

EUROPE

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Albania  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	1,600	8,607	4,650
IMET	646	1,200	800
NADR-ECA	0	0	30
SEED	32,000	35,123	35,000

National Interests:

Our relations with Albania promote U.S. interests by helping stabilize Southeastern Europe, developing democracy, protecting American citizens overseas, defending the U.S. from international crime, providing humanitarian relief, addressing global environmental, population and health challenges, and promoting economic prosperity. Albania's pivotal role in assuring regional stability places a high premium on the continued engagement and support of the U.S. In collaboration with our European partners, through the EU, NATO and the OSCE, we will continue to reinforce and strengthen a process aimed at stabilizing Albania and eventually bringing it into the Euro-Atlantic mainstream.

Objectives & Justification:

The success of Albania as an independent functioning democracy and contributor to regional stability and development in Southeast Europe is the overarching U.S. goal. Albania has made steady progress in re-establishing public order since the government's collapse in 1997 and has played a role in international attempts to isolate ethnic Albanian extremists in Macedonia and southern Serbia. Progress on economic reform and growth is essential to this long-term goal. Key indicators for FY 2002 will be further consolidation of democracy and rule of law through fully functioning state institutions and additional Albanian efforts to play constructive regional role.

U.S. assistance helps ensure that Albania remains a net contributor to international efforts to reduce tensions in southeastern Europe. In an effort to bolster Albania's regional security, programs support self-defense training consistent with the U.S. and NATO goal of restructuring the Albanian military and developing its capacity to patrol its border and sea lanes. The United States also provides a limited range of military equipment in order to build the capabilities of the Albanian forces. Domestically, combating corruption and organized crime remains one of Albania's major challenges. Consequently, SEED programs support a number of projects that provide counter-narcotics and anti-organized crime training, as well as assist in the development of GOA law enforcement capabilities through the training of Albanian police, prosecutors, and judges.

Economic support efforts are also geared to promoting broad-based economic growth and free market institutions in Albania to improve the standard of living and expand potential markets for U.S. exports. SEED funds will support expansion of the private sector with programs that assist banking reform, development of a capital market, establishment of a micro-credit program, and support for the Albanian-American Enterprise Fund.

Fostering a solid democratic basis of government is also an important priority for engagement in Albania. SEED programs will continue to encourage respect for human rights in Albania's domestic political institutions and help develop a vibrant civil society. Funds will continue support for initiatives such as: the democracy commission, which gives grants to NGOs; an enhanced international visitor program to bring future leaders to the United States; the Ron Brown program, which provides graduate scholarships in fields such as law and economics; a university management training program; efforts to curb trafficking in women and children; programs for "the successor generation;" training for journalists; civic education; and English teaching. We will also work to solidify the rule of law under the new constitution, as well as the growth of a viable NGO sector in coordination with Friends of Albania, other international fora, and NGOs.

Foreign Military Financing (FMF) and the International Military Education and Training (IMET) program have supported defense reorganization and training consistent with the U.S. and NATO goal of restructuring and modernizing the Albanian military. The Albanian government has taken several steps over the past year to reform its armed forces, including approval of new national security and defense policies and the accompanying re-development of basic command structures. FMF will continue to support this process by helping to build the capabilities of the Albanian armed forces according to parameters contained in Albania's NATO Membership Action Plan and consistent with a major U.S. Defense Assessment completed in April 2001. Albania's FY 2002 FMF program will provide non-lethal equipment, focused on improving communications, ensuring mobility of forces and sustainability of equipment, and upgrading the English language and management skills of the professional military.

Albania's FY 2002 IMET program will continue to provide numerous officers with the training and English language instruction necessary to function effectively in a modern, professional military, as well as to familiarize themselves with NATO procedures. Albania will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Albania to meet its defense requirements and further interoperability.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Albania. FY 2002 NADR funding will focus primarily on an initial assessment of capabilities and needs.

Bosnia and Herzegovina  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	0	5,970	2,500
IMET	601	1,175	800
PKO	51,271	18,500	20,500
SEED	100,000	79,824	65,000

National Interests:

The 1992-95 conflict in Bosnia and Herzegovina had a devastating human and economic toll, and threatened both European stability and the cohesion of the NATO alliance. The United States led the negotiations that led to the signing of the Dayton Peace Accords in 1995, which successfully ended the conflict in Bosnia. The U.S. plays the lead role in the Dayton peace implementation process - the first real test for post-Cold War European security. Implementing the Dayton Accords, and thereby securing peace and stability in Bosnia and the region, is a crucial element in the maintenance of peace and stability in Europe. The primary national interests guiding U.S. policy in Bosnia are national security, democracy and human rights, and economic prosperity.

Objectives & Justification:

The United States has played a leading role both in NATO and in other international fora in the international effort to implement the Dayton peace accords and thereby promote self-sustaining peace, democracy, and economic development in Bosnia and Herzegovina. The U.S. leads the NATO-led Stabilization Force (SFOR) in Bosnia, formerly the Implementation Force (IFOR).

A peaceful, democratic, and stable Bosnia and Herzegovina that respects international human rights standards is a key part of maintaining peace and stability in Europe and promoting U.S. national security. At the same time, continued U.S. efforts to promote investment and sustainable economic growth in Bosnia serve not only to make Bosnia's transition to democracy more stable and sustainable, but also promote the United States' strategic goals of economic development and global growth and stability. U.S. assistance and policy in Bosnia are targeted to full implementation of the peace accords, promotion of democratization through the development of democratic institutions and respect for human rights, and promotion of investment and economic growth. U.S. assistance in all areas helps leverage funding from other donors, whose combined contributions far exceed the U.S. contribution. In spite of continued resistance from hardline nationalists, our investment is beginning to take root with moderate reform governments in place at the state level and in both entities for the first time since the disintegration of Yugoslavia.

The Southeast Europe Democracy (SEED) program will continue to facilitate the enhancement of democratic institutions and practices as well as assist in the prevention of renewed inter-ethnic conflict in Bosnia. SEED funds are also directed at programs that help ensure respect

for the human rights of all citizens of Bosnia and Herzegovina. The program is designed to create expanded economic opportunities for all ethnic groups. Overall, under the Dayton Peace Accords, the U.S. objective is to work with the international community to help the Bosnians implement a single, democratic state with two multiethnic entities - the Federation and the Republika Srpska (RS). The U.S. directed \$100 million in SEED funds to Bosnia in FY 2000 and an estimated \$80 million in FY 2001. FY 2002 SEED will continue assistance for: privatization and financial sector reform; judicial reform and anti-corruption programs; infrastructure support for the return of minority refugee and displaced persons to areas from which they were expelled; support for independent media and reform of public broadcast media; and strengthening of democratic central institutions.

The requested FY 2002 Peacekeeping Operations (PKO) funding includes support for the Mission of the Organization for Security and Cooperation in Europe (OSCE) in Bosnia and Herzegovina. The civilian OSCE mission in Bosnia and Herzegovina carries out work which is crucial to the United States' objective of advancing democracy, democratic institutions and respect for human rights in Bosnia and Herzegovina -- work which also contributes substantially to stability and security in the region. Specifically, the mission plays a major role in the creation of a stable, peaceful Bosnia and Herzegovina through promotion of democratic values, monitoring and furthering the development of human rights, as well as implementing arms control and security-building measures. The Mission organized and supervised all of BiH post-Dayton elections but is relinquishing that responsibility to local authorities. In addition to the U.S. portion of the OSCE Mission assessment, PKO funds support U.S. personnel seconded to the OSCE as well as the U.S. Ambassador who currently heads the OSCE Mission.

Foreign Military Financing (FMF) funds contribute to U.S. national security by promoting peace and stability in Bosnia as well as in the Balkans as a whole. Under the Train and Equip program, the U.S. has supplied \$100 million in surplus defense articles and defense services to the Federation entity's military since 1996, to help establish military stability in Bosnia and Herzegovina and prevent renewed hostilities. FMF funding in FY2002 will assist the Bosnian Federation military to sustain that U.S.-supplied equipment. It is crucial that we protect the investment we have made since the Dayton peace accords by ensuring that the equipment delivered does not deteriorate because of a lack of training, maintenance, spare parts, or other resources. Funds will be used: for critically needed spare parts and tools in support of the helicopters, tanks, armored personnel carriers, howitzers, and other equipment; for the evacuation and overhaul of major equipment sub-components (tank and helicopter engines, transmissions, tank thermal sights) that cannot be repaired in Bosnia; and for specialized aviation training courses (e.g. flight surgeon, maintenance test pilot) in the U.S. that are not available through the IMET program.)

Bosnia's International Military Education and Training (IMET) program will also contribute to regional stability. IMET funds will be used to supplement the training provided through the Train and Equip program, with emphasis on junior officer professional development (Army basic and advanced courses), staff training for mid-level officers (service staff colleges), and Expanded-IMET (E-IMET) courses for mid- to upper-level officials in the defense sector.

Bosnia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Bosnia in meeting defense requirements, enacting defense reforms, and furthering interoperability.

Bulgaria  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	4,800	13,434	10,000
IMET	1,000	1,600	1,200
NADR-ECA	560	160	30
Peace Corps	1,765	2,015	2,183
SEED	32,000	35,123	35,000

National Interests:

Bulgaria has emerged as a regional leader in promoting political and economic stability and strengthening democratic institutions. In recent years the Government of Bulgaria has made great strides in reducing inflation, promoting foreign private investment, and undertaking economic privatization and legal reforms. Bulgaria is actively pursuing EU and NATO membership and is reorganizing its entire defense establishment. Bulgaria's success in strengthening democracy, the rule of law and their economic foundations will help the country to more fully integrate with the greater Euro-Atlantic community.

Objectives & Justification:

Bulgaria is in a critical period; the political stability of recent years and the government's strong commitment to economic reforms have put the country on the right course. More long-term, job-creating foreign investment is needed, however, to ensure that these reforms are embraced. Bulgaria has made notable progress on broad economic and political reforms in recent years. To sustain this positive momentum, we anticipate using the bulk of Bulgaria's FY 2002 SEED assistance for programs that promote economic reform and build democracy. Approximately half of SEED resources will directly support economic reform, while about a quarter will directly support democracy building. Considerable resources will also be devoted to strengthening Bulgaria's social sector--improving the environment, promoting labor market transitions, and assisting trade unions. SEED funds will support privatization and enterprise restructuring projects. We will continue to direct much of our assistance towards overcoming the problems of a weak judiciary, corruption, stricter enforcement of intellectual property rights legislation, and promoting local government reform. Public Diplomacy programs, including Ron Brown Fellowships, media training, and civic education programs, will promote the development of democratic institutions.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Bulgaria. FY 2002 NADR funding is focused primarily on improving enforcement procedures and capabilities through the regional nonproliferation advisor program.



Foreign Military Financing (FMF) is essential to fostering the Bulgarian military's development so that it can aspire to NATO membership and contribute to regional stability. FMF assistance will promote interoperability with NATO and, most important, provide defense infrastructure upgrades that could serve U.S. strategic interests in times of crisis. FMF assistance in FY 2002 will be used to help modernize Bulgaria's military forces. Specifically, funds will be used for C-4 projects, defense reform technical support, battle simulation software, a national military command center, NCO academy development, helicopter trainers, airspace management and control, airfield upgrades, and IFF upgrades to existing MiGs. These projects will indirectly promote Bulgaria's interoperability with NATO.

Professional military training will continue to be critical for the Bulgarian armed forces in 2002 as the Government proceeds with the massive military reorganization outlined in the Defense Reform 2004 project. The International Military Education and Training (IMET) will be instrumental in ensuring the ultimate success of the reform. U.S. trained officers are in positions of responsibility, including the Deputy Minister of Defense in charge of Defense planning and most of his staff. Bulgaria wants Non-Commissioned Officer (NCO) training to become one of the key features of the FY 2002 IMET budget, reflecting the critical importance of creating a more Western-style NCO corps to the overall success of the reorganization plan. IMET funding in FY 2002 will fund training courses for both NCOs and officers in professional military education, civilian/military relations and national security affairs.

Bulgaria will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Bulgaria in meeting defense requirements, enacting defense reforms and furthering interoperability.

Croatia  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	4,000	3,980	6,200
IMET	514	1,025	600
NADR-ECA	0	0	90
PKO	0	3,300	3,300
SEED	36,200	44,527	45,000

National Interests:

The United States has an interest in assisting Croatia to complete its transition to a democratic, non-nationalist, and Western-oriented state that is firmly embedded in the Euro-Atlantic community. Completing this transition is important to ensure the long-term establishment of an economically prosperous and politically stable Croatia, and will contribute significantly to the stability of the entire Balkan region. The United States supports the changes the citizens of Croatia overwhelmingly approved in the 2000 elections. Our programs will assist this nation in shedding its destructive, nationalist past in moving to implement the Dayton Accords, and in more fully embracing democracy, a free market economy, human and civil rights. Our goal is to ensure Croatia becomes a reliable partner in economic and security relations in Europe. Specific U.S. interests include enhancing regional security, encouraging broad-based economic growth, promoting democracy and humanitarian response, and combating international crime.

Objectives & Justification:

Croatia has reached an important turning point in its short history as an independent country. The democratic changes and economic reforms occurring there as a result of the 2000 elections are helping to promote similar changes throughout the region. Croatia has the capability to develop into an anchor of stability and an economic engine for the region. In past years, Support for East European Democracy (SEED) funding has been used primarily to support democratic initiatives, media reform, return and reintegration of refugees, and the development of small and medium enterprises - primarily in war-affected areas. The success of SEED-funded democracy programs is evidenced by the 2000 Presidential and Parliamentary elections. Building on this momentum, the FY 2002 programs will continue to support programs to further strengthen democratic institutions. With a democratic government now in place, however, we are able to devote a far greater proportion of our SEED resources to economic reforms than was possible under the Tudjman regime.

The coalition government has pledged to continue with the democratic evolution of Croatia and to dedicate itself to long-overdue legal, commercial and economic reforms. SEED funds have been and will continue to be used to fund programs that will strengthen democracy and democratic institutions in Croatia. Programs also will address continuing social sector needs, including reintegration of war-affected population, reduction of ethnic tensions, and development of cooperatives and business associations in war affected areas. Croatia is suffering from 20% unemployment, so a portion of SEED funds will go to support small and medium enterprises,

which will be an important source of new jobs. FY 2002 PKO funds will be used to support the OSCE Mission in Croatia, which is focused primarily on refugee return and property reparation issues.

International Military Education and Training (IMET) funds foster appreciation among Croatian military officials for the proper role of the armed forces in a democracy. As a member of Partnership for Peace (PFP), Croatia will receive Foreign Military Financing (FMF) in FY 2002. The next few years will be important for the Croatian Armed Forces as they begin a difficult process of restructuring and downsizing and move to increase interoperability and commonality with NATO. IMET assistance will be geared toward support for the continued professionalization and democratization of Croatian Armed Forces to include: training on national security planning; structuring peace support operations; and English language training. The bulk of FMF funding will be used to meet critical gaps not met by FY 2001 funding. This may include acquisition of tactical radios to enhance NATO compatible communications, purchase of computers/software to integrate radar systems, and purchase of tactical simulations systems to enhance unit training.

Croatia will be eligible in FY2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Croatia in meeting defense requirements, enacting defense reforms, and furthering NATO and Western interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Croatia. U.S. funding in 2002 is focused primarily on an initial assessment of Croatia's capabilities and needs.

Cyprus  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
ESF	14,950	14,948	15,000
NADR-ECA	310	140	150

National Interests:

The island of Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since 1974, the southern part of the island has been under the control of the Government of Cyprus. The northern part is ruled by a Turkish Cypriot administration that is not recognized by the United States. The two parts are separated by a buffer zone patrolled by the United Nations Force in Cyprus (UNFICYP). Tensions on Cyprus have undermined regional stability. The United States has an interest in promoting regional stability by facilitating a comprehensive settlement on Cyprus.

Objectives & Justification:

In FY 2002, \$15 million in ESF for Cyprus is requested to continue U.S. efforts to facilitate a comprehensive settlement. Funds are used to promote programs and activities that encourage tolerance and cooperation between Greek Cypriots and Turkish Cypriots. These relationships are expected to: (1) strengthen each side's ability to compromise on a just and lasting settlement; (2) provide opportunities for contacts to increase the number of stakeholders in a solution; and (3) promote tolerance and understanding in support of a peaceful settlement.

Most of the funding requested will be available to fund bi-communal projects that promote institutional development and support civil society consistent with ongoing efforts to facilitate a comprehensive settlement. Smaller amounts will be available for scholarships, short-term training other bi-communal projects.

Cyprus ESF programs are important to the U.S. goal of promoting a just and lasting solution to the Cyprus problem. It creates links among individuals, businesses and institutions on both sides of the island as well as with the United States. Continued ESF funding for Cyprus remains an important part of U.S. efforts to achieve a comprehensive settlement on the island.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Cyprus. U.S. funding in 2002 is focused primarily on establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Czech Republic  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	6,000	8,956	12,000
IMET	1,441	1,400	1,800
NADR-ECA	540	330	170

National Interests:

The United States has two primary interests in the Czech Republic. A Czech Republic with a modern military able to meet its own defense needs and contribute fully to NATO missions would be an important security partner for the U.S. and provide a vibrant model for prospective NATO members. In addition, the U.S. supports the ongoing economic reforms intended to promote Czech prosperity and eventual integration into the European Union, thus providing an environment in which American business interests can thrive.

Objectives & Justification:

Helping the Czech Republic identify and target defense shortcomings will maximize its contributions to NATO's role in European security and help lay the groundwork for future successful enlargements. Robust Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are essential to helping the Czechs quickly become full, contributing members of NATO. Despite a politically difficult commitment of significant domestic resources to defense, many important NATO-integration needs will remain unmet in 2001 absent outside assistance.

Reform and restructuring of the Czech military, particularly on the personnel side, will continue in 2001 and 2002. U.S. assistance will have maximum impact during this period. FY 2002 FMF and IMET funds will build upon and complement Czech national resources. Despite the fact that it is just emerging from a severe economic recession, the Czech Republic continues to meet its commitment to increase defense spending as a percentage of GDP. The Czech Army is small but capable, and has contributed to allied efforts in Bosnia and Kosovo.

Proposals for FY 2002 funds are aimed at improving Czech interoperability with NATO. They include:

Broadening and intensifying English language training. The Chief of General Staff has put renewed emphasis on English capability, making it a major factor in promotions and selection for specialized training opportunities;

Development of a professional Non-Commissioned Officers (NCO) corps;

Development of the junior to mid-level officer corps;

Improved combat service support, including development of a more sophisticated logistics system;

Continued Command, Control, Communications, Computers, and Intelligence (C4-I) modernization; and

Development of a simulation center for advanced combat and combat-support training.

The Czech Republic will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist the Czech Republic in meeting defense requirements, enacting defense reforms, and furthering interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to strengthen established export controls in the Czech Republic. FY 2002 NADR funding is focused primarily on working to bring the Czech Republic's export control regime into conformity with EU standards.

Estonia  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	4,000	6,169	6,500
IMET	789	750	1,000
NADR-ECA	265	314	630
NADR-HD	300	0	300
Peace Corps	664	477	162

National Interests:

Security and stability in Northern Europe hinge on the stability of the Baltic states, their integration into Euro-Atlantic security and economic structures, and their relations with Russia. Tensions between Russia and the Baltic States affect US-Russian and US-Nordic relations. Estonia has set the pace for its neighbors and the former Soviet republics in integration into Western economic structures, having been the first to receive EU candidate status, and its success has become a bellwether-motivating factor for these now-independent states. Estonia's integration into the European Union will make it one of the few EU states bordering Russia. As such, its strategic influence will grow, as will its influence on Russia's development, especially in Northwest Russia. Continued reinforcement and enlargement of Estonia's external and internal security enhances regional security efforts. We can accomplish these goals by sustaining Estonia's movement into Western security structures, nurturing the continued development of a civilian-controlled and NATO compatible military, and by assisting Estonia to graduate from a net security user to contributor within five years.

Objectives & Justification:

After its initial successful focus on accession talks with the WTO and EU, Estonia now has begun to give higher priority towards security aspects of NATO integration. Current defense spending stands close to 1.8% of GDP, and Estonia intends to reach 2% of GDP by 2002.

As Estonia prioritizes resources for its own legitimate defense needs and for its contribution to the overall security of Europe, FY 2002 IMET will assist in the professionalization of the military and provide necessary leadership and administrative skills to more junior officers, who have replaced former Soviet-trained officials.

FMF will continue to be utilized in sustaining Estonia's effort to become fully interoperable for participation in NATO, PFP, and NATO-associated operations, to include peacekeeping, peace enforcement, and humanitarian assistance. Therefore, the FY 2002 FMF request will assist in:

Continued development of the active-duty Estonian infantry battalion - both as a source for rotation of the Baltic Peacekeeping Battalion (BALTBAT) companies and as a means to continue enhancing Estonia's NATO interoperability;

Providing logistical training and support for the Baltic Naval/Demining Squadron (BALTRON);

Supporting the Regional Air Surveillance Coordination Center (RASCC);

Procuring NATO-compatible communications systems, and individual soldier equipment;

Supporting of the Baltic Defense College, which is in Estonia; and

English Language Training.

Estonia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Estonia in meeting defense requirements, and furthering defense interoperability.

Landmines and unexploded ordnance (UXO) from World War II, and the occasional sea mine that washes ashore, pose a significant danger in Estonia to people and economic development. Through mine awareness and mine clearance efforts, Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) humanitarian demining funds in FY2002 will be used to save lives and create the conditions for increased economic growth and productivity.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Estonia. The FY 2002 NADR export controls request is focused primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.



Federal Republic of Yugoslavia  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
NADR-ECA	0	0	210
SEED	67,500	172,120	145,000

National Interests:

Ensuring that democratic and economic reforms in Yugoslavia continue unimpeded is crucial to promoting peace and stability within the entire Balkans region. The establishment of a democratic government in Belgrade and the increasing reintegration of Yugoslavia into the community of nations have opened up new opportunities to advance U.S. foreign policy interests. U.S. assistance is necessary to ensure that the democratically elected and reform-oriented governments in Belgrade and Podgorica contribute to the establishment of lasting peace, stability and prosperity in Southeast Europe. The goal of our assistance is a democratic, reformed and prosperous Yugoslavia integrated fully into the international community.

Objectives & Justification:

The governments in Belgrade and Podgorica have chosen the path of political and economic reform. Implementation of their reform programs will contribute to the consolidation of democracy and promotion of peace and stability in the region. In FY2001, Serbia received \$100 million in Support for East European Democracy (SEED) funding to support democracy building, humanitarian assistance, and economic reform and restructuring activities. Some of these funds were targeted specifically toward programs in southern Serbia, to encourage stabilization of Serbia's southern border with Kosovo. In FY 2001, Montenegro received \$72 million in SEED funds for budget support, economic reform, and democracy building.

FY 2002 SEED funds requested for both Serbia and Montenegro will be used to sustain the reform processes in Yugoslavia. The governments in Belgrade and Podgorica have pledged to continue with democratic reforms and to make progress on badly needed economic and legal reforms. Following the Secretary's April 2 certification under Section 594 of the Foreign Appropriations Act, the Administration will continue to use its aid program in Serbia to promote progress in meeting key international obligations: cooperation with the ICTY, respect for the rule of law, and compliance with the Dayton agreement. SEED funds will be targeted toward programs that will strengthen democracy and civil society, involving local government and community development, media, NGOs, political parties, and rule of law issues including judicial reform. FY 2002 SEED funds will also be used to provide technical assistance for economic restructuring and reform, including the areas of fiscal, budget and banking reform, as well as to assist private sector development. To speed stabilization of the situation in southern Serbia, programs will target economic reform and community development. SEED funds will also be used for pre-election assistance in the event federal or republic elections are called.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR

Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Yugoslavia. FY 2002 NADR funding is focused primarily on an initial assessment of Yugoslavia's capabilities and needs.

Greece  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
IMET	25	25	500

National Interests:

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

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

Objectives & Justification:

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

Increased IMET funding in FY 2002 will support Greek involvement in multinational regional peacekeeping (three separate operations), Balkan stabilization efforts, and cooperative programs with other regional NATO allies and Partnership for Peace members. Greece recently took positive steps with Turkey to reduce military tensions, consistent with the general rapprochement in their bilateral relations. Much of the increased IMET funding would go to support joint training with the Turkish military.

Greece is also a recipient of Excess Defense Articles (EDA), consistent with its readiness needs and NATO obligations. Greece will be eligible in FY 02 to receive grant EDA under § 516 of the Foreign Assistance Act. Transfer of grant EDA to Greece is consistent with U.S. and NATO efforts to promote regional stability in Southeastern Europe and the Eastern Mediterranean. As one of the few NATO allies bordering on the volatile Balkan region, we have asked Greece in recent years to participate more broadly than before in important regional peacekeeping missions: Bosnia, Albania and Kosovo. Greece is also active in the Multilateral Peacekeeping Force Southeast Europe (MPFSEE) and may use EDA in related regional missions- all of which are intended to promote regional stability.

Hungary  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	6,000	8,956	12,000
IMET	1,398	1,400	1,800
NADR-ECA	430	509	120

National Interests:

The primary U.S. national interest in Hungary is the promotion of a stable, democratic, market-oriented NATO-ally, which enhances the security of a troubled region, and actively participates in Alliance operations. Two weeks after joining NATO, Hungary provided airbases for NATO operations in Kosovo, and later provided shelter for more than 20,000 refugees from Yugoslavia. Hungary has maintained an engineer battalion in Bosnia for several years and has deployed a combat battalion to KFOR since the start of the operation in the summer of 1999. Hungary has kept its commitment of increasing its defense budget from 1.51 percent of GDP in CY2000 to 1.61 percent in CY2001. It is also following through on its plan to free more resources for modernization and interoperability by reducing military personnel, closing redundant bases, and restructuring the force.

Objectives & Justification:

Through Foreign Military Financing (FMF) and International Military Education and Training (IIMET) assistance, the United States is able to participate directly in Hungary's modernization efforts, building habits of cooperation while improving the Hungarian Defense Forces capabilities. Hungary has focused previous FMF assistance on tactical communications and computer equipment, Hungary's Air Sovereignty Operations Center (ASOC), and a contractor-assisted force modernization study. The latter was used as input for the Security and Defense Principles document promulgated by the Hungarian Parliament in December 1999 and formed the basis for Hungary's Strategic Defense Review. With this document as a blueprint for future military reform, FY 2002 FMF will be used to support programs designed to meet Hungary's security requirements.

A key program for current FMF is the development of a leadership and management personnel management system, conducted by the American contractor Cubic corporation, which was responsible for the design of the original Strategic Defense Review. Included in this program is a defense advisor to the MOD, a former American attaché who is able to mentor and coach senior Hungarian military and civilian leadership on force modernization and development. A related system is the automated data processing system to facilitate the new personnel management system.

Other MOD priorities utilizing FMF are directly related to meeting NATO force goals. An example is the planned upgrade to Mode IV Identification Friend or Foe (IFF) for fixed and rotary wing aircraft to make these aircraft interoperable with NATO aircraft. Hungary has spent \$12M of its own funds on IFF but needs upgrades costing nearly \$5M. Additional support will be provided

for the Air Sovereignty Operations Center, and the procurement of search and rescue equipment. Another key project is the procurement of Chemical Detection Equipment from American suppliers to meet a key NATO readiness force goal for deploying units. A final area involves the procurement of U.S. radios and data processing equipment to enhance command and control and NATO interoperability.

IMET has complemented our use of FMF and supported the larger goals of NATO integration and defense reform by providing much needed exposure to American doctrine, tactics, and leadership for Hungarian officers and non-commissioned officers (NCOs) at all echelons of command. An increasing number of key command and staff jobs are filled by U.S.-trained officers, both in Hungary and by Hungarian officers in NATO. In addition to the obvious benefits of IMET for training in civil-military relations and defense resource management, the Hungarian Ministry of Defense plans to expand the number of NCOs receiving IMET training, whose responsibilities are slated to increase under the comprehensive reform. Hungary's FY 2002 IMET program request will address each of these aspects of military training.

Hungary has maintained a strong nonproliferation record over the last several years, implementing stringent legal controls on exports of dual-use equipment and arms. As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to strengthen established export controls in Hungary. FY 2002 NADR funding is focused primarily on supplementing EU infrastructure efforts through training and advisory assistance.

Hungary will continue to be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Hungary in meeting defense requirements, and furthering interoperability. Due to successful economic and democratic development, Hungary has "graduated" from SEED Act support.

Ireland  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
ESF	23,525	29,897	24,600

National Interests:

A top priority of U.S. policy in Europe is to bring about a permanent political settlement to the conflict in Northern Ireland. Our interests flow from our commitment to a peaceful, democratic and prosperous Europe and to respect for human rights worldwide. The Northern Ireland conflict has been a major preoccupation for both the British and Irish governments, a serious drain on their resources, and a source of instability in Western Europe. The U.S. goal is to assure the full implementation of the "Good Friday" peace agreement, which provides the best opportunity for lasting peace and reconciliation in the province. Through support for the International Fund for Ireland (IFI) and the Irish Visa Program, the United States builds on the progress already made in implementing the peace agreement and helps sustain the peace.

Objectives & Justification:

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

The FY 2002 request for \$19.6 million in Economic Support Funds (ESF) will help support two elements identified by the United States as priorities in its contributions: job creation and the expansion of private sector activities. The Fund has adopted both these elements in the implementation of its programs. Fund projects have generated an estimated 38,000 jobs, many for young adults who might otherwise have joined paramilitary groups. The Fund has underwritten more than 4,600 projects in the areas of urban development, education, tourism, community infrastructure, and assistance to small businesses. Disbursements from the Fund are made on the basis of equality of opportunity and nondiscrimination in employment, addressing needs in both Catholic and Protestant communities. At our initiative, a micro-enterprise loan facility promoting entrepreneurship -- "Aspire" -- was opened in 2000. An IFI commitment helped leverage an unprecedented contribution from Northern Ireland's financial sector to this project. The IFI also uses U.S. funds to leverage public and private sector investments. Fund projects have attracted associated outside investments of \$2 for every \$1 in Fund programming.

The \$5 million FY 2002 ESF request for the Irish Visa Program facilitates implementation of the Irish Peace Process Cultural and Training Program Act of 1998 (IPPCTP), which supports economic regeneration and peace and reconciliation in Ireland. Signed into law in October 1998, the IPPCTP directed the Secretary of State and the Attorney General to establish a Program for

young people who are residents of Northern Ireland and the border counties of the Republic of Ireland to "develop job skills and conflict resolution abilities." The State Department is authorized to provide up to 4,000 non-immigrant visas in each of three years, inclusive of spouses and children of the trainees. Participants must have confirmed job offers before they enter the United States and may work here for up to 36 months. The Program includes a re-employment component to assist participants in finding jobs in their fields back home. The law sunsets in 2005.

The Program targets the long-term (three months or more) unemployed, as well as those who have been made redundant or received redundancy notices. A small number of employed persons who have been nominated by their employers will be admitted to the program. Program organizers are committed to ensuring that equality of opportunity in relation to community background, ethnic origin, gender and disability is paramount throughout all phases of the Program.

U.S. job opportunities focus on nine business sectors in which personnel or skills shortages exist in Ireland and Northern Ireland, or where strong future growth and/or new investment is expected. The State Department has partnered with the Training and Employment Agency (T&EA) of Northern Ireland and the Training and Employment Authority (FAS) of the Republic of Ireland to implement the Program. The first groups of participants arrived in the United States to start job training in March 2000, working for employers in the Washington, D.C., area and in Colorado Springs in the hospitality, customer services and information technology sectors. FY 2002 funds will be used to support the day-to-day administration of this program through contract services, including the provision of vocational and conflict resolution training, employer identification and matching, employee counseling services, maintenance of an interactive website, and social support services for program participants.

Kosovo  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
PKO	33,375	15,500	14,500
SEED	164,800	149,670	120,000

National Interests:

In 1999, the U.S. fought its biggest military campaign in Europe since 1945 in order to defend the human rights of Kosovars and to uphold the writ of the international community throughout Europe. The situation now tests whether U.S. policy instruments can also sustain a long-range program to realize a positive agenda of democratization, economic recovery, and integration into the Euro-Atlantic system. Program funding aims above all to cultivate internal conditions that ensure security of U.S. troops and enable their earliest possible withdrawal with mission fulfilled. Achieving such conditions will also contribute to stability and economic development of the Balkan region and to democratic change in Serbia.

Objectives & Justification:

In its third full fiscal year (FY 2002) since the conflict, U.S. assistance will support an interlocking set of objectives to help stabilize and transform Kosovo into an economically viable, democratically self-governing territory.

For FY 2002, Peacekeeping Operations (PKO) funds will be used to support the OSCE's extensive responsibilities in Kosovo, where it is tasked to help rebuild from the core the full range of institutions needed for a functioning society. The OSCE Mission in Kosovo is concentrating its work on human resource capacity building (police, judiciary, civil administrators), democracy and governance projects (NGO development, political parties, local media), and organization and supervision of elections. The PKO request will also support the OSCE's key function in administering province-wide elections, anticipated for early FY 2002. The OSCE's work in Kosovo is a key component of the overall framework of the United Nations Interim Administration Mission in Kosovo (UNMIK).

UNMIK will continue to develop Kosovar institutions that increasingly take on the responsibility of day-to-day governance. Along with other donors, the U.S is providing roughly 15% of the donor-funded deficit in the Kosovo Consolidated Budget. In 2001, donors covered 32% of the deficit as compared to 50 percent in CY 2000. We expect to see further reductions in the percentage of donor financing in 2002 as local revenue collection improves further.

Legitimate Kosovo-wide institutions of self-government will emerge out of elections currently planned for 2001. This is the next step in a process that included the successful municipal elections held in October 2000. The creation of such legitimate institutions will help expedite withdrawal of U.S. troops from Kosovo. Institution building and democracy programs will therefore remain important components of SEED funding in FY 2002. We intend to boost



investment in capacity of local government through training, advisory services, and material donations. Aid targets include media, legal professionals, students, and civic leaders.

Law enforcement and administration of justice remain critical to preserving public safety and the rule of law in Kosovo, which enable local institutions to form and mature. The U.S. intends to continue its support to the UNMIK police (Civpols) at a level in FY2002 comparable to FY 2001. We will also continue to train and equip the Kosovo police service. The U.S. will continue to support the Kosovo Protection Corps, a multi-ethnic body of personnel available to assist in natural and humanitarian disasters and community-level reconstruction activities.

Human rights activities including the identification of missing persons will continue in FY 2002, although we expect this to diminish as local institutions take shape and the cases left open from the 1998-99 conflict in Kosovo are closed.

Economic recovery is vital to realization of the foregoing objectives, and vice versa. The U.S. has stated that the European Union and its member countries must contribute the lion's share of assistance toward reconstruction of Kosovo. Under these circumstances, the U.S. sees its comparative advantage in catalyzing grass-roots economic activity. USAID's programs in micro-lending, banking reform, privatization, community and NGO development are expected to anchor the U.S. contribution to Kosovo's economic recovery.

Latvia  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	4,000	5,174	7,000
IMET	749	750	1,000
NADR-ECA	420	254	205
Peace Corps	996	762	218

National Interests:

Security and stability in Northern Europe hinge on the stability of the Baltic States; their integration into Euro-Atlantic political, military, and economic structures; and their relations with Russia. The U.S.-Baltic Charter of Partnership establishes a framework for long-term cooperation in the political, economic and security fields. U.S. assistance promotes the Charter's principles: Latvia's integration into Euro-Atlantic institutions; good-neighbor relations, including with Russia; and strengthened cooperation among the Baltic countries. U.S. defense and military assistance programs will provide material aid and training, complement allied and partner-nation support for Latvia by participating in multilateral projects, and enhance the professionalism in the Latvian defense establishment.

Objectives & Justification:

Since regaining independence, the Latvian military has had to build from essentially nothing into a territorial defense force with a modest capability to participate in international operations. The government's ability to procure significant new defense equipment and develop this force has been hindered by limited available national funding. Nevertheless, Latvia's defense budget increased by 30% over the past two years and is projected to reach 2% of GDP by 2003. Essential salary reforms and quality of life projects such as housing that are necessary to build a professional force have been top priorities and will continue to consume a large part of these initial budget increases. The chief priority is enhancing military professionalism and NATO interoperability.

Foreign Military Financing (FMF) is, therefore, and will continue to be critical in sustaining Latvia's effort to become more interoperable for participation in NATO, PFP, and NATO-associated operations, to include peacekeeping, peace enforcement, and humanitarian assistance. The FY 2002 FMF request will support high priority goals, including:

Continued development of the active-duty Latvian infantry battalion--both as a source for rotation of the Baltic Peacekeeping Battalion (BALTBAT) companies and as a means to continue enhancing Latvia's interoperability with NATO;

Continued development of the national training center and of a training system for commissioned and non-commissioned officers and conscripts;

Continued development of a material management and personnel management system;

Providing logistical training and support for the Baltic Naval/Demining Squadron (BALTRON);

Supporting the Regional Air Surveillance Coordination Center (RASCC);

Procuring NATO-compatible communications systems, light and heavy trucks, and individual soldier equipment; and

English Language Training.

The International Military Education and Training (IMET) program also assists Latvian defense reform efforts. Latvia's FY 2002 IMET program will be used to continue developing a professional and well-educated corps of civilian defense officials and commissioned armed forces officers that strengthen support for democratic values, civil control of the military, and adoption of doctrine, procedures, and training techniques consistent with Western democracies.

Latvia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Latvia in meeting defense requirements, and furthering defense interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Latvia. FY 2002 NADR funding will be focused primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

Lithuania  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	4,400	6,468	7,500
IMET	750	800	1,000
NADR-ECA	730	384	210
Peace Corps	996	762	238

National Interests:

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

Objectives & Justification:

Lithuania is committed to achieving full integration into Western security structures. With Lithuanian Americans serving as President and Chief of Defense, Lithuania clearly looks to the United States as its primary guide to enhance its security. Current defense spending stands close to 1.8% of GDP, and Lithuania intends to reach 2% of GDP by 2002. As Lithuania prioritizes resources for its own legitimate defense needs and for its contribution to the overall security of Europe, the International Military Education and Training (IMET) program contributes to the overall professional development of the military. IMET also gives necessary leadership and administrative skills to more junior officers, who effectively have replaced former Soviet-trained officials. The FY 2002 IMET request supports the following program priorities:

Professional military education courses for mid-grade to senior level officers and civilians (Army War College, Coast Guard Academy, National Defense University, and Army, Navy, Marine Corps, and Air Force command and staff college quotas);

Advanced officer and basic officer military education courses for company grade officers in engineering, logistics, maintenance, signal, infantry, transportation, air defense;

Civil-military and combat strategic intelligence training courses; and

International maritime officer course, explosive ordnance disposal (EOD) and underwater demining, and defense resource management courses.

Foreign Military Financing (FMF) bolsters Lithuania's participation in the full range of PFP exercises and its expanded engagement in international peacekeeping operations, including the Polish-Lithuanian Battalion, LITPOLBAT. It ensures that the Lithuanian contingent of the Baltic Peacekeeping Battalion (BALTBAT) remains qualified to participate fully in peacekeeping and peace enforcement. The FY 2002 FMF request will be used to procure: additional communications equipment and NATO compatible equipment for the Regional Airspace Surveillance Coordination Center (RASCC); light anti-tank weapons for defensibility; wheeled vehicles; spare parts and support for existing U.S. equipment; support for various Excess Defense Articles (EDA) equipment; and English language labs and training. Provision of additional U.S. equipment and maintenance training needed to support the new RASCC facilitates Lithuania's and regional civilian/military airspace control and, concomitantly, the Alliance's, through shared intelligence. FMF also will provide support to the Baltic naval squadron (BALTRON), enhance regional cooperation in eliminating risks to unexploded ordnance from World War II, and keep Lithuanian force planners and logisticians focused on the practical, here-and-now steps toward meeting their MAP/NATO milestones.

Lithuania will be eligible in FY 2002 to receive grant EDA under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Lithuania in meeting defense requirements, enacting defense reforms, and furthering defense interoperability. By offering EDA to Lithuania to complement others' contributions, the United States enhances Lithuania's NATO interoperability and helps Lithuania carry out NATO-compatible peacekeeping operations in Bosnia and Kosovo. Provision of excess equipment will contribute to Lithuanian maritime sovereignty and facilitate Lithuania's ongoing contribution to European security through minesweeping operations. Lithuania already has begun to provide its own helicopter support for peacekeeping operations, which service it plans to develop among its neighbors (BALTWING)--this relieves another burden from the Alliance and furthers our goal of enhanced regional security cooperation.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Lithuania. FY 2002 NADR funding is focused primarily on improving export authorization procedures and, through the regional nonproliferation advisor program, improving enforcement procedures and capabilities.

Macedonia  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	0	13,582	10,500
IMET	504	750	550
NADR-ECA	335	245	705
Peace Corps	790	959	911
SEED	30,000	32,927	45,000

National Interests:

Key U.S. interests in the Former Yugoslav Republic of Macedonia (Macedonia) include the maintenance of peace and stability in Macedonia and Southeastern Europe, the cementing of its nascent democracy, and its full transition to a market economy. U.S. bilateral and regional interests lie in furthering the Macedonian model of a working multi-ethnic democracy, with constructive relations with all neighbors, and strong, stable political institutions. Macedonia played a key role as first refuge for hundreds of thousands of refugees during the Kosovo crisis, as launching pad for U.S. and allied military efforts, and continues to be the long-term conduit for assistance and logistics for international forces and the United Nations administration in Kosovo. The spread of armed insurgency to northwestern Macedonia in February 2001 has posed a grave threat to both Macedonian and regional stability. The United States has a compelling stake in reinforcing Macedonia against internal and external threats to its stability while supporting its internal political and economic transition and facilitating its integration into the Euro-Atlantic mainstream.

Objectives & Justification:

Macedonia has been a successful example of a democratic, multi-ethnic state in the Balkans, clearly committed to strengthening its democracy and market economy despite both external and internal disruptions, which have temporarily interrupted its progress. As the only former Yugoslav Republic to gain its independence peacefully and successfully forge inter ethnic powersharing arrangements in the government, Macedonia has offered its troubled region a progressive model which warrants strong U.S. support. Having slowly recovered from the Kosovo crisis, which had the greatest negative impact on Macedonia of all the countries of Southeast Europe, Macedonia faces again the threat of destabilization, this time by armed extremists.

Support for Eastern European Democracy (SEED) assistance programs in Macedonia helped to mitigate the impact and address the economic problems caused by the Kosovo crisis, while working toward longer-range objectives of economic restructuring, democratic development. In response to the February 2001 crisis provoked by armed extremists, an additional \$5.5 million in FY 2000 SEED carryover funds augmented Macedonia's FY 2001 allocation of \$33 million. The additional funds are being used to strengthen inter-ethnic relations. In FY 2002, the \$45 million SEED request will continue economic reform and democracy building, and will broaden the scope to include more activities that promote inter-ethnic harmony and further address minority concerns. The funding will focus on programs designed to assist the Macedonian

government in addressing legitimate minority grievances, while expanding key programs aimed at raising over all living standards by stimulating local private sector development, developing a progressive market economic legal framework, and fostering greater equality under Macedonia's democratic system. Programs will also increase the training of minority police recruits for a more ethnically balanced police force. Moreover, a special effort will be made to help revive the economy of northwest Macedonia, which was one of the principal victims of the recent fighting.

SEED funds finance critical technical assistance in the areas of enterprise assistance, legal/accounting reform, privatization and labor redeployment, and financial sector reform. SEED-assisted reform efforts are helping Macedonia to improve its investment climate, solidify its economy, and adopt international standards. Our aim is to strengthen Macedonia's prospects for integration into international and Euro-Atlantic institutions. In the process, SEED funds will strengthen Macedonian democracy through such initiatives as the Democracy Commission grants to NGOs; an enhanced international visitor program bringing future leaders for training and orientation to the United States; the Ron Brown Fellowship program providing graduate-level scholarships in fields such as law and economics; training for journalists; civic education; and English teaching programs.

Foreign Military Financing (FMF) and International Military Education and Training (IMET) have supported defense reorganization and training consistent with the U.S. and NATO goal of restructuring and modernizing the capabilities of the Macedonian military. FMF supports building the capabilities of the Macedonian armed forces according to parameters in Macedonia's NATO Membership Action Plan. The Macedonian government has made significant progress on military restructuring and moving the Macedonian Army toward NATO standards. FMF will continue to be used to support this process by helping the military units forming the centerpiece of the Macedonian Army to be equipped and ready to begin training to NATO standards. FMF will support the continued use of an American contract firm, MPRI, to provide guidance and advice on the restructuring process. Other key FMF uses include the acquisition of NATO-compatible tactical communications equipment, English language training, and logistics support for vehicles previously acquired through the FMF process.

The insurgent crisis early 2001 has fully engaged the government security forces of Macedonia, and will necessitate delays and reassessment of military reorganization and training programs. The Macedonian military generally performed well when ordered to move against positions occupied by armed extremists, and accomplished fairly complex combined arms operations while minimizing casualties in its own forces and among the civilian population. The Macedonian military has a demonstrated need for expanded military training and equipment both to counter internal and cross-border extremist threats to its security and territorial integrity and to set forth its programmed restructuring toward a longer-term goal of NATO compatibility and a force posture commensurate with its security situation. It can be expected to fully utilize such expanded opportunities in FY 2002.

Macedonia continues to make good progress on developing its non-commissioned officer (NCO) corps, essential in their efforts to restructure according to NATO standards. Under IMET, numbers of Macedonian NCO's are receiving key training through U.S. programs and are being slotted appropriately into unit structures. Macedonia continues to use the NATO KFOR presence

as an opportunity to familiarize officers with NATO procedures, and has conducted joint training with tactical NATO units present in Macedonia. Macedonia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Macedonia in meeting short-term defense needs, capability enhancements through continued defense reform, and furthering interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Macedonia. FY 2002 NADR funding is focused primarily on improving enforcement procedures and capabilities through the regional nonproliferation advisor program.



Malta  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	450	2,985	1,000
IMET	100	150	300
NADR-ECA	375	5,150	150

National Interests:

The United States supports Malta's integration into the Euro-Atlantic mainstream. This will reduce Libyan influence and help Malta become a more important partner of the United States in tackling major post-war challenges such as preventing the proliferation of weapons of mass destruction components, the expansion of mutually beneficial trade and investment, and shaping a more stable, secure Europe.

Objectives & Justification:

As the primary U.S. assistance to Malta, International Military Education and Training (IMET) is a major tool for ensuring that Malta remains oriented towards the U.S. and Western Europe, particularly in security matters. IMET has become our most important means of accessing Malta's security establishment and maintaining a positive dialogue on important regional security issues, including Libya and counterterrorism. IMET programs enhance Maltese capability to interdict shipments of sanctioned materials to Libya and narcotics trafficking through the Maltese islands. The FY 2002 IMET program will provide professional military and communications training and to support maritime twinning programs.

Foreign Military Financing (FMF) funds requested in FY 2002 will be used to enhance the search and rescue and maritime protection capabilities of Malta's armed forces and to purchase communications equipment to facilitate the inspection and detainment of vessels carrying contraband.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Malta. The FY2001 program included an additional \$5 million to purchase cargo monitoring equipment for the Malta Freeport. Conditions associated with those funds have been met, and procurement of the equipment is underway. FY 2002 NADR funding is focused primarily on establishing effective enforcement procedures and capabilities, especially through the provision of equipment.

Malta will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act where appropriate. The transfer of EDA will assist Malta in meeting defense requirements, enacting defense reforms, and furthering defense interoperability.

Poland  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	8,000	12,240	15,000
IMET	1,670	1,300	1,900
NADR-ECA	890	758	150
Peace Corps	2,079	1,070	0

National Interests:

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, because Poland maintains a firmly pro-Atlanticist orientation within the Alliance, aspires to become a strong net contributor to the NATO collective defense effort, and serves as a model and a mentor for prospective NATO members. Poland can also contribute significantly to the enhancement of political and economic stability in eastern and central Europe, by sharing its experiences with a successful transition to a free market democracy.

Objectives & Justification:

While Poland's transition to free market democracy is not yet fully completed, Poland is now far enough along to continue without economic assistance, which ended in FY 1999, and is now ready to serve rather as a model for other less-developed countries receiving Support for Eastern European Democracy (SEED) support.

A great deal still needs to be done for Poland to achieve full interoperability with NATO, and to meet its full potential to contribute to the Alliance's collective defense capability and to international peacekeeping. Poland continues to increase defense spending in real terms, despite the many other important social needs for budget resources in a transition economy, and it coordinates its military modernization and restructuring closely with NATO to assure that the resources are used to the maximum effect. The Poles have embarked upon a serious six-year military modernization that will focus their limited resources on ensuring that one-third of their forces (in particular, the ones designated for NATO missions) are fully interoperable with NATO by 2006. Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs are an important way for the United States both to show support for these efforts and to contribute to them directly. For FY 2002, the administration's request for FMF and IMET will fund a variety of programs, including the acquisition of professional military training, communications/information technologies and navigation equipment, airfield and infrastructure improvements and upgrades, logistics improvement, monitoring and measuring equipment, and enhanced international peacekeeping capabilities.

Poland will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act where appropriate. The transfer of EDA will assist

Poland in meeting defense requirements, enacting defense reforms, and furthering NATO and Western interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Poland. FY 2002 funding is focused primarily on improving enforcement procedures and capabilities, especially through the provision of equipment.

Portugal  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
IMET	656	750	750

National Interests:

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

Objectives & Justification:

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

The International Military Education and Training (IMET) program continues to be an essential component of the Portuguese military force modernization program, which includes its ongoing efforts to create an all-volunteer military; conscription is scheduled to end by 2004. FY 2002 IMET funding for Portugal will be a significant asset in the modernization effort, which is intended to strengthen Portugal's ability to play an active role in collective defense organization and international peacekeeping efforts, e.g., in Bosnia, Kosovo and East Timor. U.S. efforts are also directed toward enhancing Portugal's Atlanticist orientation by building ties with future military leaders and reinforcing the existing preference for U.S. manufactured defense equipment. The IMET program bolsters this strategy by establishing close bilateral relationships between the U.S. and Portuguese militaries, as well as providing training to support U.S. supplied defense systems.

Portugal is eligible to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will be used to support Portugal's force modernization efforts and enable Portugal to participate in international peacekeeping.

Romania  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	6,000	16,916	11,500
IMET	1,093	1,550	1,400
NADR-ECA	505	414	360
Peace Corps	2,108	2,586	2,857
SEED	35,000	38,415	38,000

National Interests:

The U.S. has an interest in the continued development of a democratically-oriented Romania at peace with its neighbors and respectful of human rights. As the largest country in size and population in Southeast Europe, Romania has the potential to make a significant contribution to stability and security in a troubled region. Working together within the framework of the U.S.-Romanian Strategic Partnership, which has existed since 1997, the United States seeks to support a stable and democratic Romania, benefiting from a free market economy and its location at the crossroads of Southeast Europe. With economic and political reforms, Romania will be better able to offer attractive business and investment opportunities for U.S. companies that will in turn contribute to its development. U.S. assistance supports Romanian efforts in political, economic, and military reform.

Objectives & Justification:

Romania's economic transition is at a delicate stage. The economic and political distortions of the communist era have posed great challenges to post-1989 Romanian governments. After four years of negative growth, GDP grew by 1.6% in 2000. The United States is engaged in such activities as providing advisors to the Ministry of Finance in the critical areas of privatization, debt, and tax reform. Support for East European Democracy (SEED) funding of \$38 million supports the development of democratic institutions, including local government, public administration, NGOs, and the courts. Exchange programs promote democratic thinking and expose current and future leaders to American democracy. The newly-elected government has committed itself to working with the World Bank and International Monetary Fund, and to promoting reforms.

SEED funds for FY 2002 will assist Romania to combat cross-border crime and foster regional linkages by supporting the newly established regional anti-crime center in Bucharest. Funding also will help Romania improve its social safety net in such areas as child welfare and pension reform.

U.S. bilateral military assistance is focused on helping Romania contribute to stability in Southeast Europe by establishing a strong, efficient military under effective civilian control and enjoying a cooperative relationship with NATO, including through active participation in the Partnership for Peace program. As a NATO aspirant, Romania received significantly increased FY 2001 Foreign Military Financing (FMF) to assist it in completing the reforms specified under

their NATO Membership Action Plan (MAP). Romania has the largest standing force of all the NATO aspirants. FMF funding of \$11.5 million in FY 2002 will promote both the continued improvement in the professionalism of its Non-Commissioned Officer (NCO) corps and the English language education of its military. The U.S. Marine Corps (USMC) will continue its program of training Romanian NCOs, focusing its training on Senior NCOs. U.S. military assistance also supports the Ministry of Defense's reform implementation goals of downsizing the Romanian military and improving NATO-interoperability. FMF funds will support continuation of contractor assistance in defense reform initiatives, upgrades to the logistics management system, communications equipment and infrastructure upgrades, and a modeling and simulation center.

The FY 2002 International Military Education and Training (IMET) program will continue to expose the new generation of the Romanian military to professional military education, and both military and civilians to such expanded IMET courses as those in defense resources management. The GOR continues to seek to expose as many officers as possible to U.S. military training and to make good use of graduates in their follow-on assignments.

Romania will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist Romania in meeting defense requirements, enacting defense reforms, and furthering defense and NATO interoperability.

Romania is working closely with the U.S. to enhance its export controls. Although Romania has made progress in developing a system to control the export of sensitive goods and technologies, there is still room for improvement. As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the U.S. is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Romania. U.S. funding in 2002 is focused primarily on establishing an adequate legal and regulatory infrastructure for controls and effective enforcement procedures and capabilities. Emphasis will be placed on training of enforcement officials and provision of basic equipment.

Slovakia  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	2,600	10,747	8,500
IMET	633	950	850
NADR-ECA	200	285	300
Peace Corps	1,527	1,377	416

National Interests:

The United States has an interest in Slovakia, the country at the geographic center of Europe and therefore a critical line of communication, continuing to be an increasingly positive force for regional stability in Central and Eastern Europe (CEE). To accomplish this, assistance funds to support continued economic, political and military reform that will facilitate Slovakia's eventual integration into Euro-Atlantic institutions. The United States encourages and supports Slovakia's initiatives to share its success in democracy building and development of civil society with other countries in transition. The U.S. also promotes Slovak implementation of effective export control strategies to prevent transfer of arms to countries of concern and bolstering crime-fighting efforts to minimize the impact on the U.S. from CEE criminal organizations. The U.S. has an interest in Slovakia developing an improved business climate, including reducing corruption, to create expanded trade and investment opportunities for U.S. firms.

Objectives & Justification:

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

Slovakia is one of the nine aspirants for NATO membership participating in the Membership Action Plan process. The Slovaks have established 64 Partnership Goals (of which 41 are MAP-related) with NATO geared toward westernizing their military and enhancing NATO interoperability. FY 2002 Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs will be the essential tools as Slovakia continues to implement a multi-year military reform plan heavily influenced by recommendations from a U.S.-funded defense study. Helping Slovakia in its effort to create a modern, capable force that can ensure national defense and contribute to NATO operations is a major U.S. goal that will enhance regional stability and cement Slovakia's ties to the West. Slovakia's importance to NATO was

shown during the Kosovo conflict, when overflight and transit rights were crucial to effective conduct of the military campaign.

Priorities for use of the FMF funds were jointly developed with Slovakia to support Slovak and USG objectives. Both FMF and IMET funds will be used to strengthen Slovakia's ability to contribute to NATO peacekeeping missions - such as its 40 member unit serving with KFOR - and Partnership for Peace (PfP) activities. FMF funds will support purchase of defense articles and services that target improvements in the areas of command and control, airspace sovereignty, communications and night fighting capability for rapid reaction forces, simulation and English language training, resource management and search and rescue. IMET funds will support personnel development and westernization of the Slovak military through training of Slovak officers at U.S. facilities. The requested assistance will help Slovakia become a more capable partner in the region and a stronger candidate for NATO membership.

Slovakia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Slovakia in meeting defense requirements, enacting defense reforms, and furthering interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Slovakia. FY 2002 funding is focused primarily on an assessment of Slovakia's capabilities and needs and improving enforcement procedures and capabilities through the regional nonproliferation advisors.



Slovenia  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	2,000	5,473	4,500
IMET	579	1,050	800
NADR-ECA	375	245	30

National Interests:

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

Objectives & Justification:

The primary objectives of U.S. military assistance in Slovenia are to allow modernization and reform of Slovenia's military and to help the country toward its NATO Membership Action Plan goals. Foreign Military Financing (FMF) assistance also aims to achieve greater interoperability between NATO and Slovenian forces and critical reform of Slovenia's military command structures. The FY 2002 FMF request for Slovenia allows them to continue their current levels of training, and, in addition, help them to establish a National Military Command Center.

Slovenia's objectives will be met through the FMF-provided training opportunities that strengthen the professionalism and leadership skills of Slovenia's military personnel; training and equipment that improves interoperability and standardization of Slovenian forces with U.S. and other NATO forces; training that helps improve technical and managerial skills of military personnel; and assisting the MOD in making procurements for its military which not only benefit its own defense structure, but also contribute to regional stability.

Left virtually without military equipment, infrastructure, or organization after its ten-day war for independence in 1991, Slovenia has striven to model its fledgling armed forces on those of the U.S. and other NATO Allies. Slovenia's sound economic situation has enabled it to fund a larger proportion of its defense reform needs, though U.S. assistance continues to play a critical role. The MOD has used previous-year FMF grant money to increase Slovenian interoperability by purchasing English language training, computer simulation center hardware and software, and small-unit infantry training equipment. A top priority for the Slovene FMF funds in 2001-2002 is participation in the National Military Command Center (NMCC). The NMCC fits in well with Slovenia's MAP (NATO Membership Action Plan) strategy and with the recommendations of last year's OSD/EUCOM Defense Reform study.

The FY 2002 International Military Education and Training (IMET) request will support Mobile Training and Education Teams on Quality Force Management, and Mobile Education Teams on Military Decision-making Process for Battalion Commanders; Civil-Military Affairs for the MOD Public Affairs office; and Defense Resource Management. Slovenia also plans to use IMET funds to send four officers to senior and intermediate U.S. professional military education schools.

Slovenia will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under Section 516 of the Foreign Assistance Act where appropriate. The transfer of EDA will assist Slovenia in meeting defense requirements, enacting defense reforms, and furthering defense interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Slovakia. FY 2002 NADR funding is focused primarily on improving enforcement procedures and capabilities through the regional nonproliferation advisors.

Turkey  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
IMET	1,554	1,600	1,800
NADR-ECA	0	30	1,000

National Interests:

Turkey is vital to U.S. national security. An important NATO ally located at the strategic nexus of Europe, the Middle East, the Caucasus and the Caspian, Turkey is an active participant in regional stabilization initiatives. It borders two countries -- Iran and Iraq -- which pose military, terrorist, Weapons of Mass Destruction (WMD) and strategic economic threats to the United States. Turkey provides crucial cooperation with the U.S. on Iraq, including hosting Operation Northern Watch (ONW). The U.S. national interest in advancing Turkish democracy is reflected in programs for the Turkish military that promote improved civil-military relations. Support for Turkish efforts on global issues has prompted a highly effective USAID-funded population assistance program.

Objectives & Justification:

The FY 2002 International Military Education and Training (IMET) program will provide Turkish military personnel with the training needed to improve interoperability with U.S. and NATO forces. Turkey actively participated in Operation Allied Force and contributes peacekeeping forces to KFOR in Kosovo and SFOR in Bosnia. IMET not only improves the professionalism of future leaders, it also introduces them to U.S. concepts of the proper role of the military in a democratic society. Training also helps support Turkey's participation in international peacekeeping operations and assists Turkey's military professionalization programs. IMET has created a strong cadre of senior Turkish officers who know and employ U.S. defense doctrine and equipment. IMET funding will also be used for joint training with the Greek military. Turkey and Greece have recently taken positive steps to reduce military tensions, consistent with the general rapprochement in their bilateral relations.

Development assistance is in the process of being phased out for Turkey after attaining several successes. Contraceptive use in Turkey has increased from 38% in 1978 to 64% in 1998, while fertility rates have dropped by half over the last twenty-five years. The Turkish government has now assumed full responsibility for procurement and distribution of contraceptives for the public sector and a robust "NGO Network for Women" has been established. FY 2002 is expected to mark the final year of this successful program. In the final year of the program, limited funds are targeted to protect programmatic gains and improve the sustainability prospects for both public and private sector systems.

Turkey will be eligible in FY 2002 to receive grant Excess Defense Articles (EDA) under 516 of the Foreign Assistance Act where appropriate. The transfer of EDA will assist Turkey in meeting defense requirements, enacting defense reforms, and furthering interoperability.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Turkey. U.S. funding in FY 2002 is focused primarily on improving enforcement procedures and capabilities, especially through the provision of equipment.

Lockerbie Trial Support  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
NADR-L	0	15,000	16,000

National Interests:

One element of the United States' longstanding commitment to fight and deter terrorism is the prosecution of individuals or entities believed responsible for terrorist acts. Such is the case in the trial of Abdelbaset Ali Mohamed Al Megrahi and Al Amin Khalifa Fhimah, two Libyans suspected responsible for the December 21, 1988, terrorist bombing of Pan Am flight 103 over Lockerbie, Scotland, which resulted in the death of 270 persons, including 189 Americans. Nearly a decade after the incident, the governments of the United States and the United Kingdom informed the United Nations that they were prepared, as an exceptional measure, to arrange for the two accused Libyan operatives to be tried before a Scottish court sitting in the Netherlands. In April 1999, Megrahi and Fhimah were delivered to Kamp Van Zeist, the Netherlands, for a three-judge panel trial that began May 2000. On January 31, 2001, the Scottish court found Megrahi guilty of murder and sentenced him to life imprisonment; Fhimah was acquitted. The Scottish court in the Netherlands is set to hear Megrahi's appeal in autumn 2001.

Objectives & Justification:

As part of the arrangement to hold the trial in the Netherlands, the U.S. agreed to pay half the appropriate incremental costs of the trial CHR[150] that is, costs that would not have been incurred had the defendants been tried in the normal way in Scotland. This includes capital construction costs to extensively renovate and refurbish existing structures at Kamp Van Zeist to create:

a maximum security prison facility to house the accused;

a secure courthouse with offices for defense and prosecution teams, as well as reception areas to accommodate victims' families;

a media center to support up to 230 accredited journalists, complete with closed-circuit television to watch the proceedings of the trial;

residential facilities and a cafeteria to accommodate Scottish police and prison officers on temporary duty (TDY) at Zeist; and

a secure perimeter for the entire site, including a concrete wall surrounding the prison facility.

In addition, the Netherlands trial incurs incremental operating expenses, most significantly the pay, travel, subsistence, and miscellaneous expenses associated with Scottish police and prison

officials, as well as other Scottish court support staff who have been assigned to support the trial. Other operating costs include utilities, services, and maintenance for the Zeist facilities. In order to minimize costs, only essential personnel remain on duty while the court is in recess.

The Scottish Government estimates that the total incremental cost of the trial, including capital and operating expenses through the end of Megrahi's appeal, will run around \$98CHR[160]million dollars. To date, the State Department has provided almost \$23 million in Lockerbie trial support; the request of \$16 million in FY 2002 NADR funds will continue this effort to reimburse the UK for actual expenses incurred.

OSCE Regional - Europe  
(\$ in Thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
PKO	0	16,700	16,300

National Interests:

Funding is provided for the Organization for Security and Cooperation in Europe (OSCE) peacekeeping activities. OSCE supports U.S. policy goals and the funding request is to cover the U.S. share of OSCE operations. U.S. goals are to prevent destabilizing conflicts in the former Soviet Union, contain/reduce instability in the Balkan states and Caucasus, provide a rapid crisis response capability through the Rapid Expert & Assistance Cooperation Team (REACT) program, and follow through on the OSCE's responsibilities as called for under the Dayton Agreement.

Objectives & Justification:

The FY 2002 Peacekeeping Operations (PKO) funds for European Regional programs the majority are intended to fund the U.S. share of the REACT program, which provides for deployment of crisis intervention teams and funds the 120 seconded American citizens working in the OSCE's 20 field missions. The remaining funds will be used to fund election observation efforts and to support the OSCE's field missions in the Baltics, Central Europe, Caucasus and Central Asia. The day-to-day work of these other OSCE Missions varies depending on the individual mission mandates agreed upon by the OSCE Permanent Council. All of the mission activities are in support of the OSCE's core mission of early warning, conflict prevention, crisis management and post-conflict rehabilitation, and are focused on the economic, environmental, human and political aspects of security and stability.

Regional SEED  
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
SEED	85,470	86,609	82,000

National Interests:

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

Objectives & Justification:

In FY 2002, SEED regional funding will reflect two trends already present in FY 2001: the overall level will be less than the preceding year and, with the countries of Northeast Europe and the Baltic states graduated from the SEED program, funds will be focused on Southeast Europe. SEED regional programs in FY 2002 seek to stabilize, transform and integrate Southeast Europe, the scene of chronic instability and two major wars over the past ten years, into the transatlantic mainstream. Programs will be targeted to increase trade and foreign investment, promote greater regional cooperation among the countries of Southeast Europe, address the urgent problem of crime and corruption, and strengthen democracy and rights for ethnic minorities.

Through the SEED regional program, the U.S. seeks to fund programs of assistance where we have a comparative advantage, can provide technical assistance to leverage significant new amounts of funding from other donors, or can make important legal or regulatory gains. Major program areas for FY 2002 are:

Technical assistance to help SEE states continue the fiscal and economic reforms crucial for attracting private investment and increasing trade;

Assistance to help targeted SEE states harmonize their trade policies by achieving World Trade Organization (WTO) membership;

Increased focus on fighting corruption and cross-border crime and strengthening the rule of law;

Strengthening of local government, non-governmental organizations (NGOs) and media to consolidate democratic reform and build civil society;

Spurring the growth of small and medium-sized enterprises (SMEs) through increased availability of financing;



Decreasing the investment risk to U.S. firms considering investments in the region;

Technical assistance to tie the region together by developing a regional power grid for Southeast Europe; and

Reform of SEE customs services.

These priorities will augment ongoing bilateral assistance programs, the foundation of the SEED program. The success of these regional programs will depend in large part on the degree of economic and democratic reform achieved in each Southeast European state.

The regional SEED program also builds on the economic and democratic reform achieved in each Southeast European state by linking together successful reformers and by using progress achieved in one country as an example for others. Regional initiatives such as the development of an electrical grid for Southeast Europe will use the collective pressure of all SEE states, combined with the influence of outside donors, to break regulatory or legal logjams which domestic reformers have been unable to solve.

Each regional program will be evaluated in accordance with standard USAID benchmarks and performance indicators set forth in the annual R-4 process, or similar indicators for other USG implementing agencies.