

EUROPE AND EURASIA

This page intentionally left blank.

Albania
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	2,976	3,465	3,200
IMET	1,145	891	935
NADR-ATA	856	375	589
NADR-EXBS	400	505	325
NADR-SALW	-	300	300
Peace Corps	1,759	1,836	1,901
SEED	28,266	24,750	20,000

Democracy, stability and economic prosperity are essential if Albania is to continue to be an effective partner in the Global War on Terrorism and play a productive role in regional stability. Sustained U.S. engagement and support for reform are crucial if positive trends are to continue and ultimately yield long-term results. U.S. assistance is vital in guiding Albania closer to a Euro-Atlantic partnership.

Consolidating democratic institutions and improving their capacities remains the highest priority for the United States in Albania, which is still recovering from 45 years of harsh, xenophobic communism, a legacy further exacerbated by the economic collapse of 1997. U.S. assistance targets resources based on needs, but also their ability to serve as a force-multiplier for the reform agenda. Support for East European Democracy (SEED) programs strengthen civil society and human capital resources in Albania, and increase transparency in government processes. Programs bolster security and stability, support judicial reform initiatives, and target institutions that fight financial crimes, such as tax evasion, money laundering, and terrorism financing.

Continued U.S. 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; and combating the impact organized crime plays in undermining democracy, economic growth, and the rule of law. SEED funds support initiatives such as primary health care upgrades, education improvements, and journalistic professionalism. In addition, SEED-funded programs promote badly needed agricultural reforms, creating employment opportunities, modernizing production, and increasing output in a country where nearly 70 percent of the work force is tied to the agricultural sector.

Foreign Military Financing (FMF) is important for continuing the modernization of the Albanian Armed Forces. A NATO membership aspirant and staunch U.S. ally in the Global War on Terrorism, Albania contributes troops to peacekeeping efforts in Bosnia and Herzegovina (formerly SFOR), Afghanistan, and Iraq. Albanian combat troops have been on the ground since the beginning of Operation Iraqi Freedom. FY 2007 funds will purchase clothing, individual equipment, and field equipment for coalition missions, support continued institutional and strategic reform, and support deployed forces. Funds will directly support the development of niche military capabilities in line with Albania's current operational responsibilities in Iraq, and help modernize the Albanian military.

The International Military Education and Training (IMET) program supports Albania's NATO aspirations by providing 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 2007 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 toward establishing and maintaining a fully effective export control and enforcement system in Albania. With FY 2007 NADR funds, the EXBS program will focus on implementation of comprehensive export control legislation, emphasize government-to-industry outreach, and enhance the GOA's ability to enforce its export controls and border security.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations.

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 2007 both through direct bilateral programs and the OSCE's U.S. supported destruction projects. 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 Slovenia's International Trust Fund for Demining and Mine Victims Assistance to provide support for humanitarian mine action in Albania.

Armenia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	7,936	3,960	3,500
FSA	74,400	74,250	50,000
IMET	819	743	790
NADR-ATA	332	165	1,000
NADR-EXBS	300	700	1,040
P.L. 480 Title II	1,098	-	-
Peace Corps	1,678	1,882	1,814

Armenia has made inconsistent strides towards free-market democracy over the decade and a half since its independence. The United States has supported this transformation, working to strengthen Armenia's rule of law, to assist in the development of an active civil society, and to encourage the Government of Armenia's efforts to integrate into the world economy while providing for the welfare of its citizens. With two closed borders, an unresolved conflict with Azerbaijan over Nagorno-Karabakh, and historical tension with Turkey, Armenia's efforts to establish peace with its neighbors are critical to regional stability. U.S. security, law enforcement, and nonproliferation assistance, in cooperation with the Government of Armenia, work to prevent weapons and other illicit trafficking and the spread of weapons expertise. Assistance programs are also upgrading the safety infrastructure of the Armenia Nuclear Power Plant. 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 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, the country was approved to receive a five-year, \$235.6 million Millennium Challenge Compact, pending demonstration by the Government of Armenia of its commitment to democratic reform. Armenia's Compact aims to reduce rural poverty through a sustainable increase in the economic performance of the agricultural sector. The Compact consists of two investments: a Rural Road Rehabilitation Project and an Irrigated Agriculture Project. If Armenia fulfills its obligations and receives Millennium Challenge Account (MCA) funds, implementation will 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 2007, 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, broaden its economic base, and create a more competitive economy. 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, ensuring 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.

Democratic institutions and practices are developing in Armenia, but this is threatened by poor economic conditions, regional instability, and corruption. Irregularities in the November 2005 constitutional referendum call into question the Government of Armenia's commitment to political processes which meet international standards. FSA-funded democracy assistance programs are working with civil society and government agencies to encourage democratic processes by public participation in government and by augmenting the technical capacity of legislative staff. Additional programs help legislators draft and implement budget programs, train judges, lawyers, and legal associations, promote effective political parties and a loyal opposition, and increase the professionalism of legal associations, thereby improving government transparency and accountability. Support for NGOs helps those organizations effectively articulate and advocate public interests. U.S. support to independent media outlets promotes sector sustainability for continuing free access to information.

To help counter Armenia's isolation, U.S. programs provide educational and informational links with the West. In the social sector, FSA-funded programming supports improvement in standards of living, thereby increasing stability. Assistance encourages pension reform, improved family and health benefits, and the development of efficient administrative, managerial, and financing mechanisms within the health care system.

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

FY 2007 International Military Education and Training (IMET) funding will provide opportunities for the Armenian military to obtain U.S. military professional education and will provide training to facilitate Armenian contributions to peacekeeping operations and NATO-compatible crisis response/consequence management. FY 2007 Foreign Military Financing funding will provide equipment for Armenian peacekeeping capabilities; develop a command, control, communication, computers, intelligence system; and provide contractor services for defense reform.

In FY 2007, Armenia is eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Provision of EDA grants will enhance Armenia's ability to participate in NATO and coalition operations, as well as international peacekeeping missions. Specific end-use

assurances will be required for assistance provided under such operations so as not to affect the military balance 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 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. The Export Control and Related Border Security Assistance (EXBS) program, funded under the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account, is 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.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations.

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 2007 funding will continue to assist Armenia in creating the procedures necessary to investigate and prosecute criminal cases, including trafficking in persons, and to improve law enforcement communications infrastructure which will improve communication and cooperation between Armenian and U.S. law enforcement agencies. Programs will support the development of an effective and sustainable police academy, improve forensics capabilities, and assist in the professional development of prosecutors, investigators, and defense advocates. Funding will also support implementation of the Armenian Government's anti-corruption action plan.

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

Azerbaijan
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	500	-	-
FMF	7,936	3,960	4,500
FSA	37,755	34,650	28,000
IMET	879	743	885
NADR-ATA	808	400	948
NADR-EXBS	1,545	1,650	1,405
NADR-HD	3,500	2,800	2,500
NADR-SALW	400	-	-
P.L. 480 Title II	1,545	1,939	-
Peace Corps	1,440	1,794	1,883

U.S. national interests in Azerbaijan include counterterrorism and security cooperation, the provision of a significant and growing supply of hydrocarbon resources to global markets, and mediation of regional conflict. The unresolved conflict with Armenia over Nagorno-Karabakh, as well as tension with Iran regarding ethnic Azeris living across the border, undermine stability in a critical region on the seam of the Middle East, Central Asia, and the North Caucasus. With large estimates of oil and gas reserves in the Caspian, Azerbaijan has the potential to play a significant role in the diversification of American and global energy supplies. With proper advice, technical support, and institutional reform, revenues generated from energy sales could fuel economic growth and support a rise in Azerbaijani standards of living, thereby increasing national and regional stability. Azerbaijan has supported the Global War on Terrorism, Operation Iraqi Freedom, and Operation Enduring Freedom through cooperation in law enforcement, intelligence sharing, and the provision of 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.

The President's January 2002 waiver of the FREEDOM Support Act (FSA) Section 907 restrictions on most forms of assistance to the Government of Azerbaijan gave the United States new tools to advance its interests. This waiver was renewed in December 2003 and January 2005. Since the first waiver, U.S.-funded assistance programs have focused on economic reform, counter-terrorism, NATO interoperability, border security, law enforcement, and efforts to combat corruption and human trafficking.

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 United States has continued to provide humanitarian assistance in the form of food, medicine, and medical supplies, seeking to ease the plight of the disadvantaged and displaced. Other programs work in community development and health care reform to improve the lives of citizens in the rural regions. Democracy programs have sought to strengthen civil society and encourage political processes that meet international standards. In FY 2007, the United States will focus assistance on economic development – particularly with regard to management and expenditure of Azerbaijan's increasing 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, raising the potential for social instability if the Azerbaijani public does not see concrete improvement in standards of living as energy inflows generate increasing revenues for the government. The agricultural sector is mired in low productivity. 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 2007, FSA-funded assistance will focus on accelerating economic growth by helping the Government of Azerbaijan to efficiently invest and manage its revenues, developing small and medium-sized agricultural enterprises, encouraging competitiveness, and reforming the domestic energy sector. Technical assistance will support the continued strengthening of banking supervision, the improvement of transparency and efficiency of treasury and financial management, and increasing capacity in capital budget preparation. Training opportunities will focus increasingly on economics and business development. The U.S. Government will also continue to work with Azerbaijan on oil wealth management and to support American companies through U.S. Overseas Private Investment Corporation, U.S. Export-Import Bank, and U.S. Trade and Development Agency 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 most recently by the flawed November 2005 parliamentary election. In FY 2007, the United States will continue to promote the development of Azerbaijan's democratic institutions and civil society, with a strong emphasis on combating corruption, strengthening the rule of law, and establishing and ensuring independent media and freedom of information. Programs to assist non-governmental organizations, political parties, and the media will continue to help them to advocate and serve the public interest more effectively.

U.S. assistance to Azerbaijan improves the country's capabilities to combat domestic and transnational criminal activities, including drug trafficking and trafficking in persons. FY 2007-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 2007 security assistance will continue to support projects initiated in previous years. Equipment, services, and training will be provided through the Foreign Military Financing (FMF), International Military Education Training (IMET), and Coalition Solidarity Fund (CSF) programs and the regional Global Peace Operations Initiative under the Peacekeeping Operations (PKO) account. FMF will provide assistance for upgrades to the regional military airbase, equipment and training for a National Crisis Management Center, equipment and training for a peacekeeping brigade, and maritime and coastal security equipment. IMET will provide Azerbaijan with general English language training and professional military education in order to increase interoperability and modernization of the Azerbaijani military.

Assistance provided under these programs will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Azerbaijan and Armenia or be used for offensive purposes against Armenia.

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 United States 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 its 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 Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account. 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 is eligible to receive grant EDA in FY 2007 in accordance with section 516 of the Foreign Assistance Act. The transfer of EDA grants will enhance interoperability and Azerbaijan's ability to participate in NATO and Coalition operations, as well as international peacekeeping missions. Specific end-use assurances will be required for assistance provided under such operations so as not to affect the military balance between Armenia and Azerbaijan.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations.

In the area of health care, in order to leverage reforms implemented by the Government of Azerbaijan, FSA-funded programs will continue to support accessibility to quality health care services, targeting reproductive health/family planning, primary health care, child survival, and health system strengthening. Programs additionally support improved emergency medicine, a large-scale health survey, and a measles and rubella immunization campaign.

Landmines pose a significant danger in Azerbaijan to people, productivity, and socio-economic development. FY 2007 NADR Humanitarian Demining Program 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 2005 Actual	FY 2006 Estimate	FY 2007 Request
FSA	6,896	11,880	10,000
FSA/NIS-SUP	5,000	-	-
NADR-EXBS	-	250	200

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' authoritarian regime, the inchoate and besieged state of its democratic institutions, and the government's retrograde economic policies and close relations with rogue states threaten regional development and security. The Belarusian Government's policies 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 the Government of Belarus' (GOB) policy orientation as an anachronism that jeopardizes their own future security and prosperity. The United States, in implementing the Belarus Democracy Act, has focused assistance efforts on democracy, human rights, promoting access to independent information, the fight against trafficking in persons, and HIV/AIDS. Although the GOB claims to be willing to provide assistance in the Global War on Terrorism, 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. The U.S. Government's diversified approach to increasing Belarusians' participation in civic activism is reflected not only in assistance targeted at democratic reform but also at social-sector assistance targeted at combating the spread of HIV/AIDS and preventing trafficking in persons.

The GOB has made it increasingly difficult to provide democracy assistance. Over the course of 2005, it sharpened its anti-Western propaganda campaign in the state media, tightened its clampdown on independent media, adopted new restrictions against giving or receiving foreign assistance for many activities remotely related to politics, denied re-registration to non-governmental organizations (NGOs) providing assistance to civil society, impeded exchange programs, and criminalized the act of participating in activities of a suspended or closed NGO, as well as the act of "discrediting Belarus' international image abroad." U.S. assistance programs must therefore be flexible and creative in providing assistance to civil society.

FY 2007 FREEDOM Support Act (FSA) funding will continue to support 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 2007 FSA funding will also continue to support Belarus' besieged independent media, including by providing 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.

After the March 2006 presidential election, the thrust of U.S. assistance will be either on cementing democratic gains and facilitating economic reform or alternatively on maintaining support for and links to civil society as a catalyst for democratic change in the longer term; expanding access to independent information, including through broadcasting from outside the country; providing support to independent analytical and educational institutions, and strengthening democratic political forces.

In addition, the U.S. 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 will also continue to work to address public health concerns, including tuberculosis, hepatitis, and maternal and infant health. A 2006 humanitarian delivery of pharmaceuticals to treat radiation-related diseases will be made in commemoration of the twentieth anniversary of the Chernobyl disaster.

Opportunities to encourage economic reform through FSA-funded assistance programs are also 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. FSA-funded economic reform programs focus on building a constituency for change. Programs educate local stakeholders on internationally accepted economic practices and standards in order to promote a consensus on promoting Belarus' long-term growth via free markets. In addition, projects have helped local banks expand micro- and small enterprise lending operations. In FY 2007 programs will expand and focus on developing the small and medium enterprise sector and on teaching accounting.

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 benefiting 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 project to design better controls over nuclear materials.

The Export Control and Related Border Security Assistance (EXBS) Program funded under the Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) account 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 2007, the EXBS program will sponsor training exchanges on WMD border search procedures as related to curbing proliferation and international border interdiction training for border security officials.

Bosnia and Herzegovina

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	8,480	8,910	9,000
IMET	965	891	910
NADR-ATA	1,212	650	580
NADR-CTF	150	-	100
NADR-EXBS	500	875	650
NADR-SALW	-	400	700
SEED	41,000	39,600	31,000

The tenth anniversary of the signing of the Dayton Peace Accords in November 2005 was an occasion to mark the significant progress Bosnia and Herzegovina (BiH) has made and to reflect on the fragility of its constitutional framework and ethnic harmony. State-level defense, intelligence, financial, law enforcement and judicial bodies have been established, but merging of other entity and cantonal institutions into functional state-level bodies will take years to complete. 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 the United States' 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 2007, Support for East European Democracy (SEED) programs in BiH will continue to support democratic and economic reforms and strengthen local capacity to maintain internal security and uphold the rule of law. Rule of law programs will provide technical assistance, training, and equipment to consolidate the capacities of the full range of security services, including counterterrorism agencies, 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. SEED-funded economic programs will focus on creating a single economic space with a strong private sector, an investor-friendly climate, and a sound financial and business regulatory environment.

Additional programs will support larger donor efforts to streamline the excessively layered BiH government structure to encourage investment in the private sector. Democracy programs have helped BiH's fledgling NGOs to acquire management and organizational know-how to be sustainable. In FY 2007, SEED-funded programs will continue to enhance the self-sustainability of these organizations and build their capacity to mobilize citizens and voters around policy-based themes. Other democracy programs will target the professionalism and sustainability of the independent media, parliamentary capacities, municipal management and overall government accountability. These programs build on progress made as a result of prior years' assistance. The U.S. Government plans for SEED to fund the Office of the High Representative (OHR) mission in BiH until its closure, with the goals of containing and reducing instability and assisting with post-conflict rehabilitation.

Foreign Military Financing (FMF) funds contribute to U.S. foreign policy objectives by promoting peace and stability in Bosnia. FMF funding in FY 2007 will support BiH's comprehensive defense reform effort. BiH enacted defense reform legislation in 2005, which abolished the entity armies and ministries of defense and created a unified, multi-ethnic, NATO-compatible professional military under a single command. FMF in FY 2007 will help strengthen state-level defense institutions and continue to support this military reform and preparation for Partnership for Peace membership by funding contractor-assisted defense reform; equipment and training support for the development of common logistics, operations, and administrative

infrastructures; communications equipment; equipment and training for multi-functional support battalion for niche capabilities, and maintenance of previously provided U.S. defense equipment.

In FY 2007, International Military Education and Training (IMET) activities will include leadership and professionalization courses, and English language training.

In FY 2007, 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 regional force interoperability.

In FY 2007, the United States will continue its Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) Export Control and Related Border Security (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 provide advanced investigations training, inspection/detection equipment and training at key border crossing points, and outreach seminars for industry representatives on compliance with export control requirements.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations. FY 2007 NADR Counterterrorism Financing will provide training to counter bulk cash smuggling across international borders that support terrorist activities.

FY 2007 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, which BiH does not have the resources to properly secure. Matching funds from NADR International Trust Fund (ITF) are channeled through Slovenia's ITF for Demining and Mine Victims Assistance to provide support for humanitarian mine action in BiH.

Bulgaria
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	6,944	9,900	10,000
IMET	1,532	1,386	1,430
NADR-EXBS	500	-	-
NADR-SALW	-	400	700
Peace Corps	3,311	3,464	3,403
SEED	27,250	19,800	-

Bulgaria is a force for stability and a model for Euro-Atlantic integration in the region. The country is a dependable ally of the United States in the fight against terrorism and has provided support for U.S. initiatives in Iraq, Afghanistan and Kosovo. U.S. assistance has made a significant contribution to the country's transition to a market oriented economy, its progress on democratic reforms, and implementation of military reforms and security controls. A NATO member since 2004, Bulgaria has modernized and professionalized its military, allowing it to participate in NATO military activities. Continued progress on implementation of reforms is critical to Bulgaria's anticipated EU accession in January 2007.

Bulgaria's and Romania's achievements in democratic and economic reform at the point when they were selected as candidates for NATO membership (2002) have become the benchmark standard for the remaining SEED countries. Because of these accomplishments and in view of its anticipated accession to the EU in either 2007 or 2008, Bulgaria is graduating from Support for East European Democracy (SEED) assistance in FY 2006. Completion of SEED-funded programs will continue through 2008.

Bulgaria and the United States have cooperated closely on improving Bulgaria's export controls. FY 2007 Nonproliferation, Anti-Terrorism, Demining, and Related Program (NADR) Export Control and Related Border Security (EXBS) regional funding will be provided on an ad hoc basis, with an emphasis on improving licensing, enforcement, and industry outreach capabilities, coordinated through regional EXBS 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 funding will support the development of Bulgaria's niche capabilities, such as construction engineering, chemical defense, military police, field medicine, and special forces/light infantry forces. Additional funds will be dedicated to upgrading command, control, communications, computers, and intelligence (C4I) systems, contractor support for defense reform, and an integrated logistics system.

In FY 2007, Bulgaria will be eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Bulgaria in meeting its defense requirements, modernizing and furthering interoperability with NATO.

International Military Educational and Training (IMET) assistance 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

will also focus on improving Bulgaria's peacekeeping capabilities and strengthening capabilities in the areas of command control, communications, computers, and intelligence.

Croatia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	-	49	45
NADR-EXBS	790	1,320	875
SEED	22,000	14,850	-

Croatia is a key contributor to regional stability in the Balkans. Its integration into the Euro-Atlantic community is well underway: EU accession negotiations began in late 2005. The country's full Euro-Atlantic partnership will depend on its ability to complete reforms that ensure a democratic, market-based economy with functional criminal justice and law enforcement systems. Such integration will serve important U.S. interests, such as fighting terrorism, organized crime, trafficking in persons, and other transnational threats, as well as creating a secure and attractive climate for U.S. business.

Croatia has, for the most part, met the SEED benchmark standards in democratic and economic reform, set by Romania and Bulgaria at the point of their selection (2002) as candidates for NATO membership. With this in mind, and in view of the EU's October 2005 decision that Croatia has met the conditions to begin formal EU membership negotiations, Croatia will graduate from SEED funding at the end of FY 2006. Completion of SEED-funded programs will continue through 2008.

In FY 2007, 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/NATO forces in crisis-response operations and other activities.

In FY 2007, International Military Education and Training (IMET) funds will support professional military education and exchanges. This training will facilitate interoperability with NATO.

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 2007. NADR Export Control and Related Border Security Assistance (EXBS) activities will help the Government of Croatia further develop its export control system by educating industry representatives on export control law and strengthening enforcement. NADR-EXBS funding will provide for industry outreach seminars, advanced detection equipment, maritime interdiction training, as well as investigative techniques training to assist with investigation and prosecution of export violations. Matching funds from NADR International Trust Fund (ITF) are channeled through Slovenia's ITF for Demining and Mine Victims Assistance to provide support for humanitarian mine action in Croatia.

Cyprus
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	13,392	15,840	15,000
NADR-EXBS	580	350	365

The United States has a longstanding interest in facilitating a comprehensive settlement on Cyprus. Since Cyprus issues involve both 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 and years of intercommunal strife. The Greek Cypriot and Turkish Cypriot communities are geographically separated by a Buffer Zone, patrolled by the United Nations Peacekeeping Force in Cyprus. The area south of the dividing Green Line is under the control of the Government of the Republic of Cyprus, which joined the European Union in spring 2004. Areas north of the Green Line are administered by the Turkish Cypriot authorities. Only Turkey recognizes the self-proclaimed “Turkish Republic of Northern Cyprus.” The United States does not.

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' 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, and supporting initiatives that encourage a comprehensive settlement.

In FY 2007 Economic Support Fund (ESF) resources will support the peace process and eventual reunification of the island by increasing bicomunal efforts to build support for a solution. The funding will also continue to support activities that promote the 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 support economic development, civil society empowerment, good governance, education, cultural heritage and natural resource conservation and social and cultural exchange, especially among youth. ESF assistance supports reconciliation through: 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 2007, \$1.2 million is planned 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 \$3 million is planned for scholarships and short-term training implemented by the Cyprus Fulbright Commission.

If a political settlement is reached, U.S. assistance will seek to 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 Assistance (EXBS) program in Cyprus has made real progress in the

area of transshipment controls and export control enforcement, including establishment of a dedicated Cypriot Customs team to inspect transshipment container cargo. Additional assistance will build on these accomplishments by providing additional advanced investigative and enforcement techniques training to encourage prosecution of export control violations as well as seaport and maritime interdiction training for Customs and Marine Police Officers.

Czech Republic

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	5,952	3,960	3,500
IMET	2,051	1,881	1,875

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 2006, the Czechs had a military police unit in Iraq training Iraqi policemen and have pledged to deploy a team of 120 Special Forces to Afghanistan in the spring of 2006. 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 the enhancement of Czech interoperability with coalition and NATO forces and the development of specialized capabilities in line with NATO niche requirements. FY 2007 Foreign Military Financing (FMF) funds will focus on supporting a NATO-compatible command and control system, providing special forces equipment, providing equipment to support mobile and stationary detection and warning systems, 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 FMF and International Military Education and Training (IMET) programs are essential in helping the Czech Republic realize NATO force goals. IMET in FY 2007 will fund professional military training, provide training in personnel and acquisition management, English language training, and various specialized/technical training for the units and sections designated to support NATO. FMF and IMET are particularly important due to their focus 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 2007 funds will focus on promoting three objectives:

- increase the ability of the Army of the Czech Republic to prepare and deploy forces that can provide required support to NATO and coalition operations;
- assist in the development and enhancement of NATO-supported niche capabilities and support the ability of the Czech Republic to meet its NATO Force Goals;
- assist in the implementation of defense reform activities required to maximize military capabilities available to NATO and coalition operations tools.

In FY 2007, 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, furthering NATO interoperability, and supporting GWOT coalition assistance.

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 2007; however, regional NADR-EXBS funds will continue to fund Czech participation in regional export control events on an ad hoc basis.

Estonia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	4,960	4,455	4,000
IMET	1,183	1,188	1,185
NADR-ATA	-	75	-
NADR-EXBS	1,000	50	-

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 (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.

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 2007, FMF funds will provide tactical communications equipment/training aids for use by the Baltic Defense College, communications upgrades to enhance interoperability between the Estonian Defense Forces and NATO networks, tactical communications equipment for the infantry brigade, signal and reconnaissance battalions, and navigational aides for Amari Air Base.

In FY 2007, 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 its national defense requirements, further its interoperability with NATO, and potential coalition support needs.

Georgia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	2,000	-	-
FMF	11,904	11,880	10,000
FSA	86,000	66,330	58,000
IMET	1,413	1,188	1,235
NADR-ATA	941	1,804	1,014
NADR-EXBS	-	-	2,000
NADR-HD	3,000	950	1,500
NADR-SALW	405	650	-
NADR-TIP	-	-	150
P.L. 480 Title II	1,594	1,406	-
Peace Corps	1,656	1,799	1,944

Georgia plays a key role in furthering U.S. interests. As one of our premier partners in the Global War on Terrorism, Georgia has provided peacekeeping forces to Iraq (the second largest per capita contributor in the Coalition). 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.

Since the November 2003 Rose Revolution, the Government of Georgia, seeking to integrate into international organizations and institutions, has taken on an array of reforms with a level of political will unmatched within Eurasia. Georgia has been a close partner in advancing the United States' freedom agenda, and its commitment to free-market democracy has served as a model for reform in a region which largely fails to meet international standards for democratic processes.

U.S. assistance supports the Government of Georgia's efforts to control the country's borders, reducing the risk of conflict in the region and helping to block the transit of terrorists and weapons into and out of the North Caucasus. Furthermore, with the expected completion of an oil pipeline in 2006 and gas pipelines in the coming years, Georgia is becoming 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 the country's rapid improved performance, Georgia has signed a five-year, \$295.3 million Millennium Challenge Compact which will provide for regional infrastructure rehabilitation, enterprise development, and support for agribusiness development. Implementation of these programs will be closely coordinated with FREEDOM Support Act (FSA)-funded programs to ensure maximum development effect and poverty alleviation.

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 also include support for command/control/communications,

vessels and aircraft, spares and maintenance, radar and facilities operation and management, and new tactical utility vehicles.

Building on export control assistance activities begun in 2006 with FSA funds, EXBS (Export Control and Related Border Security) Assistance programs will draw on FY 2007 NADR (Nonproliferation, Anti-terrorism, Demining, and Related Programs) funds to help the Georgian Government reduce the risks of proliferation of WMD, related materials, and technologies. Assistance will focus on training and equipment to foster enhanced border controls. Internal compliance with export controls will also continue to be a high priority of FY 2007 assistance.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations. FY 2007 NADR Terrorism Interdiction Program funding will sustain existing program operations and provide for software upgrades to program equipment.

Georgia has begun to implement reforms mandated by an Individual Partnership Action Plan (IPAP) approved by NATO. Georgia hopes to complete these reforms and obtain a Membership Action Plan (MAP) from NATO in 2006/2007. 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. Sustained work with these units under the Security and Sustainment Operations Program (SSOP) designed in 2004 will continue to be supported in FY 2007 through Foreign Military Financing (FMF). In addition, FMF will fund consultants to assist the Ministry of Defense and General Staff in the area of defense reform, and provide maintenance for previously provided helicopters.

The International Military Education and Training (IMET) program will be used to increase professionalism and the capabilities of the Georgian Officer Corps. IMET will provide professional military education (PME) courses, English language training, and civilian professionalism courses.

In FY 2007, 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, furthering its interoperability towards NATO accession, and support coalition activities.

FSA funding 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.

FY 2007 FSA funding will support initiatives to improve anti-corruption, law enforcement, and judicial reform efforts. Assistance programs will work with the law enforcement agencies, the Procuracy, and the Georgian National Forensic Bureau to improve capacity and provide assistance in meeting international standards.

In FY 2007, FSA-funded democracy programs will build on the momentum of recent reforms, as well as the significant will of the Georgian Government to meet international political and economic standards as a means for integration into Western institutions. Additionally, U.S. assistance programs will support

political pluralism and the development of an effective opposition by supporting parliamentary reform, increased capacity of non-governmental organizations (NGOs), and independent media. FSA funds will continue to support 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, fight corruption. The United States will continue to support development of private-sector markets, including continued land reform and privatization of government assets. Programs will strengthen the capacity of institutions in the energy sector, thereby furthering Georgia's efforts to reach energy independence. FSA funding in FY 2007 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 2007, FSA-funded humanitarian programs will continue to provide critical medical and emergency help to refugees, internally displaced persons, 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.

In FY 2007, the United States will continue to assist Georgian efforts to peacefully integrate the separatist regions of Abkhazia and South Ossetia. FSA-funded humanitarian programs will be expanded to benefit impoverished or displaced individuals affected by the separatist conflicts. Funding will also be used to promote economic integration, such as a Needs Assessment Survey in South Ossetia conducted in conjunction with the Organization for Security and Cooperation in Europe (OSCE). Additional programs will include exchanges with Abkhaz and Georgian youth leaders to promote better understanding for democracy and tolerance. This type of assistance will be crucial to establishing Georgia's territorial integrity and promoting regional security. In FY 2007, the NADR-funded Humanitarian Demining Program will continue to address the threat of landmines and unexploded ordnance from the Abkhazia region of Georgia.

Greece
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	1,026	594	590
NADR-ATA	137	-	-

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 at Souda Bay, 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. Roughly 135 Greek troops currently serve with NATO in Afghanistan, including the Greek contingent manning the premier military medical facility in Kabul. 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. Furthermore, Greece plays a moderating role in the Balkans regarding Kosovo and continues to take positive steps to reduce military tensions with Turkey, as a part of the general rapprochement in relations between the two countries.

The United States seeks to help Greece fulfill its NATO responsibilities, strengthen international cooperation on counterterrorism, and take steps that facilitate U.S. business interests. In FY 2007, 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 funds indirectly promote the use of U.S. defense-related articles, thereby enhancing NATO equipment standardization goals.

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 an EDA grant in FY 2007 under Section 516 of the Foreign Assistance Act. The transfer of 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 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	5,951	2,475	2,500
IMET	2,013	1,559	1,480
NADR-ATA	-	75	-

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 and coalition operations, thereby contributing to both regional and global security. Hungary has contributed to international community efforts in the Balkans, Iraq, and Afghanistan, and participates in a number of United Nations peacekeeping missions. Hungary has also been an ally in the Global War on Terrorism (GWOT). The Hungarian government supported NATO's International Security Assistance Force (ISAF) in Afghanistan throughout 2005 and has proposed to provide a Provincial Reconstruction Team (PRT) there as early as the fourth quarter of 2006.

In addition, Hungary has a small contingent of military trainers supporting the NATO Training Mission in Iraq (NTM-I) and has offered a force protection unit to that operation. Hungary has also supported counter-terrorism training at the International Law Enforcement Academy (ILEA) in Budapest, partly funded by Support for East European Democracy (SEED) money. Hungary was one of the first countries to graduate from bilateral SEED Act support and will not receive SEED assistance in FY 2007. In 2006, U.S. assistance also enabled Hungary to continue decommissioning 1,540 obsolete, Soviet-era SA-7 Man-Portable Air Defense Systems (MANPADS).

FY 2007 Foreign Military Financing (FMF) and International Military Education and Training (IMET) assistance will continue to focus on improving Hungary's ability to deploy forces that are more capable and interoperable for alliance/coalition operations in support of the GWOT and peace support operations. The following projects are already underway or in the planning phase:

- Special Operations Force (SOF) development, including equipment, arms, communications and extensive in-country training. The first SOF company will attain initial operating capability by the end of first quarter FY 2007;
- enhancement of light infantry units, including acquisition of arms and equipment (including night vision devices and hand-held Global Positioning Satellite receivers);
- equipment and training for a potential Provincial Reconstruction Team (PRT) deployment to Afghanistan (including support for military police development); and
- facilitating the purchase of nuclear, biological and chemical (NBC)-related medical equipment.

FY 2007 FMF will fund equipment for light infantry battalions (such as armaments, night vision devices, global positioning systems, and communications and control equipment) and military medical capabilities. It will also be used to further Hungary's interoperability with NATO and the U.S. by funding upgrades to equipment and capability. Additionally, FMF will be used to assist with developing, training, and equipping a Special Operations capability.

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 non-commissioned officers (NCO). FY 2007 IMET will fund mobile training teams to provide technical, hands-on training for Hungary's tactical units, professional military education, and technical courses to develop personnel knowledge and skills required to perform mission requirements. IMET training in FY 2007 will continue to focus on infantry, SOF, medical, military police, and NCO development, both in training courses located in the United States and in-country Mobile Training Teams. The IMET program is the most successful of all Security Assistance tools available for Hungary, both for training soldiers for current operations and for development of future military leaders.

With the help of previous U.S. Nonproliferation, Antiterrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security Assistance (EXBS), 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 2007, regional NADR-EXBS funds will continue to support Hungary's participation in regional export control events on an ad hoc basis.

In FY 2007, 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, enhancing its NATO interoperability, and support coalition activities.

Ireland
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	21,824	16,830	3,500

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.

A total of \$3.5 million in Economic Support Funds (ESF) is requested for the Walsh Visa Program, which is 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 October 2005. In November 2004, Congress renewed the program through FY 2008. FY 2007 funding will provide continued support and monitoring for current Walsh participants until their return home.

Kosovo
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
NADR-TIP	-	-	150
SEED	83,000	74,250	79,000

In October 2005, the Security Council endorsed beginning a process designed to determine Kosovo's final political status, as called for in UNSCR 1244 (1999). The launch of status talks ensures that FY 2007 will be a critical year for Kosovo. While the outcome of the status talks is not known, many of the parameters are clear. U.S. assistance priorities will remain targeted at helping the Provisional Institutions of Self Government (PISG) meet the UN's Standards for Kosovo and later help them implement a status settlement. The UN standards, deemed crucial to Kosovo's functioning as a stable, multiethnic, and democratic society, include the development of functioning democratic institutions, the rule of law, freedom of movement, sustainable return of refugees and displaced persons, a market-based economy, property rights, and an open, direct dialogue with Belgrade.

As greater responsibilities are transferred to the PISG from the UN Mission in Kosovo (UNMIK), U.S. assistance will boost its support to strengthen Kosovo's human and institutional capacity and enhance transparency. Institution building, particularly in the areas of democracy, the rule of law, and the economy, will remain an important component of SEED-funded assistance in FY 2007. U.S. support will continue to increase the capacity of municipal-level governments through training, advisors, and other support. SEED assistance will also strengthen independent media, civil society organizations, and youth and civic leaders. Support to the Kosovo Police Service (KPS) and the Kosovo justice system will build capacity in the rule of law sector.

To promote Kosovo's economic recovery and integration into the regional economy -- a fundamental objective of U.S. assistance -- the U.S. Government will provide 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 also support the sustainable return and reintegration of ethnic minorities in Kosovo, largely by helping the PISG meet the Standards for Kosovo, thus facilitating Kosovo's development into a stable, multiethnic society.

The uncertainty of the post-status period highlights the importance of U.S. assistance to maintaining regional stability. 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 1,700 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 multi-ethnic KPS, which is expanding its investigative capabilities, including against organized crime. Matching funds for Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR) International Trust Fund (ITF) are channeled through Slovenia's International Trust Fund for Demining and Mine Victims Assistance, to provide selected assistance, such as training and equipment to the Kosovo Protection Corps (KPC) demining units.

FY 2007 NADR Terrorism Interdiction Program funding will sustain existing program operations and provide for software upgrades to program equipment. In all of our efforts the U.S. works with our European partners toward the common goal of a Kosovo where all, regardless of race or religion, live freely and securely. We will also work with the Europeans to make sure Kosovo continues on its path toward Euro-Atlantic integration.

Latvia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	4,960	4,455	4,000
IMET	1,396	1,188	1,185
NADR-ATA	-	75	-
NADR-EXBS	1,000	50	-

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 (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 2007, 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 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 military and procuring significant new defense materiel is constrained by limited availability of national funding. However, the Government of Latvia is committed to annual allocations for defense spending at 2% 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 2007, FMF will be used to fund communications equipment; nuclear, biological, chemical (NBC) defensive equipment; simulation and modeling capability; equipment for special operations/special purposes forces; equipment to support the infantry brigade; high-mobility multipurpose wheeled vehicles (HMMWVs); and support for the Baltic Air-surveillance network (BALTNET).

The International Military Education and Training (IMET) Program also supports Latvia's reform efforts. In FY 2007, 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, training for key civil servants, and support for the English language training center.

In FY 2007, 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 meet defense requirements and support NATO interoperability and coalition assistance.

Lithuania
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	5,456	4,455	4,000
IMET	1,306	1,188	1,185
NADR-ATA	-	75	-
NADR-EXBS	1,000	538	-

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. Lithuania contributes personnel in Iraq, Afghanistan and the Balkans, including leading a Provincial Reconstruction Team (PRT) in Afghanistan. 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. In late 2005, 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. 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 2% 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 operations in Iraq, Afghanistan, and the Balkans. In FY 2007, FMF will be used to fund a Sentinel radar for a dual mount Stinger Man-Portable Air Defense Systems (MANPADS) system, individual soldier equipment for Lithuanian troops participating in the Global War on Terrorism, vehicles, and Baltic Air-surveillance Network support (BALTNET).

In FY 2007, 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 and reform initiatives, further NATO interoperability, and support coalition assistance. 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 ordinance.

Macedonia

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	5,208	3,960	3,600
IMET	729	644	665
NADR-ATA	1,718	1,225	1,009
NADR-EXBS	400	700	650
NADR-TIP	-	-	150
Peace Corps	1,700	1,846	1,833
SEED	37,000	34,650	27,000

U.S. interests in Macedonia include further consolidation of stability and security, and acceleration of progress on democratic, economic, and military reforms on its path to full integration into Euro-Atlantic institutions. Macedonia is a valuable regional role model of successful multi-ethnic democracy, with constructive relations with its neighbors and stable political institutions. Macedonia has been a close and cooperative 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 is also a strong ally in the Global War on Terrorism and contributes troops to coalition efforts in Iraq and Afghanistan.

By working to complete its obligations under the 2001 Framework Agreement (FWA) that ended the 2001 ethnic Albanian insurgency, Macedonia has managed to peacefully defuse incidents of ethnic tension from escalating into violence and has made an invaluable contribution to regional stability. Macedonia continues to ensure its 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 -- paved the way for completing in July 2005 the legislative framework for the FWA. With strong USG support and assistance, Macedonia continues to implement in practice key elements of the FWA, including decentralization.

The strategic goal that guides Support for East European Democracy (SEED) assistance to Macedonia is to anchor its stability by: promoting economic growth and development; strengthening law enforcement and judicial systems; preventing and responding to terrorist threats; strengthening democratic systems and practices; bolstering Macedonia's prospects for NATO and EU membership; and promoting mutual understanding. In late 2005, the EU granted Macedonia candidate status, but expects more progress on reform before it will launch formal membership negotiations.

In FY 2007, USG assistance programs in Macedonia will support and accelerate further reforms, specifically targeting economic development, democratic and social sector reform; and will aim to strengthen rule of law, support further decentralization, and promote inter-ethnic relations and mutual understanding. SEED-funded programs are coordinated with other international donors, including OSCE.

SEED assistance has resulted in significant increases in citizen participation and the effectiveness of political parties, the Parliament, and NGOs. However, democratic institutions and practices require further strengthening. Citizen participation and decentralization programs would target these weaknesses. In line with both NATO and the EU membership standards, substantial additional progress on law enforcement and judicial reform is necessary. SEED-funded rule of law programs would provide prosecutorial and police advisors as well as target court modernization.

The Macedonian military has made significant progress since 2001, but will still need training and equipment 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) would continue to support reform and modernization of the armed forces by assisting Macedonia in achieving its NATO Membership Action Plan (MAP) goals. FY 2007 FMF will focus on upgrading the military's tactical communication systems for Macedonian Special Forces, as well as upgrading IT infrastructure. FMF will also fund contractor-assisted defense reform and English language training. IMET funds will continue to be used for professional military education and various technical courses.

The Macedonian military still faces significant reorganization and modernization challenges in pursuit of affordable force structures that conform to a NATO-compatible model and are based on a realistic threat assessment. Macedonia 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 2007, 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 Assistance (EXBS) to help the Macedonian Government put in place a fully effective export control and enforcement regime. With FY 2007 NADR funding, the EXBS program will concentrate on finalizing export control legislation implementing regulations, enhancing government outreach to industry, and improving the Macedonian Government's ability to enforce export controls. Continued emphasis will be placed on establishing a professional cadre of interagency licensing officials. Matching funds from NADR International Trust Fund (ITF) are channeled through Slovenia's International Trust Fund for Demining and Mine Victims Assistance to provide selected assistance such as equipment and training for the Macedonia humanitarian mine action program.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations. FY 2007 NADR Terrorism Interdiction Program funding will sustain existing program operations and provide for software upgrades to program equipment.

Malta
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	-	49	45
INCLE	2,976	-	-
NADR-EXBS	100	660	375
NADR-TIP	-	-	50

Malta's location in the center of the Mediterranean allows it to play a critical role in the region. Nearly one-third of the world's maritime traffic passes by or through this island nation. Malta joined the European Union in 2004 and cooperates fully with both the United States and its European partners to promote regional security and stability. The government of the majority 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 tourism, manufacturing and financial services, is growing modestly. 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 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. The Maltese government began negotiations with the United States on a Proliferation Security Initiative (PSI) Shipboarding Treaty in December 2005.

The U.S. Government is strengthening Malta's counternarcotics, counterterrorism, anti-trafficking and nonproliferation capabilities through assistance provided under the Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) account. FY 2007 NADR Terrorism Interdiction Program funding will sustain existing program operations and provide for software upgrades to program equipment.

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 Malta with NADR-funded Export Control and Related Border Security Assistance (EXBS). In FY 2007, NADR-EXBS assistance will continue to leverage Government of Malta (GOM) advances with respect to improved cargo manifest targeting and inspection. The EXBS program will provide limited secondary radiation detection equipment to targeting and mobile Vehicle and Cargo Inspection System (VACIS) teams to complement planned upgrades to existing radiation portal monitors. Additional funding will be used to assist the GOM in increasing its daily container screening/inspection rate. In response to the GOM's significant progress in establishing an increasingly robust export control system, training will focus on advanced targeting techniques and well as undercover investigations training.

FY 2007 IMET funds will be used to professionalize Malta's officer and enlisted corps and to provide maritime interdiction training. In FY 2007, Malta 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 Malta in meeting its defense requirements, furthering its interoperability with allies, and support potential coalition activities.

Moldova
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	446	495	500
FSA	17,350	17,820	16,000
IMET	1,044	891	885
NADR-EXBS	495	320	300
Peace Corps	2,277	2,442	2,484

Moldova has been a strong supporter of the Global War on Terrorism, Operation Enduring Freedom, and Operation Iraqi Freedom. It granted the United States overflight rights and basing rights and sent three separate contingents 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, build democracy, strengthen civil society, promote human rights, support market-based economic reform, and avert humanitarian crises.

The initial rhetoric and actions of Moldova's Communist government, elected in 2001, had drawn into question Moldova's previously strong commitment to reform. However, Moldovan President Voronin's declaration in 2004 of his intention to lead Moldova towards integration into the European Union (EU), and the Moldovan Government's subsequent adoption of a strategic document outlining the steps forward, appeared to signal that political and economic reform would be back on track in Moldova. In this regard, 2005 was an important year for Moldova and for U.S. interests in the region.

Moldova has further demonstrated its intention to integrate its economy by taking the following actions. The first action of the new Parliament was to pass a resolution calling for an all-party partnership to advance the goal of European integration. Moldova signed an Action Plan with the European Union and began the process of developing an Individual Partnership Action Plan with NATO. Moldova was also selected by the Millennium Challenge Corporation (MCC) for Threshold status and has rapidly engaged in developing an MCC Millennium Challenge Account (MCA) Threshold program plan. The Government of Moldova has begun to take steps necessary to renew International Monetary Fund (IMF) and World Bank programs. Even with these promising signals, Moldova still needs to take bolder steps to promote democracy, rule of law and human rights and to improve the investment climate.

Moldova, the poorest country in Europe, is partly 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, and 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 by providing opportunities for weapons proliferation, smuggling, transnational crime, and human trafficking. The United States has a national interest not only in promoting a resolution to the Transnistria stalemate but also in strengthening democracy and a free-market economy in Moldova.

In FY 2007, FREEDOM Support Act (FSA)-funded programs will promote democratic reform efforts at the policy and local levels. They will continue to foster 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 foster open access to information and support development of the non-governmental sector. Such

assistance will strengthen civil society, local democracy, grassroots political/democratic activism, and independent media in all parts of Moldova. U.S. assistance programs and diplomatic engagement contributed to Moldova's parliamentary elections being judged generally free and fair. FY 2007 FSA-funded assistance will seek to complement MCA Threshold program activities.

FSA-funded assistance will also continue to contribute to the growth and profitability of small and medium-sized enterprises 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 help promote foreign direct investment by leveraging private investment with public funds through the U.S. Government-funded Western New Independent States (NIS) Enterprise Fund. FSA funding will also promote Moldova's integration into the regional political and economic structures of Southeastern Europe and Moldova's participation in the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) Group.

Organized crime and corruption threaten Moldova's prospects for economic progress and erode the rule of law, thereby threatening U.S. national security interest in the stabilization and reform of the East European region, the Caucasus, and neighboring countries. Moldova is an active partner in both the Southeast European Cooperative Initiative (SECI) and GUAM regional law enforcement programs. However, the capabilities of Moldova's justice sector to investigate and prosecute organized criminal activity and corruption remain weak. FSA-funded programs will help build the capacity of the Moldovan Government to fight corruption.

In addition, Moldova is a primary source and transit country for trafficking in persons. FY 2007 FSA-funded programs will provide training, technical assistance, and equipment to enhance the capacity of Moldova's justice sector to investigate and prosecute organized crime, corruption and trafficking in persons. FY 2007 FSA funding will also support the implementation of the criminal code enacted in 2002. FY 2007 FSA assistance will continue to fund a project to address the economic roots of trafficking by improving access to employment for women and girls in Moldova. In addition, this effort will provide victim support services and raise awareness among Moldovan citizens, the media, government, and law enforcement officials of the problem of trafficking in persons.

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.

In FY 2007, the U.S. plans to continue a range of security-related programs to improve Moldova's military capabilities and promote U.S. nonproliferation goals. FY 2007 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 Assistance (EXBS) 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 and will provide equipment for Moldovan export control licensing and enforcement officers. A significant portion of this assistance will be used along the Transnistria/Ukrainian border, 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 will also help Moldova create and sustain a first-responder unit for WMD incidents.

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) will continue

to support efforts to deploy Moldova's peacekeeping battalion, which will help form the core of the country's reforming military. FY 2007 FMF will provide the peacekeeping battalion with communications equipment, command and control equipment, and field equipment, vehicles, and spare parts. FMF will also continue to assist Moldova in developing 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 International Military Education and Training (IMET) funds. In FY 2007, 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.

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, EU, and Canada help former WMD scientists transition to sustainable, non-military employment. FSA funding provided through the Civilian Research and Development Foundation (CRDF) also engages former Moldovan weapons scientists in peaceful civilian research. The scope of the challenge of redirecting Moldova's WMD expertise may require increased funding in FY 2007.

In FY 2007, 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, furthering its NATO interoperability, and supporting coalition assistance.

Poland
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	76,470	29,700	30,000
IMET	2,282	1,980	2,075
NADR-ATA	-	83	-

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 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 continues to be a strong advocate and supporter of Ukraine's integration into Euro-Atlantic security, political, and economic institutions.

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 contributes significantly to United Nations, NATO, and EU 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 for further defense transformation and continues to increase defense spending in real terms. 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 making at least 40% of their total armed forces fully NATO compatible by 2010, and 30% of the total fully deployable. To these ends, the Polish Ministry of Defense is allocating one fifth of its budget toward material acquisition and infrastructure upgrades.

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 2007 FMF will focus on professionalism, modernization, and NATO-interoperability of Poland's military forces. FMF support is expected to include vehicles, maintenance for previously provided aircraft and helicopters, and communications equipment.

In FY 2007, IMET will assist in the professionalization of the Polish military through professional military education, SOF training, various technical courses, training in acquisition and resource management, and non-commissioned officer corps development.

In FY 2007, 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 and reform initiatives, further its NATO interoperability, and support coalition assistance.

Given Poland's significant progress in establishing an effective export control system, no Export Control and Related Border Security (EXBS) assistance funding is being requested specifically for Poland in FY 2007 under the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account. However, Polish participation in regional export control events will still be funded with regional NADR-EXBS funds on an ad hoc basis.

Portugal
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	850	594	690

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 to support Operations Iraqi Freedom and Enduring Freedom as well as NATO's military operations in Kosovo. Lajes Air Base is currently supporting ongoing U.S. operations in Afghanistan and Iraq. Portugal also contributes troops to NATO's Kosovo Force (KFOR), to the International Security Assistance Force (ISAF) in Afghanistan, and works closely with the United States on United Nations security issues. Portugal also contributes to the NATO Training Mission in Iraq and provides a token contribution to Multi-National Force-Iraq.

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 2007 IMET funding will continue to be a significant asset in this modernization effort by providing the Portuguese military with professional military education, English language training, and various technical courses. This will strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts. 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.

In FY 2007, 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 coalition assistance.

Romania
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	2,000	-	-
FMF	13,412	12,870	15,000
IMET	1,575	1,485	1,580
NADR-ATA	-	75	-
NADR-EXBS	750	-	-
Peace Corps	2,887	2,959	2,950
SEED	28,500	19,800	-

Romania is at the heart of Europe's transition and America's policy goals in Europe and Eurasia. Bilateral relations are stronger than ever: U.S. and Romanian soldiers are fighting side by side in Iraq and Afghanistan; we are working together to promote stability in the Balkans and Black Sea regions; and the United States and Romania have signed an agreement giving U.S. forces access to certain Romanian military facilities. In the past year, Romania also has worked closely with the United States at the United Nations and in the Community of Democracies initiative, and demonstrated international leadership in providing a temporary home for over 400 Uzbek refugees.

Romania's and Bulgaria's achievements in democratic and economic reform at the point when they were selected as candidates for NATO membership (2002) have become the benchmark standard for the remaining SEED countries. Because of these accomplishments and in view of Romania's anticipated accession to the EU in either 2007 or 2008, Romania is graduating from Support for East European Democracy (SEED) assistance in FY 2006. Completion of SEED-funded programs will continue through 2008.

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 2007 through the SEED regional budget. 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.

With the largest armed forces among the countries that joined NATO in 2004, Romania is militarily significant in the region. It has been a stalwart ally in providing troops to support U.S. and NATO objectives in Southeast Europe, Afghanistan, and Iraq. Through Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs, the United States is providing the Romanian military with needed defense articles, services, and training. FY 2007 FMF funding will support training, base modernization, digital mapping, tactical communications, secure data management, navigational aids, equipment for special forces, the purchase of C-130s, and training for peacekeeping operations, resource management, as well as non-commissioned officer (NCO) and officer professional development.

The Romanian Government seeks the inclusion of as many officers as possible in U.S. military training. In FY 2007, 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 2007, 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 have cooperated closely on improving Romania's export controls. FY 2007 Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)-funded Export Control and Related Border Security (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 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	6,450	2,970	2,970
FSA	85,000	79,200	58,000
IMET	788	743	790
NADR-EXBS	2,620	700	1,600
NADR-SALW	-	-	500
P.L. 480 Title II	1,498	2,095	-

The United States has an interest in helping Russia transition into a stable, democratic, market economy. For all our near-term concerns -- from rising corruption, to over-centralization of power, to Russian assertiveness in its own neighborhood -- the United States retains a deep stake in reinforcing positive medium-term trends, particularly the gradual emergence of a middle class, Russia's integration into global economic institutions, and its cooperation against terrorism and the spread of weapons of mass destruction. How it copes with its own demographic crisis, with declining life expectancies and a growing threat from infectious diseases like HIV/AIDS, avian influenza and TB, will have implications for U.S. interests.

U.S. assistance to Russia helps combat weapons proliferation and transnational organized crime; supports market-based economic reform; strengthens civil society, promotes participatory democracy; and helps prevent the spread of infectious diseases and alleviates their effects. FREEDOM Support Act (FSA) programs promote Russia's transformation into a stable democratic country with a market-based economy, fully integrated into the mainstream of world political and economic relations.

The United States has a national security interest in working with Russia to reduce the threats posed by international terrorism and by weapons of mass destruction. Since the September 11, 2001 attacks against the United States, Russia has been a strong supporter in the war on terrorism, offering key political support, granting the U.S. overflight rights, and sharing intelligence.

In recognition of the substantial progress of Russia's economy, FSA funding for economic reform has decreased in recent years, and that trend will continue in FY 2007. Only modest economic reform assistance in specific geographic areas is planned for FY 2007. FSA economic reform assistance in FY 2007 will emphasize support to Russian organizations and institutions in the Russian Far East and in cities where our non-proliferation programs are active 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. It will also help re-start economic development in the conflict-ridden North Caucasus.

Events in 2005 further 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 passage by the Duma of legislation increasing state control and oversight on non-governmental organizations.

In FY 2007, FSA-funded programs will focus on assisting efforts to ensure that upcoming Duma and Presidential elections meet international standards. Programs will also strengthen civil society, independent media, 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 under the aegis of the U.S. Government's Regional Initiative (RI). The RI will emphasize dissemination of best practices and lessons learned.

Russia faces major demographic and public health challenges. These problems are hurting the country's prospects for stability, prosperity, and sustained economic growth; therefore they represent a U.S. national security concern. Russia has one of the fastest-rising rates of increase in HIV infection in the world. FY 2007 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.

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 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 signed a Memorandum of Understanding with the U.S. Drug Enforcement Administration to enhance counter-narcotics cooperation. In FY 2007, 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.

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. Key emphases of the International Science and Technology Center (ISTC) in Moscow 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 Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) 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.

The Export Control and Related Border Security Assistance (EXBS) program funded under the NADR account is designed to facilitate 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 2007, the United States through NADR funding 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. An EXBS Program advisor and assistant advisor will help facilitate security assistance to Russia. EXBS activities will continue to sponsor

joint regional training programs on border searches, WMD procedures as related to curbing proliferation, counter-proliferation awareness courses, targeting and risk management implementation, and international border interdiction training for border security officials.

The size and scope of potential destruction projects in Russia is likely to be enormous. The Russian Federation holds a large portion of the former Soviet stockpiles, much of which is obsolete and far in excess of current military needs. The Russian Federation has made a request to the OSCE for assistance with the destruction of surplus munitions at the Kaliningrad site. This project cost is estimated at several million dollars and will be implemented multilaterally over several years with NADR Small Arms/Light Weapons funding. In addition, under the rubric of the U.S.-Russia MANPADS Arrangement, we anticipate Russia will request bilateral assistance to destroy surplus MANPADS. We estimate their current stocks to be in the thousands. This also will likely happen over several years.

Even though International Military Education and Training (IMET) will be the only form of U.S. military assistance provided to Russia in FY 2007, Russia remains a priority country for the United States in the area of military cooperation. IMET-funded English language training and professional military education directly supports 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 2007 IMET funds will be used to provide English language training to Russian military officers and to enable them to attend professional military education courses at the staff and war colleges. In addition, IMET funds would support 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. Additionally, IMET funds would also support the development of an HIV-AIDS reference lab and training center to address the large HIV-AIDS problem in the Russian military. In FY 2007, 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.

Serbia and Montenegro

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IMET	-	49	45
NADR-EXBS	880	1,460	900
NADR-SALW	408	800	2,000
SEED	93,600	84,150	70,500

The United States continues to have a compelling national interest in securing the sustainable political and economic stability of Serbia and Montenegro (SaM). The country is critical to resolving the main unresolved legacies of the breakup of Yugoslavia: Kosovo, Montenegro, war crimes prosecution and shattered economies. SaM's size, location, ethnic composition, and economic potential make it a linchpin for durable stability in the region. Success in ensuring SaM's full integration into Euro-Atlantic institutions is essential and requires the establishment of a more secure, democratic governing framework in which political, social and economic rights are respected and conflict is channeled and resolved through legal structures. Further political reforms are needed to support economic development and rule of law.

USG assistance to SaM is aimed at ensuring integration into Euro-Atlantic institutions through consolidating democratic reform, developing the economy, and enhancing local capacities to combat terrorism, trafficking, organized crime, and corruption. USG aid to SaM is enhanced by close cooperation and coordination with the international donor community, including with the significant OSCE presence in SaM, also funded in part by the USG.

The FY 2007 Support for East European Democracy (SEED) assistance focuses on economic development and democratic reform, delivered hand-in-hand with an energetic public diplomacy program that directly identifies the benefits of these reforms to the Serb and Montenegrin people. Democratic political institutions in SaM remain immature and differences between Serbia and Montenegro over the future of their state union remain unresolved; however, further consolidation of democratic reforms will be impossible to achieve without sustained economic development. SEED programs will target economic growth and job creation, promote democracy, strengthen rule of law, and improve public attitudes toward the U.S. and its policies.

Macroeconomic and financial policy activity will further fiscal reform and financial crimes enforcement to combat money laundering and terrorist financing as well as policy reform. SEED programs will continue to help Serbia and Montenegro on their two (newly separated) tracks to WTO membership.

SEED assistance will help strengthen the judiciary and civil society's ability to effectively advocate for democratic reforms; improve governance at all levels; work with pro-reform political parties; develop more professional and sustainable media; and foster greater tolerance and civic participation. SEED assistance will continue to support pro-reform municipalities, small businesses, and local citizens through an enhanced community development program and other assistance initiatives that have already had a positive, visible impact. Other donors are now implementing similar programs of their own. SEED funds will assist in expanding Embassy Belgrade's outreach activities to include continuing an ambitious high school exchange program.

Programs specifically targeting southern Serbia and the Presovo Valley will help to stabilize 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 and will be important to reinforcing stability following the Kosovo status process. SaM's cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY) and arrest of persons indicted for war criminals continue to be top U.S. priorities. USG-funded rule of law and anti-crime efforts also 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 Assistance (EXBS) will support an accelerated program to further develop SaM's export control system. FY 2007 funding will emphasize industry outreach seminars to encourage compliance with the export control law and provision of licensing technical assistance. With respect to enforcement, EXBS will provide specialized cargo interdiction training and advanced investigative techniques training for Customs Service officers and investigative agents.

NADR-EXBS funds will also provide radiation detection equipment and training as well as maritime interdiction training 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. FY 2007 NADR funding will also 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 Slovenia's International Trust Fund for Demining and Mine Victims Assistance to provide support for humanitarian demining in SaM.

In FY 2007, International Military Education and Training (IMET) funds will be used to support professional military education and exchanges, as well as English language training. In FY 2007, Serbia will be eligible for Excess Defense Articles (EDA).

Slovakia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	4,959	3,960	4,000
IMET	994	941	985
NADR-EXBS	575	230	100

Even before Slovakia acceded to NATO in March 2004 and to the European Union (EU) in May 2004, it was a loyal partner and ally of NATO and the United States. Slovakia contributed units to the Kosovo Force (KFOR), the Stabilization Force in Bosnia and Herzegovina (SFOR), Operation Enduring Freedom (OEF), and Operation Iraqi Freedom (OIF). Since NATO and EU accession, Slovakia has remained a committed partner of the United States and a valuable ally with a voice on the EU Council.

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 2007 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 has been proven in operations from Kosovo to Iraq. The Slovak Government has immediately granted crucial overflight and transit rights in addition to contributing valuable ground forces. 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). While neighboring countries have withdrawn or scaled back their contributions, the Slovak government has been outspoken about its obligation to defend democracy and combat extremism in alliance with the United States, even in the face of uneven domestic support.

The United States has a strong interest in helping Slovakia improve its military capabilities and NATO interoperability, and to encourage 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 graduated from the Support for East European Democracy (SEED) assistance program in FY 2004. Since accession to NATO, Slovakia has likewise ceased to be eligible for Partnership for Peace (PfP) funding.

In the absence of SEED and PfP funds, FMF and IMET programs have become the most crucial mechanisms for the United States to support the successful modernization and reform of Slovakia's armed forces. The FY 2007 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. IMET assistance will focus on officer and non-commissioned officer (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 2007, 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 transformation efforts, supporting NATO interoperability and coalition efforts.

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

Projects (NADR)-funded Export Control and Related Border Security Assistance (EXBS) 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 2007 NADR-EXBS funds will support the provision of enforcement equipment, including secondary radiation detection devices to complement the planned upgrade of radiation portal monitors at key border crossing points. In response to the Government of Slovakia's progress in establishing an increasingly robust export control system, training will focus on advanced investigation techniques, industry compliance, as well as training for prosecuting strategic export control violations.

Slovenia
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	1,486	495	500
IMET	950	891	885
NADR-EXBS	250	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 provides 99 troops to the EU-led Operation Althea in Bosnia and contributes 92 troops to the Kosovo Force (KFOR). Slovenia is a leading investor in the Balkans and plays an important role in regional demining efforts through the International Trust Fund for Demining and Mine Victims Assistance. Slovenia has also promoted security in Central Asia and the Middle East by providing 60 troops (currently on second deployment) to the International Security Assistance 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 Force goals. FY 2007 Foreign Military Financing (FMF) will fund the development of a command, control, communications, computers, and intelligence program and in-country English language training.

In FY 2007, 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, furthering its NATO interoperability, and supporting coalition efforts.

FY 2007 International Military Education and Training (IMET) funds 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 2007 IMET will target officer, non-commissioned officer (NCO), and Ministry of Defense civilian development; English language training; and technical training to their deployable combat forces and support elements.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States has provided substantial Nonproliferation, Anti-Terrorism, Demining, and Related Activities (NADR)-funded Export Control and Related Border Security (EXBS) assistance in the form of a cooperative program to strengthen Slovenia's export control system. Since Slovenia has made significant progress in establishing an effective export control system, no NADR-EXBS funding is being requested specifically for Slovenia in FY 2007; however, regional NADR-EXBS funds will continue to fund Slovenian participation in regional export control events, and an EXBS Advisor stationed regionally will continue to work with Slovenian officials on an ad hoc basis.

Humanitarian mine action assistance to Albania, Bosnia-Herzegovina, Croatia, Macedonia, Serbia and Montenegro, and Kosovo is provided by Slovenia's International Trust Fund (ITF) for Demining and mine victims assistance through matching NADR ITF funds, channeled through the ITF.

Turkey
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FMF	33,728	14,850	15,000
IMET	3,716	2,970	2,960
NADR-ATA	618	870	791
NADR-CTF	-	-	100
NADR-EXBS	600	350	550

Turkey is a front-line state, a key ally in the war on terrorism, and a victim of both domestic and international terrorism. Its success as a democratic, open-economy Muslim state rooted in the West is important to U.S. efforts at political and economic reform in the Middle East and Eurasia. Turkey is an important contributor to the reconstruction of Afghanistan through ISAF and Operation Enduring Freedom (OEF) as well as via bilateral assistance. Turkey is an important trading partner of the new Iraq and serves as a critical fuel and supply artery for U.S. troops in Iraq via the Habur Gate crossing and the OIF/OEF cargo hub at Incirlik Air Base. Turkey's nonproliferation efforts include hosting the first-ever combined air, land, and sea Proliferation Security Initiative exercise in May 2006.

The Foreign Military Financing (FMF) Program is essential to helping the Turkish military successfully transform over the next two years as its defense budget becomes increasingly transparent to conform to 2004 legislation passed to meet EU standards. Greater transparency is likely to result in defense cuts as the legislature gets a clearer view of the total defense budget. Additionally, Turkey is intent on building an indigenous defense industry with help from foreign companies. By turning almost exclusively to direct commercial sales, the country can negotiate technology transfers and include offset requirements to build that industry. The same requirements are making it difficult for U.S. firms to compete. FMF provides a way to keep U.S. defense parts and equipment in the mix to ensure continued U.S. and NATO interoperability and, hopefully, to maintain an inventory of U.S. defense equipment as a key component of Turkey's military modernization program.

Overall, it is imperative that we maintain strong U.S.-Turkish relations due to Turkey's strategic location as the bridge between Europe and the Middle East, and between the West and the increasingly strategic Caspian Sea region. FY 2007 FMF will include funding for the acquisition of F-16 spare parts and modernization; five- and ten-ton trucks; tactical radios; and the modernization of Perry-Class frigates.

In FY 2007, 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, furthering its NATO interoperability, and supporting coalition efforts.

The International Military Education and Training (IMET) Program for Turkey continues to produce well-trained, U.S.-oriented Turkish military personnel who are increasingly in demand to meet the challenges of regional instability, growing NATO demands, and international terrorism. IMET is the most effective mechanism to provide Turkish service members with the professional skills, including English language abilities and outlook that will solidify Turkey's increasing value to the United States as a trusted ally. FY 2007 IMET will provide professional military education, flight training, English language training, logistics and financial management training, and technical training for major equipment purchases.

As part of our continued efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States is providing Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) and Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program to help establish a fully effective export control system in Turkey, which borders Iran, the former Soviet Union, and Syria. With FY 2007 NADR funding, the EXBS program will build upon previous years' activities by focusing primarily on continued weapons of mass destruction commodity identification training, training for licensing officers, government to industry outreach, enforcement, and the provision of inspection/detection equipment.

FY 2007 NADR Anti-Terrorism Assistance (ATA) funding for an In-Country program is critical for sustainment and institutionalization of the training and facilities upgrades that occurred in the developmental years. Protecting the investment of prior year NADR-ATA funding will assure that a thorough follow-up assessment of counter-terrorism capabilities will be conducted, afford the necessary targeted consultations that will address specific issues and gaps identified in prior years, guarantee that equipment and facilities are being properly used and that replacement parts are available, support the cooperative relationship with host government officials by signaling the USG's continuing commitment, provide refresher courses for trainers and instructors, and expand training opportunities for new, state-of-the-art counter-terrorism specializations.

FY 2007 NADR Counterterrorism Financing will provide training to counter bulk cash smuggling across international borders that support terrorist activities.

Ukraine
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	4,663	2,176	2,176
FMF	2,976	10,890	10,000
FSA	78,600	83,160	85,000
FSA/NIS-SUP	60,000	-	-
IMET	1,855	1,683	1,725
NADR-ATA	-	433	-
NADR-EXBS	1,850	1,600	1,360
NADR-SALW	1,500	1,500	-
Peace Corps	4,816	5,079	5,132

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. Successful realization of the promise of the "Orange Revolution" will serve as a compelling democratic model in the post-Soviet space. 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.

A strong supporter of Operation Enduring Freedom, Operation Iraqi Freedom, and the Global War on Terror, Ukraine has contributed 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, until December 2005, provided one of the largest contingents of soldiers in the Polish-led division of troops of the coalition forces in Iraq. Although most the forces have been withdrawn, Ukraine will maintain a training mission in Iraq.

The FY 2007 request for FREEDOM Support Act (FSA) funding reflects a focus on helping consolidate democratic progress in Ukraine since the 2004 Orange Revolution and on facilitating necessary economic reforms prior to our planned phase-out of FSA-funded economic sector assistance in FY 2009.

In Ukraine, the United States continues to have an opportunity to help put in place a legacy of sustainable institutions that can promote democratic reform, human rights, and economic growth. Ukraine can also be a key partner of the United States in tackling major challenges, such as the proliferation of weapons of mass destruction (WMD) and the expansion of mutually beneficial trade and investment. The 2004 Orange Revolution changed the political landscape of Ukraine and opened the door for long-stalled reforms and the improvement of the relationship between the Ukrainian people and their government.

In FY 2007, U.S. assistance will work to strengthen the effectiveness and sustainability of the relatively young and still fragile institutions which played such a significant role in the Orange Revolution. Since the Orange Revolution, Ukraine has made strides in enacting reform legislation (especially macro-economic), and has made noteworthy improvements in the recognition of internationally recognized human rights. Today, unlike in the Kuchma era, political parties and the media representing a broad range of views operate freely and without government interference. In 2005, the Millennium Challenge Corporation (MCC) selected Ukraine for Millennium Challenge Account (MCA) Threshold status. FY 2007 FSA assistance will complement any anti-corruption and rule of law activities which Ukraine may develop in a Threshold program.

Ukraine's long-term political stability is closely linked to economic prosperity and especially to the rise of a broad entrepreneurial middle class. FY 2007 FSA funding will support technical assistance to the Ukrainian Government in the preparation of laws and regulations to establish a market-oriented commercial legal framework. FSA funding also will continue to 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 promising 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 structural reforms and privatization to permit sustainable economic growth in Ukraine's emerging vibrant private sector.

In addition, FSA funds will focus on the agriculture sector, continuing land privatization, promoting agricultural policy reform, and deepening technical assistance to commercial banks for mortgage and long-term lending. 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.

Ukraine continues to participate in regional law enforcement efforts. It is an observer to the Southeast European Cooperation Initiative (SECI) Center and has taken a strong leadership role in the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) Group. Ukraine has also detailed two narcotics officers to Tashkent to assist in an Afghan heroin anti-trafficking project.

In FY 2007, the primary objectives of FSA-funded law enforcement assistance will include supporting the Ukrainian Government's goal of reducing corruption and promoting the rule of law, and bringing about improvements in Ukrainian law enforcement agencies' capabilities to combat money laundering, enforce intellectual property rights, combat corruption, and improve border security against transnational criminal activities such as narcotics smuggling and trafficking in persons (TIP). FY 2007 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 world's fastest rates of increase in HIV and tuberculosis infection. Both diseases are at the pre-epidemic outbreak levels seen earlier in African countries that were later devastated by these infectious diseases. FY 2007 FSA and Child Survival and Health Programs (CSH) funds will focus on prevention and treatment of HIV/AIDS, with some funds to support implementation of programs of 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 address the spread of multi-drug-resistant strains of tuberculosis.

In FY 2007, 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 improved 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.

The Export Control and Related Border Security Assistance (EXBS) program, funded under the NADR account, is designed to facilitate the 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 2007, the EXBS Program will further assist Ukraine to develop 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 resident EXBS advisors. This assistance directly complements the U.S. Government'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 global scientific and business communities, and thereby enable them to move toward self-sustainability. Related FSA funding in FY 2007 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 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 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 in December 2000. In FY 2007, a higher proportion of FSA funds will go 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 largest, most complex, and most expensive element of the project.

FY 2007 Foreign Military Financing (FMF) will continue to support defense reform and enhance Ukraine's niche capabilities, enabling Ukrainian forces to operate more effectively alongside U.S., NATO and Coalition forces. Funding will focus on a modeling and simulation network, communications equipment for a joint rapid reaction force, and air force and navy interoperability upgrades. International Military Education and Training (IMET) will be aimed at the broader issues of defense reform in Ukraine's armed forces, such as assisting in defense planning, professionalization, and educational/training transformation. The IMET Program will also focus on helping Ukraine to train and equip the fully NATO-interoperable Joint Rapid Reaction Forces, capable of deploying and participating in operations conducted by international coalitions.

In FY 2007, 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 help Ukraine meet its defense requirements and reform initiatives, further its interoperability with NATO, and support coalition efforts.

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 2007, targeting the most vulnerable members of society through programs implemented by U.S. PVOs.

OSCE Regional - Europe and Eurasia

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	-	-	1,000
FSA	12,901	11,880	12,000
PKO	1,400	-	-
SEED	5,379	24,453	28,500

U.S. contributions to the Organization for Security and Cooperation in Europe (OSCE) support the U.S. goals of promoting democracy and human rights, resolving regional conflicts, containing and reducing instability in the Balkans and the former Soviet Union, assisting with post-conflict rehabilitation, combating transnational threats to stability, and implementing measures against terrorism. The OSCE works on long-term democratization and good governance that helps prevent conflicts and unrest that can be exploited by terrorist groups. The OSCE's core objectives include building civil society, working on good governance, human rights, education and economic development, early warning, conflict prevention, crisis management, and post-conflict rehabilitation, and have an integrated approach to the economic, human, and political aspects of security and stability. The OSCE also provides a rapid crisis-response capability of civilian experts through the Rapid Expert and Assistance Cooperation Team (REACT) program.

Since FY 2005, the FREEDOM Support Act (FSA) account funds staffing costs and U.S. contributions toward the cost of maintaining OSCE field missions in the countries of Eurasia. Similarly, starting in FY 2005 and continuing through FY 2007, the Support for East European Democracy (SEED) account funds staffing costs and U.S. contributions for OSCE field missions in Southeast Europe. The SEED regional budget is funding the bulk of U.S. 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.

FSA and 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 a crucial USG contribution to the effective work of the OSCE, a key means of maintaining U.S. influence over OSCE activities, and an avenue for promoting democratic elections in Europe and Eurasia.

A total of \$28.5 million in FY 2007 SEED funding and \$10 million in FY 2007 FSA funding is being requested for these purposes. In addition, \$2 million in FSA funding is being requested to support extra-budgetary contributions to the OSCE for projects to promote human rights, democratization, counterterrorism, rule of law and good governance, economic development, and environmental security.

\$1 million in FY 2007 Economic Support Funds (ESF) is requested for activities within the OSCE region and beyond. These funds will 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; and rapid-response teams to prevent new regional tensions from developing into armed conflict. Funds will also promote human rights, democratization, counterterrorism, border security, rule of law and good governance, economic development, environmental security; and support for staffing and related costs of OSCE missions and institutions that support U.S. foreign policy objectives. ESF funds for the OSCE will provide

flexibility by enabling the United States to support high priority OSCE activities that take place outside FSA or SEED countries, such as Afghanistan.

Regional FSA

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FSA	30,289	31,957	29,430

In FY 2007 FREEDOM Support Act (FSA) regional programs will continue to advance 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, preventing the spread of disease, and promoting economic restructuring and democratic reform. Several U.S. national interests in the Eurasian region are advanced through security assistance projects that involve more than one country. These programs, implemented by the Department of State, Department of Homeland Security, and other U.S. Government agencies, include enhancing border security throughout the region, fighting trafficking in narcotics and persons, reducing the likelihood of international terrorist operations, and improving human-rights practices in criminal justice institutions. FSA regional funds 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.

FSA regional funds support the economic reform and development activities of several U.S. Government agencies in the region, including USAID anti-corruption, accounting and financial system reforms, Trade and Development Agency feasibility studies, Treasury Department technical assistance, Department of Agriculture training and exchange programs, and Commerce Department training programs and trade and investment support activities. 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, for example by promoting water and energy-sector reforms in Central Asia. In addition, FSA regional funds support key metrics that permit USAID, the State Department, and partners to identify progress towards attaining the President's and goals in promoting democratic societies.

The FSA regional budget also includes limited funding for humanitarian programs and 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. For example, in FY 2005 such funds were used to support the extraordinary elections monitoring efforts during the second and third rounds of the Ukrainian elections.

Regional SEED

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
SEED	27,432	21,087	17,900

Support for East European Democracy (SEED) regional funds help to restore the ties between Southeast European countries that were broken by the wars of the 1990s, and 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 reducing international criminal and terrorist threats to U.S. citizens. For most regional assistance programs, the United States leverages its funding with money from European and other donors to support U.S. policy priorities. In FY 2007, regional programs will focus on helping Southeast Europe accelerate its integration into Euro-Atlantic institutions.

To integrate the region economically, FY 2007 SEED assistance will help reduce barriers to trade, harmonize financial laws and practices, link industrial and business sectors between countries, support energy efficiency, and facilitate infrastructure development. The United States will join European donors in supporting the Investment Compact for Southeast Europe, an initiative of the Organization for Economic Cooperation and Development that helps Southeast European countries, plus Moldova and Kosovo, reform their business climates. Through the Compact, Southeast Europe is the only region in the world that jointly cooperates to improve the investment climate and market itself as an investment area. In FY 2007, the United States will continue its joint efforts with the European Commission to help develop a common regional market for electricity and natural gas that will eventually link to European Union countries.

Funding is expected to continue for analytical work that tracks progress toward successful democratic transition, including the annual Nations in Transit report and annual assessments of NGO and media sustainability. SEED regional funds will provide assistance to regional non-governmental organizations through grants made by the National Endowment for Democracy (NED).

In order to maximize the long-term benefits of U.S. training and exchanges, SEED will provide small grant funding for alumni of these programs. U.S. Embassy Public Affairs Officers in Southeast Europe will use SEED funds to maintain contact and encourage networking among alumni. Grants to both individual alumni and regional alumni associations will support a broad array of activities focused on democratic advancement and economic reform.

The United States has a strong national interest in getting Southeast European countries to work together and to combat with the United States the common threat of organized crime, extremists and terrorists. FY 2007 U.S. assistance will be combined with significant funds from the European Union, other international donors and the Southeast European countries themselves to continue funding for the Regional Center for Combating Transborder Crime in Bucharest, Romania (known as the SECI Center.) The SECI Center administers regional law enforcement operations in the areas of human trafficking and the smuggling of narcotics, small arms, and excise value goods.

SEED funds will also support the International Law Enforcement Academy (ILEA) in Budapest, Hungary, and operational coordination between Southeast European and U.S. law enforcement officials by training Southeast European law enforcement specialists. The ILEA provides high-quality training and technical assistance, supports institution building and enforcement capability, and encourages strong partnerships between countries in the region. Continued U.S. engagement with the SECI Center and ILEA will remain

an important catalyst to increased and effective regional cooperation against organized crime, all forms of trafficking, and terrorism.

In the past, the United States has leveraged its assistance by working with European, Japanese and other international organizations and donors through the Stability Pact for Southeast Europe. The Stability Pact began a process in November 2005 to transfer ownership of its reform initiatives to the countries of the region in order to make regional cooperation on reform self-sustaining. The United States will continue to support this transfer process.

The SEED regional budget also funds Congressional directives related to health and HIV/AIDS, and for professional development of U.S. academics studying Southeast Europe under the Title VIII program.