devoted to the redirection of former Soviet WMD researchers. The Administration continues to gather data, including through visits to Azerbaijani institutes, on the size and capabilities of the country's WMD-scientist community. FY 2006 NADR-funded activities will include training in proposal-writing and travel grants for regional and international networking, to assist these scientists in their transition to non-military employment.

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

Belarus
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FSA	8,055	6,500	7,000
NADR-EXBS	-	-	250
NADR-SALW	-	300	300

Promoting democracy, human rights, and economic reform will help foster the independence, security and prosperity of Belarus. This will, in turn, contribute to regional stability, security and prosperity. Currently, Belarus's authoritarian regime, inchoate and besieged democratic institutions, retrograde economic policies, and close relations with rogue states threaten regional development and security key U.S. foreign policy goals. These policies also isolate Belarus from its neighbors, four of which entered the European Union (EU) in 2004 and one of which (Ukraine) made a large step towards democracy with a generally free and fair election of reform-minded Viktor Yushchenko as president. These neighboring countries see Belarus' backwardness as an anachronism that jeopardizes their own future security and prosperity. As a result, the United States, in order to implement the Belarus Democracy Act, has focused assistance efforts on democracy, human rights, the fight against trafficking in persons, and HIV/AIDS. Although the Government of Belarus claims to be willing to provide assistance in the Global War on Terrorism, in fact, credible allegations of the transfer of arms and dual-use equipment to countries of concern underscore the importance of achieving a more open, transparent form of governance in Belarus.

U.S. assistance to Belarus seeks to help promote a pluralistic and democratic political culture by empowering a large number of pro-democracy and human rights civil groups, and, to the extent that they still exist as independent entities, educational institutions, political parties, media outlets and associations of small and medium-sized enterprise owners. A diversified approach to increasing Belarusians' participation in civic activism is required, whereby the United States will not only provide assistance targeted at democratic reform but also social-sector assistance targeted at combatting the spread of HIV/AIDS and preventing trafficking in persons.

FY 2006 FREEDOM Support Act (FSA) funding will continue to support non-governmental organizations (NGOs) that advocate human rights and promote democratic reform. This support will include small grants and training in such areas as advocacy, networking and coalition building. FY 2006 FSA funding will also continue to support Belarus' besieged independent media, including material and technical support to journalists and editors who are struggling to keep their publications open in the face of continued harassment by the regime and competition from government-subsidized state media. With presidential elections scheduled for 2006, FSA-funded activities will seek to foster a more open and balanced political debate, including non-partisan activities designed to help strengthen and unify democratically oriented parties. There will continue to be an emphasis on empowering local communities to develop the capacity to solve their own problems.

In addition, we will work with NGOs and Belarusian local authorities to develop strategies to address the threats posed to Belarusian society and regional stability by trafficking in persons and the HIV/AIDS pandemic. NGOs receiving U.S. support also work to address public health concerns, including tuberculosis, hepatitis, and women's wellness and infant care.

Opportunities to encourage economic reform through FSA-funded assistance programs are severely circumscribed in Belarus. Since the election of the current president in 1994, economic liberalization and structural reform measures have been frozen, or in some cases reversed. The country has largely retained a centrally planned economy, with most large-scale enterprises still in government hands and barter trade

dominating inter-enterprise transactions. Indeed, the Russian Federation has linked further economic integration with Belarus to specific reforms, which the regime has yet to adopt. Modest FSA-funded economic assistance programs have concentrated on supporting SMEs by developing business associations for lobbying and advocacy, as well as a modest economic policy education initiative hosted by a Belarusian think tank. Any further programs in FY 2006 will continue to focus on these areas.

In February 1997, the President determined that he could not certify Belarus to be eligible for assistance under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program due to the country's poor human rights record. Developments since that time have not warranted reconsideration of this decision. Belarus nevertheless remains a member of the International Science and Technology Center (ISTC), a multilateral organization that funds grants to former Soviet weapons-of-mass-destruction (WMD) scientists to assist them to transition to non-weapons-related work. The U.S. generally does not fund grants to Belarusian scientists, the only exception being unique opportunities to promote U.S. security interests or address compelling humanitarian needs. Currently, the only U.S. contributions to the ISTC that are benefitting Belarus are supporting a National Cancer Institute study of the health of Belarusians exposed to radiation from the Chernobyl accident and a Nonproliferation and Disarmament Fund (NDF) project to design better controls over nuclear materials. The Departments of State and Energy plan to fund projects addressing blood-sugar monitoring systems for diabetics and less dangerous fuel for nuclear power, respectively. We are also working carefully with the ISTC to ensure that the security upgrades previously provided by the Department of Energy to Belarusian nuclear facilities remain effective in securing the fissile material therein.

Bosnia and Herzegovina

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	18,400	2,480	10,000
IMET	991	900	900
NADR-EXBS	600	500	675
NADR-SALW	-	400	400
SEED	44,735	41,000	40,000

Bosnia and Herzegovina (BiH) has made significant progress since the signing of the Dayton Peace Accords nine years ago, but it remains a fragile state in a potentially volatile region. State-level defense, intelligence, financial, law enforcement and judicial bodies have been established, but continue to experience growing pains. BiH's transition from a command economy to a market-based economy continues, although it remains heavily dependent on foreign aid. With its porous borders, complex and overlapping layers of government, persistent corruption and still weak state-level institutions, BiH is an attractive destination and transit point for terrorists and traffickers. It is in U.S. interest to help BiH strengthen its institutions, reduce dependency on foreign assistance, and complete the transition to a modern European state tied to Euro-Atlantic institutions that contributes to regional stability.

In FY 2006, Support for East European Democracy (SEED) programs in BiH will continue to support democratic, economic and social sector reforms and strengthen local capacity to maintain internal security and uphold the rule of law. SEED-funded democracy programs will assist in improving the sustainability and effectiveness of non-governmental organizations (NGOs), the management capacities of municipalities, development of a professional and responsible independent media, and development of moderate political parties and state and entity parliaments. Economic and social sector programs will offer technical advice to restructure the banking and financial sector, including establishing a securities market, automating commercial courts and providing training in commercial laws, supporting tax and customs administration reforms and reforms of BiH's power sector. Grants and loans will also assist in developing small and medium-sized enterprises and providing opportunities for minority returnees. Rule-of-law programs will provide technical assistance, training and equipment to build the capacities of the full range of security services, including police forces in both entities, the anti-trafficking in persons (TIP) strike force, the State Border Service, the State Information and Protection Agency, as well as the War Crimes Court and the High Judicial Prosecutorial Council, with the aim of strengthening anti-trafficking, counter-terrorism and judicial institutions. These programs will build on the progress made as a result of prior years' assistance. The SEED regional budget will fund the U.S. share of the Organization for Security and Cooperation in Europe (OSCE) and the Office of the High Representative (OHR) missions in BiH, with the goals of containing and reducing instability and assisting with post-conflict rehabilitation.

Foreign Military Financing (FMF) funds contribute to United States foreign policy objectives by promoting peace and stability in Bosnia. FMF funding in FY 2006 will contribute to BiH's comprehensive defense reform effort. BiH enacted defense reform legislation in December 2003 that places both entity armies – the Army of the Republika Srpska (VRS) and the Federation Army (VF) – under state-level command and control. Successful implementation of the defense reforms will meet NATO's technical requirements for participation in the Partnership for Peace and help create the conditions necessary to further drawdown of the extraordinary international military and civilian presence in BiH. Under the new legislation, all forces fall under the operational command of the BiH Tri-Presidency via a new Ministry of Defense, Joint Staff, and Operational Command. In addition to creating these new state-level institutions, the reforms require downsizing the entity militaries, limiting conscription, destroying excess weapons, and divesting surplus

properties. FMF in FY 2006; will continue these efforts by providing advisory and technical support to the Peace Support Operation and Training Center, spare parts to maintain and equip a rapid-response brigade, training and equipment for a multi-functional support battalion, and parts for UH-1 helicopters.

In FY 2006, the International Military Education and Training (IMET) program in Bosnia will train officers and non-commissioned officers (NCOs) working in the state defense institutions. IMET activities will include career development training for junior officers and leadership training for mid-to-upper-level defense officials. IMET funds will also be made available to train properly vetted members of the VRS to support their participation in the state defense institutions in a manner consistent with U.S. law and policy. IMET funding from previous years was used to strengthen state-level defense institutions by training officers who agreed to serve in a state-level capacity, such as the Standing Committee on Military Matters or as a Defense Attaché in a BiH Embassy.

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

In FY 2006, the United States will continue its Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) program to assist BiH in establishing an effective export control and enforcement system as part of the U.S. effort to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons. In BiH, NADR-EXBS funds will purchase detection equipment for border-control training, support implementation of new dual-use export control regulations, and fund seminars for industry representatives on export license requirements, including for dual-use items and technology.

FY 2006 NADR Small Arms and Light Weapons (SA/LW) Destruction funds will be used to support the destruction of SA/LW designated as excess to BiH's defense needs by BiH's Defense Reform Commission. Destruction activities will prevent the diversion and illicit trafficking of these weapons that BiH does not have the resources to properly secure. FY 2006 NADR International Trust Fund (ITF) funds will be channeled through the USG-ITF matching program to support humanitarian mine action in BiH.

Bulgaria
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	8,450	6,944	19,000
IMET	1,463	1,395	1,400
NADR-EXBS	1,500	500	-
NADR-SALW	500	244	400
Peace Corps	3,214	3,387	3,496
SEED	27,835	27,000	28,000

Bulgaria's transition to a market oriented economy and its progress on democratic reforms continues to benefit from sustained U.S. assistance. Through its participation in international and regional security bodies, Bulgaria has played an increasingly larger role in building international and regional stability over the past several years. Bulgaria was a key partner in the NATO action in Kosovo in 1999 and has provided military forces to stabilizing operations in Bosnia, Afghanistan, and Iraq. Bulgaria joined NATO in 2004 and continues its efforts to modernize and professionalize its armed forces for seamless participation in NATO military activities. In 2004, Bulgaria was Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE). Bulgaria has closed all 30 chapters of its European Union (EU) Acquis and plans to sign its EU accession treaty in April 2005 and to join the EU on January 1, 2007. U.S. assistance supports democratic processes and economic reform. U.S. assistance is targeted at rule of law and judicial reform, anti-corruption, strengthening small and medium-sized enterprises, financial sector integrity, and municipal governance and fiscal decentralization.

The Bulgarian Government's approval ratings have increased in recent opinion polls, despite persistently high levels of unemployment and poverty, as well as faltering health care and pension systems. General elections are scheduled to take place in early summer 2005. Despite the progress made on broad political and economic issues, much of the general citizenry, especially those living outside the major cities, have yet to feel the effect of increased job creation and a higher standard of living.

SEED assistance in FY 2006 will focus not only on judicial reforms but also on enhancing border controls and largely improving civil security, which will in turn improve regional security. FY 2006 is the last year of new SEED funding for Bulgaria, and the remaining funds will be targeted accordingly. Previous U.S. rule-of-law and anti-corruption programs have facilitated the country's progress towards transparency and accountability, significantly contributing to the building of democratic institutions. Assistance in economic reform has resulted in a thriving banking sector, while also improving the commercial regulatory framework and assisting companies with export earnings potential, which include agriculture, light manufacturing, information technology and tourism. We will continue to focus on programs that strengthen municipal government, thus bringing the democratization process to the local level.

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 Bulgaria establish fully effective export controls over sensitive items. EXBS funds provide advanced licensing training as well as training on basic detection, targeting, and profile techniques for export control enforcement officers at the borders. FY 2006 NADR funding will be focused on improving industry outreach capabilities through the regional nonproliferation advisors. Through the NADR Small Arms and Light Weapons (SA/LW) Destruction Program, we will continue to

support the destruction of surplus and obsolete SA/LW and associated ammunition remaining in Bulgaria as a legacy of the Cold War.

Foreign Military Financing (FMF) is a vital element in the modernization and professionalization of Bulgaria's armed forces. This modernization is crucial in light of Bulgaria's new status as a member of NATO and its need to be able to operate in a joint NATO environment. The majority of funds will be dedicated to upgrading command, control, communications, computers and intelligence (C4I) systems in order to link Bulgaria's air defense system to NATO's Integrated Air Defense System (NIADS). This upgrade will allow Bulgaria to operate as a full partner within NATO, including participation in peacekeeping and crisis operations. Through contractor-provided consulting services, FMF will also improve coordination between the General Staff and the Ministry of Defense and continue defense modernization efforts. Purchasing equipment to develop niche capabilities in such areas as construction engineering, chemical defense, military police, and field medicine will ensure that Bulgaria is meeting NATO standards, is able to deploy in all conditions, and can maintain minimum interoperability standards. FMF will also fund much-needed simulation equipment, dramatically increasing levels of training and raising overall levels of operational readiness. Bulgaria will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

International Military Educational and Training (IMET) continues to provide crucial support to the Bulgarian Armed Forces. IMET funding includes training for officers and non-commissioned officers (NCOs) in military professionalism, civilian/military relations, and national security affairs. IMET training is focused on improving Bulgaria's peacekeeping capabilities, gaining familiarity with U.S. methods of combating terrorism, raising English language proficiency within the military, streamlining C4I, and strengthening management skills.

Croatia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	50	50
NADR-EXBS	850	690	910
SEED	24,853	20,000	15,000

The U.S. policy goal of regional stability in the Balkans depends to a considerable extent on Croatia's successful transition to a stable democracy with a market economy and on resolution of wartime legacies. Supporting Croatia's entry into Euro-Atlantic institutions, such as the European Union, also serves other important American interests, such as fighting terrorism, crime, trafficking in persons, and other transnational threats, as well as creating a secure and attractive climate for U.S. business.

With U.S. assistance, the Croatian Government has made significant democratic and economic reforms since 2000. Continued assistance is crucial to support Croatia's ongoing transition and resolution of war legacy issues, including the plight of over 200,000 ethnic Serb refugees.

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

SEED-funded programs will help Croatia strengthen democratic institutions and rule of law, and complete implementation of the Dayton Accords, including full cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY) and a judicial structure that encourages and protects foreign investment. U.S. assistance builds more effective citizen participation, improves law enforcement and local governance, and supports the development of a vibrant NGO community. SEED-funded initiatives will continue to support training of leaders at the local level who are reform-minded and responsive to community needs. SEED funds help to restore basic utilities and community services in war-affected areas, and create incentives for refugees to return to their homes. In FY 2006, economic revitalization activities will continue to build on past successes in partner municipalities. SEED funds cover the approximately 14 percent of the U.S. share of the costs of the Organization for Security and Cooperation in Europe (OSCE) Field Mission to Croatia.

Other donors, including the international financial institutions and the European Union, continue to consider the U.S. assistance program in Croatia to be vital in preparing the ground for, launching and complementing their own programs.

In FY 2006, 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 its ability to participate alongside Partnership for Peace (PfP)/NATO forces in crisis-response operations and other activities.

Pursuant to the American Servicemembers' Protection Act (ASPA), because Croatia has not signed an agreement under Article 98 of the Rome Statute, it has been prohibited since July 2003 from receiving U.S.

military assistance, including Foreign Military Financing (FMF), International Military Education and Training (IMET), and Excess Defense Articles (EDA). Prior to 2004, FMF had supported Croatia's force modernization and interoperability with PfP and NATO forces, the upgrade of Croatia's communications capabilities, creation of an Air Sovereignty Operations Center, and creation of an integrated command and control structure capable of interacting with the integrated NATO air defense structure. Prior to FY 2004, IMET programs exposed Croatian armed forces to Western military doctrine and provided them with the training and related English language instruction necessary to function effectively in a modern, professional military force.

As part of our efforts to prevent the proliferation of weapons of mass destruction (WMD), their delivery systems, and other weapons, the United States will continue to provide Croatia with Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)-funded assistance in FY 2006. NADR Export Control and Related Border Security Assistance (EXBS) activities will help the Government of Croatia to establish an effective export control system. FY 2006 NADR-EXBS funding will also provide for training in licensing and in determining whether an item or technology is controlled. NADR-EXBS funds will also provide for advanced enforcement training at the Radiation Academy in Washington State.

Cyprus
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	38,420	13,392	20,000
NADR-EXBS	400	400	200

The United States has a longstanding interest in facilitating a comprehensive settlement on Cyprus. Since Cyprus issues involve Greece and Turkey -- our NATO allies -- these issues affect regional stability for the entire Eastern Mediterranean region.

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 Republic of Cyprus joined the European Union in spring 2004. The northern part of Cyprus 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).

U.S. assistance seeks to reduce tensions and promote a climate that will foster reconciliation and a durable peace settlement for Greek Cypriots and Turkish Cypriots. The U.S. Congress's objectives for Cyprus, as reflected in annual appropriations language, include reunification of the island, reduction of tensions, and promotion of peace and cooperation between the two communities on Cyprus. U.S. assistance supports Congressional objectives by focusing on increasing and strengthening cooperation and mutual tolerance between the two communities, supporting initiatives that encourage a comprehensive settlement.

In FY 2006, Economic Support Fund (ESF) resources will support the peace process and eventual reunification of the island by increasing bicomunal efforts to build support for solution after the failure of the United Nations (UN) settlement plan in referenda in April 2004. The funding will continue to support activities to strengthen the Turkish Cypriot economy and economic integration of the island.

ESF-funded programs include initiatives to reduce economic disparities between the two communities so that the Turkish Cypriot community can shoulder its share of the economic costs of settlement. ESF-funded programs include support for economic development, civil society empowerment, good governance, education, and social and cultural exchange, especially among youth. ESF assistance supporting reconciliation includes technical assistance for sector-specific activities and implementing partners, related training and workshops, sub-grants to non-governmental organizations and commodities including materials, equipment and supplies.

In FY 2006, \$1,600,000 is planned to be apportioned directly to the State Department for the Bicomunal Support Program, managed by the U.S. Embassy in Nicosia for politically sensitive, shorter-term, priority/opportunity programs to support reconciliation. A total of \$4,000,000 is planned for transfer to the State Department for scholarships and short-term training implemented by the Cyprus Fulbright Commission to support reconciliation.

If a political settlement is reached, U.S. assistance will support the terms of the approved peace agreement in strategic areas, facilitate the transition, and be directed to the success and viability of the UN-brokered agreement between the two communities.

Under the Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) account, the Export Control and Related Border Security (EXBS) Assistance Program is helping to establish fully effective transshipment controls in Cyprus. FY 2005 EXBS funding provided first-responder equipment and training to help Cyprus respond to a weapons-of-mass-destruction(WMD)-related event, as well as a product identification tool and associated training to assist in the identification of dual-use goods. EXBS funding also helped provide basic training to individuals working in customs and law enforcement fields in the Turkish Cypriot community. Cyprus has made real progress in the area of export control enforcement, having established a dedicated Cypriot Customs team to inspect transshipment container cargo.

Czech Republic

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	7,869	5,952	6,000
IMET	2,276	1,900	1,900

Assistance from the United States has contributed to the Czech Republic's development into a democratic, free-market-oriented NATO ally. The Czech Government, including the small but effective Czech Army, has proven to be a stalwart partner in the Global War on Terrorism, and in peacekeeping missions in Europe, Africa and Central Asia. At the beginning of 2005, the Czechs had a military police unit in Iraq training Iraqi policemen, and a team of doctors and nurses at the British field hospital in Basra. There was also a small unit at the airport in Kabul handling weather reports and air traffic control. Over 400 Czech troops serve in Kosovo, and over 60 in Bosnia as part of the European Union's Operation Althea. They have 10 peacekeepers on United Nations missions in Africa and Georgia. Providing specialized support has become a priority for the Czech Republic, as shown by these contributions.

The primary U.S. interest continues to be helping the Czech Republic improve its ability to contribute fully to NATO missions and other operations related to the Global War on Terrorism. FY 2006 funds will focus on training and equipping the Czech Republic's deployable forces, including Special Forces, Military Police, and nuclear, biological and chemical (NBC) defense personnel; building a secure, NATO-compatible command and control system; improving survivability of forces and effective combat engagement; and supporting reform within the Czech Armed Forces.

Helping the Czech Republic continue to make progress in the area of military modernization will maximize Czech contributions to NATO's role in European security. 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 is particularly 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. U.S. assistance, in the form of FMF and IMET funds, will complement the Czech Republic's national resources, greatly increase U.S. influence in Czech defense policy and procurement decisions/process, and will help the Czech Government stay on track in its reforms.

FY 2006 funds will focus on promoting three objectives:

- Continuing to develop and equip deployable forces, to include specialized capabilities in the area of NBC defensive, special operations, medical support and military police capabilities. This support will include biological detection equipment, special forces equipment and NBC defense training.
- Supporting continued defense reform by providing consultants to assist with reform, specifically in the areas of training management, doctrine development, organizational transformation, and personnel systems.
- Modernizing and integrating military forces to support NATO by developing planning systems, upgrading command and control equipment, and providing simulation tools.

In FY 2006, the Czech Republic will be eligible to receive grants of Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist the Czech Republic in meeting its defense requirements 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 has provided substantial Nonproliferation, Antiterrorism, Demining and Related Activities (NADR)-funded Export Control and Related Border Security Assistance (EXBS) in the form of a cooperative program to strengthen the Czech Republic's export control system. Since the Czech Republic has made significant progress in establishing an effective export control system, no NADR-EXBS funding is being requested specifically for the Czech Republic in FY 2006; however, regional NADR-EXBS funds will continue to fund Czech participation in regional export control events, and an EXBS Advisor stationed regionally will continue to work with Czech officials on an ad hoc basis.

Estonia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	5,979	4,960	5,000
IMET	1,408	1,200	1,200
NADR-EXBS	995	1,000	100

Estonia and the other two Baltic states of Latvia and Lithuania are important to Northern Europe's long-term stability. In light of Estonia's accession into NATO and the European Union in 2004, the country's prospects for the future appear promising. The United States has maintained a significant assistance relationship with Estonia ever since it regained its full independence from the Soviet Union. Now that Support for East European Democracy Act (SEED) assistance to Estonia has phased out, U.S. assistance is focused on the military and security fields.

Estonia has shown itself to be a reliable partner for the United States in the Global War on Terrorism and on other vital foreign policy issues. Estonia has contributed forces to operations in Iraq and Afghanistan. U.S. goals for Estonia remain the promotion of good-neighborly relations between Estonia and nearby countries, including Russia, and strengthened cooperation among the Nordic and Baltic countries. Estonia is interested in sharing its experience in political and economic reform with the Eurasian countries, an effort that the United States fully supports.

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

Estonia's efforts to become fully interoperable for participation in NATO and NATO-associated operations, including peacekeeping, peace enforcement, and humanitarian assistance, will be sustained in part by Foreign Military Financing (FMF). In FY 2006, FMF funds will contribute to the establishment of a standardized, secure-mode-capable, NATO-interoperable communications network for the National-Strategic-Operations-Tactical levels to support Estonia's ability to deploy and participate in peace and wartime exercises and operations. In meeting this objective, funds will be used to equip a military intelligence battalion with modern, NATO-compatible tactical radios, equip the Estonian Naval Fleet with a Navy tactical information system, and develop a simulation capability, among other projects. FMF funds will also sustain previously acquired U.S.-origin equipment.

In FY 2006, Estonia will once again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA materiel will help Estonia meet national defense requirements and further its NATO interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security assistance in the form of a cooperative program to help establish fully effective export controls in Estonia. FY 2005

NADR-EXBS funding focused primarily on providing sophisticated equipment to enhance the security of Estonia's borders. Since Estonia has made significant progress in establishing an effective export control system, only \$100,000 in NADR-EXBS funding is being requested for FY 2006 in order to complete program activities.

World War II landmines and unexploded ordnance, as well as the occasional sea mine that washes ashore, pose a significant danger to people in Estonia. In FY 2005, regional NADR Humanitarian Demining funds contributed to saving lives and creating conditions for increased economic growth and productivity.

Georgia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	12,000	11,904	12,000
FSA	71,701	86,000	67,000
IMET	1,228	1,200	1,200
NADR-HD	1,500	3,000	3,000
NADR-SALW	-	-	300
P.L. 480 Title II	2,974	-	-
Peace Corps	1,525	1,618	1,754
PKO	3,000	-	-

Since the November 2003 “Rose Revolution,” Georgia’s new government has mobilized significant legislative and public support for its major reform initiatives. The region of Ajara has now been brought fully under the control of the central government, strengthening Georgia's economic viability. Georgia continues to play a key role in furthering U.S. interests and has been a strong supporter in the Global War on Terrorism, Operation Iraqi Freedom (OIF), and Operation Enduring Freedom. Georgia granted the United States blanket overflight rights and potential basing permission, and contributed personnel to the U.S. Central Command's (CENTCOM) area of operations. By enhancing Georgia’s ability to control its borders, the United States reduces the risk of conflict in the region and helps block the transit of terrorists and weapons into and out of the North Caucasus. Furthermore, with the completion of oil and gas pipelines in the coming years, Georgia will become a key conduit through which Caspian Basin energy resources will flow to the West, facilitating diversification of energy sources for the United States and Europe.

In recognition of Georgia’s rapid improved performance in 16 criteria areas, Georgia was one of only 16 countries deemed eligible to compete for Millennium Challenge Account (MCA) funds in FY 2004 and in FY 2005. Should Georgia actually receive MCA funds, implementation would be closely coordinated with FREEDOM Support Act (FSA)-funded programs to ensure maximum development effect and poverty alleviation.

FY 2006 funding will continue to support efforts of the new Georgian Government to undertake the economic and political reforms embarked upon after the November 2003 “Rose Revolution.” The funding will support the new government’s focus on anti-corruption, good governance, and economic development. U.S. assistance to Georgia will also enhance its territorial integrity, promote regional security and nonproliferation, support the rule of law, support market-based economic reform, strengthen civil society, and help relieve human suffering. In FY 2006, the United States plans to continue a range of security-related programs to improve Georgia's ability to monitor and combat terrorism; deter, detect, prevent, and investigate the flow of illicit weapons of mass destruction (WMD), related materials and expertise; prevent the cross-border illicit transshipment of contraband; and support military reforms.

The FSA-funded Georgia Border Security and Law Enforcement (GBSLE) Assistance Program will continue to provide necessary equipment (such as radios, remote sensors, surveillance and detection equipment), logistical and infrastructure support, and training to help the Georgian Border Guard, Coast Guard, Customs Service, and other security forces maintain an active presence on Georgia's land and sea borders. The GBSLE Program will continue to enhance Georgian capabilities to monitor and control territorial borders, patrol internal checkpoints, and prosecute criminals and terrorists. In addition, this program will continue to enhance interoperability between Georgian security forces and U.S. and Coalition forces. GBSLE assistance will include support for uniforms, transportation, infrastructure upgrades,

training, command/control/communications, vessels and aircraft, spares and maintenance, radar and facilities operation and management, and new tactical utility vehicles.

The U.S. enjoys extensive security cooperation with Georgia. As our partner in the international coalition against terrorism, Georgia has provided peacekeeping forces to Iraq and has submitted an Individualized Partnership Action Plan (IPAP) to NATO. The centerpiece of U.S.-Georgian security and counterterrorist cooperation has been the U.S. training of five Georgian battalions in the high-profile Georgia Train and Equip Program (GTEP), which ended in FY 2004. In FY 2006, Foreign Military Financing (FMF) will sustain and bolster the high level of battalion level operational capability attained during the course of GTEP.

FY 2006 FMF will be used to provide follow-on training and equipment (including uniforms and personal soldier packs) to the units trained under GTEP, also serving in OIF, and will also sustain the GTEP training base. In addition, FMF will fund contractors to work daily with Georgian leadership and forces in order to plan and enact necessary defense reforms. FMF funds will also provide for the maintenance of the UH-1H "Huey" class helicopter program. Providing training and equipment for previously provided UH-1H helicopters will increase the Georgian Armed Forces' capability to respond to threats.

The IMET program will be used to support and provide training related to the UH-1H program. In addition, IMET funds will be used to support the U.S. advisory program to the Georgian Defense Ministry and Armed Forces. Our advisory program will ensure that Georgia has the benefit of U.S. expertise in attaining their goal of an effective, NATO-interoperable military.

In FY 2006, Georgia will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Georgia in meeting its defense requirements and furthering its interoperability.

FSA funds provide training and equipment to give Georgia the necessary capability to prevent the spread of dual-use equipment and technology. Additional assistance through the FSA-funded Civilian Research and Development Foundation (CRDF) and the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Bio/Chem Redirect Program and Science Centers Program provides peaceful research and employment opportunities for former-Soviet weapons experts in Georgia, with a view to preventing the spread of their expertise to rogue states or terrorist organizations. These research activities include projects focused on HIV/AIDS and tuberculosis, as well as activities that engage Georgian, Azerbaijani and Armenian scientists in regional collaboration, prominently in seismic risk assessment. The Bio/Chem Redirect Program channels NADR Nonproliferation of WMD Expertise funds to support collaborative research involving Georgian scientists with experts from the U.S. Environmental Protection Agency (EPA) and the Department of Health and Human Services (HHS) Biotechnology Engagement Program (BTEP), contributing to the U.S. pursuit of countermeasures to biological and chemical weapons.

Georgia's new political environment is providing new opportunities for anti-corruption, law enforcement, and judicial reform efforts. FY 2006 FSA funding will support initiatives to improve the professional development of police and prosecutors; to support reform of law enforcement agencies and the procuracy, focusing on anti-corruption initiatives within these agencies; support law enforcement academy development through assistance for curriculum development and training; support steps to address money laundering and to implement the Criminal Code; continue judicial reform programs; and continue to support research on criminal justice issues by Georgian academics for use by Georgian decision-makers.

In FY 2006, FSA-funded democracy programs will build on the momentum of the recent changes. Non-governmental organizations (NGOs), many of which have benefited from U.S. assistance, are numerous and active, as are independent media. FSA funds will continue to support civil society programs,

development of an independent judiciary, and governmental institutional reform at both the local and national levels. FSA-funded economic reform programs will support the Georgian Government's efforts to reform the country's legal and regulatory systems, privatize the economy, implement budgetary reforms, achieve fiscal stability, and fight corruption. The U.S. will continue to support development of private-sector markets, including continued land reform and privatization of government assets. Assistance to the new Georgian government will continue to help them increase revenues, especially in the areas of budget, energy, and revenue collection. FSA funding in FY 2006 will continue to support programs devoted to the non-governmental sector, including agriculture, and business support and credit programs that help small and medium-sized private businesses.

In FY 2006, FSA-funded humanitarian programs will continue to provide critical medical and emergency help to refugees, internally displaced persons (IDPs), and other impoverished persons in underserved and remote areas of Georgia. U.S. organizations working with the U.S. Government in partnership with the Government of Georgia and local NGOs will administer basic medical services and provide essential medicines, clothing and food to refugees, IDPs, children, the elderly, and other vulnerable populations. This assistance is integral to alleviating poverty and preventing widespread health problems and suffering in the populations beyond the reach of limited local government social welfare programs.

The United States also provides humanitarian assistance through the NADR-funded Humanitarian Demining Program (HDP). In FY 2006, the HDP will continue to address the threat of landmines and unexploded ordnance from the civil conflict in and around the Abkhazia region of Georgia. Past funding has already helped to train and equip a team of Georgian deminers to United Nations standards, but much more work needs to be done. The NADR-funded Small Arms/Light Weapons Destruction program plans to provide assistance in FY 2006 to reduce Georgia's vast surplus of these items.

Greece
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	568	1,000	600

A key NATO ally, Greece is strategically located near Balkan and Middle East trouble spots, and is essential to the ability of the United States and other allies to respond to contingencies in Southern Europe and further east. The U.S. naval base in Crete has played a pivotal role in recent U.S.-led military coalition operations. Greece has given full support to Operation Enduring Freedom and has pledged over \$3.6 million for assistance to Afghanistan. Greek forces are serving with NATO in Afghanistan. As the only country in its region belonging to both NATO and the European Union, Greece is a role model for its neighbors, as well as a leading participant in international efforts to promote democracy, stability, and development in Southeastern Europe. Greece also is essential to U.S. efforts to promote a solution on Cyprus and, more broadly, to encourage the peaceful resolution of disputes in the Aegean region.

The United States seeks to help Greece fulfil its NATO responsibilities, strengthen international cooperation on counterterrorism, and take steps that facilitate U.S. business interests. In FY 2006, the International Military Education and Training (IMET) program will continue to promote the professionalization of the Greek military, and thus U.S. interests, through the training of Greek officers in the United States, thereby establishing cooperative relations with the U.S. military. Prior-year IMET funds have helped Greece maintain a modern military capable of meeting the country's NATO commitments. Furthermore, IMET indirectly promotes the use of U.S. defense-related articles, thereby enhancing NATO equipment standardization goals.

Greece continues to take positive steps to reduce military tensions with Turkey, as a part of the general rapprochement in relations between the two countries.

Consistent with its readiness needs and NATO obligations, Greece also is a recipient of Excess Defense Articles (EDA). It will again be eligible to receive grant EDA in FY 2006 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 in 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	6,938	5,952	4,000
IMET	2,044	1,900	1,575

U.S. assistance has helped Hungary develop into a stable, democratic, market-oriented NATO ally and member of the European Union that actively participates in NATO operations, thereby contributing to the security of the entire Central European region. Hungary has contributed to international community efforts in the Balkans, Iraq, Afghanistan and participates in a number of United Nations peacekeeping missions. Hungary has also been an ally in the Global War on Terrorism. The Hungarian Government has been supportive of Operation Enduring Freedom and has stationed Hungarian troops in Iraq throughout 2004. Hungary's ruling coalition supported extending the mandate for its troops in Iraq into 2005; however, the opposition effectively blocked that measure. Nonetheless, the Hungarian Government does not need parliamentary approval to deploy troops on NATO missions, and it has already offered to take part in the NATO Training Mission in Iraq beginning in 2005. Hungary reinforced its presence in Afghanistan by sending a reconnaissance unit in September 2004. Hungary has also supported counter-terrorism training at the Support for East European Democracy (SEED)-funded International Law Enforcement Academy (ILEA) in Budapest. Hungary was one of the first wave of graduates from bilateral SEED Act support; Hungary will not receive SEED assistance in FY 2006.

FY 2006 Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance will be used to develop military capabilities that contribute to NATO Force Goals and increase interoperability. Current FMF funds have been allocated to address these larger goals, which are being addressed through the following projects:

- Installation of a multiple integrated laser engagement system (MILES) at the future national training center at Varpalota.
- Continuing contractor-provided defense advisory services with a focus on: (1) helping Hungary meet its NATO Force Goals and enhance its ability to deploy out-of-country expeditionary forces; (2) enhancing noncommissioned officer (NCO) reform and development; (3) creating a more transparent and useable defense planning system; and (4) furthering Hungary's progress toward the creation of a professional military.
- Purchase of high-frequency/very-high-frequency radios for improved communication with forces deployed abroad.
- Modernizing and sustaining the FMF-supported Air Sovereignty Operations Center.
- Sustaining an Identification Friend-or-Foe (IFF) system for fixed- and rotary-wing aircraft;
- Establishing an English-language program at the Ministry of Defense's National Defense University;
- Providing rugged laptop computers; and
- Facilitating the purchase of nuclear, biological and chemical (NBC)-related medical equipment.

IMET funds have complemented FMF assistance by supporting the larger goals of interoperability with U.S. forces, fostering NATO integration, and defense reform by providing much-needed exposure to American doctrine, tactics and leadership skills for Hungarian officers and NCOs.

With the help of previous U.S. Nonproliferation, Antiterrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) Assistance, Hungary has made significant progress toward establishing an effective export control system. Hungary has maintained a strong

nonproliferation record over the last several years, implementing stringent legal controls on exports of dual-use equipment and arms. Although there is no NADR-EXBS request specifically for Hungary in FY 2006, regional NADR-EXBS funds will continue to support Hungary's participation in regional export control events, and a regionally based EXBS Advisor will cooperate with Hungarian officials on an ad hoc basis.

In FY 2006, Hungary will continue to be eligible for Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Hungary in meeting its defense requirements and enhancing its interoperability.

Ireland
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	21,870	21,824	12,000

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

The Economic Support Fund (ESF) supports two programs which contribute to the peace process: the International Fund for Ireland (IFI) and the Irish Peace Process Cultural and Training Program (also known as the Walsh Visa Program).

The IFI was established in 1986 by the British and Irish Governments to promote economic and social advancement and encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland and Northern Ireland. In addition to the United States, the European Union, Canada, Australia, and New Zealand have contributed to the Fund, although neither Australia nor New Zealand is an active donor. The U.S. contribution to the Fund helps foster cross-community interaction, economic regeneration, and job opportunities in Northern Ireland and the border counties of Ireland.

Reconciliation projects and economic development will be supported from the FY 2006 request level of \$8,500,000. Disbursements from the Fund are made in support of equality of opportunity and nondiscrimination in employment, addressing needs in both Catholic and Protestant communities and encouraging cross-community cooperation. As a measure of the Fund's success, between 1987 and September 2004, about 5,500 Fund projects created over 42,000 jobs. Over 800 organizations have been assisted to promote social and economic development, involving more than 9,000 community leaders. Continued U.S. support underpins U.S. efforts to create an enduring, sustainable peace in Northern Ireland.

A total of \$3,500,000 in ESF funding is requested for the Walsh Visa Program, which is also dedicated to supporting economic regeneration and peace and reconciliation in Ireland and Northern Ireland. The October 1998 law establishing this program was designed for young residents of Northern Ireland and the border counties of Ireland, to enable them to “develop job skills and conflict resolution abilities.” Those meeting the program criteria are eligible for non-immigrant visas enabling them to work for up to three years in the United States to gain job experience and work skills.

The first group of Walsh Visa Program participants entered the United States in March 2000, and the most recent group arrived in September 2003. In November 2004, Congress renewed the program through FY 2008. FY 2006 funding will provide continued support and monitoring for current Walsh participants until their return home.

Kazakhstan

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	2,980	4,960	5,000
FSA	33,342	26,690	26,000
IMET	1,233	1,000	1,000
NADR-EXBS	2,000	2,000	1,400
NADR-SALW	-	500	700
Peace Corps	2,312	2,686	2,874

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

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

FY 2006 FREEDOM Support Act (FSA) funds will continue to provide support for small and medium-sized enterprises (SMEs), improved management of critical natural resources, primary health care, fighting infectious diseases, and strengthening civil society and citizen participation in the political processes. In addition, FSA-funded programs will continue to support nonproliferation cooperation and improvements in law enforcement and counter-narcotics capabilities.

The Administration has developed a phase-out plan for FSA-funded economic reform programs in Kazakhstan that includes a plan for cost-sharing with the Government of Kazakhstan (GOK). The decision to draw-down FSA-funded support in this area was based on the adoption of objective, quantifiable indicators of the progress of reforms in the democratic, economic and social sectors. As a part of this interagency process, FSA-funded economic reform assistance in Kazakhstan is expected to be phased out by FY 2009. Under the U.S.-Kazakhstan Partnership for Economic Development (PED), the GOK will share in the costs of the U.S. Government's economic assistance programs and will play a greater role in their design and implementation. As the flow of revenue from Caspian oil increases over the next few years, the GOK will be expected to share the cost of technical assistance and training in a broad range of areas.

Disparities in income between socio-economic groups and between oil and non-oil producing regions continue to grow in Kazakhstan. Private-sector development programs are crucial to our efforts to help diversify the country's sources of economic growth, and will continue in FY 2006.

A significant recent development in the regional electric power sector is the GOK's interest in making investments in the hydropower infrastructure of the neighboring Kyrgyz Republic in order to offset

projected energy shortages in southern Kazakhstan. The U.S. Government will assist the GOK in regional energy trading by supporting negotiation of regional agreements based on international standards and supporting the implementation of those agreements.

FSA-funded health care reform programs are facilitating the implementation of systemic changes to create a higher quality, user-friendly, more cost-effective primary healthcare system in select regions of Kazakhstan. Increased momentum for health sector reform was generated in FY 2004 by President Nazarbayev's call for reform, a doubling of the Government of Kazakhstan health budget, and the passage of nine key pieces of legislation. FSA-funded programs introduced evidence-based medical practices, worked to improve medical and nursing education, and addressed infant, child, and maternal health issues. With the help of U.S. assistance, over one-third (37%) of the population was voluntarily enrolled in primary health care, and 31% of health providers were paid, thanks to the introduction of new financing systems.

Kazakhstan's progress towards democracy continues to be uneven. The 2004 parliamentary elections fell short of the international standards to which Kazakhstan has committed itself. While the registration of opposition parties and improvements to the election law were signs of progress, a number of aspects of the law were not implemented effectively or impartially, and there were serious shortcomings in voter lists, candidates' access to media, and the tabulation of voting results. Although President Nazarbayev vetoed a new media law that would have severely restricted electoral and other coverage, media outlets critical of the President faced excessive libel judgments and damage demands; a new draft media law is currently under consideration. In the face of these challenges, FSA-funded democracy assistance programs are designed to help maintain citizen participation through support for political processes and institutions, strengthen grassroots civic organizations, and develop more effective, responsive and accountable local government.

The U.S. will continue to provide assistance to independent broadcast and print media in Kazakhstan. Programs will help independent broadcast media adhere to the country's broadcast and production laws, thereby decreasing the chances of legal challenges impeding their operations. The U.S. will also support local human rights defenders, government plans for judicial reform, and activities to promote a free and fair electoral process. A local government reform project will continue to work to promote citizen participation and improve local governments' responsiveness to citizens; this program has been successful in addressing difficulties with the privatization of housing. The U.S. will also continue its work to strengthen non-governmental organizations by providing them with training, technical assistance and small grants.

With the dissolution of the Soviet Union, Kazakhstan became a de facto nuclear weapons state. After achieving its independence, Kazakhstan began to work cooperatively with the United States and others to dismantle Soviet-era nuclear, biological and chemical weapons infrastructure and redirect related expertise. U.S. nonproliferation assistance programs address these potential sources of proliferation. FY 2006 FSA and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) funds will continue to help prevent, deter, detect, investigate and interdict threats of proliferation; ensure the security of nuclear materials; redirect former Soviet weapons expertise to peaceful projects; and enhance Kazakhstan's capabilities and infrastructure to control exports and secure its borders. A high-profile example of bilateral cooperation includes our work with Kazakhstan to render irreversible its decision to decommission the Soviet-built BN-350 breeder reactor in Aktau. FY 2006 NADR Small Arms/Light Weapons/Light Weapons (SA/LW) Destruction funds will help stop the proliferation of these items from Kazakhstan by supporting physical security upgrades at weapons storage sites, as well as the destruction of excess SA/LW. In FY 2006, the development of Kazakhstan's maritime border security capabilities, funded by NADR and FSA assistance, will continue to be a priority. The Export Control and Related Border Security (EXBS) Assistance Program will continue to sponsor training programs on building effective legal export controls; border searches counter-proliferation awareness; and international border interdiction training for Kazakhstan's border security officials.

Kazakhstan is a significant beneficiary of NADR Nonproliferation of WMD Expertise assistance, managed by the Bio/Chem Redirect and Science Centers Programs. Kazakhstan is a party to the International Science and Technology Center (ISTC). The Science Centers program is funding a project at the Pavlodar Chemical Plant, in which the U.S. Department of Energy's (DOE) Initiatives for Proliferation Prevention will fund participation by U.S. national laboratories. The State Department's Bio/Chem Redirect Program will fund additional projects at Pavlodar, involving experts from the U.S. Environmental Protection Agency (EPA), and at the environmental monitoring laboratory in Stepnogorsk, where over 100 former biological weapons researchers are engaged in transparent work.

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

FY 2006 funding will support expanded projects to fight money laundering and terrorist financing, continued efforts to address trafficking in persons and support reforms in the judicial sector and law enforcement agencies, and expand border security efforts aimed at narcotics trafficking and other organized criminal activities. FY 2006 funding will also support efforts to encourage modernization of Kazakhstan's law enforcement agencies and improved respect for the rights of suspects and prisoners and will support greater bilateral cooperation between Kazakhstani law enforcement agencies and the U.S. Drug Enforcement Administration and other U.S. law enforcement agencies.

Although it is not requesting resources specifically for Kazakhstan in FY 2006, the NADR Antiterrorism Assistance (ATA) Program will continue to use its regional funding to provide training to Kazakhstani law enforcement and security elements engaged in the prevention of terrorism.

FY 2006 Foreign Military Financing (FMF) will continue to enhance Kazakhstan's capability to combat terrorism in the region through security enhancements and counterterrorism support. FMF will continue to provide assistance to the Peacekeeping Battalion and help support development of a rapid reaction brigade near the Caspian oil field in Atyrau. This brigade will enhance Kazakhstan's capability to respond to major terrorist threats to oil platforms or borders, while also enhancing its interoperability with NATO, U.S., and Coalition forces. FMF funds will support the purchase of equipment for a special operations unit in the Caspian region.

FY 2006 International Military Education and Training (IMET) funds will help facilitate greater professionalism and reform of the armed forces. English-language training will continue to foster cooperation and interoperability, especially with regard to the peacekeeping battalion and rapid reaction brigade. IMET is the vehicle through which the U.S. will continue to expand its security relationship with Kazakhstan through military integration and promotion of interoperability.

In FY 2006, Kazakhstan will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Provision of EDA will help Kazakhstan meet its defense requirements and further its NATO interoperability.

Kosovo
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
SEED	78,534	75,000	72,000

Since the end of the conflict in 1999, the United States has worked closely with its international partners to actively promote political and economic stability in Kosovo. In line with United Nations Security Council Resolution (UNSCR) 1244, the U.S. Government continues to work with the UN Interim Administration Mission in Kosovo (UNMIK) and the Provisional Institutions for Self-Government (PISG), while encouraging the continued transfer of responsibilities to the PISG. U.S. assistance is designed to help the PISG meet the Standards for Kosovo. These standards, deemed crucial to Kosovo's functioning as a stable, multiethnic, and democratic society, include the development of functioning democratic institutions, rule of law, freedom of movement, sustainable return of refugees and displaced persons, a market-based economy, property rights, direct dialogue with Belgrade, and professionalization of the Kosovo Protection Corps.

FY 2006 Support for East European Democracy (SEED) funds will continue to support projects that strengthen democratic institutions, promote rule of law and good governance, and develop a market economy integrated with the region and the rest of Europe. SEED assistance aims to solidify stability and democracy within Kosovo in order to hasten the day when the NATO-led Kosovo Force (KFOR), which currently includes approximately 1,800 U.S. troops, can withdraw. Given the importance of law enforcement and administration of justice, the United States will continue to support the UNMIK International Police Force and to train and equip the Kosovo Police Service (KPS), which is increasingly taking on expanded investigative processes, including against organized crime.

Institution building, particularly in the areas of democracy, rule of law, and the economy, will remain important components of SEED-funded assistance in FY 2006. U.S. support will continue to increase the capacity of the PISG and municipal-level governments through training, advisors, and other support. SEED assistance will also be provided to strengthen independent media, civil society organizations, and youth and civic leaders. Support to the KPS and the Kosovo justice system will build capacity in the rule of law. To promote Kosovo's economic recovery and integration into the regional economy -- a fundamental objective of U.S. assistance -- the U.S. Government is providing technical assistance and advisors at both the central and local levels in key areas such as budgeting and finance, commercial law, privatization, energy infrastructure, and private enterprise development. U.S. assistance will be designed to support a sustainable return and reintegration process in Kosovo, largely by helping the PISG meet the Standards for Kosovo, which will facilitate Kosovo's development into a stable, multiethnic society.

In addition, SEED funds cover the U.S. share (approximately 14 percent) of the costs of the Organization for Security and Cooperation in Europe (OSCE) field mission in Kosovo (OMIK). In Kosovo, OMIK plays an integral role as UNMIK's Pillar III, under which it is charged with oversight of institution building and human capacity building activities, including the training of the KPS, building institutions responsible for election supervision, and the monitoring, protection and promotion of human rights.

Kyrgyz Republic

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	4,075	1,984	2,000
FSA	36,238	31,000	30,000
IMET	1,047	1,100	1,100
NADR-EXBS	500	500	810
Peace Corps	1,669	1,848	1,828

The United States seeks to help the Kyrgyz Republic become a democracy that is based on the rule of law and civil society, functions on free-market economic principles, is at peace with its neighbors, is integrated into the world economy, and raises living standards through economic opportunity, education and health care. The Kyrgyz Republic is providing crucial support for Coalition forces in support of Operation Enduring Freedom, and the Global War on Terrorism, most notably in hosting the Coalition airbase at Manas.

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

In FY 2006, the United States plans to continue FREEDOM Support Act (FSA)-funded economic and technical assistance for small and medium-sized enterprise development, civil society strengthening, and health reform. Efforts to improve the capabilities of Kyrgyz law enforcement agencies to intercept major narcotics smuggling out of nearby Afghanistan and to combat other forms of organized crime will be expanded. A range of security-related assistance programs for the Kyrgyz Republic will be funded through the FSA, Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR), Foreign Military Financing (FMF) and International Military Education and Training (IMET) accounts.

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

There were neither great setbacks nor significant advances in democratic reform in the Kyrgyz Republic during 2004. Incidents of government harassment of non-governmental organizations (NGOs) continued to occur. While libel suits against the media have effectively ended, several independent media outlets have been bought by pro-government interests. Official corruption continued to be an issue, despite the formation of a National Council on Good Governance. Reformist and anti-reform elements within the Kyrgyz Government continued to struggle for dominance. A pro-government political party increased in size and influence during the year, presenting a challenge to the large number of smaller parties, most of which lack strong platforms or constituencies. A new electoral code was adopted that contains improvements in some areas, but still falls short of international standards. Nevertheless, the Kyrgyz Republic remained the most open and free society in Central Asia.

Parliamentary and presidential elections scheduled for 2005 present an historic opportunity for the Kyrgyz Republic to be a model for peaceful, democratic transfer of executive power in the region. President

Akayev has stated publicly that he will step down at the end of his term in office in 2005, opening the possibility of a further transition toward democracy. In FY 2005 and 2006, FSA-funded democracy assistance will continue to support nonpartisan training for political parties as well as civil society and independent media development, with a focus on promoting free and fair parliamentary and presidential elections. Programs to work with local governments and citizens to strengthen the accountability of government will also continue, as will U.S. assistance in the field of education, including programs focusing on civic education, basic education, and the continued development of the American University of Central Asia (formerly the American University of Kyrgyzstan).

The FSA and NADR accounts will continue to fund peaceful scientific activities by former weapons scientists. Through the Export Control and Related Border Security (EXBS) Assistance Program, which is funded under the FSA and NADR accounts, the U.S. will continue to work with the Kyrgyz Republic to deter, detect and interdict weapons and technology of proliferation concern by establishing export control laws, regulations, licensing and enforcement mechanisms. The U.S. will also continue to provide support to enhance the Kyrgyz Republic's border security capabilities through the Aviation/Interdiction Project. The regionally funded NADR Anti-Terrorism Assistance (ATA) Program will continue to provide counter-terrorism training to Kyrgyz law enforcement and other security personnel to bolster the country's ability to maintain security at home and to participate in the Global War on Terrorism. Kyrgyz institutes with weapons-of-mass-destruction (WMD)-relevant expertise in human and animal disease, seismic testing, and radiological environmental effects will continue to receive support from the NADR Nonproliferation of WMD Expertise account. Through the Kyrgyz Republic's membership in the International Science and Technology Center (ISTC), the U.S. provides grants for peaceful research, training in proposal writing, and information technology and travel support for professional networking to Kyrgyz scientists with WMD-relevant expertise.

The Kyrgyz Republic is a major transit country for illegal narcotics produced in nearby Afghanistan and bound for Russia and Western Europe. The revenues from such drug smuggling are strongly believed to be a source of financing for terrorist entities. A substantial amount of FSA-funded U.S. law enforcement assistance to the Kyrgyz Republic is therefore aimed at improving the interdiction and enforcement infrastructure and training of counter-narcotics units. FY 2006 FSA funds will further expand law enforcement assistance programs to address the rapidly growing narcotics smuggling out of Afghanistan and the very poor state of Kyrgyz law enforcement equipment, training and practices. FY 2006 FSA funding will provide support for the operations of the new Kyrgyz Drug Control Agency, which will be staffed by vetted Kyrgyz personnel. FSA-funded assistance will also be provided for further law enforcement agency reforms, including reforms to ensure proper treatment of suspects; for continued development of the judicial sector; for expanded border control improvements; for work with Kyrgyz prosecutors; and for improvements in the Kyrgyz government's ability to detect and halt money laundering and terrorist financing.

Foreign Military Financing (FMF) will be devoted to a range of projects aimed at reinforcing the Kyrgyz Republic's capability to combat terrorist insurgents moving through the region, establishing greater internal security, and promoting regional stability. FMF will sustain the professionalization of the Kyrgyz Armed Forces and will promote interoperability. FMF will also fund the purchase of radios and provide infrastructure support for rapid reaction forces to enhance their modernization and professionalization; radios, ground stations and associated equipment for peacekeeping units; and training and infrastructure support for noncommissioned officer corps modernization and professionalization.

International Military Education and Training (IMET) funds will help facilitate greater professionalism and reform of the Kyrgyz Armed Forces and provide English language training. Special forces and English language training for border guards will help combat the continuing threat of terrorists and insurgents in the Kyrgyz Republic and across the region, as well as promote interoperability. In FY 2006, the Kyrgyz

Republic will continue to be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. EDA transfers will help the Kyrgyz Republic to meet its defense requirements and further its NATO interoperability.

Continuing in FY 2006, FSA-funded humanitarian programs will provide critical medical and emergency help to impoverished persons in underserved and remote areas of the Kyrgyz Republic. U.S. organizations working with the U.S. Government in partnership with the Kyrgyz Government and local NGOs will administer basic medical services and provide essential medicines, clothing and food to children, the elderly and other vulnerable populations. This assistance is integral to alleviating poverty and preventing widespread health problems and suffering in populations beyond the reach of the limited social welfare programs being implemented by local governments.

Latvia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	6,496	4,960	5,000
IMET	1,337	1,200	1,200
NADR-EXBS	2,185	1,000	100

Latvia and the other two Baltic states of Estonia and Lithuania are important to Northern Europe's long-term stability. In light of Latvia's accession into NATO and the European Union in 2004, the country's prospects for the future appear promising. The United States has maintained a significant assistance relationship with Latvia ever since it regained its full independence from the Soviet Union. Now that Support for East European Democracy Act (SEED) assistance to Latvia has phased out, U.S. assistance is focused on the military and security fields.

U.S. goals for Latvia remain promoting good-neighborly relations between Latvia and nearby countries, including Russia, and strengthened cooperation among the Nordic and Baltic countries. Latvia is interested in sharing its experience in political and economic reform with the Eurasian countries, an effort that the United States fully supports.

Latvia has proven itself to be a reliable partner for the United States in the Global War on Terrorism and other high-priority foreign policy issues. In FY 2006, U.S. defense and military assistance programs will provide material aid and training, complement allied and partner-state support for Latvia by facilitating Latvia's participation in multilateral projects, and strengthen the professionalism of the country's defense establishment.

Latvia's military has had to start from almost nothing after the country regained its independence. Nevertheless, in little more than a decade, it has become a territorial defense force capable of taking part in international operations. Latvia contributes personnel in Iraq, Afghanistan and the Balkans. Progress by the Latvian Government in developing its force and procuring significant new defense materiel is affected by limited availability of national funding. However, the Government of Latvia is committed to annual allocations for defense spending at two percent of GDP through 2008. The chief goals of the Latvian military are to enhance military professionalism and NATO interoperability. At the same time, essential salary reforms and quality-of-life projects, such as improved housing, which are necessary for building a professional force, have been high priorities and will continue to consume a large part of initial budget increases.

Foreign Military Financing (FMF) is a critical factor in Latvia's efforts to make its military more interoperable for U.S. and NATO-associated operations, including exercises, peacekeeping, peace enforcement, and humanitarian assistance. In FY 2006, FMF will be used to further develop and sustain Latvia's command, control, communications, computers and intelligence (C4I) capabilities by outfitting the Latvian Armed Forces with modern communications equipment, among other projects. FMF will also support the continued development of the Regional Air Space Initiative and Baltic Air Surveillance Network (BALNET), including the sustainment of Latvia's Air Sovereignty Operations Center (ASOC) and procurement of navigational aids, support equipment and components for a refueling station system at Riga International Airport. Both initiatives will enhance Latvia's ability to meet national support requirements for NATO aircraft operations. FMF will also be used to provide equipment to special operations, counter-terrorist and other special purpose forces, and to sustain previously acquired U.S.-origin equipment.

The International Military Education and Training (IMET) Program also supports Latvia's reform efforts. In FY 2006, IMET will focus on providing military education for Latvian personnel serving in key positions within the Latvian Ministry of Defense and Armed Forces. Other programs to be funded include basic and advanced courses for officers in highly specialized areas, courses for Latvian border guards, and assistance in the development of an English language training center.

In FY 2006, Latvia will again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Articles transferred to Latvia under EDA will help it in meeting defense requirements and achieving NATO interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) assistance in the form of a cooperative program to help establish fully effective export controls in Latvia. In FY 2005, NADR-EXBS funding focused primarily on providing sophisticated equipment to enhance the security of Latvia's borders. Since Latvia has made significant progress in establishing an effective export control system, only \$100,000 in NADR-EXBS funding is being requested for FY 2006 to complete program activities.

Lithuania
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	6,389	5,456	5,000
IMET	1,343	1,200	1,200
NADR-EXBS	840	1,000	100

Lithuania and the other two Baltic states of Estonia and Latvia are important to Northern Europe's long-term stability. In light of Lithuania's accession into NATO and the European Union in 2004, the country's prospects for the future appear promising. The United States has maintained a significant assistance relationship with Lithuania ever since it regained its full independence from the Soviet Union. Now that Support for East European Democracy Act (SEED) assistance to Lithuania has phased out, U.S. assistance is focused on the military and security fields.

Lithuania has proven itself to be a reliable partner of the United States in the Global War on Terrorism, as well as in other high-priority foreign policy areas. U.S. goals for Lithuania remain promoting good-neighborly relations between Lithuania and nearby countries, including Russia, and strengthened cooperation among the Nordic and Baltic countries. Lithuania is interested in sharing its experience in political and economic reform with the Eurasian countries, an effort that the United States fully supports. At the end of FY 2004, Lithuania, together with Poland, played an important role in supporting a free and fair presidential election in Ukraine.

Since regaining independence, Lithuania has had to build its military up from almost nothing -- a daunting task. By joining the European Union and NATO, Lithuania has now achieved full integration into Euro-Atlantic security structures. The United States is fostering the development of Lithuania's military by supporting its ability to interact effectively with NATO, thereby facilitating Lithuania's contributions to stability and dialogue in the region. Lithuania is committed to maintaining defense spending at two percent of GDP and is seeking to prioritize its military spending, both for its own defense needs and for its contributions to European security overall.

The International Military Education and Training (IMET) Program will continue to strengthen and modernize Lithuania's defense establishment through education and training for military officers and Defense Ministry civilians. Specific training will include study at U.S. Senior Service Colleges, staff colleges, captain career courses, basic officer courses, non-commissioned officer academies, and specialty training in logistics, explosive ordnance disposal (EOD) and special forces operations. The goal of this assistance is to develop a well-educated, professional cadre that enhances support for democratic values, civilian control of the military, and the adoption of procedures, doctrines, and training techniques that are consistent with those of Western democracies.

Foreign Military Financing (FMF) provides essential support to the Lithuanian military in its efforts to become more interoperable for participation in NATO and other international peacekeeping and peace enforcement operations, as well as humanitarian assistance. Lithuania contributes personnel to Iraq, Afghanistan, and the Balkans. In FY 2006, FMF will be used for transportation modernization, specifically assistance in equipping the Rapid Reaction Brigade with additional high-mobility multipurpose wheeled vehicles (HMMWVs or Humvees) and medium trucks, and equipping the Main Support Battalion with medium trucks. These vehicles will increase interoperability with U.S. and NATO forces. FMF will also be used to sustain Lithuania's Air Sovereignty Operations Center (ASOC) and previously acquired U.S.-origin equipment and Excess Defense Articles (EDA), such as Humvees, M-113 armored personnel

carriers (APCs), commercial utility cargo vehicles (CUCVs), and small arms. Funds will also continue to support contractor-provided assistance in defense reform and development of a simulation capability.

In FY 2006, Lithuania will once again be eligible to receive grant EDA under section 516 of the Foreign Assistance Act. Materiel transferred as EDA will help Lithuania to meet defense requirements, institute defense reforms, and further defense and NATO interoperability. The provision of EDA also will contribute to Lithuanian maritime sovereignty and facilitate the country's ongoing contribution to European security and environmental amelioration through Baltic Naval/Demining Squadron (BALTRON) operations to remove World War II and Cold War-era sea mines and unexploded ordnance.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) assistance in the form of a cooperative program to help establish fully effective export controls in Lithuania. In FY 2005, NADR-EXBS activities focused primarily on providing sophisticated equipment to enhance Lithuania's border security. Since Lithuania has made significant progress in establishing an effective export control system, only \$100,000 in NADR-EXBS funding is being requested for Lithuania in FY 2006 to complete program activities.

Macedonia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	7,950	5,208	5,000
IMET	858	650	650
NADR-EXBS	550	400	725
Peace Corps	1,542	1,632	1,624
SEED	38,770	34,000	39,000

U.S. interests in Macedonia include further consolidation of the peace and stability gained in the wake of the 2001 insurgency and accelerated progress on democratic, economic, and military reforms on the path to full membership in Euro-Atlantic institutions. Macedonia could be a valuable regional role model of a successful multi-ethnic democracy with constructive relations with its neighbors and strong, stable political institutions. Macedonia has been a close and constructive partner of the United States in the region. It played a key, supportive role to U.S. and Allied efforts during the Kosovo crisis and remains the main conduit for assistance and logistics for international forces and the United Nations administration in Kosovo. Macedonia has also improved relations with its neighbors and contributed to the Global War on Terrorism, contributing troops to coalition efforts in Iraq and Afghanistan.

By working to complete implementation of the 2001 Framework Agreement (FWA) that ended the 2001 ethnic Albanian insurgency, Macedonia has managed to keep incidents of ethnic tension, such as those in Struga and Kondovo in 2004, from escalating into violence, and is making an invaluable contribution to regional stability, as well as to Macedonia's own future as a unified, multiethnic democracy. The failure of a November 2004 referendum that would have halted decentralization -- a central pillar of the FWA -- has paved the way for completing the implementation of the FWA.

The goals of U.S. assistance to Macedonia are to deepen inter-ethnic cooperation, further Macedonia's transition to a market-based economy, bolster its democracy and promote reforms that bring the country closer to European Union and NATO membership. The U.S. strategy includes both short- and longer-term efforts to build upon political and security gains, improve the environment for investment and sustained economic growth, strengthen multi-ethnic democratic institutions and cooperation in the context of the FWA and support Macedonia's NATO Membership Action Plan (MAP).

In FY 2006, Support for East European Democracy (SEED) assistance programs in Macedonia will advance economic reforms, democracy-building and decentralization, while broadening the scope of ongoing activities that promote inter-ethnic relations and address minority concerns in the spirit of the FWA. These include programs to assist governmental institutions to ensure non-discrimination and equitable representation, by strengthening the effectiveness and representativeness of institutions and by implementing and reinforcing decentralization. SEED-funded programs will help strengthen rule of law through assistance in areas such as counternarcotics, border control and judicial reform.

Other SEED-funded programs will stimulate local private-sector economic development and help the Macedonian Government to develop a progressive legal framework that will foster job creation and growth. SEED funds will also support assistance in enterprise development, legal, accounting, and judicial reform, privatization and labor redeployment, and financial sector reform. SEED-funded programs are helping Macedonia to improve its investment climate, economic capacity, and adherence to international standards. The U.S. strategy includes programs to reduce the negative impacts of democratic and market transition on all ethnic groups, with emphasis on those who have yet to benefit from the market transition or are

disenfranchised, alienated, or politically under-represented. These assistance programs will reduce support for extremism within these groups and will strengthen Macedonia's democratic, economic, and civil institutions through initiatives such as small grants to non-governmental organizations (NGOs).

The armed insurgency of early 2001 fully engaged the Macedonian Government's security forces, delaying and necessitating reassessment of military reorganization and training programs. In contrast, the situations in Struga and Kondovo in 2004 were defused without resort to force. The Macedonian military has made significant progress since 2001; we expect it to continue to avail itself of opportunities for training and equipment acquisition, to enhance its ability to counter threats to Macedonian security, while preparing for NATO membership and contributing to international military missions.

Foreign Military Financing (FMF) and International Military Education and Training (IMET) will continue to advance reform and modernization of the armed forces by supporting Macedonia's MAP goals of NATO membership, further development of a NATO interoperable force structure for out-of-country operations, and improved civilian control of the armed forces. FY 2006 FMF will focus on upgrading the military's tactical communication systems for Macedonian Special Forces to improve their command and control and interoperability, including spare parts, training and equipment for maintenance of communications equipment and vehicles, including high-mobility multipurpose wheeled vehicles (HMMWVs or Humvees) and Humvee parts, 2.5-ton trucks, contractor-provided support for defense reform, and English language training. IMET funds will continue to be used for professional military education and exchanges, as well as English language training.

The Macedonian military faces significant reorganization and modernization challenges in pursuit of affordable force structures that adhere to a Western-style, NATO-compatible model and are based on a realistic threat assessment. After losing ground during the 2001 insurgency when existing MAP-oriented restructuring plans were shelved, Macedonia recommitted itself to getting reforms back on track and completed a bilateral defense assessment in 2002. Since then, it has made consistent strides in meeting its MAP goals while improving the quality and training of its non-commissioned officer (NCO) corps and senior leadership. Macedonian Ministry of Defense civilians, senior military officers, and NCOs have received instruction through the IMET Program. Macedonia continues its cooperative relations with the NATO/KFOR presence in Kosovo, utilizing this opportunity to familiarize its officers with NATO procedures, and actively seeking joint training opportunities with tactical NATO units in the region. In FY 2006, Macedonia will once again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA would assist Macedonia in meeting short-term defense needs, capability enhancements through continued defense reform, and further interoperability improvements.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) assistance to help the Macedonian Government put in place a fully effective export control and enforcement regime. NADR-EXBS funding will provide training and inspection/detection equipment to strengthen export control laws, regulations, and enforcement, in order to bring Macedonia's control of sensitive items in line with international nonproliferation norms.

Malta
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	-	50
INCLE	-	2,976	-
NADR-EXBS	250	100	200

Malta's location in the center of the Mediterranean allows it to play a critical role in the region. Malta acceded to the European Union in May 2004, and cooperates fully with both the United States and its European partners to promote regional security and stability. The ruling Nationalist Party fosters good relations with the United States and has been responsive to requests related to the Global War on Terrorism. Malta's economy, driven by the tourism, manufacturing and financial services sectors, is growing modestly. With nearly one third of all international maritime traffic passing by or through Malta, the country's Freeport Container Terminal serves as a transit link in the flow of goods to and from sensitive areas such as Libya, Iran and the Balkans. The Iranian state-owned shipping line made Freeport its Mediterranean hub in April 2004. Of greatest concern to the United States is the potential movement of weapons of mass destruction (WMD) and missile-systems-related items. Malta has become an active partner with the U.S. in combating terrorism and WMD proliferation and it is in the U.S. Government's interests to continue to assist Malta in strengthening its capabilities to support these efforts.

FY 2006 IMET funds will be used to professionalize Malta's officer and enlisted corps and to provide maritime interdiction training.

The U.S. Government is strengthening the Maltese Armed Forces' counternarcotics, counterterrorism, anti-trafficking and nonproliferation capabilities through assistance provided under the International Narcotics Control and Law Enforcement (INCLE) and Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) accounts. Funding for counterterrorism training is also available through the U.S. Defense Department's Counterterrorism Fellowship Program on an ad hoc basis.

As part of its efforts to prevent the proliferation of WMD, their delivery systems, related technologies, and other weapons, the United States is providing Malta with NADR-funded Export Control and Related Border Security (EXBS) assistance. In FY 2006, NADR-EXBS assistance will help Malta to establish fully effective transshipment controls by strengthening its seaport enforcement operations. Training will focus on targeting and identification dual-use and WMD-related commodities, as well as cargo vessel inspection. In previous years, NADR-EXBS funds helped purchase a non-intrusive inspection device, the mobile Vehicle and Cargo Inspection System (VACIS). FY 2006 NADR-EXBS funding will provide first-responder equipment and training to help Malta respond to a WMD-related event.

Moldova
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	990	446	500
FSA	22,543	17,350	17,000
IMET	1,225	900	900
NADR-EXBS	640	495	320
Peace Corps	2,253	2,518	2,380

Moldova, perhaps the poorest country in Europe, is further constrained from developing its economy because many of its industrial assets are under the control of the authorities of the breakaway region of Transnistria. The Transnistria problem remains a great obstacle to regional security; the U.S. has a national interest in seeing this conflict resolved in a way that protects Moldova's territorial integrity and helps ensure stability in the arc of Europe from the Balkans to Russia. The lack of responsible border controls along the Transnistria-Ukraine border also threatens U.S. interests and those of the broader region, as it provides opportunities for weapons proliferation, smuggling, transnational crime and human trafficking. In addition to promoting a resolution to the Transnistria situation, the United States has a national interest in strengthening democracy and a free-market economy in Moldova, which until recently had made significant advances in reform.

In 2003, the Government of Moldova declared that integration into the European Union (EU) was the country's strategic priority. By including Moldova in its New Neighbor Process, the EU has signaled a willingness to increase its assistance to help Moldova move closer to the EU's democratic and market-based standards. Recent elections in Moldova represented a setback compared to previous elections that generally met international standards. Moldova still needs to take bolder steps to promote democracy and human rights. Moldova has been a strong supporter of the Global War on Terrorism, Operation Enduring Freedom, and Operation Iraqi Freedom, granting the United States overflight rights and basing rights, as well as sending a troop contingent to support Coalition forces.

U.S. assistance to Moldova is designed to strengthen its territorial integrity and security; prevent the proliferation of weapons of mass destruction (WMD) and related expertise; combat transnational crime; support market-based economic reform; strengthen civil society and democracy; promote human rights; and avert humanitarian crises. In FY 2006, the United States plans to continue a range of security-related programs to improve Moldova's military capabilities and promote U.S. nonproliferation goals. In the area of law enforcement, the U.S. will seek to support Moldovan efforts to combat narcotics, trafficking in persons, money laundering and corruption, by providing training courses, equipment and legislative drafting support. FREEDOM Support Act (FSA) funds will continue to support post-privatization programs in the agricultural sector, as well as the development of independent regulatory bodies, the creation of jobs in rural areas, and the empowerment of local communities to solve their own problems. FSA-funded programs will also promote Moldova's integration into the regional political and economic structures of Southeastern Europe and Moldova's participation in the GUUAM Group, a Eurasian corridor regional organization that includes Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.

Following its victory in the spring 2001 parliamentary and presidential elections, the Communist Party's rhetoric and actions had drawn into question Moldova's previously strong commitment to reform. However, Moldovan President Voronin's declaration in 2003 of his intention to lead Moldova towards EU integration, and the Government's subsequent adoption of a strategic document outlining the steps forward may have signaled that political and economic reform will be back on track in Moldova.

Continued support for FSA-funded post-privatization activities in the agricultural sector will remain a priority in FY 2006. Particular emphasis will be placed on assisting new landowners in developing viable associations and cooperative structures, building markets, accessing credit, and creating an efficient input supply and processing system. FSA-funded assistance will also continue to contribute to the growth and profitability of small and medium-sized enterprises (SMEs) by facilitating their access to market-based business skills, information, and finance and by supporting technological advancements focused on the agricultural sector and selling to export markets. FSA funds will also help promote foreign direct investment by leveraging private investment with public funds through the U.S. Government-funded Western NIS Enterprise Fund (WNISEF).

FSA-funded programs will promote accountability by local officials while empowering citizens and community groups through integrated micro-lending and training programs to help bolster employment and produce tangible improvements in living conditions. FSA funds will also continue to support open access to information and development of the non-governmental sector. Such assistance will strengthen civil society, local democracy, and grassroots political activism, and will serve to democratize Moldova's political system over time.

The U.S. will continue to provide targeted, FSA-funded humanitarian assistance to Moldova, including pharmaceuticals, medical supplies, vaccine supplies, food and clothing for those most in need. In addition, the U.S. will provide continued FSA-funded assistance to support health care reform, including health partnerships and activities to combat tuberculosis and promote women's reproductive health.

Organized crime threatens Moldovan prospects for economic progress and erodes the rule of law. Because of growing levels of organized crime in Moldova, the U.S. national security interest in the stabilization and reform of the East European region, the Caucasus, and neighboring countries such as Ukraine is threatened. Moldova is an active partner in both the Southeast European Cooperative Initiative (SECI) and GUUAM regional law enforcement programs. However, the capabilities of the Moldovan justice sector to investigate and prosecute organized criminal activity and corruption remain weak. In addition, Moldova is a primary source and transit country for trafficking in persons. FY 2006 FSA-funded programs will provide training, technical assistance and equipment to enhance the Moldovan justice sector's capacity to investigate and prosecute organized crime, corruption and trafficking in persons. FY 2006 FSA funding will also support the continuation of a project to raise awareness among Moldovan citizens, media, and government and law enforcement officials of the problem of trafficking in persons. FY 2006 FSA funding will support the implementation of the new criminal code enacted in 2002. In FY 2004, Moldova was identified as one of the five countries to receive funding under the President's \$50 million Anti-Trafficking in Persons Initiative. By the end of 2005, anti-trafficking programs in Moldova will have received \$5.25 million from the President's Initiative to strengthen Moldova's efforts to prevent trafficking, protect victims of trafficking, and prosecute traffickers.

FY 2006 funding under the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account will support activities to prevent the proliferation of WMD, conventional arms and related materials and technologies in Moldova. The NADR-funded Export Control and Related Border Security (EXBS) Assistance Program is designed to facilitate the development of an effective national export control and border security system to prevent weapons proliferation. The EXBS Program will further assist Moldova in strengthening its export licensing procedures, with a particular emphasis on industry outreach and compliance. It will also provide interdiction training, infrastructure support, and advisory assistance through a resident nonproliferation program advisor. A significant portion of this enforcement training and will be used for monitoring the secessionist region of Transnistria, with a focus on the potential transit of munitions, radiological devices, and contraband. The U.S. Embassy in Chisinau, in coordination with the

Moldovan Department of Civil Defense, also will help Moldova create and sustain a first-responder unit for WMD incidents.

Moldova's accession to the Science and Technology Center in Ukraine (STCU) Agreement was finalized early in FY 2005. The STCU is an intergovernmental organization through which the United States, European Union, and Canada help former WMD scientists transition to sustainable, non-military employment. In FY 2005, the Administration intends to gain more extensive and first-hand knowledge of former WMD research and development capabilities in Moldova and to consider funding for the first time STCU research grant proposals from Moldovan scientists; the scope of the challenge of redirecting Moldova's WMD expertise may require increased funding in FY 2006. FSA funding provided through the Civilian Research and Development Foundation (CRDF) also remains available as a means of engaging former Moldovan weapons scientists in peaceful civilian research.

Despite its budgetary limitations, Moldova is active in the Partnership for Peace (PfP) program and is committed to reforming its military along Western lines. Foreign Military Financing (FMF) assistance will continue to support efforts to deploy Moldova's peacekeeping battalion, which will help form the core of the country's reforming military. FMF will provide the peacekeeping battalion with communications equipment, and individual soldier equipment. FMF will also help Moldova procure personal equipment to develop a special forces capability and will support the placement of defense reform consultants. Moldova has engaged in an extensive Defense and Military Contacts program with the United States, expanded its participation in PfP exercises, and made effective use of the limited International Military Education and Training (IMET) funds provided to it. IMET-funded activities will focus on training peacekeepers in English language, thereby promoting interoperability. In addition, IMET will provide professional military education training and special forces training.

In FY 2006, Moldova will be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. Provision of grant EDA will assist Moldova in meeting its defense requirements and furthering its NATO interoperability.

Poland
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	32,500	65,472	30,000
IMET	2,283	2,000	2,000

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. By sharing its experiences in successfully transitioning to a free-market democracy with neighboring countries, Poland also contributes significantly to the enhancement of political and economic stability in Eastern and Central Europe. Poland played a central role in mediating the late 2004 political crisis in Ukraine; Polish efforts helped to ensure that Ukraine's presidential election was free and fair and to avoid an escalation of the country's political conflict, which could have had disastrous consequences for regional stability.

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

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

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

Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are an important way for the United States to show support for these efforts and directly contribute to their success. FMF is particularly important, as it focuses on increasing Poland's support capability to deploy or receive forces, participate in coalition efforts, and accomplish a comprehensive plan for military modernization and reform.

FY 2006 FMF will focus on advancing professionalism, modernization and NATO-interoperability for Poland's military forces. FMF support is expected to include unmanned aerial vehicles (UAVs); support and sustainment of C-130 aircraft; sustainment of nuclear, biological and chemical (NBC) defensive capabilities; command, control, communications, computers and intelligence (C4I) sustainment; upgrades of airfields and navigational aids; a simulation center; follow-on technical support for two Excess Defense Articles (EDA)-granted frigates and four SH-2G helicopters; training in acquisition management; upgrades for an integrated logistics support system; noncommissioned officer (NCO) development, and sustainment of high-mobility multipurpose wheeled vehicles (HMMWVs or Humvees).

In FY 2006, Poland will once again be eligible to receive EDA grants under section 516 of the Foreign Assistance Act. EDA transfers will assist Poland in meeting defense requirements, enacting defense reforms, and furthering its NATO and Western interoperability.

Given the significant progress that Poland has made towards establishing an effective export control system, no Export Control and Related Border Security (EXBS) assistance funding is being requested specifically for Poland in FY 2006 under the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account. However, Polish participation in regional export control events will be funded with regional NADR-EXBS funds, and EXBS program advisors stationed regionally will continue to work with Polish officials to implement programs with previously allocated NADR-EXBS funds and continue engagement on an ad hoc basis.

Portugal
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	752	850	600

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 Portugal's strong cooperation at Portugal's Lajes Air Base in the Azores and support within the European Union (EU) for U.S. positions on such issues as European Security Defense Program (ESDP)-NATO compatibility.

Portugal is a founding member of NATO and a member of the EU. Portugal continues to maintain strong transatlantic ties and pursue close military cooperation with the United States. The 1995 Agreement on Cooperation and Defense provides U.S. forces continued access to Lajes Air Base, which served as a staging point for the United States during NATO's military operations in Kosovo and Operations Desert Storm and Desert Fox. Lajes Air Base is currently supporting ongoing U.S. operations in Afghanistan and Iraq. Portugal also contributes troops to the Kosovo Force (KFOR), has contributed assets to the International Security Assistance Force (ISAF) in Afghanistan, works closely with the United States on United Nations security issues, and has over 120 paramilitary police in Iraq performing security functions with the Coalition forces.

International Military Education and Training (IMET) continues to be an essential component of Portugal's military force modernization program, its internal reorganization of service and joint headquarters staffing, as well as the overall professional military education of the elite of Portugal's Armed Forces. FY 2006 IMET funding will continue to be a significant asset in this modernization effort, and will strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts, e.g., in Iraq, Afghanistan, Bosnia, Kosovo and Africa. U.S. assistance is also directed towards enhancing Portugal's Atlanticist orientation by building ties with future military leaders and reinforcing Portugal's existing preference for U.S.-manufactured defense equipment.

IMET bolsters this strategy by establishing close bilateral relationships between the U.S. and Portuguese militaries. The majority of IMET funds requested for FY 2006 will be used to fund management courses, in order to sustain productivity and professionalism, and train-the-trainer courses, to help maintain existing English language laboratories by supplying spare parts and instruction materials, and to assist with post-graduate courses. In addition, IMET will fund professional and operations-related courses to emphasize command and control, readiness, sustainability and deployability. IMET will also provide informal technical training with an emphasis on joint and combined operations.

In FY 2006, Portugal will once again be 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 the country to participate in international peacekeeping. At the end of 2004, Congress passed legislation to permit the transfer of two Perry-class frigates to Portugal. The President authorized the transfer, and in early 2005, the U.S. Government was in the final stages of releasing the frigates.

Romania
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	8,950	10,912	29,000
IMET	1,529	1,500	1,500
NADR-EXBS	715	750	-
Peace Corps	3,141	2,931	2,940
SEED	27,835	27,000	20,000

With its strategic location and status as the largest, most populous country in its region, Romania is contributing to stability in Southeast Europe and beyond. It joined NATO in 2004 and has actively supported the United States and NATO through substantial participation in the Allied military presence in Bosnia and Kosovo, Iraq and Afghanistan. The European Union's (EU) granting of "functioning market economy status" to Romania in late 2004 represented a significant step forward in Romania's path to EU accession in 2007. The country's newly-elected president, who won through relatively free elections, welcomes full integration into the West. Despite the positive developments in Romania's economic growth and democratization, the country's reforms are not yet fully consolidated. U.S. assistance to Romania plays a key role in supporting market-based reforms, promoting participatory democracy, strengthening civil society, and relieving human suffering. It also helps Romania to strengthen its anti-corruption activities across all sectors -- an important goal.

In FY 2006, Support for East European Democracy (SEED) assistance will help Romania improve its agricultural and trade competitiveness, increase trade and foreign investment through an improved business climate, and liberalize its energy sector. SEED-funded training and technical assistance will target the financial sector, providing advisors to the Central Bank and the Ministry of Finance to improve the budget process. SEED-funded democracy programs will provide training programs to increase the capacities and sustainability of local government units, civil society organizations and independent media. The rule of law will also be strengthened through programs that combat corruption, money laundering, and human trafficking and that strengthen border controls. Training of prosecutors, judges, local police forces and civil society organizations will help to create an effective law enforcement environment.

SEED funds will also help advance child welfare and women's health care, areas where Romania still is seriously behind. FY 2006 activities will seek to reduce the number of institutionalized children, promote community-based care alternatives for such children, integrate reproductive health services into primary care, and promote modern contraception and HIV/AIDS prevention.

The Bucharest-based Southeastern Europe Cooperative Initiative (SECI) Anti-Crime Center, which coordinates regional criminal task forces working to combat trafficking in persons (TIP), smuggling, and the drug trade, will continue to receive SEED funding in FY 2006. With financial and other support from the Romanian Government, the SECI Anti-Crime Center has achieved a number of successes in the fight against transborder crime. In FY 2006, other anti-TIP programs in Romania also will be supported by SEED funds.

With the largest armed forces among the countries that joined NATO in 2004, Romania is militarily significant in the region. It has provided troops to support U.S. and NATO objectives in Southeast Europe, Afghanistan and Iraq. Through the Foreign Military Financing (FMF) and International Military Education and Training (IMET), the United States is providing the Romanian military with needed defense articles, services, and training. FY 2006 FMF funding will address the following objectives:

- Defense reform and modernization, including noncommissioned officer development and professional military education;
- Promotion of defense reform through the procurement of simulation equipment, a multiple integrated laser engagement system (MILES), and digital mapping to modernize training;
- Increased interoperability with U.S., NATO and Coalition forces, including upgrading of the NATO Integrated Extended Air Defense System, tactical communication, secure data management, navigational aids, and night vision goggles;
- Procuring special operations equipment for coalition support;
- Providing aircraft acquisition and maintenance, including support for C-130s and fighters; and
- Upgrading Romania's national command infrastructure equipment, including command, control, communications, computers and intelligence (C4I) equipment to develop the country's surveillance capabilities on the Black Sea.

The Romanian Government seeks the inclusion of as many officers as possible in U.S. military training. In FY 2006, the IMET program will support professional military education, special operations training as combat divers and rangers, English language training, and mobile training team development.

In FY 2006, Romania will once again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of materiel to Romania under grant EDA will help it meet its defense requirements, institute defense reforms, and further implement NATO interoperability.

Romania and the United States are cooperating closely on improving Romania's export controls. As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. Government is providing Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) assistance in the form of a cooperative program to establish an effective export control system in Romania. FY 2006 NADR-EXBS regional funding will be provided to Romania on an ad hoc basis, with an emphasis on improving licensing, enforcement, and industry outreach capabilities coordinated through regional EXBS nonproliferation advisors.

Russia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	3,000	3,000	3,000
FSA	96,350	85,000	48,000
IMET	778	800	750
NADR-EXBS	1,800	2,800	1,000
P.L. 480 Title II	5,121	-	-

Cooperation with Russia plays a key role in the advancement of key U.S. national security interests, including nonproliferation and counter-terrorism. Through arms control, threat reduction efforts, and nonproliferation activities, the United States is working with Russia to reduce threats posed by weapons of mass destruction (WMD). Russia has also been a strong supporter in the Global War On Terrorism, offering key political support, granting the U.S. overflight rights and sharing intelligence. Given Russia's strategic importance, the United States has a compelling national interest in seeing Russia complete a successful transition to a market-based democracy. The United States advances this interest by supporting civil society, the independent media, entrepreneurs, and local governments in their efforts to implement democratic and economic reform. FREEDOM Support Act (FSA)-funded programs support Russia's transformation into a market-based democracy fully integrated into the mainstream of world political and economic relations.

In 2003, the Administration developed a strategy to phase out FSA-funded assistance to Russia over the next several years. Consistent with this strategy, FSA funding for economic sector programs will be phased out at the end of FY 2006. FSA assistance in FY 2006 will emphasize support to Russian organizations and institutions to ensure that the gains made through FSA-funded programs are integrated into Russian society and governmental structures well beyond the phase-out of U.S. assistance.

Several developments in 2004 called into question the commitment of Russia's leadership to building genuine democratic institutions. These developments included the increasing control exercised by the Russian Government over the media, especially national television, pressure on civil society organizations and private philanthropists, human rights abuses and political pressure in Chechnya, criminal prosecutions possibly based on political motivations, and the decision to eliminate elections of regional governors. In FY 2006, FSA-funded programs will focus on strengthening civil society and democratic institutions as a necessary check on the power of the central government. This will include improving the effectiveness of human rights groups and the legal profession, expanding political participation by youth, and advancing the national capacity of civil society networks to advocate effectively for their agendas.

FSA-funded programs will continue to support the partnerships already in place with civil society groups and reform-minded Russian officials in the Russian Far East and other regions under the aegis of the U.S. Government's Regional Initiative. In FY 2006, we will emphasize dissemination of the Regional Initiative experience to other regions.

FSA-funded assistance has contributed to important legislative reforms that have improved the business environment, particularly in the areas of tax and regulatory reform, often through support for the work of think tanks and provision of technical assistance to inform key policy decisions. An interagency review in 2004 concluded that by FY 2006, economic reform in Russia would have improved sufficiently to allow for a phase-out of assistance in the economic sector. Although Russia's investment policies need significant improvement, opportunities already exist in the vast Russian market for U.S. exporters and investors.

Accordingly, FY 2006 FSA assistance will focus on consolidating the gains achieved to date, as well as continuing to support the development of small and medium-sized enterprises (SMEs).

Russia's growing problems in the field of public health are hurting the country's prospects for stability and prosperity and are therefore a U.S. national security concern. Russia has one of the fastest-rising rates of increase in HIV infection in the world. FY 2006 FSA- and Child Survival and Health Programs (CSH)-funded programs will focus on prevention and treatment of HIV/AIDS in Russia and support partnerships between U.S. and Russian medical professionals to combat HIV/AIDS around the world. U.S. programs to combat the spread of HIV/AIDS will help prevent mother-to-child transmission of HIV/AIDS in particular, and will also help combat the spread of multi-drug-resistant strains of tuberculosis.

The United States provides assistance through programs of the Departments of State, Defense and Energy to prevent the proliferation of WMD, related materials, technologies and expertise. In FY 2006, the U.S. will continue to provide nonproliferation assistance under the FSA and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) accounts. The State Department will continue to use NADR Nonproliferation of WMD Expertise funds to support research grants in nuclear materials, aerospace, chemical, biological, seismic and other fields through the International Science and Technology Center (ISTC) in Moscow to help former weapons scientists transition to sustainable commercial activities. Key emphases of the Science Centers Program include shared research priorities (notably infectious human and animal diseases like HIV/AIDS) and business training to help institutes better serve governmental and private consumers. The State Department will also continue its targeted effort to engage former Soviet biological and chemical weapons scientists through the NADR-funded Bio-Chem Redirect Program, which supports the involvement of the Department of Health and Human Services, Department of Agriculture, and the Environmental Protection Agency in redirection efforts. In addition, the State Department will continue its Bio-Industry Initiative, which was established in FY 2002 with a unique mandate to reconfigure Soviet-era biological weapons production facilities for civilian use, and support accelerated drug and vaccine development to combat bioterrorism. The U.S. Civilian Research and Development Foundation (CRDF) will continue to leverage FSA-funded grant assistance with Russian Government and international non-governmental matching funds.

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

Even though International Military Education and Training (IMET) will be the only form of U.S. military assistance provided to Russia in FY 2006, Russia remains a priority country for the United States in the area of military cooperation. IMET English language training and professional education is directly supportive of U.S. interests and the President's goals as outlined in the Camp David Checklist and in the Defense Department's Security Cooperation Guidance.

FY 2006 IMET funds will be used to provide language training to Russian military officers and to enable them to attend and one year of professional military education at staff and war colleges. In addition, IMET would provide Enhanced IMET (E-IMET) courses and mobile training teams for seminars on civilian control of the military, military justice, civil-military relations, and crisis management. IMET funds would also support English language training, which will facilitate our efforts to communicate with Russian forces

and will improve their interoperability. In FY 2006, Russia will once again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Transfers of grant EDA will assist Russia in meeting its defense requirements, enacting defense reforms and furthering interoperability.

Russian and Russian-speaking organized crime groups operate alone and in concert with other transnational crime groups across Russia, Eurasia, Europe, the United States and elsewhere. Russian authorities recognize the threat to their society and economy presented by such organized crime, and they have turned to the U.S. and other Western partners for assistance in addressing that threat. Russian officials are also increasingly aware of the specific challenges posed by the growing narcotics trafficking out of Afghanistan, which crosses both Central Asia and Russia. This trafficking contributes to growing drug addiction and HIV/AIDS infection rates in Russia and provides a means of financing terrorist activities. Russia has recently partnered with the United States in an eight-country multilateral anti-narcotics effort, headquartered in Tashkent, to collect and analyze heroin trafficking patterns in an effort to implement a regional strategy. In FY 2006, FSA-funded programs will continue to address criminal procedure reforms, criminal violation of intellectual property rights, corruption, cyber-crime, trafficking in persons, money laundering and terrorist financing, narcotics smuggling and other transnational criminal activities, and implementation of the U.S.-Russia Mutual Legal Assistance Treaty.

Serbia and Montenegro

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	-	50	50
NADR-EXBS	750	735	1,290
NADR-SALW	-	800	800
SEED	133,803	93,600	75,000

Serbia and Montenegro (SaM) is a linchpin in the Balkans. The United States continues to have a compelling national interest in securing the sustainable political and economic stability of SaM. This includes the establishment of a secure, democratic governing framework in which political, social and economic rights are respected and conflict is channeled and resolved through legal structures. If the citizens of Serbia do not receive sustainable economic, as well as political, benefits from the break with the country's authoritarian past, a growing number of them will be susceptible to calls for rejecting a transparent and inclusive democratic system or supporting nationalistic calls that inflame ethnic, religious and cultural differences. Democratic political institutions in Serbia and Montenegro remain fragile, and U.S. assistance is targeted to strengthen these fledgling institutions. The FY 2006 Support for East European Democracy (SEED) assistance request is based on two main pillars: economic development/job creation, and rule of law. Major work remains to be done on domestic war crimes trial capacity, rule of law, privatization, job creation and economic growth, and building local democracy, all of which are key to making Serbia a positive regional player. The SaM Government has worked closely with the United States to halt arms transfers and military assistance by SaM entities to states of concern, including Iraq. The SaM Government continues to work with the U.S. in implementing a modern and transparent export control system and is also cooperating in the destruction of excess small arms and light weapons (SA/LW), including man-portable air defense systems (MANPADS). SaM has also cooperated on implementing financial sanctions against terrorist groups, including establishing an anti-terrorism task force and a financial intelligence unit. The United States seeks to accelerate SaM's Euro-Atlantic integration in order to promote regional stability in the Balkans, thus hastening the day when U.S. and NATO forces can be withdrawn from the region.

SEED assistance to SaM supports democratic transition, civil society, democratic institutions and economic reforms, and legal and criminal justice sector reform. The USG funds approximately 14 percent of the costs of the Organization for Security and Cooperation in Europe (OSCE) mission to Serbia and Montenegro. SEED assistance has helped the SaM Government implement and build popular support for difficult political and economic reforms. SEED funding has provided critical economic and humanitarian assistance, especially in areas subject to ethnic tensions and instability. Programs specifically targeting southern Serbia and the Presevo Valley helped to stabilize the area along the administrative boundary line with Kosovo. SEED programs and the contacts developed in the course of those programs aided in avoiding spillover into southern Serbia of inter-ethnic violence in Kosovo in March 2004. Over the past year, the U.S. accelerated its support for the SaM Government's efforts to prosecute domestically war criminals and organized crime figures.

FY 2006 SEED funds will be used to promote the reform processes under way in SaM. Government leaders at the state union, republic and local levels understand the importance of strengthening democratic institutions and making progress on critical economic and legal reforms. SEED-funded programs will seek 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 SEED-funded community development program will expand to include crucial job creation efforts, which

should help the population see tangible benefits from the reform process, thus building support for SaM's difficult transition to a market-based democracy.

The United States will continue to provide SEED-funded 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. SEED assistance is designed to accelerate the growth of private enterprise by creating a competitive and efficient free-market economy through stabilization, restructuring and integration into regional and world markets. Stabilization efforts are 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.

Foreign Operations-funded assistance to the central SaM Government is conditioned on its cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). The corresponding, legislatively mandated certification requirement is a key policy instrument with which the United States can encourage the SaM Government's full cooperation with the ICTY and resolution of outstanding war crimes issues. SEED funds are being used to enhance SaM's capacity to investigate, prosecute, and try war crimes and organized crime cases, and have helped fund the establishment of special domestic courts to deal with these cases. A key aim of these efforts is to enhance the ability of the Serbian authorities to pursue war crime cases not adjudicated by the ICTY. SaM's cooperation with the ICTY and arrest of publicly indicted war criminals continue to be top U.S. priorities. Other U.S. anti-crime efforts target criminal justice reform, corruption and trafficking in persons.

In an effort to build on the SaM Government's recent cooperation with the investigation into past and present SaM weapons exports to states of concern and passage of a new export control law consistent with international standards, the United States is expanding its export control and enforcement activities with SaM. Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) assistance will support an accelerated program to help establish an effective export control system in SaM, with an emphasis on developing implementing regulations, industry outreach seminars and weapons-of-mass-destruction (WMD) inspection training and equipment for Customs Service enforcement agents.

NADR-EXBS funds will also provide for non-intrusive detection equipment to be deployed in Montenegro. The EXBS program is part of the U.S. effort to prevent the proliferation of WMD, their delivery systems, related technologies, and other weapons. In addition, FY 2006 NADR funds will also support an EXBS program advisor stationed at Embassy Belgrade, who will work with host-country officials to coordinate and implement EXBS assistance in Serbia and Montenegro and Bosnia and Herzegovina. FY 2006 NADR funding is also being directed to continue threat reduction activities that are effectively eliminating excess SA/LW (including MANPADS) while improving the physical security of national stockpiles. Matching regional funds from the NADR International Trust Fund (ITF) are channeled through the ITF to provide support for humanitarian demining in SaM.

The United States is in the process of broadening and deepening strong bilateral military relations with SaM. In May 2003, a Presidential Directive authorized the establishment of an International Military Education and Training (IMET) program with SaM. In FY 2006, IMET funds will be used to support professional military education and exchanges, as well as English language training.

Slovakia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	6,603	4,960	5,000
IMET	1,075	950	950
NADR-EXBS	305	550	300

The past year has brought profound changes for Slovakia. Slovakia acceded to NATO membership in March 2004 and to full European Union (EU) membership in May 2004. Even prior to these momentous events, the Slovaks acted as an ally of NATO and the United States, contributing units to the Kosovo Force (KFOR), the Stabilization Force in Bosnia and Herzegovina (SFOR), and Operation Enduring Freedom (OEF), as well as a military engineering unit in Operation Iraqi Freedom (OIF). The United States has a strong interest in helping Slovakia improve its military capabilities and NATO interoperability and encourages Slovakia's initiatives to share its successes in democracy building and development of civil society with other countries in transition. In recognition of its continued progress in transition, Slovakia has graduated from the Support for East European Democracy (SEED) assistance program, and modest regional SEED funding for Slovakia was discontinued in FY 2004.

The Slovaks have embarked upon a serious multi-year military modernization plan, which was broadly influenced by recommendations from a U.S.-funded defense study. FY 2006 Foreign Military Financing (FMF) and International Military Education and Training (IMET) will assist Slovakia in its effort to create a modern, capable force that can ensure national defense, contribute to NATO operations, and enhance regional stability. Slovakia's importance to NATO was shown during the Kosovo and Afghanistan conflicts, when the Slovak Government immediately granted crucial overflight and transit rights. In addition, Slovakia deployed 100 troops to KFOR and two transport helicopters to SFOR. The contribution of military engineering units to OIF and OEF further demonstrates the Slovak Government's commitment to support both NATO goals and U.S. efforts in the Global War on Terrorism (GWOT).

FMF and IMET programs are a crucial way for the United States to show support for Slovakia's efforts and directly contribute to their success. The FY 2006 FMF and IMET requests will fund a variety of programs focusing on defense reform and development of Slovakia's niche capabilities, thereby helping the Slovaks to meet their goal of force modernization, ensuring their NATO interoperability, and enabling continued Slovak assistance in the GWOT. Specific FMF projects will include: nuclear, biological, and chemical (NBC) consequence-management capability; search and rescue capability (including night-vision equipment); communications equipment; in-country English language training; defense reform consultants; and instrumentation for a national maneuver training area. IMET assistance will focus on officer and NCO training, the reorganization of the officer corps along Western lines through professional military education courses, English language training, technical training, and the development of mobile training teams to train large numbers of military and defense personnel.

In FY 2006, Slovakia will once again be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Slovakia in meeting its defense requirements and furthering its interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Mining and Related Projects (NADR)-funded Export Control and Related Border Security (EXBS) assistance to help Slovakia strengthen its export control system. This is particularly important as Slovakia is part of the EU's eastern

Schengen border with Ukraine. FY 2006 NADR-EXBS funds will support the provision of enforcement equipment, including radiation detection devices, along with overland, air, and rail investigative training.

Slovenia
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	1,974	1,488	1,000
IMET	950	950	900
NADR-EXBS	365	495	50

Slovenia became a member of the European Union and NATO in 2004. Serving as a bridge between East and West, Slovenia 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, especially given its cultural, historical, social and political ties with the states that constituted the former Yugoslavia. Slovenia provided 180 troops to the NATO-led Stabilization Force in Bosnia and Herzegovina (SFOR) and contributes 35 troops to the Kosovo Force (KFOR). Slovenia is a leading investor in the Balkans and plays an important role in regional demining efforts. Slovenia has also promoted security in Central Asia and the Middle East by providing 20 troops (currently on second deployment) to the International Security Force (ISAF) in Afghanistan and reconstruction assistance to Iraq, including police trainers and psycho-social assistance to children affected by the conflict.

Slovenia models its armed forces on those of the United States and other NATO Allies. Although Slovenia's sound economic situation has enabled it to fund a large portion of its defense reform needs, U.S. assistance continues to play a critical role, helping Slovenia to modernize and reform its military and to assist it in implementing its NATO Membership Action Plan goals. FY 2006 Foreign Military Financing (FMF) will address the following top priorities: upgrades to the airfield at Cerklje Airbase; the procurement of a multiple integrated laser engagement system (MILES); instructors for an English language center; and the provision of command, control, communications, computers and intelligence) (C4I) and data management equipment. FMF assistance will support greater interoperability between NATO and Slovenian forces, as well as critical reform of Slovenia's military command structures. FMF assistance may also be used to support programs such as defense reform and continued implementation of Partnership and Individual Country Action Plan goals. This may include communications equipment, air defense radar, English language training and equipment for their simulation center.

In FY 2006, Slovenia will once again be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. Transfer of grant EDA to Slovenia will assist Slovenia in meeting its defense requirements and further its NATO interoperability.

FY 2006 International Military Education and Training (IMET) will help Slovenia to continue its integration into NATO structures and to serve as a long-term guarantor of peace and stability through expanded English-language training as well as training in rule of law, civil-military control and human rights. IMET courses have strengthened the professionalism and leadership skills of Slovenia's military and civilian personnel and have helped improve the technical and managerial skills of the Ministry of Defense. FY 2006 IMET will target non-commissioned officer (NCO) development, English language training, officer corps training, Ministry of Defense civilian development, and provide courses in combating terrorism through mobile training teams.

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)-funded Export Control and Related Border Security (EXBS) assistance in the form of a cooperative program to help Slovenia establish fully effective export controls

over sensitive items. FY 2006 NADR-EXBS funding will focus on improving export licensing and industry outreach capabilities through regional EXBS nonproliferation advisors.

Tajikistan
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	1,995	496	500
FSA	24,451	27,000	25,000
IMET	351	350	350
NADR-EXBS	300	300	600
NADR-SALW	-	-	300
P.L. 480 Title II	7,009	15,458	10,374

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

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

FREEDOM Support Act (FSA)-funded health assistance includes a quality primary health care program that is working with the Ministry of Health to create a more cost-effective and equitable health care system. Other health programs include drug awareness and prevention, reproductive and maternal/child health, and small grants to non-governmental organizations (NGOs) active in the area of health. The effort to institute a family doctor system based on a successful Kyrgyz Republic model will continue in FY 2006. Infectious disease programs will continue to focus on fighting tuberculosis, malaria, and HIV/AIDS.

FSA-funded economic development programs combine support for small and medium-sized enterprises (SMEs), business education, microfinance, with support for policy reform efforts, including accession to the World Trade Organization (WTO), fiscal and banking reform, judicial and commercial law reform, and updating the country's land tenure legislation. Assistance to SMEs will seek to alleviate poverty through expanded business opportunities and employment creation, with a continuing focus on the volatile Ferghana Valley region. In this heavily agricultural country, FSA-funded technical assistance will also help specialists to better manage water and energy resources and to repair irrigation systems and improve farms' water management practices.

FSA-funded democracy assistance will continue to support the development of civil society in Tajikistan by assisting a network of NGO support centers and community associations and through direct grants to NGOs. Democracy programs will also promote civic education in high schools, increase access to information via independent media, work with the parliament to increase its effectiveness and responsiveness to citizen interests, and support legal education and associations. Nonpartisan political party development efforts will continue, with a focus on the 2006 presidential elections; FSA funding will also support training for poll workers, voter education initiatives, grants to civil society groups to conduct get-out-the-vote campaigns, and training for journalists, with the aim of encouraging a free and fair electoral process.

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

Trafficking in persons is a serious problem in Tajikistan. Through public service announcements, brochures, talk shows, radio call-in programs, and a mobile theater group, a prevention program will inform the public about the risks and dangers associated with trafficking in persons. FSA funds will continue to support prosecution of traffickers, in cooperation with the Ministry of Internal Affairs. FSA-funded efforts to protect victims of trafficking will continue, through support for victim repatriation and vocational training programs.

Tajikistan has committed to cooperate with the United States on countering terrorism, the proliferation of weapons of mass destruction (WMD), weapons technology and other illicit arms and drug trafficking. In light of the 2005 Russian Border Guard's withdrawal from the Tajik-Afghan border, and the lack of any government guards on the Afghan side of the border, in FY 2006, the United States intends to increase funding for the Export Control and Related Border Security (EXBS) Assistance Program funded through the FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts. The EXBS Program will continue to improve Tajikistan's export control system to detect, deter, and interdict WMD and other destabilizing technology. The EXBS Program will address specific challenges posed by the withdrawal of the Russian Border Guard, through training and equipment to establish security and stop proliferation at the borders. Technical workshops on export control enforcement and WMD awareness training will give the Tajikistani Border Guard and Customs Service a critical knowledge base for dealing with proliferation issues. FY 2006 NADR Small Arms/Light Weapons Destruction (SA/LW) funds will help stop weapons proliferation through the funding of physical security upgrades at weapons storage sites and destruction of excess SA/LW. NADR regional Nonproliferation of WMD Expertise funds provided through the Science Centers Program and the Bio/Chem Redirect Program will extend efforts to redirect Tajikistani scientists with WMD-relevant expertise into peaceful, economically sustainable work. U.S.-funded research is engaging Tajikistani scientists in fields of human and animal disease research, remediation of environmental damage including radioactivity, and Central Asia-wide seismic monitoring.

Tajikistan supports U.S. security interests and objectives. Tajikistan permitted U.S. and coalition forces to land and refuel in its territory while conducting operations in Afghanistan. It has also expressed support for the Proliferation Security Initiative (PSI). However, Tajikistan remains the poorest and least well equipped military of the former Soviet Union. Tajikistan requires substantial assistance for military reform in all areas.

FY 2006 Foreign Military Financing (FMF) will be used to equip and train the Tajikistani Army with uniforms, night-vision devices and communications equipment. Additional areas of focus for FMF assistance will include medical equipment for Tajikistani forces and maintenance systems to account for and track U.S.-supplied equipment of all kinds. In FY 2006, Tajikistan will once again be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. Transfers of EDA will assist Tajikistan to meet its defense requirements and further its NATO interoperability.

FY 2006 International Military Education and Training (IMET) funds will be used to professionalize and Westernize Tajikistan's Armed Forces and improve Tajikistan's capability to support GWOT objectives. IMET classes planned for FY 2006 include basic/advanced officer education courses, specialized combat training, and English language training. The combat training is required to enable Tajikistan to secure its mountainous borders and remote regions against narco-traffickers and terrorist infiltrators, and will be

provided in direct support of U.S. interest and force protection for U.S. forces operating in Uzbekistan and Afghanistan.

FSA-funded law enforcement and judicial reform efforts will continue to focus on institution-building, particularly with regard to efforts to enhance the Tajikistani Government's ability to interdict the flow of illegal narcotics out of neighboring Afghanistan. FSA funds will 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, programs to address financial crime and to support the overall development of the country's law enforcement and judicial institutions.

FY 2006 FSA funding will continue to support the posting of a U.S. law enforcement advisor at the U.S. Embassy in Dushanbe to better oversee U.S. law enforcement programs in Tajikistan. U.S. law enforcement assistance will increase in FY 2006 to ensure continued support for the new Tajikistani DCA, to support counter-narcotics cooperation between such Tajikistani law enforcement agencies and the U.S. Drug Enforcement Administration, to expand law enforcement development programs to improve the very poor state of Tajikistani law enforcement agencies equipment, training and practices, to continue border security improvements, to continue reform activities involving the judicial sector and the prosecutor's office, and to address terrorist financing and money laundering.

Continuing in FY 2006, FSA-funded humanitarian programs will provide critical medical and emergency help to impoverished persons in underserved and remote areas of Tajikistan. U.S. NGOs working with the U.S. Government in partnership with the Government of Tajikistan and local Tajik NGOs will administer basic medical services and provide essential medicines, clothing and food to children, the elderly and other vulnerable populations. This assistance is integral to alleviating poverty and preventing widespread health problems and suffering in populations beyond the reach of the limited social welfare programs implemented by local governments.

Turkey
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	10,000	-	10,000
FMF	35,000	33,728	25,000
IMET	5,000	4,000	3,000
NADR-EXBS	600	600	750

Turkey is a major coalition partner in the Global War on Terrorism (GWOT), an active ally and partner in the reconstruction of Iraq and Afghanistan, and a pro-Western democracy in a troubled region. Strategically located between Europe and the Greater Middle East, Turkey is a key NATO ally and continues to demonstrate strong support for Operation Enduring Freedom (OEF), the International Security Assistance Force (ISAF) in Afghanistan, and Operation Iraqi Freedom. In February 2005, Turkey will assume the command of ISAF for a second time. Turkey continues to allow critical U.S. humanitarian shipments to pass to Iraq and is also supplying Iraq with much-needed electricity. In addition, Turkey has granted the United States overflight rights and use of its key airbase, Incirlik. U.S. bases and other facilities on Turkish territory are important elements in the ability of the United States to maintain the security of the region and of its allies.

Turkey's major support for these U.S. and Allied efforts comes despite a fragile economy, tight fiscal restrictions and, with respect to Iraq, a reluctant public. The FY 2006 Economic Support Fund (ESF) request will help Turkey to consolidate the economic gains it has achieved through an ambitious reform program, despite substantial debt-servicing requirements, and will enable Turkey to expand its efforts in Afghanistan and the GWOT. ESF funds will support programs to help Turkey address poverty and employment problems, thereby contributing to the country's internal stability and demonstrating continued U.S. support.

Foreign Military Financing (FMF) is essential to the U.S. policy of helping Turkey modernize and strengthen its armed forces and to keep them fully compatible with those of other NATO allies. Turkey requires additional U.S.-origin equipment and services to continue its impressive level of support to ISAF, OEF, and the GWOT. FMF-provided equipment and services will also further Turkey's efforts to modernize its armed forces, improve its command, control, communications, computers and intelligence (C4I) interoperability with NATO and coalition forces, and to provide vehicles, disaster relief, and search and rescue equipment in support of Turkey's participation in anti-terrorist, peacekeeping, humanitarian, and other operations. FY 2006 FMF will fund the acquisition of C4I equipment for a national command center; five- and ten-ton trucks; upgraded communications equipment with mobile satellite ground terminals; Harpoon missiles and MK-46 torpedo upgrades; an integrated logistics computer system; contracted strategic airlift; UH-1 helicopter upgrades; equipment to establish a counter-terrorism center of excellence; a Partnership for Peace (PfP) center; weapons of mass destruction (WMD) detection equipment; support for an air warfare and combat training center; enhanced man-portable air defense system (MANPADS) detection equipment; and upgrades to a Perry-class frigate.

In FY 2006, Turkey will once again be eligible to receive grants of Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Turkey in meeting its defense requirements and further its NATO interoperability.

International Military Education and Training (IMET) continues to achieve great success in Turkey, as regional instability, increasing NATO demands, and international terrorism dictate the need for a well

trained, U.S.-oriented Turkish officer corps. IMET is the most effective mechanism for providing Turkish officers with the professional skills (including English language) and outlook that will solidify Turkey's growing value to the United States as a trusted ally.

As part of its continued efforts to prevent the proliferation of WMD, their delivery systems, related technologies, and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (EXBS) Assistance in the form of a cooperative program to help Turkey establish a fully effective export control system. NADR-EXBS activities include training in industry and government outreach training and in the effective identification of WMD commodities. FY 2006 NADR-EXBS funding will provide training in detection, targeting and inspection techniques for export control enforcement officers stationed along Turkey's border, as well as an upgrade and expansion of Turkey's radiation detection program.

Turkmenistan

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	500	694	400
FSA	5,700	6,505	5,500
IMET	340	450	300
NADR-EXBS	-	-	400
Peace Corps	1,858	1,672	1,486

The United States has strategic and economic interests in helping Turkmenistan achieve political stability, independence, and integration into the global economy. However, the highly centralized and authoritarian rule of President Niyazov is limiting the scope of U.S. assistance programs. Turkmenistan has the world's fourth largest gas reserves and significant oil reserves. U.S. assistance to Turkmenistan seeks to enhance Turkmenistan's stability and to promote security cooperation in the interests of both countries, while attempting to strengthen civil society and improve health care. Turkmenistan's government is not currently receptive to democratic or economic reform, or to many types of law enforcement assistance.

FREEDOM Support Act (FSA)-funded social sector programs focus on improving health care, controlling tuberculosis and other infectious diseases, preventing the spread of HIV/AIDS, and improving maternal and child health services. The Turkmen Government's positive response to maternal and child health efforts has led the U.S. to concentrate on models for reform in this context, with encouraging results. An assessment found a more than 50% decrease in child mortality in one region and a 25% decrease in another over the course of two years due to U.S. interventions. Tuberculosis control efforts have also begun to pay dividends. In two pilot sites, the treatment success rate has increased from over 66% to over 73%.

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

While some small steps have been taken by the Turkmen Government in 2004 to legalize certain forms of activity by non-governmental organizations (NGOs), the space for civil-society activity remains extremely limited. Parliamentary elections in December 2004 reflected the lack of democratic process and freedom of choice. FSA assistance will continue to support civil society where possible, and work with grassroots citizen initiative groups outside the capital to make tangible improvements to the lives of ordinary citizens. Efforts to reach out to the next generation of Turkmenistan's leaders, with the goal of exposing them to democratic culture and values, will include exchanges, training, Internet access, and a scholarship fund for Turkmen students to attend the American University of Central Asia.

In FY 2006, the United States intends to continue to provide assistance 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. The NADR-funded Anti-Terrorism Assistance Program (ATA) currently does not have an active program in Turkmenistan due to a lack of cooperation on the part of the Turkmen Government. These issues are of particular concern in Turkmenistan, which lies along centuries-old trade and smuggling routes between the North Caucasus and Southwest Asia. The NADR- and FSA-funded Export Control and Related Border Security (EXBS) Assistance program will continue to enhance Turkmenistan's capabilities to deter, detect, and interdict the

proliferation of weapons of mass destruction and other destabilizing technology through the establishment of a legal/regulatory framework, licensing system and enforcement mechanism for export controls.

While it has proven difficult to engage consistently with the Government of Turkmenistan on many matters relating to the reform of law enforcement and the criminal justice sector, there have been some instances of increased cooperation with government ministries in this area. The U.S. has sought to move forward with FSA-funded law enforcement assistance programs where they are possible and where they serve significant U.S. interests. With an eye to addressing the flow of drugs over the border from Afghanistan into and across Turkmenistan, the United States has initiated assistance in four specific project areas: improvement in Turkmen forensic laboratory capabilities; support for a United Nations Office on Drugs and Crime (UNODC) effort to improve border security along the Turkmen-Afghan border; support for an effort to improve border controls along the Turkmen border with Kazakhstan; and support for a project to reduce demand for drugs within Turkmenistan. FSA funds have also supported a project to research and analyze evidence of trafficking in persons (TIP) in Turkmenistan and to develop strategies to address causes of TIP. FY 2006 FSA funding will support continued efforts in the area of counter-narcotics and support opportunities for expanded measures against trafficking in persons.

Turkmenistan has received minimal levels of Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance. FY 2006 FMF will bolster security cooperation in border controls, counterproliferation, and counterterrorism, providing funding for handheld radios and ground stations. The IMET Program will continue to send Turkmen officers to the United States for English language instruction and will support professional development for junior to mid-level officers. FY 2006 IMET funds will be used to educate and expose Turkmenistan's Armed Forces and civilian officials to Western-style democracy, and the concepts of rule of law, human rights and free markets.

In FY 2006, Turkmenistan will once again be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. Transfer of EDA will assist Turkmenistan to meet its defense requirements and further its NATO interoperability.

Ukraine
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	1,750	2,198	2,250
FMF	5,000	2,976	16,500
FSA	94,283	79,000	88,000
IMET	1,834	1,700	1,700
NADR-EXBS	1,500	1,500	1,600
NADR-SALW	642	1,500	1,500
Peace Corps	4,504	4,642	4,345
PKO-SUP	3,500	-	-

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 million and a strategic location between Russia and Central Europe, Ukraine is important for building a secure, democratic, 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, democratic, and secure Europe. A strong supporter of Operation Enduring Freedom, Operation Iraqi Freedom, and the Global War on Terror, Ukraine is contributing more than 3,000 peacekeepers to missions in Iraq, the Balkans, the Middle East and Africa. Ukrainian peacekeepers have been deployed in Kosovo since November 1999. Ukraine provides one of the largest contingents of soldiers in the Polish-led division of troops of the coalition forces in Iraq.

The FY 2006 request for FREEDOM Support Act (FSA) funding is significantly higher than the FY 2005 allocation, reflecting the heightened possibility of making solid progress in both economic and democratic reforms in partnership with the Yushchenko government. In FY 2004, the Administration developed a strategy for phasing-out FSA-funded economic reform assistance to Ukraine in FY 2009. The United States now has a new opportunity to put in place a legacy of sustainable institutions that can continue to promote democratic reform, human rights, and economic growth. In FY 2004, FSA assistance was used to broaden Ukraine's growing civil society, foster participatory democracy and human rights, and buttress the independent media. While the media environment in Ukraine deteriorated in 2004 in the face of government pressure in the run up to the presidential election, the strongly expressed will of the Ukrainian people in the "Orange Revolution" gave many journalists, even those in the state-sponsored media, the courage to report freely. These actions bode well for democratic processes in Ukraine. In FY 2006, the United States will focus increased resources on supporting the economic, democratic, rule of law, and security reform efforts of the new government. Democracy assistance will continue to support independent media, local non-governmental organizations (NGOs), political parties, independent research institutions that serve as watchdogs over the government's activities and articulate public interests.

Ukraine's long-term political stability is closely linked to its economic prosperity, and especially to the rise of a broad entrepreneurial middle class. FY 2006 FSA funding will support technical assistance to the Ukrainian Government in the preparation of laws and regulatory codes to establish a market-oriented commercial legal framework. FSA funding also will support the Ukrainian Government's efforts to implement economic reforms necessary to build on the country's expected accession to the World Trade Organization (WTO). Much of FSA-funded economic reform assistance will be focused on private-sector development. This assistance will help private enterprises become more competitive and efficient through programs to improve credit availability and promote international accounting standards, corporate

governance and shareholder rights. Particular attention will be paid to the development of small and medium-sized enterprises (SMEs), the most likely source of long-term sustained innovation and growth, and potentially important proponents of government transparency and accountability. A critical mass of privatized enterprises has been restructured, but the task remains to institutionalize the structural reforms and the privatization in order to permit sustainable economic growth in Ukraine's emerging vibrant private sector.

Ukraine continues its participation in regional law enforcement efforts, as an observer to the Southeast European Cooperation Initiative (SECI) Center participating in organizational and operational activities. Within the GUUAM Group, the regional organization comprised of Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova, Ukraine has created a national strategy which complements regional activities and is participating in the creation of the concept of a virtual law enforcement center. Ukraine has also detailed two narcotics officers to Tashkent to assist in an Afghan heroin anti-trafficking project.

In addition, FSA funds will focus on the agriculture sector, continuing land privatization, and on deepening technical assistance to commercial banks for mortgage and long-term lending to help fund farmers' purchases of agricultural equipment. FSA funds will support further development of agricultural SMEs and technical assistance to the government to promote agricultural policy reform. In the energy sector, FSA-funded assistance will continue to focus on the development of a competitive wholesale electricity market to improve the sector's performance and make it more compatible with the European network, Ukraine's natural market.

In FY 2006, the primary objectives of FSA-funded law enforcement assistance will include supporting the Yushchenko government's goal of reducing corruption and promoting rule of law, and bringing about improvements in Ukrainian law enforcement agencies' capabilities to combat money laundering, enforce intellectual property rights, and improve border security against transnational criminal activities such as narcotics smuggling and trafficking in persons (TIP). FY 2006 FSA funding will help the recently established Financial Intelligence Unit detect suspicious currency transactions in Ukraine. The provision of training and specialized forensic equipment will support the efforts of Ukrainian law enforcement agencies to detect and prosecute criminal violations of intellectual property rights. To further support efforts to combat TIP, training will be provided to prosecutors and judges. Funding will also support the transition of the paramilitary Ukrainian Border Guards to a civilian police force.

Ukraine's growing problems in the field of public health pose a potential threat to U.S. national security. Ukraine has one of the fastest rates of increase in HIV and tuberculosis infection in the world. Both diseases are at the pre-epidemic break-out levels seen earlier in African countries, which were later devastated by these infectious diseases. FY 2006 FSA and Child Survival and Health Programs (CSH) funds will focus on prevention and treatment of HIV/AIDS, with some funds for supporting implementation in Ukraine of programs being provided by the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global ATM Fund). FSA-funded programs to arrest the spread of HIV/AIDS will also help prevent mother-to-child transmission of HIV/AIDS, and will also address the spread of multi-drug-resistant strains of tuberculosis.

In FY 2006, both FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)-funded assistance activities will continue to help the Ukrainian Government reduce the risks of proliferation of WMD, related materials, and technologies. Assistance will focus on enhanced border controls, mobile response teams, and enhanced communications and 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 2006 assistance. Through the Small Arms/Light Weapons (SA/LW) destruction program funded under the NADR account, the U.S. will continue to be the lead nation in the NATO Partnership for Peace Trust Fund for destruction of man-portable air defense systems (MANPADS), SA/LW, and munitions.

The Export Control and Related Border Security (EXBS) Assistance Program funded under the FSA and NADR accounts is designed to facilitate establishment of an effective national export control and border security system to prevent the proliferation of WMD, their missile delivery systems, related items and other weapons. In FY 2006, the EXBS Program will further assist Ukraine in the development of laws, regulations, and licensing procedures and practices, and internal control procedures for industry. It will also continue to provide assistance to enhance border controls with training, equipment, and advisory assistance through the resident EXBS advisors. This assistance directly complements the U.S. overarching policy to help Ukraine combat corruption and organized crime.

The U.S. continues to engage Ukrainian former weapons scientists by funding grant proposals through the intergovernmental Science and Technology Center in Ukraine (STCU) and the U.S. Civilian Research and Development Foundation (CRDF). The goal of these programs is to fully integrate Ukrainian scientific institutes into the global scientific and business communities, and thereby enable them to move toward self-sustainability. Funding in FY 2006 will therefore focus on projects with commercial potential or the potential to generate further research grants. In addition, there will be an emphasis on partnership projects between private companies and Ukrainian institutes.

Ensuring the safe and reliable provision of nuclear energy, and working toward completion of the Chernobyl nuclear plant closure and confinement remain high priorities. The Department of Energy will continue programs to safeguard nuclear facilities (including nuclear power plants), material, and transportation, a critical U.S. interest, as well as increase Ukraine's energy independence by fostering diversification of its nuclear fuel supply to include the ability to purchase U.S.-produced nuclear fuel. The United States played an important role in helping to fund the closure of the Chernobyl nuclear power plant, which took place in December 2000. In FY 2006, a higher proportion of FSA funds will be provided to the multi-year, multi-national project of building a sarcophagus around Chernobyl. Funding for Chernobyl confinement is particularly critical at this stage as work commences on the new shelter itself, the single largest, most complex, and most expensive element of the project.

FY 2006 Foreign Military Financing (FMF) will continue to support defense reform and enhance command, control, and communications capabilities, enabling Ukrainian forces to operate more effectively alongside U.S., NATO and Coalition forces. Funding will focus on a modeling and simulation network; military education curriculum development; a non-commissioned officer professional development program; organizational reform; a joint center for lessons learned (including computers and software); training on operational planning procedures; force management technical assistance; communications equipment; support for a rapid reaction force; and spare parts for high-mobility multipurpose wheeled vehicles (HMMWVs or Humvees). International Military Education and Training (IMET) will seek to develop a cadre of Ukrainian mid- and senior-level officers capable of providing English language training, with the goal of maximizing interoperability with Western militaries. The IMET Program will also focus on training a specially designed peacekeeping battalion that can rapidly react to shifting threats, following on Ukraine's provision of forces to the Kosovo Force (KFOR) and Iraq. In FY 2006, Ukraine will once again be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA). Transfer of EDA will assist Ukraine to meet its defense requirements and further its NATO interoperability.

As in other Eurasian countries, segments of the Ukrainian population, including the victims of Chernobyl, are in need of humanitarian assistance. Humanitarian commodities are provided through U.S. private voluntary organizations (PVOs), private donations or through the U.S. Defense Department's Excess Property Program. FSA-funded humanitarian assistance to Ukraine will continue in FY 2006, targeting the most vulnerable members of society through programs implemented by U.S. PVOs.

Uzbekistan

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	-	10,912	4,000
FSA	35,888	33,500	30,000
IMET	484	800	600
NADR-EXBS	-	1,200	500
Peace Corps	2,070	2,305	2,293

Uzbekistan is a key strategic partner in the Global War on Terrorism (GWOT) and one of the most influential countries in Central Asia. Uzbekistan has consistently supported U.S. foreign policy goals, allowing U.S. and Coalition forces to use a base in Karshi-Khanabad in support of Operations Enduring Freedom and Iraqi Freedom. However, Uzbekistan's poor record on human rights, democracy, and religious freedom continues to be an issue complicating its relations with the United States. While the Uzbek Government has taken some important steps to address torture and to establish police accountability, it has not made any progress on democratic reform, placing further restrictions on the activities of non-governmental organizations (NGOs) and the press.

The Organization for Security and Cooperation in Europe (OSCE) concluded that Uzbekistan's December 2004 parliamentary elections fell significantly short of the country's OSCE commitments and other international standards for democratic elections. In 2004, the Secretary of State declined to make the determination required in section 568(a) of the Foreign Operations Authorization Act, 2004, that Uzbekistan was making progress in meeting its commitments under the 2002 Strategic Partnership Framework; as a result, U.S. military, border security, and economic reform assistance planned for the central government of Uzbekistan was reprogrammed to other uses.

In the field of economic policy, the Government of Uzbekistan managed to unify exchange rates and introduced current account convertibility in October 2003, but did so by placing severe limitations on retail and wholesale trade. These measures crippled the informal sector and left many thousands without employment and income. Similarly, in 2004, there was little progress on economic reform.

U.S. assistance to Uzbekistan seeks to enhance the sovereignty, territorial integrity and security of Uzbekistan, diminish the appeal of extremism by strengthening civil society and urging respect for human rights, improve management of natural resources, and help relieve human suffering. FREEDOM Support Act (FSA)-funded assistance will continue to strengthen primary health care, fight infectious diseases including HIV/AIDS and tuberculosis, and improve maternal and child health services. A natural resources management program will seek to improve Uzbekistan's management of its water and energy resources. The program includes equipping and training new irrigation system operating agencies, helping to establish water users' associations, and improving the policy and regulatory framework for management of water resources. Natural resources assistance is improving water-usage efficiency and mitigating the potential for conflict over regionally shared water. FSA-funded programs designed to improve the environment for the growth of small and medium-sized enterprises (SMEs) will include business training and advisory services, accounting reform, micro-finance, and strengthening of economics and business education in higher education institutions.

FSA-funded democracy assistance will continue to pursue the longer-term goal of building constituencies for democratic reform among the broader population. The main priorities for this assistance include promoting human rights, combating trafficking in persons, assisting the development of independent

political parties (to the extent allowed by Uzbek law), fostering an independent judiciary, assisting in the professional development of young lawyers and the provision of legal aid to citizens, and enhancing civic participation through the growth of independent media and a strong NGO sector. FSA-funded democracy assistance will continue to help NGOs through a network of seven civil society support centers and small grants for civic initiatives. The U.S. will also continue to assist independent television and radio stations throughout the country through production grants, training opportunities, and legal defense. While no independent parties were able to participate in the December 2004 parliamentary elections, the U.S. will continue, in the hope of encouraging democratic development but within the constraints set by the Uzbek authorities, to provide training and technical assistance to both opposition movements and officially registered parties.

Uzbekistan permits base access and overflight rights to U.S., International Security Assistance Force (ISAF), and NATO forces operating in Afghanistan under Operation Enduring Freedom (OEF). Despite the presence of U.S. forces, Uzbekistan continues to face terrorist attacks by the Islamic Movement of Uzbekistan (IMU) and other extremist groups. Uzbekistan requires military assistance to combat these threats within its territory and at its borders, as well as assistance for general reforms aimed at Partnership for Peace (PfP) cooperation and NATO interoperability. FY 2006 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 PfP. The establishment of Uzbek forces capable of interdicting trafficking in weapons, persons and narcotics, and combating the threat of terrorism in the region will contribute immensely to U.S. interests and regional security.

FY 2006 Foreign Military Financing (FMF) will be devoted to establishing communications capability, building on previous FMF-funded procurements of communications equipment. FMF will also be focused on border security enhancements for the land border as well as river patrols, to improve Uzbekistan's capacity to combat transnational threats. FMF funding will also be used to support defense reform through career development programs for non-commissioned officers (NCOs), thereby enhancing interoperability with NATO and PfP forces.

In FY 2006, Uzbekistan will once again be eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act. Transfer of EDA will help Uzbekistan meet its defense requirements and further its NATO interoperability.

FY 2006 IMET funds will be used to develop a professional military education system and a strong NCO corps, and to deliver robust programs in the areas of mountain training, infantry training, special forces training, border security training, civil-military relations, emergency and disaster response, and English language training.

In FY 2006, the United States is requesting funds to provide assistance to enhance Uzbekistan's ability to cooperate with U.S. and Coalition forces to counter the flow of weapons, narcotics, and terrorist insurgents across borders and to enhance Uzbekistan's ability to protect its sovereignty and territorial integrity. Assistance programs for weapons scientists under the FSA and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) accounts will increasingly focus on funding individual scientists to conduct research that is self-sustainable through commercial or other peaceful means.

The NADR- and FSA-funded Export Control and Related Border Security Assistance (EXBS) program will improve Uzbekistan's capacity to prevent the proliferation of weapons of mass destruction (WMD) and other destabilizing technologies by enabling the Government of Uzbekistan to detect, deter and interdict illicit trafficking in such items and transfers to end users and end-users of proliferation concern. The EXBS program in Uzbekistan would provide a range of assistance to support nonproliferation objectives, which

include licensing and legal/regulatory technical workshops, and detection and interdiction equipment and training for customs and border guards.

The NADR Antiterrorism Training Assistance (ATA) Program will continue to provide regionally funded counterterrorism training to Uzbek law enforcement agencies to help Uzbekistan respond to terrorist threats and improve Uzbekistan's capacity to participate fully in the GWOT. The regionally funded NADR Science Centers and Bio-Chem Redirect programs engage Uzbek former weapons scientists through the Science and Technology Center in Ukraine (STCU), a multilateral nonproliferation program focused on preventing the proliferation of WMD expertise by redirecting former weapons of mass destruction scientists to peaceful and sustainable activities. The Bio-Chem Redirect Program provides funding to the Department of Agriculture (USDA), the Department of Health and Human Services (HHS), and the Environmental Protection Agency (EPA) to engage priority scientists in collaborative civilian research programs. Collectively, these NADR programs are funding research on arid land agriculture, seed crop development, animal health, water quality, and endemic diseases such as malaria and cholera.

Uzbekistan is a transit country for narcotics produced in neighboring Afghanistan. The United States is cooperating with the Uzbek Government in the interdiction of illicit narcotics and in the denial of illegal revenues from such drug smuggling for use as financing by terrorist groups. In FY 2005, FSA law enforcement funding increased to ensure continued support for counter-narcotics interdiction by Uzbek law enforcement agencies and for Uzbek law enforcement agencies' improved capability to cooperate with the U.S. Drug Enforcement Administration. This increased funding will continue in FY 2006. FY 2006 funding will also continue efforts to improve the treatment of suspects and prisoners, to prevent the use of torture in law enforcement, to bring Uzbek law into compliance with international obligations and to strengthen Uzbek border controls.

Continuing in FY 2006, FSA-funded humanitarian programs will provide critical medical and emergency help to impoverished persons in underserved and remote areas of Uzbekistan. U.S. private voluntary organizations working with the U.S. Government in partnership with the Government of Uzbekistan and local NGOs will administer basic medical services and provide essential medicines, clothing and food to children, the elderly and other vulnerable populations. This assistance is integral to alleviating poverty and preventing widespread health problems and suffering in populations beyond the reach of the limited social welfare programs implemented by local governments.

OSCE Regional - Europe and Eurasia

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
PKO	8,014	2,400	2,000

FY 2006 Peacekeeping Operations (PKO) funds will support regional activities of the Organization for Security and Cooperation in Europe (OSCE), including peacekeeping, post-conflict and election-related activities, as well as a small portion of the U.S. share of the OSCE's field missions in the Balkans and the former Soviet Union and the salaries of certain American citizens seconded to work in those missions. The bulk of the remaining voluntary contribution, staffing and regional activity costs will be covered using \$29,350,000 in FY 2006 Support for East European Democracy (SEED) regional funds and \$10,000,000 in FY 2006 FREEDOM Support Act (FSA) regional funds, to be used for the benefit of SEED and FSA recipient countries, respectively. In addition, \$1,500,000 in SEED regional funds and \$3,000,000 in FSA regional funds is being requested for extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection.

The U.S. pays for a share of OSCE operations, which support U.S. goals of preventing destabilizing conflicts in the former communist states, resolving certain ongoing disputes, containing and reducing instability in the Balkan states and states of the former Soviet Union, assisting with post-conflict rehabilitation, combating transnational threats to stability, and implementing measures against terrorism. OSCE also provides a rapid crisis-response capability through the Rapid Expert and Assistance Cooperation Team (REACT) 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 OSCE's core objectives include early warning, conflict prevention, crisis management and post-conflict rehabilitation, and are focused on economic, environmental, human, and political aspects of security and stability. The requested funds will support U.S. contributions to the OSCE, whose expertise in conflict prevention, confidence and security-building measures, conventional arms control, peacekeeping, good governance, democratization, human rights, rule of law, and elections are closely linked with U.S. Government policy objectives. These funds will also support OSCE election observation missions and elections-related activities, peacekeeping-related activities such as conventional arms control projects, OSCE field activities to monitor implementation of agreements to resolve existing regional or inter-ethnic conflicts, fielding of rapid-response teams to prevent new regional tensions from developing into armed conflict, counter-terrorism and border security initiatives within the OSCE region (including measures to improve document and container security), and staffing (and related costs) for OSCE bodies in positions that support U.S. foreign policy objectives. Funding for the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights (ODIHR) is both a crucial U.S. Government contribution to the effective work of the OSCE and a key means of maintaining U.S. influence and involvement in OSCE activities.

Program Assessment Rating Tool (PART)/Performance Evaluation

For preparation of the FY 2005 budget, the Administration reevaluated the Department's PKO OSCE Program using the Program Assessment Rating Tool (PART). The program was not reassessed for FY 2006. In its second PART review, the program showed significant improvement from the FY 2004 rating of Results Not Demonstrated to Moderately Effective. The program purpose is to provide funding to the OSCE to ensure regional and sub-regional stability in the independent states of the former Soviet Union and

the countries of southeastern Europe. Findings from the PART process were a factor in the overall decision-making process for resources allocation. The FY 2005 OMB PART assessment acknowledged significant improvements in the areas of strategic planning and program results. Other FY 2005 assessment recommendations have been addressed, including the establishment by the USOSCE Mission Performance Plan (MPP) of detailed performance indicators for resolution of conflicts in OSCE states.

Key Indicators: (1) Per Unit Cost of USG-Funded OSCE election observation; (2) Conclusion and implementation of a comprehensive political settlement of the conflict between Moldova and its breakaway constituent region of Transnistria; (3) OSCE Secretariat implementation of a comprehensive regulatory framework on the basis of its program for Integrated Resource Management (IRMA); (4) A settlement of the Nagorno-Karabakh conflict between Armenia and Azerbaijan; (5) Adoption of decisions and implementation of measures to strengthen the OSCE budgeting process; (6) Implementation of a comprehensive system to ensure accountability for U.S. extra-budgetary contributions to the OSCE; (7) ODIHR/OSCE assessment of participating State compliance with international standards in the conduct of elections; and (8) Level of implementation of an OSCE Action Plan on Activities to Combat Trafficking in Human Beings.

Regional FSA

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FSA	42,646	49,620	48,500

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

Several U.S. national interests in the Eurasian region are advanced through assistance projects that involve more than one country. These programs, implemented by the Department of State, USAID, Department of Homeland Security, and other U.S. Government agencies, include enhancing border security throughout the region, fighting trafficking in narcotics and persons, and promoting water and energy-sector reform in Central Asia. In the Caucasus, regional funds support humanitarian relief efforts in Nagorno-Karabakh.

In addition, FSA regional funds support the activities of several U.S. Government agencies in the region, including Trade and Development Agency feasibility studies, Treasury Department technical assistance, 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 states combat trafficking in narcotics and persons, reduce the likelihood of international terrorist operations, and improve human-rights practices in criminal justice institutions. These programs promote regional cooperation and stability by providing opportunities for citizens of the region to work together to promote economic restructuring and democratic reform.

The FSA regional budget also includes a small contingency fund to enable the U.S. Government to respond quickly to targets of opportunity such as democratic and economic reforms and peace settlements. This fund is also used to augment projects that perform very well during the year and require additional support.

Beginning in FY 2005 and continuing in FY 2006, the FSA regional account is also funding U.S. contributions toward the costs of maintaining Organization for Security and Cooperation in Europe (OSCE) missions in the Eurasian countries -- contributions that were previously funded with Peacekeeping Operations (PKO) funds. OSCE missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. FSA regional funds are also being used to pay the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights (ODIHR). The service of these individuals is both a crucial U.S. Government contribution to the effective work of the OSCE and a key means of maintaining U.S. influence over OSCE activities. A total of \$10,000,000 in FY 2006 FSA regional funding is being requested for these purposes. In addition, \$3,000,000 in FSA regional funding is being requested to support extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection. (For additional details, please see the "OSCE Regional - Europe and Eurasia" page.)

Regional SEED

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
SEED	37,775	47,827	65,000

Support for East European Democracy (SEED) regional funds help sustain the transition to democracy, market economies, and social stability in Southeast Europe. Through regional programs that bring together several SEED countries, the United States pursues its interests in economic growth, trade and investment promotion, and reducing international criminal and terrorist threats to U.S. citizens. In FY 2006, these programs will focus on helping Southeast Europe accelerate its integration into Euro-Atlantic institutions. SEED-funded regional programs will target terrorism, corruption, international crime, and trafficking in persons, as well as develop regional capacities for war crimes trials in the Balkans. SEED regional funds will also support significant regional efforts to promote energy efficiency and help facilitate infrastructure development. The SEED regional budget also funds Congressional directives related to health and HIV/AIDS, and assistance to regional non-governmental organizations (NGOs) through the National Endowment for Democracy (NED).

Through regional funding for both the Stability Pact for Southeastern Europe and the Regional Center for Combating Transborder Crime (under the Southeast Europe Cooperative Initiative or SECI) in Bucharest, the United States targets cross-border problems and leverages significant funding from European and international donors to support U.S. policy priorities. Through the Stability Pact and SECI, the United States funds technical assistance and promotes regional cooperation in such areas as law enforcement. The countries in this region are increasingly “taking ownership” of border and customs control reform efforts and cooperative regional law enforcement operations that combat organized crime, terrorism, and trafficking in persons. Continued U.S. engagement with these efforts, including through support for the Bucharest Anti-crime Center and the International Law Enforcement Academy (ILEA) in Budapest remains an important catalyst to increased and effective regional cooperation. The ILEA provides high-quality training and technical assistance, supports institution building and enforcement capability, and encourages strong partnerships between countries in the region. The SECI Center has administered a series of regional law enforcement operations in the areas of human trafficking and the smuggling of narcotics, small arms and excise value goods. These operations have cemented SECI’s role as a regional forum for law enforcement cooperation and information-sharing. The success of these cooperative efforts has also served to identify weaknesses in the criminal justices processes, which are being addressed by both U.S. and European Union economic assistance.

Through SEED contributions to the Stability Pact, the United States leverages resources from European and other donors. The USAID-administered Regional Infrastructure Program in Southeastern Europe has worked closely with international financial institutions and the European Union to facilitate and accelerate over 2 billion Euros' worth of water and transport infrastructure projects. That cooperation led to a joint USAID- and International Finance Corporation-financed Balkans Infrastructure Development (BID) Facility that will provide technical assistance in program proposal development. The BID Facility has garnered support from a variety of Western European donor countries.

Starting in FY 2005 and continuing in FY 2006, the largest single item funded with regional SEED funds is staffing costs and U.S. voluntary contributions for Organization for Security and Cooperation in Europe (OSCE) field missions in Southeast Europe. The SEED regional budget is funding the bulk of U.S. voluntary contributions for OSCE missions in the Balkans, U.S. contributions to the Office of the High Representative (OHR) in Bosnia and Herzegovina, and security costs for senior Americans leading such missions -- activities that were previously funded with Peacekeeping Operations (PKO) funds. OSCE

missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. Regional SEED funds are also being used to pay the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights (ODIHR). The service of these individuals is both a crucial U.S. Government contribution to the effective work of the OSCE and a key means of maintaining U.S. influence over OSCE activities. A total of \$29,350,000 in FY 2006 regional SEED funding is being requested for these purposes. In addition, \$1,500,000 in regional SEED funding is being requested to support extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection. (For additional details, please see the "OSCE Regional - Europe and Eurasia" page.)