

U.S. Government Assistance to and Cooperative Activities with Eurasia Fiscal Year 2001



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I. INTRODUCTION

Although coming near the end of the fiscal year (FY), the September 11 terrorist attacks on America overshadowed all other events of FY 2001, and set our country's relations with the twelve Eurasian states of the former Soviet Union on a new course. Almost all of the Eurasian countries have actively supported us in the war against terrorism. Many have provided overflight and even basing rights for U.S. forces. Supplemental FREEDOM Support Act (FSA) funds and other assistance funds appropriated as part of the Emergency Response Fund in mid-September 2001 were an important instrument for cementing these closer relations and for dealing with key challenges in the "front-line" states of Central Asia. The combination of regular and supplemental FSA funds and other agencies' assistance funds redirected toward Central Asia will enable the U.S. Government to improve these countries' border security, and to intensify its efforts to address those features of the region that make it a potential breeding ground for conflict and extremism, such as isolation from the outside world, poverty, lack of jobs, and poor community services.

For the twelve Eurasian states, FY 2001, like FY 2000, was a year marked by uneven progress toward stability, democracy, and market-based economies. For the second year in a row, all twelve Eurasian countries registered increases in gross domestic product (GDP) during calendar year 2001, and FSA-funded economic reform programs made a real contribution to this improved economic performance. One area in which U.S. assistance had a particularly positive impact was the agricultural sector, which is still a major employer in most of the Eurasian countries. In Ukraine, U.S. Government assistance was key to significant progress in agricultural policy reform and privatization of agricultural land, which contributed to record harvests in 2001. Similarly, a U.S. Government-funded market access program has helped Armenian farmers and food processors to develop new markets and products. U.S. Government-funded programs providing credit to entrepreneurs also scored significant successes in FY 2001, such as in Russia, where the U.S.-Russia Investment Fund (TUSRIF) has become the market leader in both leasing and mortgages. TUSRIF's success has helped convince several Russian banks to enter these important markets.

However, throughout the region, positive developments on the economic front were generally not matched by progress in democratic reform. In FY 2001, many governments in the Eurasian region continued to suppress the development of civil society and stifle critical voices in the media. Nevertheless, even in these difficult working conditions, U.S. Government-funded programs registered significant successes in FY 2001, such as facilitating the passage in Russia of a landmark Code of Criminal Procedure. U.S. Government-funded technical assistance helped the drafters produce a bill that, if properly implemented, will shift power from the prosecutors to the courts and increase the rights of defendants. Even in those Eurasian countries where there is relatively little political pluralism and the government often stifles independent voices, U.S. Government assistance to non-governmental organizations (NGOs) made it possible for civil society to assert itself. In Kazakhstan, for example, U.S. Government-funded technical assistance helped local NGOs organize an advocacy campaign against the government's proposed changes in the Law on Media. By combining citizen petition drives with unprecedented protests by independent television stations, Kazakhstan's civil-society sector took part in an open debate on the proposed amendments, resulting in the adoption of a compromise measure that softened many of the legislation's harshest articles. Similarly, in Kyrgyzstan, a major national advocacy training program for NGOs contributed significantly to a focused public outcry that resulted in the recall of a presidential decree that would have undermined the rights of political parties, NGOs and media, as well as freedom of association.

The social costs of transition continue to be high throughout the Eurasian region, where a very large segment of the population still lives in poverty. U.S. Government assistance programs have helped ease the burden on the region's most vulnerable citizens. In Georgia, where a cut-off of Russian gas supplies in mid-winter created a near-crisis, U.S. Government-funded winter heat assistance enabled many of Tbilisi's poor, as well as institutions such as hospitals and orphanages, to stay warm. U.S. Government-funded health assistance also registered successes. In Russia, for example, two pilot tuberculosis programs demonstrated results good enough to justify their replication elsewhere in the country. In Kyrgyzstan, the introduction of hospital co-payments in two pilot regions proved extremely popular: people who are hospitalized now pay less than they previously paid "under the table," and the increased revenues are enabling hospitals to increase their stocks of medications and supplies.

Accepting the fact that the transition to democracy and free market economies in the Eurasian region will occur unevenly and over a long period of time, U.S. Government assistance to Eurasia is based on two principles:

(1) balance between programs that address immediate threats and programs that promote lasting generational change; and (2) selective engagement based on willingness to reform. U.S. Government assistance to Eurasia has evolved over time in response to changing circumstances. Initially, U.S. Government assistance was overwhelmingly humanitarian. In the mid-1990s, technical assistance to governments was increased to help lay the institutional foundations for reform. Later, as many governments in the region proved resistant to reform, assistance resources were redirected away from central governments towards the grassroots level, with an emphasis on programs such as exchanges and Internet access, as well as support for NGOs, independent media, small business, and reform-minded regions and cities. In FY 2001, for the fifth consecutive year, the overall budget for Eurasian public diplomacy exchange programs was increased. Over 9,500 citizens of the Eurasian countries traveled to the United States on U.S. Government-funded exchange programs in FY 2001, bringing the cumulative total since 1993 to almost 90,000. Also in FY 2001, dozens of new public-access Internet facilities were opened throughout the region, and literally thousands of NGOs, media outlets and entrepreneurs received grants, loans and various kinds of training.

Where critical national security interests are at stake—as is the case with efforts to prevent the proliferation of weapons of mass destruction and related technology and expertise, to combat trafficking in other illicit arms and narcotics, and to counter the threat of terrorism in Central Asia—the U.S. Government has worked closely with central governments, which are responsible for dealing with such matters. The U.S. Government's largest single assistance program in Georgia has helped the Georgian Border Guard develop more effective control over land and maritime borders, which is key to Georgia being able to fully assert its sovereignty and territorial integrity. The State Department's Science Centers and Biological Weapons Redirection nonproliferation efforts have involved a combination of work with the central governments and direct assistance to redirect the efforts of former Soviet weapons scientists and institutes towards civilian purposes. U.S. Government-funded security assistance such as the U.S. Defense Department's Cooperative Threat Reduction (CTR) and the U.S. Energy Department's Material Protection, Control and Accounting (MPC&A) programs also continued to work successfully with the governments of the participating Eurasian countries. These programs remain among our highest assistance priorities. However, in terms of economic and political engagement, the U.S. Government has scaled back or eliminated altogether its technical assistance to those Eurasian governments that have shown little or no genuine interest in reform, such as the governments of Belarus and Turkmenistan.

The U.S. Government continues to modify its assistance programs in response to lessons learned over the last decade. During the second half of FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia headed an interagency review of non-security-related assistance to Russia. The review concluded that in a time of reduced budgetary resources, it is important to focus strategically on a few areas where our resources can have the greatest impact, including support for entrepreneurs, development of civil society (including independent media), and health. At the same time, the National Security Council led an interagency review of nonproliferation assistance programs in Russia, resulting in an NSC recommendation to expand some programs and consolidate, modify or close-out others. These conclusions will shape future U.S. Government assistance to Russia. As described above, in the wake of September 11, the U.S. Government has also begun to devote an increasing amount of FSA and other assistance resources to programs for Central Asia and Azerbaijan—countries on the frontline of the war against terrorism. Now that the U.S. Congress has given the President authority to waive the restrictions on assistance to the Government of Azerbaijan contained in Section 907 of the FREEDOM Support Act, the Coordinator's Office will be reprogramming some remaining unobligated FY 2001 FSA funds to support the U.S. Government's anti-terrorism goals in Azerbaijan, including improving that country's border security and addressing the root causes of potential public dissatisfaction.

Although the context of U.S. Government assistance to Eurasia was radically redefined by the events of September 11, the central goals of our Eurasian assistance programs remain as vital to U.S. national security as they were ten years ago. Promoting democratic and economic reform in the Eurasian countries and preventing the proliferation of weapons of mass destruction and related technology and expertise remain our best means for achieving peace and stability in the Eurasian region.

FINANCIAL SUMMARY

After peaking at \$2.5 billion in FY 1994, funding for U.S. Government assistance to Eurasia under FREEDOM Support Act authorities reached its lowest level in FY 1997 (\$625 million), but subsequently increased. Year-by-year appropriation levels are as follows:

FY 1994	\$2.458 billion
FY 1995	\$850 million
FY 1996	\$641 million
FY 1997	\$625 million
FY 1998	\$770 million
FY 1999	\$847 million
FY 2000	\$839 million
FY 2001	\$810 million
FY 2002	\$784 million

As of the end of FY 2001, cumulative appropriations for FREEDOM Support Act, Cooperative Threat Reduction and other major Eurasian assistance and cooperative programs totaled an estimated \$19.51 billion, of which approximately \$18.32 billion had been obligated and \$16.51 billion expended. In FY 2001, FREEDOM Support Act obligations and expenditures increased by \$845.62 million and \$769.74 million, respectively, while obligations and expenditures of other U.S. Government-funded assistance programs for Eurasia increased by an estimated \$967 million and \$911 million, respectively. (For details, please see the charts in the Appendix of this report.)

STRUCTURE OF THE FY 2001 ANNUAL REPORT

The format of this report has been revised this year. To the extent possible, information on country-specific assistance programs has been consolidated into the country assessments in Part II, which should make it easier for the reader to get the full picture of assistance to each of the 12 Eurasian countries. Each country assessment begins with a brief overview of the political and economic developments in FY 2001, and is followed by an assessment of U.S. Government assistance by category, based on input from the U.S. embassy in that country, as well as from Washington, D.C.-based implementing agencies. In addition, each country assessment is followed by an FY 2001 country budget summary, as well as a cumulative overview of humanitarian assistance provided under Operation Provide Hope.

Part III of the report contains agency-by-agency overviews of the major U.S. Government-funded Eurasian assistance programs, trade and investment programs, and cooperative activities, with an emphasis on regional programs that involved more than one Eurasian country. Part IV presents an evaluation of the performance of each of the Eurasian countries according to the criteria in Section 498A of the Foreign Assistance Act of 1961. Part V describes the use of the "notwithstanding" authority provided to enable U.S. Government assistance programs to move forward without delay. Part VI provides an evaluation of progress in resolving trade and investment disputes and negotiating bilateral investment treaties with the countries of the Southern Caucasus and Central Asia, as required by the Silk Road Strategy Act of 1999. The appendix of this report provides summary charts of assistance funds budgeted, obligated and expended during FY 2001.

II. COUNTRY ASSESSMENTS

The following country assessments provide an overview of U.S. Government assistance programs and their effectiveness in each of the twelve Eurasian states in FY 2001. These assessments, which also contain brief overviews of political and economic developments in each country, are based on information provided by the U.S. embassies, as well as by Washington, D.C.-based implementing agencies.

ARMENIA

Political Overview

Following the collapse of the Soviet Union and the re-emergence of the Republic of Armenia in 1991, a significant out-migration from Armenia took place, due principally to reduced economic opportunity, the continuing effects of the devastating 1988 earthquake, and dislocations caused directly and indirectly by the war with Azerbaijan over the enclave of Nagorno-Karabakh, including a serious energy shortage in 1992-94 that resulted in a lack of heat for large segments of the population. Estimates of Armenia's current population vary, but many observers estimate that fewer than two million permanent residents live within the Republic's borders, with a few hundred thousand migrating seasonally between Armenia and Russia and Armenia and Ukraine in search of work. The first census of Armenia since 1988 was taken in October 2001 with U.S. assistance, but it will be some time before the resulting data are published. In an effort to resolve the conflict over Nagorno-Karabakh, the OSCE's Minsk Group has supported periodic meetings of the Armenian and Azerbaijani presidents, so far without a final resolution of the conflict. Although only a ceasefire remains in place, negotiations continue, and occasional confidence-building measures (CBMs), such as exchanges of prisoners of war (POWs), have occurred. Armenia has a defense agreement with Russia that allows Russia to station troops and equipment outside Yerevan and Gyumri, as well as border guards to protect Armenia's borders with Turkey and Iran. Armenia's foreign policy seeks regional integration, membership in the World Trade Organization (WTO), and cooperation with Euro-Atlantic organizations, including NATO, and Armenia became a member of the Council of Europe (COE) in May 2001. However, the country still faces many challenges in fulfilling its commitment to become a democratic, free-market state. The October 1999 assassinations of the prime minister, parliament speaker and six other officials, who had been elected only six months earlier in fair but flawed elections, led to a political crisis that lasted into mid-2000 before stability was restored. The current cabinet, chosen in May 2000, appears durable and capable of marshaling a working majority in parliament despite challenges to government policies from individuals both inside and outside of the government. The press is free, although self-censorship is practiced with respect to topics deemed to involve "national security." Freedom of association, especially for some religious groups, is sometimes hampered by burdensome registration requirements. One of Armenia's most pressing human-rights needs, along with a revised criminal code to replace the Soviet-era code still in place, is the development of a fully independent judiciary capable of reliably protecting citizens from abuse by police and prosecutors.

Economic Overview

Even though many Armenian Government officials generally supported economic reform efforts in FY 2001, progress over the last year was spotty. There continued to be a general shortage of qualified people in key government bodies, a problem exacerbated by frequent administrative reorganizations, such as the one that took place in the customs administration in July 2001. Over the past few years, Armenia has implemented a comprehensive stabilization and structural reform program. Some of the program's main achievements include price liberalization; privatization of small, medium-sized and large enterprises; and significant progress towards joining the WTO. In addition, Armenia has strengthened its banking sector by putting in place modern regulatory and supervisory frameworks. Armenia's steady macroeconomic progress, reflected in consistently high growth and low inflation rates, has earned it support from international institutions. The International Monetary Fund (IMF), World Bank, European Bank for Reconstruction and Development (EBRD), other financial institutions, and foreign countries have extended considerable grants and loans—total loans since 1993 exceed \$800 million. These loans are targeted at: reducing the budget deficit; stabilizing the local currency; developing private businesses; energy; the agriculture, food processing, transportation, and health and education sectors; as well as ongoing rehabilitation work in the region damaged by the 1988 earthquake. Significant work remains to be done in combating corruption and establishing a predictable business and investment climate. Furthermore, the benefits of growth and reform have yet to reach the broad majority of the Armenian population.

Both unemployment and under-employment remain a significant problem. Most estimates place over half the population below the poverty line. The results of the October 2001 census, which are expected over the course of 2002, are anxiously awaited for more detailed information on household income and the current level of emigration, as well as on the country's current population.

Armenia's long-term prosperity will depend on the continuation and extension of the country's reform program. Positive political developments, particularly the end of the trade embargo imposed by two of Armenia's four neighboring countries—Turkey and Azerbaijan—as a consequence of the ongoing Nagorno-Karabakh dispute, will also play a key role. According to official figures, in the first nine months of 2001, Armenia's economy posted an unprecedented 9.9 -percent growth in gross domestic product (GDP) compared to the same period in 2000. The consumer price index (CPI) decreased by 0.7 percent over the same period. There has been a slightly accelerated devaluation of Armenia's national currency (the dram) against the dollar in recent months; from 1998 through the end of 2001, the exchange rate gradually rose from 505 to 565 drams to the dollar. Official unemployment has decreased from 11.9 percent in 1999 to 10.9 percent in 2000 and 10.1 percent in 2001, although these figures are widely thought to underestimate the actual level. The external debt-to-GDP ratio stood at 44.9 percent in 2000, and the Central Bank of Armenia projects it to decrease slightly to 44.5 percent in 2001. The external trade deficit for 2000 stood at \$585 million; the four largest trading partners were the European Union (34.6 percent), Russia (15.4 percent), United States (11.9 percent) and Iran (9.5 percent). Despite impressive growth, the Government of Armenia fell behind in tax collections in the third quarter of 2001 and faced a budget crisis. The low collections also triggered a review and delay of the \$15 million second tranche of the World Bank's SAC-4 loan, originally scheduled for September 2001. The \$20 million third tranche, originally dependent on concrete steps toward the privatization of Armenia's electricity distribution companies, was also in question because of privatization delays. It is not yet clear what impact the delay of these loans will have on Armenia's budget.

U.S.-Armenia Task Force for Economic Development

In March 2001, the U.S.-Armenia Task Force (USATF) met in Armenia to discuss priorities for, and ways to maximize the effectiveness of, U.S. Government-funded assistance programs in Armenia. The meeting was well-attended by high-level officials from the U.S. and Armenian governments. The U.S. delegation included senior representatives from the U.S. Department of the Treasury, the U.S. Trade and Development Agency, and USAID. The meetings resulted in a number of cooperative efforts in the areas of private-sector development, energy privatization and security, anti-corruption, trade and investment, intellectual property rights and WTO accession. Cooperative efforts in these areas are ongoing, and the USATF is proving to be an extremely beneficial forum for resolving issues and identifying areas where close cooperation is needed to move reforms forward in Armenia. Follow-up on the decisions made at USATF meetings is a key part of the process, and efforts are being made to track the progress of those decisions in-between meetings. The scheduled fall 2001 USATF meeting, which was to have taken place in Washington, was postponed due to the events of September 11 and took place in Armenia on January 23-24, 2002. The next meeting is planned for September or October 2002 in Washington.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$110.56 million in assistance to Armenia, including \$93.05 million in FREEDOM Support Act assistance (\$85.90 million in FY 2001 funds and \$7.15 million in prior-year funds), \$5.59 million in U.S. Department of Agriculture food aid, \$4.05 million in other U.S. Government assistance, and privately donated and U.S. Defense Department excess humanitarian commodities valued at \$7.87 million. The main priorities of U.S. Government assistance were private-sector development, economic and energy-sector reform, democracy and good governance, anti-corruption efforts, assistance to the earthquake zone, social-sector reform, regional integration and cooperation, education and training, and agriculture. In close coordination with the Armenian Government, the U.S. Government has been decreasing the amount of humanitarian assistance it provides to Armenia, replacing it with an increased amount of development assistance and private-sector support programs. This shift in relative priorities is designed to help Armenia make an efficient transition to a free-market economy, in part by creating real jobs in new enterprises. A key objective of the overall assistance program is to increase the demonstrable benefit of U.S. Government assistance to the average Armenian and thereby build and sustain popular and political support for the continuation of democratic and economic reforms. In FY 2001, humanitarian assistance accounted for 15 percent of U.S. Government assistance to Armenia, as compared to 19 percent in FY 2000. U.S. security

assistance cooperation with Armenia continued to expand in FY 2001 in several targeted areas. In compliance with the U.S. Government's policy of even-handedness in its interaction with Armenia and Azerbaijan, security-related assistance was provided only in areas permitted under Section 907 of the FREEDOM Support Act (which prohibits certain kinds of assistance to the Government of Azerbaijan); specifically, the U.S. Government provided assistance to enhance nonproliferation and the democratization of Armenia's armed forces. Other categories of U.S. Government-funded assistance included the following:

- Private-sector development programs aimed at developing a legal, policy and institutional environment conducive to private-sector activity, providing technical assistance to micro-, small and medium-sized enterprises (SMEs), especially in the area of agribusiness marketing, and providing loans to small and medium-sized businesses;
- Economic restructuring and comprehensive market reform programs, including privatization, tax, fiscal and customs systems, bank supervision and capital markets development programs;
- Assistance designed to support rehabilitation and economic revitalization in those areas of Armenia affected by the 1988 earthquake;
- U.S.-Armenian academic and professional exchange programs, U.S.-based training programs for Armenians, and educational reform and institution-building in Armenia;
- Energy-sector reform programs, including programs promoting a more economically sustainable and environmentally sound energy sector, and the U.S. Energy Department's nuclear safety programs at the Metsamor Nuclear Power Plant;
- Social-sector programs, including health-care reform, targeting of social welfare payments, and small-scale public works activities that provide job opportunities and tangible improvements to local communities;
- Democracy and good-governance programs, particularly programs aimed at increasing citizen participation in decision-making processes and promoting an impartial, transparent and independent judicial system, as well as programs supporting non-governmental organizations (NGOs), independent media, and improved local governance;
- Sustainable water-resource management programs; and
- The U.S. Department of Agriculture's Marketing Assistance Project (MAP), which in FY 2001 placed a particular emphasis on promoting private-sector growth in agriculture and agribusiness.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought nearly 3,000 Armenian citizens to the United States for short-term professional or long-term academic training, including some 635 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001 approximately 375 Armenians traveled to the United States under academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). These programs are designed to expose Armenia's next generation of leaders to Western concepts of democracy and market economics. In FY 2001 over 110 young Armenians traveled to the United States under the ECA Bureau's academic exchange programs. Of this total, 40 were enrolled in U.S. master's degree programs under the Edmund Muskie/FREEDOM Support Act Fellowship Program, 50 were secondary school students participating in the Future Leaders' Exchange (FLEX) Program, and 22 were participants in the Undergraduate Exchange Program. In addition, four Armenian scholars were awarded grants under the ECA Bureau's Regional Scholars' Exchange Program (RSEP), another eight participated in the Contemporary Issues Program, six received training under the Junior Faculty Development Program, five teachers received Teaching Excellence Awards, and three scholars received Fulbright scholarships. A total of 58 Armenians participated in professional exchanges under the International Visitor (IV) Program, receiving U.S.-based training in such areas

as the role of media in the economy, analytical reporting, entrepreneurship, museum management, crisis management, ecology and environment, tourism promotion, court administration, ethics in government and business, intellectual property rights protection, and electronic commerce. In addition, under the Community Connections Program, 60 Armenians traveled to the United States for community-based internships in the fields of business development, public administration and education administration. As part of the Secondary School Exchange Program, the Cambridge (Massachusetts)-Yerevan Sister City Association is in the process of setting up the first lending library in Armenia. U.S. students and teachers from the participating schools in Cambridge are collecting English language books, which will be shipped to Armenia and delivered to a facility that is providing space for a free lending library.

USAID Training Programs: In FY 2001, USAID provided training to over 3,000 Armenian participants. Approximately 2,500 participants participated in training programs under USAID's Global Training for Development (GTD) Project: 2,295 in in-country programs, 90 in U.S.-based programs and 108 in third-country programs. GTD in-country training programs focused on areas such as small-business development, energy-sector management, accounting standards, women's leadership, social policy and health reform. GTD U.S.-based programs focused on government accounting standards, wind energy, energy accounting, information technology, pension systems, and health care reform. GTD third-country training programs focused on capital market reform, sustainability of independent broadcast media, anti-corruption issues, NGO strengthening and development, social policy and health-care reform.

USDA Agricultural Marketing Assistance Project (MAP): Since September 2000, the Armenian Agricultural Academy (AAA) and MAP have jointly operated the Agribusiness Teaching Center (ATC), which trains third- and fourth-year university students to be mid-level managers in Armenia's agribusiness sector. The program currently has 58 students, two of whom are from neighboring Georgia. Students work in supervised nine-week internships each summer in Armenian agribusinesses, many of which are MAP clients. Graduation of the first class of students, some of whom have already received job offers, is expected in June 2002. (For additional details on MAP, please see Economic Development Programs section below.)

USDA Cochran Fellowship Program: In FY 2001, the Cochran Program provided training to 16 Armenians in the areas of youth development (4-H), agricultural finance and market research. These programs were aimed at strengthening the country's agricultural extension and agricultural business systems, and were closely linked to MAP activities.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, the SABIT Program provided training to 18 Armenian entrepreneurs in the areas of technology commercialization, computer software, lab accreditation and medical equipment, accounting, retail, tourism, hospital administration and small and medium-sized enterprise association development. One Armenian took part in the regular SABIT program and 17 took part in the following specialized programs: standards, business management for women, services and business association development. After returning from a SABIT medical equipment program in June 2001, one Armenian participant started importing U.S. medical equipment. The first shipment, consisting of artificial lung ventilators produced by California-based Newport Medical, has already been sold in Yerevan for \$29,000. The participant established contact with Newport Medical while on the SABIT Program, and also participated in the Commerce Department's BISNIS Trade and Tenders Program. Three Armenians participating in a program on business management for women purchased over \$8,000 worth of goods at an off-price specialists' apparel show.

Democracy Programs

U.S. Department of State – School Connectivity Program: The Armenia School Connectivity Program promotes civic education and free access to information by providing secondary schools with computer classrooms with access to the Internet, computer training, linkages with U.S. schools, and cooperative curriculum development through the Internet. The program is implemented by Project Harmony through a grant from the Bureau of Educational and Cultural Affairs (ECA). As of September 2001, the program had 51 operating sites, with plans to increase the network to 100 schools by summer 2002. This project provides Internet access in all of Armenia's *marzes* (provinces). Training, project work and exchanges with American colleagues will strengthen the capacity of Armenian educators to enhance civic education and to participate in online collaborative projects with international partner schools. Project Harmony, in partnership with the International Institute of the USDA Graduate School, will provide the educational leadership, technical

equipment, and support to ensure that use of the Internet is integrated into the academic program of participating schools in a way that strengthens democracy, civil society and cultural understanding throughout Armenia. Under the program, curriculum resources developed by the Soros-funded Open Society Institute will also be made available electronically. Armenian project coordinators and school directors participate in professional U.S.-based training in technology, community development, civic education, and educational reform. In July 2001, a group of five U.S. educators participated in a two-week exchange, during which they conducted training workshops on using the Internet for educational projects. The seminars were carried out throughout Armenia for teachers, parents and administrators at participating schools. The program will establish a minimum of 20 school partnerships during the 2001-02 academic year. Partnering schools will collaborate on online projects including an international import-export business simulation, an oral history project, judicial traditions, and the examination of superstitions in different cultures. This program will be significantly expanded in FY 2002.

U.S Department of State – Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 20 small grants totaling approximately \$180,000 to local NGOs working in such areas as human rights, women's rights, and business development.

USAID Democracy and Good-Governance Programs: Although the October 1999 assassinations and the subsequent instability within the Armenian Government slowed the country's democratic development throughout 2000, some progress was once again made in 2001, particularly in the development of NGOs and legal associations. Armenia became a member of the Council of Europe (COE) in January 2001, and as such, made a commitment to adhere to the rule of law and the other democratic constitutional principles mandated by COE membership. In comparison with last year, Armenia's NGO sector and independent media increased their involvement in decision-making processes and more effectively advocated for their interests. At the same time, the Armenian Government increased its efforts to engage NGOs and media in open dialogue as it developed key legislation. However, Armenia's overall political environment continued to be defined by public perceptions of corruption and citizens' disengagement from decision-making processes. USAID's democracy and good-governance programs achieved the following results in FY 2001:

- **Baku-Yerevan Weekly "Spacebridge" Television Program:** In FY 2001, USAID grantee Internews continued this activity, which is aimed at developing mutual understanding and tolerance between the citizens of Armenia and Azerbaijan. A total of 24 interactive video conferences between influential individuals in Azerbaijan and Armenia have been aired. Program topics included refugee issues, the peace process, children and war, environment, transportation, trade and conflict, COE membership, and others. The potential television audience was over five million viewers in the two countries combined. This "Spacebridge" program, entitled *Front Line*, enjoyed broad success in both countries and was consistently the top-rated information program. In addition, an independent poll commissioned by Internews halfway through production showed that 49 percent of residents in Baku watched the program on a regular basis. While no further official polling was conducted, anecdotal evidence strongly suggests that three-quarters or more of the population living inside the coverage area watched the program. In Armenia, a poll conducted immediately following the end of production and airing of the final program showed that nearly 90 percent of people in the coverage area were regular viewers of the program. More than 50 percent of respondents said they watched to learn about the various alternatives to ending the conflict, while 33 percent watched to learn the views of Azeri politicians. USAID will seek to continue this successful effort in FY 2002.
- **Conflict Resolution Training:** USAID provided conflict resolution training to 50 Armenian mid-career professionals from central and local governments and NGOs. Out of these 50 participants, 14 were selected for additional conflict management, communication and leadership training in Cambridge, Massachusetts.
- **NGO Development Programs:** In FY 2001, Armenia's NGOs continued to improve their ability to engage citizens and work with the government, but the NGO sector's financial viability remained weak. USAID's NGO strengthening program, which focuses on supporting the advocacy efforts of well-developed NGOs throughout Armenia and on developing the capacities of nascent NGOs in regions outside of Yerevan, has had positive results. Many advocacy projects were launched in areas ranging from domestic violence to patients' rights. Meanwhile, nascent NGOs outside of Yerevan benefited from seed grants that enabled them to carry out a wide variety of programs.

- **Civic Education in Secondary Schools:** In FY 2001, civic education was introduced into the curriculum in secondary schools throughout Armenia for the first time. Under a USAID-financed program carried out in collaboration with Armenia's Ministry of Education, a total of 1,730 secondary school teachers were trained in the areas of civic education, human rights, and the state and the law.
- **Support for Independent Media:** As in previous years, independent television stations receiving USAID-funded technical assistance continued to improve the quality of their news programming, but continued to face problems related to financial viability. USAID provided technical assistance to both print and broadcast media to strengthen the quality of their news coverage and their investigative journalism skills, and provided training on financial management to media outlets to strengthen their long-term viability. USAID also provided equipment to independent media to increase their access to information and to improve the quality of their news production.
- **Local Government Programs:** Since January 2000, USAID has worked on the development of several draft laws, including the Law on Local Self-Government, revisions to the Law on Equalization, and a model for restructuring Yerevan's city administration. In FY 2001, USAID worked with stake-holders to improve this legislation to comply with international standards on decentralization and increased citizen participation in community development. Most of the proposed revisions to the Law on Local Self-Government were incorporated into the amended law, which passed the first reading in November 2001. The second reading is expected in February 2002. Once passed, the new law will provide greater autonomy to local governments to form and administer local budgets and will also differentiate roles between regions, cities and rural villages. USAID has also helped strengthen the institutional capacity of local governments by installing software for local tax management in nine pilot cities, increasing local tax collections by an average of 32 percent during 2001. USAID is also working with these cities to increase their capacity to allocate resources and target citizens' needs more effectively, and will help them hold regular budget hearings with the participation of community groups, so as to improve the transparency of local government.
- **Rule-of-Law Programs:** In FY 2001, USAID continued to support a range of activities to improve Armenia's legal system. USAID provided support for developing legislation, including amendments to the current Constitution that will be put to a public referendum in 2002. In addition, USAID has been instrumental in promoting transparency of the courts by helping the Court of Cassation to publish its decisions, thus making them available to the legal community and the general public. The USAID-funded efforts of the American Bar Association's Central and East European Law Initiative (ABA/CEELI) to increase the ethical and professional standards of the legal professions have also shown results: both the Association of Judges of the Republic of Armenia (AJRA) and the Bar Association of the Republic of Armenia (BARA) have adopted voluntary ethics codes for their members. USAID has been working closely with the Council of Court Chairs, which has to pass these codes to make them enforceable. With USAID assistance, four public-use legal resource centers and six free legal aid centers began operations and started to serve the needs of vulnerable groups. ABA/CEELI is also working with the Union of Advocates and other lawyers' associations to develop a common code of ethical standards, promote continuing education, provide services to members, and develop legal aid services for vulnerable segments of the society. To complement this structural and institutional work, USAID continues to fund training for judges designed to raise their professional confidence and competence.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Please see Security, Regional Stability and Law Enforcement Programs section below.

U.S. Department of Justice (DOJ) – Rule-of-Law and Criminal Justice Programs: Please see Security, Regional Stability and Law Enforcement Programs section below.

Economic Development Programs

U.S. Department of the Treasury – Technical Advisors

- **Budget Policy and Management:** The Treasury Department's resident budget advisor developed a budget preparation database to promote analysis and presentation during budget formulation and to highlight problems, policies, activities and cost structures. He assisted the Ministry of Finance in revising the FY 2002 budget instructions. He also worked to simplify the current system of budget implementation, and to establish an effective recording and reporting system. A new advisor arrived in Yerevan in October

and will help organize and shape a process that will build a relationship between the Ministry of Finance and the spending organizations, and educate them on the budget concepts that have already been accepted at the Ministry of Finance. He plans to establish a Training Center in the Ministry of Finance and Economy to sustain and strengthen ongoing reforms in financial management.

- **Government Debt Issuance and Management:** The Treasury Department's Debt Team had resident advisors at the Ministry of Finance for two separate periods between 1995 and 2001. Those advisors supported the development of primary and secondary government securities markets that are fulfilling Armenia's basic fiscal and monetary policy needs. Accordingly, the Treasury Department "graduated" Armenia from this level of intense technical assistance. It is noteworthy that Armenia is the first Eurasian country to achieve this level of development in its government securities markets. The Treasury Department ended its highly successful resident engagement in this particular area in May 2001.
- **Enforcement:** From 1997 through 2001, the Treasury Department's Enforcement Team has provided technical assistance in the areas of financial crimes, organized crime, gaming enforcement, insurance fraud, criminal tax case investigations and prosecutions. Liaison relationships were established between the Organized Crime Department of the Ministry of Internal Affairs and the international law enforcement community, especially U.S. federal and state entities. The Enforcement Team hosted a visit of the Prosecutor General and the Chief of the Organized Crime Unit, along with members of their staffs, to Washington, D.C. and Los Angeles to further enhance that cooperation. In addition, the team established a Financial Crimes Working Group.
- **Tax Policy and Administration:** Following the departure of the tax administration resident advisor in July 2000, the Treasury Department provided intermittent advisors through October 2000. However, the General Director of State Revenues has declined assistance and closed the Treasury office in the State Revenue Ministry building. Given these actions, the Treasury Department sees no value in offering technical assistance in this area as long as the current General Director remains in office.

USAID Economic Restructuring and Private-Sector Development Programs: In FY 2001, USAID continued to implement a broad program of support for economic restructuring in Armenia. For the past several years, USAID has collaborated with the U.S. Treasury Department on providing technical assistance in the areas of budget policy and tax administration. In recognition of the need to balance its macro-level interventions with direct assistance to the private sector, USAID continued to emphasize support for micro-, small, and medium-sized enterprises in an effort to ensure more immediate and tangible benefits to the Armenian population. Key accomplishments of USAID's private-sector programs in FY 2001 are described below:

- **Tax/Fiscal and Customs Reform Programs:** In order to help the Government of Armenia increase its revenues, rationalize its resource allocations, and reduce corruption, USAID has been providing assistance to improve Armenia's tax and customs laws and administration, as well as to enhance the government's fiscal management (including budgeting) practices, since 1998. A new structure has been established at all of Armenia's Regional Tax Inspectorate (RTI) offices that incorporates the functions of taxpayer services, data processing, audits and collections; the number of those offices has been reduced from 45 to 18, plus a small number of satellite offices. USAID helped the Ministry of State Revenues (MSR) to improve the educational program at its taxpayer education center. USAID also helped develop a medium-term expenditure framework (MTEF), which the Government of Armenia began using to outline its key economic and social priorities and to plan its expenditure programs that match these priorities. In addition, USAID and the Customs Administration—at the time under the MSR and now an independent state committee—completed a comprehensive diagnostic exercise on the functioning of that organization. A new three-year tax, fiscal, and customs activity involving nine sub-activities began in September 2001. Under the new activity, USAID is working with a number of government counterparts, including the MSR (on tax administration), the Ministry of Finance and Economy (on tax policy, revenue analysis, macroeconomic modeling and forecasting, and budget policy), the State Customs Committee (on a program of modernization, reorganization, automation, and establishment of a code of ethics), plus multi-counterpart sub-activities involving local land and property taxation and intergovernmental finance.
- **Privatization Programs:** Since August 1998, USAID has provided privatization support to the former Ministry of Privatization, which has been renamed the Ministry of State Property Management, as the Ministry has sought to shift from certificate- to cash-based privatization. USAID-funded activities focused on the privatization of "strategic enterprises" and on developing a strategy for the privatization of Armenian Airlines and the simultaneous reform of relevant aspects of Armenian civil aviation. Another objective has been to assist the government in developing a means of using bankruptcy as an expedited method of

privatizing heavily indebted state enterprises. USAID-funded assistance played a key role in realizing the sale by competitive tender in mid-July 2001 of a 65-percent share in the state-owned artificial sapphire producer Sapfir to Hicrystech, Incorporated, a U.S.-Swiss-Armenian technology venture (a deal bringing in \$1 million in the sale itself and over \$10 million in investment guarantees over five years). USAID's implementing partner also completed and submitted to the Ministry of Justice in October 2001 a report outlining a strategy for the privatization of Armenian Airlines and for related changes in Armenia's civil aviation sector.

- **Land Titling and Registration Programs:** From June 1998 through June 2001, as part of its effort to promote the development of an active real-estate industry in Armenia, USAID worked to streamline and implement a nationwide land titling and registration system, promote legislation affecting the real-estate sector, and assist new and existing private sector real-estate entities. This activity resulted in the passage in July 2001 of a land code that is among the most progressive in Eurasia in its treatment of foreign access to land and the alienation of land under state enterprises; and the implementation and eventual nationwide rollout of a simplified, automated land titling and registration system, the first such system in Eurasia. With USAID support, RONCO has conducted over 100,000 land surveys, and with the support of USAID and other donors, the Armenian State Cadastre Committee has distributed over 300,000 free title certificates to date. In November 2001, USAID began a new major activity in this area—a partnership between a U.S. professional real estate federation and the Armenia's private real estate sector—with a view to enhancing the latter's institutional capacity.
- **Capital Market Development Programs:** From June 1998 through August 2001, USAID helped the Government of Armenia to develop a legal and regulatory infrastructure that supports and promotes a fair, orderly, efficient and transparent securities market, including an independent regulatory entity; a mechanism for securities trading; a centralized clearance, settlement and depository system; an independent, centralized share registry system; and trade associations and self-regulatory organizations of professional securities market participants, including brokers and dealers. In 2000, USAID assistance facilitated the passage of the landmark Law on Securities Market Regulation and the creation of the independent Securities Commission of Armenia (SCA), which regulates the securities sector in a manner consistent with international standards. Under the law, all stock exchanges must be not-for-profit self-regulating organizations (SROs). In February 2001, the existing broker/dealers' association was registered, and it opened for trading in July as the new Armenian Stock Exchange (Armex). In June 2001, the Central Depository of Armenia (CDA) was privatized, also as an SRO. Future USAID technical assistance in support of Armenian capital markets, which will resume in early 2002, will include continued support for capacity-building at the traditional capital markets institutions (the SCA, Armex, and CDA), and USAID will explore the possibility of providing assistance to capital-markets activities outside those institutions (e.g., for brokers carrying out private placements).
- **Commercial Law Programs:** In FY 2001, USAID continued to provide technical assistance aimed at improving the legal and regulatory environment for private-sector activity in Armenia. Assistance in reforming laws on state registration of legal entities, bankruptcy, and state procurement, and the subsequent implementation of these laws have helped improve the country's commercial law environment and promoted the growth of private-sector activity. Implementing the Law on Procurement will have a similarly beneficial impact on the public sector: the public procurement process will be streamlined and transparent, and will provide equal opportunities to interested private-sector entities to participate in government procurement activities.
- **Technical Assistance to the Central Bank of Armenia:** Over the past two years, USAID has provided technical assistance to the Central Bank of Armenia (CBA) in the area of bank supervision. The objective of this program is to help the CBA's Bank Supervision Department to build the primary components of prudential regulation. These include on-site inspection methodology, off-site analytic tools, problem-bank resolution, and an underlying strategy that outlines policies and procedures. In FY 2001, substantial progress was made in the following areas: revising the existing on-site examination manual to conform to conditions specific to Armenia; refining the credit procedures of banks; and incorporating a strategy manual into the operating procedures for bank supervision. In addition, USAID-funded lawyers and accountants helped the CBA's Legal and Accounting Department to develop regulations, amend banking laws, and develop accounting policies in accordance with international standards.

- **Tourism Industry Support Programs:** USAID is providing assistance to Armenia's tourism industry by supporting those areas that the Armenian Tourism Development Agency has identified as priorities for developing the industry. USAID assistance is targeted at marketing Armenia as a tourist destination, creating and supporting visitor services, and providing technical assistance to various tour/travel agencies and associations, facilitating participation in trade shows, conducting familiarization trips for foreign tour operators and members of the press, establishing a visitor information center in Yerevan, and improving signage at important historical sites. USAID is also working with local tourism associations and travel agencies to strengthen their capacity to serve clients.
- **Credit Programs:** In FY 2001, USAID funded several credit programs that provided loans ranging from several hundred dollars to \$75,000. Some 7,700 micro-entrepreneurs received loans totaling over \$1.8 million, and 27 small and medium-sized enterprises (SMEs) received loans totaling approximately \$1.2 million. The banks and local non-bank financial institutions responsible for making and monitoring the loans received extensive training. As a result of this training, two Armenian NGOs that make loans are now operationally sustainable and have developed business plans that will make them financially sustainable within several years.
- **Information and Communications Technology (ICT) Development Programs:** In FY 2001, USAID increased its support for ICT development in Armenia. In cooperation with the World Bank, USAID worked with the Government of Armenia on an ICT master strategy to support an industry that promotes the wide use and application of information technology by Armenian citizens, businesses, and government. USAID provided support to the executive secretariat of the council responsible for implementing the master strategy. Additional USAID activities included supporting computer learning centers at three major local universities, strengthening the Armenia Card (ArCa) debit card to provide better services for banks, merchants, and individual users, national ICT branding, and providing support to the Ministry of Justice for reform in telecommunications.
- **Accounting Reform Programs:** With USAID support, 33 international accounting standards (IAS) were translated, adapted and accepted in Armenia over the last 12 months. USAID helped the Association of Accountants and Auditors of Armenia (AAAA) establish an international and national training and certification program, which has already trained over 600 accountants. Additional training topics included auditing (80 participants), book-to-tax reconciliation (100 participants), and financial statements for employees of the Securities Commission (25 participants). With USAID assistance, over 100 enterprise accountants were trained in cost accounting, five accounting firms were trained in cost conversions, and 27 enterprises underwent full cost conversions. Through the end of FY 2001, USAID had helped train accounting firms and perform cost conversions for a total of 1,046 enterprises. All of Armenia's enterprises were scheduled to convert to IAS by the end of 2001. As part of its efforts to develop Armenia's market economy, USAID plans to fund the Partnership for Accounting Reform and Development (PARD), a new activity that will continue to reform and develop Armenia's accounting and auditing infrastructure. PARD will be initiated in early 2002 and will build on USAID's successful efforts to date.
- **Agricultural Small and Medium-Sized Enterprise (SME) Development Programs:** In recognition of the important role that agriculture plays in Armenia's economy and the growing needs of populations in the country's rural areas and secondary cities, USAID initiated a new agribusiness SME market development program in September 2000. In its initial phase, this program laid the groundwork for sustainable growth of targeted agribusiness SMEs, including marketing opportunity studies and sector-specific analyses, monitoring and evaluation systems, and regional policy workshops and seminars. A number of agribusiness SMEs were identified for and received direct assistance, as a result of which they increased their export sales by \$3.4 million and domestic sales by \$1.3 million and created 98 new jobs.
- **Farmer-to-Farmer (FTF) Program:** FTF volunteers continued to provide technical assistance to small agro-processing and farm entities in developing local markets and expanding export capacities. In FY 2001, 24 FTF volunteer assignments with over 20 agricultural farms, enterprises, and communities helped increase sales by over \$800,000. USAID complemented its technical assistance with projects used to test technologies in Armenia, to demonstrate the impact of tested technologies, and to encourage farmers and agribusiness owners to adopt new technologies. In collaboration with the USDA and the Armenian Goat Research Center, FTF succeeded in providing improved goat breeds and improved herd management techniques to farmers served by the Center in FY 2001. This has led to the production and export of goat

cheese to Russia. Work with local vineyards has led to the development of improved production, handling, and marketing of grapes and has also resulted in increased exports to Russia.

U.S. Department of Agriculture (USDA) – Agricultural Marketing Assistance Project (MAP): Despite difficult operating conditions, drought in Armenia's southern *marzes* (provinces), and continuing problems in the country's banking sector, MAP achieved significant results in FY 2001. MAP's targeted assistance to agribusinesses produced tangible results, including higher-quality products, expanded exports, and more viable agribusinesses. Armenian businesses now have enough high-quality products for MAP to produce a catalog of 65 products from 31 clients for use at international trade shows and in export market development efforts. After MAP staff participated in the Glendale (California) Trade Show in June 2001 and followed up with market development work, U.S. buyers came to Armenia in August to visit agribusinesses and inspect products. One buyer contracted for 1,000 tons of bulk-packed tomato paste (the largest single export contract of any MAP client to date), purchased a container-load of pen-raised canned fish and the entire output of two small firms producing dried tomatoes packed in oil. Another U.S. buyer bought container-loads of juices in one-liter cartons and pickles in jars while offering to purchase up to 10 tons of cheese, if export licenses can be arranged. One MAP-supported food processor pre-sold 96 percent of its seasonal output to buyers in St. Petersburg and Moscow. In addition, with MAP assistance, traditional Russian markets are being re-opened to Armenian wine and cheeses. During FY 2001, over 65,000 bottles of wine and 20 tons of cheese were shipped to Moscow, and MAP staff conducted a coordinated market promotion effort for both wine and cheese.

- **MAP Financial Assistance:** In FY 2001, Armenia's banking sector experienced the predicted consolidation of private banks. Lend Bank failed in the spring, and at least three other banks were in serious trouble and were not undertaking normal banking transactions. MAP implemented defensive measures to minimize exposure to these failing banks, but continued to provide targeted credit to agribusinesses, direct credit to farmer groups, and leasing of equipment and vehicles. In FY 2001, MAP extended a total of \$2.52 million in financial assistance (strategic, in-kind, and micro-loans plus leasing) to Armenian agribusinesses and agriculture. The average loan value was \$34,000, and the average strategic loan was \$54,000. MAP expanded its system of production credit clubs, which supply direct credit to farmers under a group guarantee (no collateral), from 23 to 29 clubs in eight of the ten *marzes*. These clubs have nearly 500 members and an average member loan portfolio of \$15,000. Legislation to clarify the legal standing of these credit clubs has passed the first reading in parliament with no dissenting votes. MAP also created a leasing company to help circumvent some of the risk issues and collateral requirements of Armenian banks, especially for smaller agribusinesses located outside Yerevan. This company now has \$874,779 in current and pending leases for equipment and vehicles, and a repayment rate of about 90 percent—much higher than for strategic loans.
- **MAP Research Assistance:** In order to improve farmer incomes and the quality of raw products going to food processors, MAP places a priority on applied agricultural research. MAP and the World Bank co-funded a Technology Assessment Program, which implemented on-farm trials in every *marz*. A total of 330 projects were implemented during this past growing season, with an average funding level of \$660 and a total program cost of \$238,000. MAP provided 40 percent of the funding and most of the resident technical assistance for this effort. MAP also sponsored four applied research trials in cooperation with the Armenian Agricultural Academy this past season. The average value was \$12,000 and all were contracted through the Foundation for Applied Research and Agribusiness. The results of this field research were very promising: the trials for U.S. varieties of processing tomatoes—especially Shasta, CDX152, and Heinz8892—have been so successful over the past three years that Armenian processors now demand these tomatoes. In the economically depressed Vayots Dzor region, MAP has implemented a Goat Industry Development Project with the following objectives: (1) genetic improvements and improved herd management to double milk production; (2) improved goat cheese production that meets international standards; and (3) marketing assistance to promote exports of goat cheese products. A goat center has been established in Yeghegnadzor and has completed a third year of genetic improvement through artificial insemination of 1,040 goats. MAP technical assistance provided to goat cheese producers has resulted in higher quality, better sanitation, and products which retail in Moscow for over 25 dollars per kilogram, thus providing livestock farmers with a substantial opportunity for improving their incomes. Goat cheeses are in high demand worldwide, including the traditional Russian market; however, Armenia's total goat cheese production this year was less than six tons of marketable cheese, due to the country's limited milk supply.

Trade and Investment Programs

Overseas Private Investment Corporation (OPIC): OPIC has been active in Armenia, particularly in the financing of the Marriott International/Hotel Armenia project, to which it committed to provide \$15.3 million in insurance. OPIC has also provided political risk insurance to a U.S. travel agency, and is currently exploring the possibility of providing financing to an integrated circuit design company. Other proposed projects that could benefit from OPIC political risk insurance or financing include the development of a tourist hotel chain, a retail shopping center, a sugar refinery, and the expansion of a local Internet service provider, among others.

U.S. Trade and Development Agency (TDA): TDA has devoted considerable energy to the exploration of potential projects in Armenia and to the promotion of Armenia's overall development. In May 2001, TDA and the International Finance Corporation (IFC) co-sponsored a major trade and investment conference for Armenia in New York City, the first such conference to focus on a single country. TDA provided almost \$600,000 in conference-related assistance, including investment opportunity identification, conference logistics, and covering the travel costs of many representatives from Armenia. In addition to highlighting individual projects, the conference helped focus international attention on Armenia as a viable investment option. Individual projects that gained momentum at the conference include a small and medium-sized enterprise investment fund for Armenia, a number of tourist-related enterprises, and real estate development projects. TDA also financed a feasibility study on the reestablishment of the sugar refining industry in Armenia's earthquake zone; the study is currently in its final stages, and various investors are beginning to consider the possibility of undertaking this ambitious project.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): As a result of BISNIS outreach and other support, more than 75 Armenian companies participated in SABIT internship programs and BISNIS briefings in FY 2001, gaining exposure to U.S. and other business development ideas and resources, including international financial institutions. Through BISNIS briefings, the Chief Economic Advisor to the President of Armenia met with more than 30 U.S. private executives and government officials, gaining exposure to U.S. interests and exchanging views on market development.

Energy and Environmental Programs

U.S. Department of Energy – International Nuclear Safety Program: A series of projects have been completed or are in progress to improve safety of Armenia's Metsamor nuclear power plant. Projects completed in FY 2001 include a seismic-resistant cooling system, installation of reliable steam isolation valves, refurbishment of emergency cooling condensers, and installation of a new auxiliary feedwater system. Work continued on implementing additional training courses for plant operators, completing a safety analysis, upgrading operating procedures, upgrading the plant computer, and making physical security upgrades.

USAID Energy-Sector Reform Programs: In FY 2001, USAID continued to help Armenia develop the framework for a restructured, reformed, market-driven energy sector. USAID provided technical assistance and equipment to support the ongoing process of privatizing electricity distribution companies (EDCs), facilitate the development of a strategy for generation companies to be privatized, strengthen the independent Energy Regulatory Commission, and initiate a two-year activity to improve energy efficiency and to analyze alternate sources of energy. Unfortunately, EDC privatization continued to be fraught with delays and political controversy, with the April 2001 initial tender failing to attract any bidders. Despite strong efforts by the Armenian Government to learn from the mistakes of the first attempt and to proceed with an expedited second tender with a target completion date of December 2001, the impact of the September 11 events and generally declining global market conditions resulted in no serious bidding interest. Future success in Armenia's energy-sector reform, market development, and generation privatization now hinges on the Armenian Government's ability to complete the restructuring needed to ensure an effective private management contract for the EDCs by spring 2002. In FY 2001, USAID, in collaboration with other donors—most notably the World Bank and the EBRD—continued to provide key support to privatization efforts and to a variety of related energy-sector initiatives:

- Supporting Armenia in the drafting of a new energy law, which was enacted in April 2001 and strengthens the legal basis for a regulated energy market;
- Helping the Armenian Energy Regulatory Commission (AERC) and energy-sector entities design an appropriate electricity market structure and prepare draft licenses for functions to be created under the proposed energy market structure;
- Providing advisory support to the Armenian Government Tender Committee in the preparation of tender documents for bidders in the EDC privatization process, including moving to management contracts, and technical support in restructuring energy-sector entities for privatization;
- Collaborating with the Ministry of Energy and AERC to complete and update a least-cost generation plan to guide investment and regulatory decision-making;
- Facilitating the installation and operation of over 95 percent of the distribution and transmission meters under a \$15 million Power Sector Metering Project (an improved data acquisition system for the sector-managing organization has been designed and is being installed to collect meter information for use in dispatch and financial settlements);
- Completing the implementation of Armenian Accounting Standards (fully compatible with International Accounting Standards) in all energy-sector companies and providing comprehensive training provided to the staff of energy companies;
- Initiating a two-year energy-efficiency, demand-side management, renewable-energy development project focused on building the capacity of local energy-sector service companies (ESCOs) to develop the private-sector market for energy efficiency; and
- Conducting numerous training events, exchange visits, internships, study tours and seminars for Armenian energy-sector enterprise staff, designed to strengthen the capacity for private participation in the sector by conveying the U.S. experience of private ownership and management/operation of energy-sector assets.

USAID Water-Sector Programs: In FY 2001, USAID began to implement two water-sector projects. The first is a three-year activity focusing on sustainable water resources management for enhanced environmental quality, which focuses on strengthening the national policy and institutional framework for integrated water resources management, increasing institutional capacity for water quality and quantity monitoring, and supporting local participation in water management through public awareness and grant-supported pilot projects. Key accomplishments include the following:

- The completion of a broad-based, participatory stakeholder needs assessment, which produced consensus on 19 priority action areas to build on the recently completed World Bank-financed Integrated Water Resources Management (IWRM) Project;
- The initial implementation of activities in three areas developed from the stakeholder consensus: (1) improving the institutional framework for IWRM, including policy and legal reform; (2) increasing the institutional capacity for water monitoring to support IWRM, including upgrades to the system for water quality and quantity monitoring and technical support for resource planning; and (3) increasing local participation in IWRM through public outreach and small grants for sub-basin pilot projects; and
- The development and initial implementation of specific activities in task areas based on a basin stakeholder design process, following the identification of Sevan-Hrazdan Basin as a key national priority.

The second project is the South Caucasus Water Management Initiative, a two-year activity to strengthen regional sustainable water management. (Please see USAID Regional Programs in Part III of this report.)

U.S. Nuclear Regulatory Commission (NRC): The NRC has been conducting regulatory assistance activities with the Armenian Nuclear Regulatory Authority (ANRA) since 1994. In FY 2001, the NRC provided training to ANRA personnel in such areas as fire protection, radiation embrittlement of metals, radioactive waste and spent-fuel management, seismic issues and decommissioning of nuclear power plants. NRC also helped ANRA develop a safety analysis review capability.

Social-Sector Programs

USAID Census Support: USAID-funded technical assistance provided through the U.S. Bureau of the Census in early FY 2002 helped ensure that the population census conducted by the Government of Armenia in October 2001 (with the support of USAID and other international donors) was effectively concluded and will provide meaningful data and census derivative products critical to effective planning, resource management, and implementation of reforms. The 2001 census was the first Armenian census since the country's independence and is the first modern census to be conducted by any country in the South Caucasus region since the collapse of the Soviet Union.

USAID/Ani and Narad Memorial Fund Child Immunization Endowment: In FY 2001, USAID entered into a cooperative agreement with the Ani and Narad Memorial Fund to establish Armenian Immunization 2000 (A/2K), Program, the goal of which is to develop an endowment that would ensure a constant source of financing for the provision of vaccines for children immunized through Armenia's National Immunization Program. USAID's challenge grant of \$400,000 is expected to result in extensive leveraging of private funds to meet the \$1.6 million level necessary to sustain the program.

USAID Social-Sector Reform Programs: USAID's Social-Sector Transition Program was initiated in fall 2000 to help Armenia establish a framework for sustainable social insurance systems (e.g., health, pension, disability and unemployment), support improvements in the effectiveness and efficiency in the delivery of social assistance and primary health care, and provide urgent social and health care services and information to the most vulnerable. The program integrates the existing USAID-sponsored health partnership program, reproductive health activities, and strategies for addressing infectious diseases, including sexually transmitted infections such as HIV/AIDS. To complement this effort to improve the social welfare of local communities, USAID is helping to finance and implement small-scale public works projects in targeted regions that provide income to the vulnerable while improving community infrastructure. The Social-Sector Transition Program achieved the following results in FY 2001:

- **Social Assistance:** USAID supported the creation of the Nemrout Center, a centralized data processing and information center operated by the Ministry of Social Security that is necessary to implement the poverty family benefit (PFB) system, which provides cash payments to nearly 200,000 families in Armenia that are otherwise unable to meet their basic subsistence needs. After the Center was opened, USAID assisted in the transfer of the USAID-funded PAROS database to the Nemrout Center and is working to improve the system to ensure better targeting to the most vulnerable populations and more efficient, fair and professional administration of the program within the network of Regional Social Security Centers operating throughout the country.
- **Social Insurance:** Following the approval of the Armenian Government's concept for pension reform, USAID assisted in the drafting and implementation of legal reforms to reduce the economic burden and inequities of the current privileged-pension system, allowing for personified reporting of future pension contributions, and protection of privacy in the government's management of personal information. As of the end of FY 2001, three landmark pieces of legislation had been referred to the National Assembly for adoption. USAID also provided technical support to establish a capacity to conduct actuarial analyses critical to sustainable pension program administration. Additional assistance was given in establishing the foundation for future private pension programs and to avoid the kinds of potentially corrupt schemes that have plagued other transitional economies.
- **Health-Care Reform:** Working closely with the World Bank, USAID launched a comprehensive effort to establish a health information system (HIS) in Armenia that will serve as the backbone of health finance reform and health policy formation and implementation. Building on technical assistance provided by USAID to the Ministry of Health in the area of project packaging, the World Bank recently implemented a \$500,000 tender process for the computerization of the HIS. Ongoing USAID technical assistance will help ensure that the HIS is used effectively. USAID also coordinated its program with an ongoing project to promote the training and deployment of family medicine physicians to apply the Ministry of Health's primary care strategy. USAID provided the design expertise for a new National Family Medicine Clinical Training Center located at Yerevan Polyclinic No. 17, which is currently being remodeled with World Bank credits. In addition, USAID began designing a training curriculum to be used at the site and will mobilize trainers and technical experts to assure its successful and sustainable operation. USAID has also taken the preliminary steps to launch a program to implement primary care and family medicine in Lori Marz (Province). The lessons learned through this pilot effort will be applied in replication projects throughout Armenia.
- **Health and Social Information:** In FY 2001, USAID initiated several activities to ensure the gathering and analysis of essential social data, so that it can be used to assess the social needs of vulnerable populations and to monitor the effectiveness of assistance programs. USAID supported a demographic and health survey whose preliminary data have already been made available. USAID is also helping the National Statistical Service institutionalize its annual household income and expenditure survey, which had

previously been undertaken only sporadically with international financing. This effort included a wide variety of technical assistance and training in data management and statistical analysis.

- **Other Social-Sector Activities:** Through a series of agreements with international and U.S.-based NGOs, USAID implemented a number of assistance programs to provide medical and nutritional support directly to vulnerable populations in Armenia. Each of these programs emphasized the need to establish sustainable approaches toward service delivery. Activities included visits by mobile medical teams and outreach to rural populations, school feeding programs relying on parent councils to assume a leadership role in program management, feeding programs for the elderly, and targeted food distribution. USAID also implemented a public works program to provide short-term income opportunities for long-term unemployed through projects to improve the community in which they live. In addition, NGO training and grant programs were implemented to engage civil society more effectively in the reform process and in the delivery of needed services.

Earthquake-Zone Housing Programs: The USAID-funded Housing Certificate Pilot Program in the city of Gyumri has enabled over 300 families that had lost their homes in the 1988 earthquake to purchase decent, permanent apartments, while their temporary shelters were removed and a playground and park was established on the site of their temporary shelters. This successful pilot program is the basis of the two-year, \$20 million USAID Earthquake Zone Recovery Program, under which 4,000 such families in the Lori and Shirak regions will be re-housed through the issuance of housing certificates and housing improvement grants. An optional third year would provide \$10 million to house an additional 3,000 households. This program is a key element in the Armenian Government's initiative to coordinate the projects of international donors and its own resources in order to house some 12,000 families and accelerate the reconstruction and economic redevelopment of this hard-hit region of the country.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The Government of Armenia has demonstrated its commitment to cooperate with the United States in preventing the proliferation of weapons of mass destruction and other types of weapons and related technology. The EXBS Program for Armenia, which was funded at a level of \$2 million in FY 2000 and \$1.5 million in FY 2001 in both FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds, has provided equipment and training to Armenia to enhance its capabilities and infrastructure to deter, detect and interdict weapons proliferation. EXBS assistance has helped Armenia establish a high-level interagency export-control coordinating commission, reflecting Armenia's increased commitment to export controls. The Armenian Border Guards have led this effort, with assistance from the Department of Civil Aviation and the Armenian Nuclear Regulatory Authority. An EXBS Program Advisor was assigned to Yerevan in September 2001 to oversee the bilateral cooperative program. In addition to delivering over \$1 million in detection, interdiction and enforcement support equipment, the EXBS Program also provided training through an executive exchange program and organized a parliamentary forum. The U.S. Government also provided four X-ray units for detection of illicit trafficking, and the U.S. Department of Energy provided special U.S.-based training for Armenian personnel in the detection of nuclear, chemical and biological weapons delivery systems.

U.S. Department of State – Science Centers / Nonproliferation Programs: Armenia is an active member of the State Department-supported International Science and Technology Center (ISTC) in Moscow, which provides former Soviet weapons scientists with opportunities to work on peaceful civilian research projects, reducing the temptation for them to sell their expertise to countries of proliferation concern. The U.S. Government supported an estimated \$1 million in Science Center activities in Armenia in FY 2001. In addition, in 2001, the staff of the Biotechnology Engagement Program (BTEP) of the U.S. Department of Health and Human Services (HHS) conducted an exploratory visit to Armenia to identify and assess institutes for potential BTEP involvement.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, the U.S. Government provided an estimated \$2.5 million in assistance through CRDF to promote participation of Armenian former weapons scientists in peaceful research projects supported by CRDF. In FY 2001, CRDF made seven research grant awards to Armenia, including five involving former defense scientists. CRDF received 96 proposals, a 60-percent increase over the previous year. CRDF awarded five travel grants to Armenian scientists and continued to provide assistance to help the Armenian National Foundation of

Science and Advanced Technologies (NFSAT) develop its institutional capacity. NFSAT is conducting its own peer review and administering most of its programs under a \$1.2 million CRDF award, including a project to improve Internet access for scientists in Armenia, grants for short-term research in the United States, and specialized training for NFSAT staff to facilitate the organization's self-sustainability. The Molecular Structure Research Center—a Regional Experimental Support Center (RESC) project—continues to use a mass spectrometer provided by the CRDF in 1997 and is virtually self-financing. A second Armenian RESC site is at the Gulbenkian Research and Drug-Quality Control Laboratories of the Drug and Medical Technology Agency.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction/Defense and Military Contacts:

U.S. Defense and Military Contacts with the Armenian Ministry of Defense were increased in FY 2001. U.S. European Command (EUCOM) contact teams visited Yerevan to provide instruction on a variety of topics, including civilian control of the military, and Armenian defense officials participated in training courses at DoD's Marshall Center in Germany.

DoD/U.S. Customs Service (USCS) Counter-Proliferation Program: In April 2001, Armenia's National Assembly ratified a U.S.-Armenian agreement on cooperation in counter-proliferation, providing a framework for the provision of equipment and training under the DoD/USCS Counter-Proliferation Program. In FY 2001, an estimated \$540,000 in assistance was initiated with the Armenian Customs Commission and the Armenian Border Guards. While the Border Guards have been very receptive to this assistance, Armenia's customs authorities have been relatively unresponsive.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) signed a Letter of Agreement (LOA) on Narcotics Control and Law Enforcement Assistance with the Government of Armenia. The LOA was the first step to full implementation of the INL program, making it possible to offer training and equipment to Armenian law enforcement agencies, including the Ministry of Internal Affairs and the Office of the Prosecutor General. These activities have been "in the pipeline" for the past three years, but could not be implemented in the absence of an LOA. In close coordination with the various U.S. law enforcement agencies that carry out INL-funded programs, Armenian law enforcement agencies and the U.S. Embassy in Yerevan, the INL Bureau developed a training program comprised of four projects: (1) a law enforcement agency development program aimed at enhancing and modernizing Armenia's Police Academy and Ministry of Internal Affairs In-Service Training Center; (2) a judicial transparency program, which will further develop the abilities of the instructor cadre and training materials of the new Prosecutorial Research and Training Center (under the Soviet system, all prosecutorial training for Armenia was conducted in Russia or Ukraine); (3) a forensic institute development program aimed at creating transparency and quality assurance in the area of forensics and providing modern methods and equipment, as well as a broad training program that includes instruction in human resources, laboratory management, quality assurance, evidence collection, preservation and analysis; and (4) a law enforcement Internet program, which is still under development but is intended to connect law enforcement agencies and the judiciary to facilitate information exchange, database management, and research, as well as to create connections between U.S. and Armenian law enforcement agencies. Major training topics will include combating organized crime, trafficking in persons, international money laundering and development of basic law enforcement techniques. The INL Bureau is conducting similar training programs in Georgia, which has many of the same priority training goals—this creates an opportunity to combine courses for Georgia and Armenia, thus maximizing cost-effectiveness and enhancing regional cooperation among law enforcement officials. Efforts to promote regional cooperation with Azerbaijani law enforcement officials were precluded by Section 907 of the FREEDOM Support Act, which restricts certain types of U.S. assistance to the Government of Azerbaijan. Although priority was given to negotiating the LOA and developing programs, several training courses were offered in FY 2001, and INL provided supplemental support for a forensic lab project and continued funding for an INL project manager at the U.S. Embassy in Yerevan.

U.S. Department of Justice (DOJ) – Criminal Justice Programs: In January 2001, DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) conducted an assessment of Armenia's criminal justice system. An Assistant U.S. Attorney from the Central District of California spent six weeks in Armenia to develop a better understanding of the current state of judicial reform in Armenia and to offer suggestions for potential areas for OPDAT assistance. The assessment highlighted the need for legislative reform (especially the passage of a criminal procedure code), more training for judges and defense attorneys, and assistance to the Procuracy Training Institute, and suggested a program to strengthen ties between law enforcement officials in the Los Angeles area and Armenia. In FY 2001, DOJ funded the efforts of American Bar Association's

Central and East European Law Initiative (ABA/CEELI) in the following areas: defense bar and procuracy reform, counter-narcotics, combating human trafficking, and constitutional and criminal procedure reform. Under the DOJ/CEELI Program, a defense bar working group met on a biweekly basis to discuss changes in practice brought about by the new Code of Criminal Procedure and to work on practical problem-solving activities. The DOJ/CEELI Program also worked with defense attorneys, prosecutors and judges to develop an advocacy skills course for law students and young lawyers. In May 2001, in cooperation with the Miami-Dade County Public Defender's Office and the U.S. Attorney's Office in Miami, DOJ and ABA/CEELI conducted a U.S.-based program on the role of the advocate in the adversarial system for eight members of the Armenian defense bar, who were given an opportunity to observe state and federal court proceedings and meet with court personnel, defense attorneys, prosecutors, investigators and voluntary legal associations. OPDAT and ABA/CEELI also conducted a four-day conference on counter-narcotics investigations and prosecutions at the Procuracy Training Institute in Yerevan. A group of twenty Georgians also attended the conference, whose topics included the use confidential informants and undercover agents, plea bargaining, and working to the top of a narcotics-trafficking organization to successfully prosecute the leaders. In the latter part of FY 2001, OPDAT and ABA/CEELI worked with the U.S. Embassy to identify ways to improve the Procuracy Training Institute. OPDAT also encouraged the Armenian Procuracy to identify a core group of Armenian practitioners to serve as instructors at the Institute. Progress in reforming the Armenian criminal justice system over the last year has been slow mainly due to the lack of viable legislation. Armenia has yet to pass a criminal code that is in compliance with international standards. Though a new Criminal Procedure Code has been in effect for a couple of years, Armenia has been slow to adopt implementing legislation and make the changes necessary for successful implementation. In FY 2002, OPDAT and ABA/CEELI will help develop legislation that is in compliance with international standards. Given the new worldwide interest in freezing terrorist assets and the need for countries such as Armenia to adopt viable money laundering laws, OPDAT will also develop a program that will encourage the Armenians to pass a Council of Europe (COE)- and Financial Action Task Force (FATF)-compliant money laundering law. OPDAT will also work with the U.S. Embassy to develop a long-term plan for increasing the effectiveness and sustainability of the Procuracy Training Institute.

Humanitarian Programs

Only 15 percent of Armenia's FY 2001 FREEDOM Support Act assistance budget was allocated to humanitarian assistance—a reduction from 19 percent in FY 2000 and 22 percent in FY 1999. This decrease reflects the U.S. Government's goal of reducing humanitarian assistance in favor of development assistance and private-sector job creation—a goal shared by the Armenian Government—and an increased emphasis on social-sector reform. Over the past three years, the Government of Armenia has demonstrated an improved ability and desire to identify and target assistance towards vulnerable groups. However, the government continues to face severe budget constraints that limit its ability to assume more responsibility for maintaining and strengthening the social safety net for the most vulnerable segments of the population. Moreover, drought continued to plague areas of Armenia in FY 2001, with the hardest-hit areas being in the south, particularly in Sisyan *Marz* (Province). In response to this urgent need, the U.S. Government continued to provide drought relief as described below.

U.S. Department of Agriculture – Food Assistance: Under its Section 416(b) Program, USDA allocated \$5.6 million for the provision of approximately 15,200 metric tons of food commodities to Armenia through the United Nations World Food Program's (WFP) Emergency Feeding Program. The WFP distributed the commodities to subsistence farmers suffering from the continuing effects of the drought in Armenia's southern provinces.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: In FY 2001, EUCOM delivered \$246,000 in blankets, tents, vehicles, water-treatment equipment and medical supplies to Armenia at a cost of \$17,000. In addition, 47 wells were drilled and disaster response training was provided at a combined cost of \$240,000.

- **EUCOM Support for Well-Drilling:** In response to a special request from the U.S. Ambassador, EUCOM allocated \$330,000 from its FY 2001 Humanitarian Assistance Fund for the construction or rehabilitation of 40 village wells for irrigation and domestic water supply. This funding, which was provided to alleviate some of the impact of the drought in the higher elevations of Armenia, was provided through USDA's Agricultural Marketing Assistance Project (MAP), which is coordinating this effort and is working with the Foundation for Applied Research and Agribusiness (FARA).
- **EUCOM Donations of Excess Humanitarian Commodities:** EUCOM's Office of Humanitarian Assistance provided the Armenian Red Cross with sufficient tents, bedding, clothing and other supplies to construct a

500-person temporary shelter. EUCOM also provided eight vehicles to the Armenian offices of UNESCO. The equipment provided by EUCOM came from its excess property stockpiles.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia transported an estimated \$7.62 million in privately donated humanitarian commodities—primarily medicines, medical supplies and food—to Armenia at a cost of \$2.01 million to the U.S. Government. These commodities were distributed through U.S. private voluntary organizations (PVOs), including the United Methodist Committee on Relief (UMCOR), CitiHope International, the United Armenian Fund, and the Women's Health Care Association.

U.S. Department of State – Office of Humanitarian Demining Programs: In FY 2001, the Department of State initiated a \$1.2 million humanitarian demining program for Armenia, the goal of which is to help the Armenian Government develop an independent demining capacity by FY 2003. Demining training is being conducted by Ronco under contract with the Office of Humanitarian Demining Programs of the State Department's Bureau of Political-Military Affairs. The U.S. Department of Defense will assist in this effort by sending training teams and equipment to Armenia in FY 2002.

Partnership Programs

- **USAID Health Care Partnerships:** In FY 2001, USAID continued to support several health care partnerships between U.S. and Armenian organizations, including one between the University of California-Los Angeles (UCLA) Medical Center and the Lori Regional Healthcare Administration, one between CARE New England/Lifespan Health Systems and the Gegharkunik Regional Healthcare Management Department, and one between the University of Texas at Galveston Medical Branch with the Armavir Regional Healthcare Administration. During the past year, partnership activities were focused on the screening and treatment of hypertension, patient education, training in cardiovascular disease/stroke, breast cancer, diabetes, and disaster preparedness, as well as the development of educational resource centers. In addition, a new partnership was established between the Armenian-American Mammography University Center in Yerevan and the Armenian-American Cultural Association in Washington, DC. These partnerships focused on improving community-based primary health care through the development of clinical practice guidelines for hypertension, thoracic pain and diabetes, provision of free health screening services and counseling, patient education, training and re-training in cardiovascular disease/stroke, breast cancer, diabetes, disaster preparedness, etc. In 2001, the partnerships sponsored training for a total of 1,162 participants.

U.S. Department of State – University Partnerships: The Public Affairs Section of the U.S. Embassy is currently sponsoring five university partnerships in Armenia: one between the Yerevan State Institute of National Economics and Florida State University, one between the Journalism Department of Yerevan State University and Middlesex Community College in cooperation with Northeastern University and the Cambridge-Yerevan Sister City Association, one between the Economics/Business Department of Yerevan State University and the University of California-Fresno, one between the American University of Armenia and Miami University of Ohio in the field of public finance, and one between Grambling State University and the State Engineering University of Armenia in business education. These partnership programs continue to support exchanges of faculty and administrators for a combination of teaching, lecturing, faculty and curriculum development, collaborative research, and outreach programs.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2001, with support from USAID, the Eurasia Foundation awarded 50 grants totaling \$1.2 million to Armenian NGOs working to support civil society-building, private enterprise development and public administration and policy. Among these were grants to seven municipalities to help them establish citizen information centers (CICs), which are located in city halls and provide citizens with access to information about the operations of their local governments. The Eurasia Foundation also awarded grants to five organizations to open certification centers for Oracle, Microsoft and CISCO systems. These certification centers will enable students to increase their skills and seek better employment. In addition, the Foundation's Southern Caucasus Cooperation Project (SCCP)—which was initiated in 2000 to facilitate greater contact and cooperation among leading NGOs in Armenia, Azerbaijan, and Georgia, and to help overcome the political and economic obstacles to regional integration—made 36 grants totaling \$429,000 to Armenian NGOs working with partner organizations in Azerbaijan and Georgia.

Peace Corps: Over the past nine years, the Peace Corps has placed more than 290 volunteers (PCVs) in Armenia as community workers with core assignments in three areas: teaching English as a foreign language, business education and community development, and community health education. In FY 2001, more than 60 PCVs were serving in 28 sites and nine regions of Armenia. PCVs have collaborated with several U.S. NGOs, including the United Methodist Committee on Relief (UMCOR), Save the Children, World Learning, Catholic Relief Services, World Vision, the Latter-Day Saints, the Adventist Development and Relief Agency (ADRA), the Academy for Educational Development (AED), the International Executive Service Corps (IESC), the Foundation for International Community Assistance (FINCA), the Armenian English Language Teachers' Association, the Eurasia Foundation, the Soros-funded Open Society Institute, and many others. Several PCVs who have completed their service have remained in or returned to Armenia and are providing expertise and cultural understanding in their work with development organizations, including the American University of Armenia (AUA), World Bank, IESC, UMCOR, USDA, World Vision, Habitat for Humanity, the Future Leaders Exchange (FLEX) Program and the International Research and Exchanges Board (IREX). One former PCV has started an Armenian volunteer corps that brings Armenian diaspora volunteers to Armenia for one year of service in development.

- **Business Education and Community Development:** PCVs taught accounting, business management, marketing and economics in technical institutes and universities, and worked with entrepreneurs and local NGOs and development organizations to strengthen their management skills and help them implement their programs. Volunteers helped Armenian communities and organizations develop their tourism potential by assisting with the development of marketing materials and trade shows.
- **Teaching English as a Foreign Language (TEFL):** PCVs taught English and conducted teacher training in primary and secondary schools and universities. PCVs also introduced critical thinking in classroom work and conducted in-service training, co-teaching and co-planning. In collaboration with the U.S. Embassy's Public Affairs Office and the Armenian English Language Teachers' Association, PCVs and Armenian teachers organized a nationwide traveling teachers' workshop.
- **Community Health Education:** PCVs worked with schools, polyclinics, medical colleges, mental health centers and child/maternal health clinics. They also worked with local NGOs, development organizations and Armenia's Ministry of Health. Volunteers trained teachers and parents on nutrition, child nutrition (breastfeeding), basic hygiene and gave seminars on women's health issues.

In addition to its three core programs, the Peace Corps implemented six cross-sectoral development initiatives in Armenia in FY 2001, and awarded 12 grants through the Small Project Assistance (SPA) Program:

- **The Village Outreach Initiative** places PCVs to teach English and health education in village schools. Volunteers placed in regional centers conducted village outreach activities in English, business and health education. Volunteers helped villages gain access to the resources of development organizations and in-country donors.
- **The Information Technology Initiative** integrates information technology training and applications in all Peace Corps projects and has helped Armenian NGOs develop websites. Volunteers have established computer and language information centers throughout the country.
- **The Gender and Development Initiative** promotes better understanding of gender issues in the development process. PCVs conducted girls' leadership summer camps and career resource workshops to help girls build self-esteem, confidence and understanding of their career choices and opportunities.
- **The Community Development Initiative** facilitates community cooperation in small community projects. PCVs have helped establish language and resource centers and upgrade school facilities; organize community events to foster cooperation; book and resource donations from churches and various donors; and worked with orphanages and the disabled.
- **The Environmental Awareness Pilot Project** was launched in FY 2001 to expand Peace Corps' work in the environmental sector. PCVs organized a series of ecology camps (eco-camps) that provided nearly 90 young Armenians with interactive training on conservation, water and air quality, deforestation and basic ecological concepts. Eco-camps were organized in three regions of Armenia in collaboration with Armenians interested in the environment, youth, Catholic Relief Services (CRS) and USDA. Volunteers developed an environmental curriculum guide in English and Armenian for these activities.
- **Youth Development** has been part of PCV activities for several years. Volunteers have organized youth sports teams and have acquired sports equipment through the Sporting Goods Equipment Manufacturers' Association. Armenian youth represent a great resource for development work in Armenia. Youth are the focus of Peace Corps work in environment, gender and development and information technologies.

Volunteers have organized career development seminars to help Armenian youth build confidence, self-esteem and to develop skills in resume writing and networking.

- **Small Project Assistance (SPA) Program:** In FY 2001, the SPA Program awarded 12 grants totaling almost \$40,000 to support PCV-implemented projects in the areas of education, health, business and municipal development. The business-related grants focused on strengthening the infrastructure capability of resource centers through information technology. In education, SPA grants were awarded to repair and renovate classroom and living quarters at schools. One education activity focused on providing opportunities for disabled students. In Vanadzor, a SPA grant facilitated the development of a human rights education center.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA: promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

In FY 2002, the U.S. Government will continue to focus on increasing the demonstrable benefit of U.S. Government-funded assistance to average Armenian citizens and to their standard of living, thereby building and sustaining popular and political support for the implementation of democratic and economic reform measures needed for creating a free-market democracy. The U.S. Government will seek to accomplish this goal by designing and/or implementing the following types of assistance programs:

- Programs that stimulate growth and competition in the private sector and increase investment by both the private and public sectors, with a special focus on job creation in a market economy and combating corruption. Particular emphasis will be given to developing and supporting business opportunities in the information technology, agribusiness and tourism sectors.
- Programs to strengthen the sustainability of the Association of Accountants and Auditors of Armenia (AAAA), through a partnership between the AAAA and a partner accounting body, and improve the quality of accounting and auditing curricula at higher educational institutions, through cooperation with a partner university.
- A partnership between the International Real Property Federation and Armenian real estate professionals in order to establish one or two market-oriented professional associations in the areas of brokerage/property management and appraisal; to develop an ethical and trained real estate profession committed to protection of the public; and to assist in the creation of free, efficient, honest and equitable real estate markets.
- Technical assistance to the Armenian Government bodies responsible for competition policy, and the supervision and regulation of civil aviation, telecommunications, and insurance. USAID will continue activities intended to improve the legal and regulatory environment that promotes private sector activity.
- Programs to enhance Armenia's energy security by developing a safe and sustainable energy sector integrated into broader regional approaches.
- Programs to improve investor confidence and business development, and promote democracy and the rule of law by supporting a vigorous anti-corruption effort in coordination with the Government of Armenia and the international donor community, including the Armenian diaspora.
- Programs to enhance the ability of the National Assembly to perform economic and legislative analysis, conduct constituent outreach; and enhance its accessibility to the media and citizens.
- Programs that promote greater community activism and involvement and citizen participation in governance, with a special emphasis on women's participation and leadership.
- Education programs, including partnerships, curriculum development, and U.S.-based degree programs for Armenians. The School Internet Connectivity Program will be expanded significantly in response to a congressional earmark.
- Programs to strengthen public support for continuation of economic reforms by bolstering the social-sector safety net.
- Ongoing assistance programs in the earthquake zone.
- Programs to enhance foreign investor confidence in regional security and stability by stimulating regional integration and cooperation (e.g., through the Baku-Yerevan Weekly "Spacebridge" Television Program).
- The Humanitarian Demining Program for Armenia, including the provision of training teams and equipment.

- Programs to enhance Armenia's capabilities to control its borders to prevent illicit trafficking and promote legitimate commerce.
- Technical assistance with the development of a television studio, a radio broadcast studio and other equipment for the Armenian Government's soon-to-be-established Emergency Broadcast Center, which will give the Armenian Government the ability to develop its own public awareness programs as they relate to public conduct during a natural or man-made disaster.
- Integrated pest management programs and applied research trials to address the serious disease problems plaguing processing tomatoes.

The U.S. Government will also continue its high-priority security assistance efforts in Armenia.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO ARMENIA**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	15.35
- Energy-Sector Reform	6.00
- Environmental Management	0.50
- Democratic Reform	9.48
- Social-Sector Reform	14.47
- Cross-Cutting / Special Initiatives	8.44
- Eurasia Foundation	2.00
TOTAL USAID	56.24
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.36
U.S. DEPARTMENT OF ENERGY - Nuclear Reactor Safety	4.00
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	1.00
- Cargo Value (DoD excess and privately donated, not included in total below)	7.62
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	8.62
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.10
- Export Control & Related Border Security (EXBS)	1.00
- ECA Bureau - Public Diplomacy Programs	11.26
- EUR Bureau - Public Diplomacy Programs	0.40
- International Information Programs (IIP)	0.04
TOTAL U.S. DEPARTMENT OF STATE	12.80
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	0.20
CIVILIAN R&D FOUNDATION (NSF/CRDF)	2.50
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	0.60
U.S. DEPT. OF AGRICULTURE (USDA) - MAP, Cochran Fellowships	7.40
U.S. DEPT. OF THE TREASURY - Technical Advisors	0.80
TOTAL TRANSFERS TO OTHER AGENCIES	29.66
PERFORMANCE FUNDS	4.17
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	90.06
OTHER AGENCY FUNDS	
USAID - P.L. 480, Title II Food Assistance	0.32
U.S. DEPARTMENT OF DEFENSE	0.92
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	5.59
U.S. DEPARTMENT OF STATE	
- NADR / Export Control & Related Border Security (EXBS)	0.50
- NADR / Science Centers	1.00
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.28
- International Information Programs (IIP)	0.03
TOTAL U.S. DEPARTMENT OF STATE	1.81
PEACE CORPS	1.00
TOTAL FY 2001 AGENCY FUNDS BUDGETED	9.64
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	99.71

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO ARMENIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	17		1.84	22.47	
1992	Surface		4	0.02	2.80	
	Operation Provide Hope II (Food&Med.)			0.10	1.06	
	EUR/ACE Admin & Program Support			0.76		
FY 1992 TOTAL		17	4	2.72	26.33	29.05
1993	Airlift	22		3.05	7.78	
1993	Surface		1024	6.08	23.92	
	CARE Grant			0.83		
	Fuel Shipments (Mazout)			5.15		
	EUR/ACE Admin & Program Support			7.71		
FY 1993 TOTAL		22	1024	22.82	31.70	54.52
1994	Airlift	5		0.70	10.35	
1994	Surface		152	1.60	5.93	
	Japanese Kerosene			0.50		
	Fuel Shipments (Mazout)			3.00		
	ATG Winter Wheat Seed			1.00		
	Caucasus Logistics Assistance Unit			1.75		
	CRS Grant			0.50		
	WFP Grant			1.50		
	CARE Grant			0.06		
	UMCOR Grant			0.25		
	EUR/ACE Admin & Program Support			2.60		
FY 1994 TOTAL		5	152	13.46	16.28	29.74
1995	Airlift	9		0.92	12.87	
1995	Surface		202	1.55	14.83	
	Winter & Spring Fertilizer			0.12		
	Winter Wheat & Barley Seed			0.43		
	Winter Diesel, Kerosene & Mazout			2.04		
	WFP Grant			0.95		
	Heart to Heart Grant			0.16		
	Counterpart Grant			0.10		
	CARE Grant			0.17		
	UMCOR Grant			0.33		
	EUR/ACE Admin & Program Support			1.39		
FY 1995 TOTAL		9	202	8.16	27.70	35.86
1996	Airlift	8		0.96	19.04	
1996	Surface		161	0.93	15.76	
	Barley Seed & 2,000 MT of Fall Wheat			0.30		
	UMCOR Grant			0.36		
	Counterpart Grant			0.18		
	EUR/ACE Admin & Program Support			0.26		
FY 1996 TOTAL		8	161	2.99	34.80	37.79
1997	Airlift	1		0.13	2.05	
1997	Surface		355	0.45	7.85	
	UMCOR Grant			0.30		
	DoD Excess Hospital (Yerevan-Oct'96)			1.82	13.18	
	EUR/ACE Admin & Program Support			0.81		
FY 1997 TOTAL		1	355	3.51	23.08	26.59
1998	Airlift	3		0.31	9.97	
1998	Surface		90	0.47	7.80	
	Counterpart Mammography Clinic			0.02		
	UMCOR Grant			0.20		
	Citihope Grant			0.09		
	EUR/ACE Admin & Program Support			0.14		
FY 1998 TOTAL		3	90	1.23	17.77	19.00

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO ARMENIA

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1999	Airlift	5		0.17	9.08	
1999	Surface		159	0.59	10.07	
	CitiHope			0.18		
	UMCOR			0.16		
	EUR/ACE Admin & Program Support			0.35		
FY 1999 TOTAL		5	159	1.45	19.15	20.60
2000	Airlift	7		0.02	2.29	
2000	Surface		24	0.12	4.80	
	UMCOR			0.17		
	Hellenic/Counterpart			0.21		
	DoD Followup Visit 2000			0.40		
	COUNTERPART Small Medium			0.03		
	IRD			0.18		
	EUR/ACE Admin & Program Support			0.10		
FY 2000 TOTAL		7	24	1.22	7.09	8.31
2001	Airlift	4		0.02	3.67	
2001	Surface		15	0.78	3.96	
	UMCOR			0.16		
	COUNTERPART Small Medium			0.03		
	HEART TO HEART			0.03		
	IRD			0.47		
	World Council of Hellenes			0.35		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.15		
FY 2001 TOTAL		4	15	2.01	7.62	9.64
CUMULATIVE TOTAL		81	2186	59.56	211.52	271.08

AZERBAIJAN

Political Overview

In FY 2001, Azerbaijan continued to make incremental progress in improving the democratic foundation for its government. Azerbaijan became a member of the Council of Europe (COE) in January 2001. The Government of Azerbaijan is currently reviewing all of the country's laws to ensure that they comply with COE obligations and is undertaking other reforms required by its COE membership. The Parliament is currently combining all election laws (presidential, parliamentary and municipal) into one law governing elections and referendums. Although re-run parliamentary elections in January 2001 were procedurally better than November 2000, numerous serious irregularities occurred. International experts trained local election officials who conducted parliamentary by-elections in November 2001. Freedom of religion was generally respected. Corruption remained a fundamental problem and continued to undermine democratic development and respect for the rule of law.

Economic Overview

The Government of Azerbaijan made modest progress on structural and economic reform in 2001. An improved tax code went into effect on January 1, 2001, and the government began to implement a second-stage privatization program. In April 2001, the government consolidated the Ministries of Trade, Economics, State Property, the State Anti-Monopoly Committee, and the Foreign Investment Agency into one Ministry of Economic Development. The government also established a new Ministry of Fuel and Energy in April 2001 and a Ministry of Ecology and Natural Resources in May 2001. Consolidation of the banking sector continued, although no progress was made in privatizing the two remaining state banks. Important progress was made in development of Azerbaijan's oil and gas sector, with the creation of a Sponsors' Group to develop the Baku-Tbilisi-Ceyhan oil pipeline, the signing of a gas sales-purchase agreement with Turkey as part of the development of the Shah Deniz gas field, and the sanctioning of the first phase of full-field development of the Azeri-Chirag-Guneshli oil field. In the areas of commercial law, accounting standards, tax administration and customs operations, practices in Azerbaijan continued to fall short of international standards and constitute barriers to foreign investment and economic development. Licensing and regulatory practices remained bureaucratic and non-transparent. Corruption was a major problem, discouraging investment in the non-energy sector and requiring frequent advocacy on behalf of U.S. companies operating or seeking to operate in Azerbaijan. Nevertheless, Azerbaijan's macroeconomic conditions improved in 2001. Foreign reserves remained stable at about \$680 million, and the country's State Oil Fund boasted assets of more than \$480 million by year's end. Boosted by strong oil prices, Azerbaijan's GDP increased at a rate of 9.4 percent for the first ten months of 2001. Azerbaijan's currency, the manat, registered nominal depreciation of 3.7 percent in 2001, in accordance with the Government's stated policy of gradual depreciation. Consumer price inflation registered 1.7 percent year-to-year from January to September 2001.

U.S.-Azerbaijan Task Force for Economic Development

In March 2001, the U.S.-Azerbaijan Task Force (USATF) met in Azerbaijan to discuss macroeconomic policies, Azerbaijan's accession to the World Trade Organization (WTO), privatization, and U.S. Government-funded assistance programs in Azerbaijan. The meeting was attended by high-level officials from the U.S. and Azerbaijani Governments. In addition to the formal USATF meetings, the U.S. Embassy in Baku holds interim meetings in order to keep meeting topics on the agendas of decision-makers. The scheduled fall 2001 USATF meeting, which was to have taken place in Washington, was postponed due to the events of September 11 and took place in Azerbaijan on January 25, 2002. The next meeting is planned for September or October 2002 in Washington.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$61.66 million in assistance to Azerbaijan, including \$36.67 million in FREEDOM Support Act (FSA) assistance (\$36.32 million in FY 2001 funds and \$350,000 in prior-year funds), \$2.01 million in U.S. Department of Agriculture food aid, \$4.58 million in other U.S. Government assistance, and privately donated and U.S. Defense Department excess humanitarian commodities valued at \$18.40 million. Of the \$26 million in FREEDOM Support Act funds managed by USAID in FY 2001 (\$24 million in FY 2001 funds and \$2 million in FY 2000 carryover funds), approximately \$9.2 million was allocated to humanitarian assistance; \$8.2 million to economic restructuring programs; \$5.1 million to democracy and governance programs; and \$3.5 million to cross-sectoral activities.

U.S. Government assistance to and cooperative efforts with Azerbaijan assumed greater importance in late FY 2001, given the Azerbaijani Government's active support of the U.S. Government's efforts to combat terrorism. In recent years, U.S. assistance has focused on humanitarian relief, democracy-building and education, but U.S. security assistance cooperation with Azerbaijan continued to expand in FY 2001. In compliance with the constraints of the U.S. policy of evenhandedness in its interaction with Armenia and Azerbaijan, security related assistance was provided only in areas permitted under Section 907 of the FREEDOM Support Act, which prohibits certain types of assistance to the Government of Azerbaijan until it takes steps to lift its economic blockades against Armenia. Since FY 1998, the U.S. Congress has exempted democracy programs, non-proliferation programs, and trade and investment programs implemented by the U.S. Export-Import Bank, Overseas Private Investment Corporation (OPIC), U.S. Trade and Development Agency, and U.S. and Foreign Commercial Service from these restrictions. FY 2001 humanitarian assistance programs for internally displaced persons (IDPs) and refugees continued to emphasize activities designed to create job opportunities and increase income levels. Private-sector and democracy development programs remained key components of the U.S. Government's strategy to support development of a market economy and a democratic government in Azerbaijan. New programs in security assistance, private-sector development and election preparedness more clearly reflect the U.S. Government's wide-ranging interests in this strategic area and present opportunities for more extensive mutually beneficial cooperation as a result of President Bush's January 2002 waiver of the restrictions on U.S. Government assistance to the Government of Azerbaijan contained in Section 907 of the FREEDOM Support Act.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 1,700 Azerbaijani citizens to the United States for short-term professional or long-term academic training, including some 400 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts. In particular, programs that target younger Azerbaijanis are extremely well received and provide maximum benefits.

U.S. Department of State – Public Diplomacy Exchange Programs: In FY 2001, approximately 305 Azerbaijanis traveled to the United States under academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). In FY 2001 the Future Leaders Exchange Program (FLEX) brought 55 Azerbaijani high school students to the United States on a one-year exchange programs. In FY 2001, 30 Azerbaijanis participated in the Edmund S. Muskie/FSA Graduate Fellowship Program. The Muskie/FSA Graduate Program is a critical component of our reform efforts in Azerbaijan—program participants return home with master's degrees in business administration, public administration, economics, public health, education, library science, journalism, etc., and are well-prepared to assume positions of significant responsibility. By sharing their positive experiences with family, friends and colleagues, Muskie/FSA Graduate Fellows also become informal goodwill ambassadors for the United States. Program highlights are provided below:

- **Community Connections:** This program is being launched in Azerbaijan for the first time. A total of 40 Azerbaijani participants are expected to depart for the United States in 2002, including 20 small and medium-sized entrepreneurs from Baku, 10 leaders of non-governmental organizations (NGOs) from the Lenkoran/Masali region and 10 individuals involved in municipal government in the Ganja region.

- **Junior Faculty Development Program:** A professor of social philosophy at Baku State University who interned at Harvard University's Caspian Studies Program developed courses in conflict resolution for use in Azerbaijan, including a course on ethnic conflicts in multicultural societies.
- **Civic Education:** Montana State University is working with a curriculum development team from Azerbaijan to draft, pilot test and publish civic education curricular materials at the high-school level. Following the pilot testing and publication of a teacher's guide for civic education in Azerbaijan, the Ministry of Education requested the development of 18 additional civic education courses to form a core curriculum on civic education.
- **Educational Advising:** The U.S. Embassy's Public Affairs Section, in conjunction with the Soros-funded Open Society Institute (OSI), supports educational advising through the Baku Education Information Center and in Azerbaijan's regions through small advising offices at universities in Ganja, Lenkoran and Mingechivir, as well as providing information for the OSI-supported regional library resource centers. The program provides advice to individuals and groups on education in the United States and facilitates preparation for various educational exams. The Public Affairs Section intends to work to increase the professionalism of the educational advisors, especially in the regions.

USAID Global Training for Development (GTD): In FY 2001, the Academy for Educational Development (AED) continued to implement in-country and out-of-country training programs in a variety of sectors, including health, community development, social services, and private-sector development. A total of 280 Azerbaijani citizens received training under the regular GTD Program: 253 of them received in-country training, 13 received U.S.-based training and 14 received training in third countries.

USAID Agricultural Training: In FY 2001, USAID funded the continuation of an agricultural training program that gave nine additional farmers from Lenkoran, Azerbaijan an opportunity to travel to Adana, Turkey, and study agricultural techniques.

USAID Support for Junior Achievement: In FY 2001, USAID supported the introduction of a Junior Achievement program in several Azerbaijani schools.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: The SABIT program has trained over 25 Azerbaijani professionals in over a dozen professional fields, providing exposure to U.S. business practices, goods and services. In FY 2001, SABIT provided training to four people from Azerbaijan in the areas of accounting, hotel management, hospital administration, and small and medium enterprise association development. All four took part in the following specialized programs: business management for women, services, and business association development. In FY 2001, eight Azerbaijani SABIT alumni founded Business Partnership USA-Azerbaijan, an NGO whose mission is to promote collaboration between Azerbaijani and U.S. businesses and attract new investment to Azerbaijan. The NGO will help Azerbaijan's small and medium-sized businesses identify U.S. partners, and will also assist U.S. entrepreneurs working in Azerbaijan. FY 2002 SABIT programs will focus on transportation, infrastructure, energy, and telecommunications.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, the Cochran Fellowship Program selected seven Azerbaijani agricultural professionals to participate in U.S.-based training programs, although the training did not actually begin until early FY 2002, when five participants received training in livestock genetics and agricultural banking. Cochran training has helped Azerbaijani participants improve the management of their farms and agribusinesses, and has facilitated the development of the first agricultural magazine in Azerbaijan.

U.S. Department of State – Book Translation/Library Development: By presidential decree, as of August 1, 2001, all books and newspapers published in Azerbaijani must utilize the officially recognized Latin alphabet, rather than the previously used Cyrillic alphabet. As a result, the lack of good, contemporary books published in Latin-alphabet Azeri is more acute than ever, especially in areas that are the most critical for Azerbaijan's further development. For this reason, the U.S. Embassy's Public Affairs Section (PAS) is continuing to develop new book-publishing projects on democracy, human rights, a free media and market economics. Particular emphasis is being placed on texts that can be used in schools and universities. The TUTU Publishing House completed its U.S. Government-funded high school textbook project. The PAS has started a new grant with

TUTU to complete a series of illustrated folk tales books for children, each in a language of one of the many ethnic communities of Azerbaijan, with an Azeri translation in the Latin alphabet. In addition, the PAS continues to support the activities of the Information Resources and Training Center for Librarians (IRTCL), which has trained over 900 Azeri librarians and librarian trainers in more than 20 different courses in library science and modern library practices, is providing Internet and database information resources for librarians, and is collaborating with the country's most important libraries such as the Akhundov National Library and the Library of the Academy of Sciences in instituting modern automated cataloguing, storage and preservation systems. IRTCL's Azeri-language website has become a major resource for government officials, NGO leaders and scholars in Azerbaijan and abroad to access a wide variety of information about Azerbaijan, including current Azerbaijani legislation not available at any other sites. A recent project has been creation of a website of classical Azeri literature in the Latin script and preparation of a CD-ROM of this collection. The IRTCL continues to be the major institution in Azerbaijan providing training in the latest techniques and practices of library science recognized throughout the world. IRTCL is helping Azerbaijan's libraries and universities transition from 70 years of Soviet isolation to the free and open exchange of information across the world.

Democracy Programs

U.S. Department of State – Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 23 small grants totaling approximately \$210,000 to local NGOs working in such areas as human rights, women's rights and business development. Funded activities included the following: sponsoring women's leadership and business studies courses; establishing a union of Azerbaijani handicraft artists; English language training for internally displaced persons; special media coverage on Azerbaijan's nascent municipal governments; legal seminars for young journalists; seminars for newly elected municipal leaders; NGO development support in areas outside the capital; legal and political rights seminars for citizens in the regions; creation of a web-based resource of media law for journalists; completion and publication of the results of a survey on the causes and effects of corruption; establishing a Women's Crisis Center; publishing the second edition of a popular compilation of texts on democracy; and renovating a school classroom to house Azerbaijan's first school-based television studio. The Democracy Commission has been an effective and flexible funding mechanism, allowing the U.S. Embassy to provide modest, yet directed assistance to organizations helping to nurture democracy at the grassroots level. The Democracy Commission is in fact one of only a few donors that support non-registered NGOs, making its role as a donor essential to nurturing the nascent elements of civil society in Azerbaijan.

U.S. Department of State – Internet Access and Training Program (IATP): Implemented by the International Research and Exchanges Board (IREX) and administered by the Bureau of Educational and Cultural Affairs (ECA), IATP has expanded its network of public-access Internet facilities beyond Baku to the country's regions, including important centers such as Ganja, Lenkoran, Mingechevir and Sumgait, and some smaller cities. IATP plans to establish a public-access Internet facility in the enclave of Nakhchivan in FY 2002. IATP provides training on the practical utilization of Internet resources and advice on website design. This program is collaborating closely with innovative initiatives of the Soros-funded Open Society Institute (OSI), installing Internet access sites in OSI's regional library resource centers.

U.S. Department of State – Azerbaijan School Connectivity Program: This program, implemented by Project Harmony, will enhance civic education by establishing Internet computer centers at no less than 10 schools in three communities in Azerbaijan (Baku, Ganja and Mingechevir). In addition to providing equipment, the program will provide extensive training for educators, so that this resource can be used to enhance civic education through online collaborative projects with partner schools in the United States and elsewhere. An intensive train-the-trainers program for Azerbaijani educators will help teachers leverage online technology for building civic education components into the curriculum at their schools. To this end, participating Azerbaijani schools will partner with five U.S. schools to develop online collaborative projects. Caucasus-wide project work and online events will explore regional issues of education reform, democracy building, and cross-cultural appreciation. To date, two schools in Baku have been provided with Internet computer centers, and three more were recently chosen for participation in the program.

USAID Election-Related Activities: In FY 2001, the International Foundation for Election Systems (IFES), International Republican Institute (IRI) and National Democratic Institute (NDI) worked with governmental and non-governmental bodies, providing assistance to the Central Election Commission (CEC) and precinct election commissions (PECs).

- **International Foundation for Election Systems (IFES):** In addition to conducting activities to inform the Azerbaijani public about the electoral process, IFES continued to provide technical assistance to the CEC and PECs. IFES assisted with the drafting of an election law, and after it was passed, IFES monitored and advised the CEC and PECs on implementing the law. IFES has been effective at relationship-building with the CEC and has strengthened the professional skills of CEC staff. However, IFES's work with the PECs has been hampered by political interference. IFES nevertheless expects to provide the PECs with professional development support beginning in early FY 2002.
- **International Republican Institute (IRI) / National Democratic Institute (NDI):** NDI's and IRI's programming was disrupted during FY 2001 by the murder of IRI's country director. Nevertheless, IRI and NDI provided training to each of the major political parties in preparation for elections. This assistance helped the political parties improve their ability to communicate with voters and strengthened their organizational structures and strategic planning. NDI also worked with two civic partners, For the Sake of Civil Society (FSCS) and the Organization for the Protection of Women's Rights (OPWR), to conduct civic education seminars on local government, recruiting and training of election monitors, auditing of voter lists, conducting a parallel vote tabulation, and training of female candidates. NDI also worked with USAID grantee Internews to prepare six segments of the political television roundtable "Ak Sada" (Echo).

USAID Local Government and Civic Education Programs: USAID-funded NGOs helped organize Azerbaijan's municipal councils, and IFES conducted activities to inform the Azerbaijani public about the role of municipalities. Also, in preparation for expanding its municipality capacity-building and civic education programs, IFES built a database of Azerbaijan's municipalities, including basic statistical and leadership information about the municipalities, professional development skills needed by municipal leaders, civic education topics and community concerns. The database allowed IFES to identify nine municipalities that it will target for concentrated technical support in FY 2002, as well as 144 municipalities in which it will work on general civic education programs.

USAID Independent Media Programs: USAID grantee Internews helped improve news quality and quantity, strengthen the financial viability of media outlets and improve the professionalism of journalists. Internews also supported media advocacy, advised on media-related legislative issues and carried out media association-building activities. Internews conducted 19 training sessions and consultancies for journalists and media outlets, produced 44 episodes of the Caucasus-wide program "Perekrestok" (Crossroads), 48 episodes of the weekly news program "Na Isa" (So Anyway), 24 episodes of the cross-border (Azerbaijan-Armenia) space bridge program "Front Line," six episodes of the political roundtable program "Ak Sada" (Echo), 10 election-related public service announcements (PSAs), six documentary films and eight radio broadcasts of the news program "Business Wave." Internews also provided assistance to Azerbaijan's independent media on the implementation of existing media-related legislation and the drafting of new legislation and policies that support a free press. Internews helped regional stations organize the country's first regional broadcasters' association. Together, the association and Internews actively advocated for the rights of broadcasters, particularly targeting licensing issues. Internews succeeded in bringing to the forefront the licensing concerns of media outlets and the censorship of journalists, and raised awareness of the need to increase the professionalism of journalists and broadcasters.

USAID NGO Development Programs: With USAID funding, the Initiative for Social Action and Renewal in Eurasia (ISAR) continued to implement an NGO development program, focusing its efforts in Baku, Sumgait, and five rural regions of Azerbaijan. ISAR has taken a four-pronged approach to capacity-building of local NGOs in Azerbaijan, including a grants program, a training program, an information and outreach program, and an outreach program in Azerbaijan's regions. ISAR offers small and medium-sized grants to NGOs working on environmental and social issues and small travel grants to local NGOs interested in participating in regional and international NGO conferences and other activities. In addition, ISAR awards large grants of up to \$20,000 (from a funding pool of \$80,000 per year) to well-established organizations. The program also includes monthly information sessions in each region; monthly NGO management training in one of Azerbaijan's regions; individual consultations on NGO development and proposal writing; information dissemination on grants conferences, seminars and training; and assistance to the local NGO community on legislative issues.

USAID Rule-of-Law Activities: The American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) began providing technical legal assistance to Azerbaijan in April 1999. ABA/CEELI is helping to train trainers from the Legal Training Center who will then be better equipped to train legal professionals working in Armenia's Ministry of Justice. ABA/CEELI also supports the reform of the legal profession and operates a Legal Resource Center for Azerbaijani law professionals, university students and NGOs. In FY 2001, over 8,500 visitors used the center. ABA/CEELI conducts biweekly continuing legal education lectures in the field of commercial law for local lawyers, has developed a basic commercial legal skills workshop, and is drafting a handbook for Azerbaijani commercial lawyers. ABA/CEELI works with the Legal Education Society, a local NGO, on training law students in basic advocacy skills. ABA/CEELI's other activities include the following: (1) providing judges, attorneys, and advocates with practical training and commentaries on Azerbaijan's new legal codes and codes of procedure; (2) assisting the judiciary and the legal profession in developing codes of ethics; (3) partnering with Azerbaijan's future bar association to develop and administer a bar examination; (4) expanding and refining its legal clinic program and sponsoring an international Jessup moot court competition; (5) helping women to gain better access to justice and knowledge about their legal rights; and (6) conducting a legal literacy initiative for the general public.

U.S. Department of Defense – George C. Marshall Center: In FY 2001, U.S. European Command (EUCOM) sponsored training for 12 Azerbaijani personnel under four different programs at the George C. Marshall Center in Garmisch, Germany. In addition, the Marshall Center sent a mobile training team to Baku in November 2000 to present a two-week seminar on national security planning in a democracy. This seminar, which reinforced the concept of civilian control of the military, was attended by more than 40 Azerbaijanis. Attendees came from government departments, the National Assembly and academic institutions. Two general officers from the Ministry of Defense (MOD) and one senior diplomat from the Ministry of Foreign Affairs (MFA) attended a two-week senior executive seminar specifically designed to address security issues of interest to executives who manage such issues at the national level. Two MOD executive officers and two senior MFA managers attended a 15-week executive program in international and security affairs, which brought together experienced executives and academics from throughout Europe and included study trips to Brussels and Berlin. One military officer and two government civilians attended a nine-week "Leaders for the Twenty-First Century" seminar. This event was designed for young, mid-level national security staffers and included a visit to a NATO regional command, as well as a classroom exercise. One military officer and one MFA official attended a defense economic reform seminar that examined defense industrial planning and procurement issues in the context of reduced national expenditures.

U.S. Department of Defense – Defense Institute for International Legal Studies (DIILS): DIILS sponsored a three-part democracy training program for Azerbaijan. DIILS staff members traveled to Azerbaijan and conducted a military law and democracy seminar for some 25 military and civilian jurists. In the second phase of the program, Azerbaijani personnel traveled to the United States and participated in a workshop during which they helped develop subject matter specially tailored for an Azerbaijani legal audience. Two prominent Azerbaijani jurists and one member of the National Assembly participated in the workshop. In the third phase of the program, U.S. military lawyers returned to Azerbaijan to conduct a one-week seminar based on the subject matter developed in Phase Two. This culminating phase of the DIILS program was originally scheduled for September 2001, but was rescheduled for December 2001 because of travel restrictions related to the September 11 events.

Economic Development Programs

USAID Agribusiness Development Programs: USAID's economic development efforts have focused on the vital agricultural sector. Land O'Lakes (LOL) is implementing a USAID-funded program designed to address shortcomings in the production, processing and marketing systems in the livestock, dairy and nut industries. LOL has helped form professional associations that are working to improve production efficiencies, expand usage of appropriate production inputs, introduce new products to the market, improve product quality to international standards, and address environmental and product safety concerns in each of these industries. With USAID support, Citizens' Democracy Corps (CDC) offers professional and technical training to private enterprises that provide commodities and services to the Azerbaijani business community. Recent training topics have included strategic management, competitive bidding and health and safety. In addition, CDC and Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) provide direct technical assistance at the enterprise level to Azerbaijani firms. Through USAID's Farmer to Farmer Program, ACDI/VOCA assists agricultural producers by offering one-on-one consultations on

issues such as soil preparation and animal husbandry. CDC provides direct assistance in marketing, finance, and organizational management to a variety of small and medium-sized enterprises (SMEs).

USAID Farmer-to-Farmer (FTF) Program: FTF volunteers focusing on production and handling techniques facilitated the regeneration of strawberry production and the initiation of a producers' association in FY 2001. The introduction of kiwi plants by an FTF volunteer has led to the development of an enterprise that is now earning \$27,000 a month. Work with the local tea industry has led to improved packaging and marketing of local teas and decreased imports from Russia and Iran.

USAID Small Business Lending and Micro-Credit Programs: In FY 2001, USAID continued to provide lending to small businesses, particularly in the agricultural sector. ACDI/VOCA expanded lending operations to the conflict-ridden northwestern Zagatala Region, as well as to Lenkoran and Ismaili. The program, which now operates in six regions of Azerbaijan, has disbursed loans totaling \$600,000 to small businesses. With USAID support, the Foundation for International Community Assistance (FINCA) provided over \$200,000 in capital to micro-enterprise entrepreneurs in Baku, Masala, and the Absheron Peninsula. Lending activities were complemented by USAID-funded private bank training and technical assistance provided through Shorebank.

U.S. Department of Commerce – Good Governance Seminar: This seminar, which was jointly sponsored by the U.S. Department of Commerce, the American Chamber of Commerce, the U.S. Embassy in Baku, and the World Bank Institute, followed on the heels of the Georgia, Uzbekistan, Ukraine, Azerbaijan and Moldova (GUUAM) Chamber of Commerce Symposium in early May in Baku and involved more than 65 representatives of Azerbaijani firms. Participants were introduced to methods for improving Azerbaijan's business climate, including the adoption of business ethics codes to improve transparency. The Department of Commerce contributed approximately \$10,000 for the organization of the seminar.

Trade and Investment Programs

U.S. Export-Import Bank (Ex-Im): Ex-Im did not support any transactions with Azerbaijan in FY 2001, but has received and is processing an application for a final commitment for the sale of additional planes to Azerbaijan Airlines, which would build on the \$67.3 million in financing provided by Ex-Im in FY 2000 to support the sale of two Boeing planes to Azerbaijan Airlines.

U.S. Trade and Development Agency (TDA): TDA has an active business development portfolio in Azerbaijan in the areas of energy, telecommunications and infrastructure. In August 2001, TDA signed a \$600,000 feasibility study for the upgrade of two Baku refineries and the port of Dubendi, which would support the Baku-Tbilisi-Ceyhan oil pipeline. The TDA-supported Caspian Finance Center in Ankara has been supportive of U.S. companies seeking finance in the region.

- **Business Development/Orientation Missions:** In FY 2001, TDA funded two orientation missions. In October 2000, five businessmen from Azerbaijan traveled to the United States on an agribusiness orientation mission to meet with U.S. agribusiness firms, and eight Azerbaijani businessmen traveled to the United States on a construction-sector orientation mission to meet with U.S. construction firms. TDA also organized an information technology/telecommunications business development conference in Brussels in which five Azerbaijani companies participated, and supported a three-member mission to a telecommunications event in Istanbul in fall 2001.
- **World Trade Organization (WTO) Accession Advisor:** The U.S. Embassy in Baku worked with TDA to develop a program and funding for the placement of a WTO accession advisor in Azerbaijan. Given the endemic problems of doing business in this emerging market and the expressed desire of the Azerbaijani Government to eventually join the WTO, the U.S. Government developed this initiative to tackle long-term policy problems and enhance U.S. competitiveness. A long-term resident advisor is expected to be placed in Azerbaijan in early 2002.

USAID Support for GUAAM Chambers of Commerce Symposium: The Academy for Educational Development (AED), a USAID grantee, helped the Azerbaijan Chamber of Commerce and Industry (ACCI) organize a USAID-financed Georgia, Uzbekistan, Ukraine, Azerbaijan and Moldova (GUUAM) Chambers of Commerce Symposium in Baku in early May 2001. The symposium brought together 106 leaders from the

Chambers of Commerce from the GUUAM countries, several Central and Eastern European countries (Bulgaria, the Czech Republic, Slovakia, Romania, Hungary, Poland, Latvia and Lithuania), Turkey and Kazakhstan.

Energy and Environmental Programs

South Caucasus Water Management Initiative: This two-year activity, which is co-funded by USAID's Armenia and Caucasus Regional Missions, is designed to strengthen regional sustainable water management in the South Caucasus by working primarily at the technical level to support initial steps to increase both the quantity and quality of dialogue among the countries of the region on sustainable water management, in order to move forward constructive regional actions on sustainable use of this vital natural resource. (For additional details, please see USAID Regional Programs section in Part III of this report.)

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: Azerbaijan has shown a strong commitment to nonproliferation and the interdiction of transit shipments of concern. In FY 2001, EXBS assistance for Azerbaijan totaled \$1.83 million in FREEDOM Support Act account and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds, building on the \$2.2 million in EXBS assistance provided in FY 2000. EXBS assistance funded by State Department is delivered through other U.S. agencies, including the U.S. Coast Guard (USCG) and the U.S. Customs Service, in an integrated, interagency land and maritime nonproliferation support program. EXBS assistance for Azerbaijan has included the placement of an EXBS program advisor and a Coast Guard advisor in Baku and provision of over \$2 million in maritime patrol vessels, repairs and equipment, and training. Under the EXBS Program, the U.S. Government provided Azerbaijan with a 47-foot patrol boat (valued at \$450,000) in FY 2001 and procured a second patrol boat for delivery in December 2002. USCG sent three teams to Baku to provide training on port security and law enforcement and contracted for the repair and upgrade of two 150-foot Azerbaijani patrol boats with 15-foot interceptor craft to use when boarding other vessels. To help train Azerbaijani naval officers, an English Language Training (ELT) Project was initiated in March 2001, including refurbishment of a training room outfitted with eight computers. EXBS assistance also included a parliamentary exchange to help Azerbaijan pass an effective export control law, training conferences, workshops and seminars, and the delivery of equipment to enhance Border Guard, Coast Guard and Customs capabilities. In April 2001, Azerbaijani representatives attended the Fifth International Regional Forum on Export Control and Nonproliferation of Weapons of Mass Destruction (WMD) for Trans-Caucasus and Central Asian Countries, which was hosted by Kyrgyzstan and co-sponsored by the U.S. Departments of Commerce and State to help align national export control procedures and practices; update counterparts on developments in national export control systems; and identify, analyze, and resolve border control issues. Azerbaijani officials also attended technical workshops on licensing procedures and practices in Washington, D.C., in July-August 2001 and the Seventh Annual Symposium for Export Control officials in Washington, D.C., in September-October 2001. In FY 2002, similar efforts are planned for upgrading infrastructure and patrol vessels of the Maritime Brigade to increase the number of patrols, boardings and interdictions. In the aftermath of the September 11 terrorist attacks, an additional \$3 million in EXBS funding was provided for border security assistance to Azerbaijan under the Emergency Response Fund supplemental appropriation. These funds will be used to enhance maritime border patrol, communications and other assistance to prevent weapons proliferation and complement counter-terrorism assistance.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF):

In FY 2001, the CRDF continued to encourage previous applicants from Azerbaijan to work with U.S. reviewers to improve and resubmit their CRDF Cooperative Grant proposals. As a result, the CRDF is funding three projects from FY 2000 funds, totaling \$150,000, with participation of former defense scientists. To help establish contacts with potential U.S. partners, the CRDF funded a travel grant for an Azerbaijani scientist to attend the Seventh International Interdisciplinary Conference on the Environment, which has held in California. In FY 2001, the CRDF completed the initial phases of its first Azerbaijani Regional Experimental Support Centers (RESC) competition and expects to make up to three RESC awards by the end of FY 2002. The CRDF also invited representatives of the Academy of Sciences of Azerbaijan to take part in a CRDF-sponsored institution-building training event in the United States in January 2002 to foster Azerbaijani interest in establishment of an indigenous science-funding organization based on the principle of merit-based review.

U.S. Department of State – Science Centers/Other Nonproliferation Programs: In FY 2001, Azerbaijan expressed interest in—and is undertaking steps to accede to—the multilateral Science and Technology Center in Ukraine (STCU) in 2002. The STCU provides former Soviet weapons scientists with opportunities to work on peaceful civilian research projects, thus reducing the temptation for them to sell their expertise to countries of proliferation concern.

U.S. Department of State – Anti-Terrorism Assistance (ATA): With an estimated \$940,000 in FY 2001 funding, several ATA courses were provided to Azerbaijani experts. In November 2001, a man who had been terminated for psychiatric reasons from his job in the Azerbaijani Ministry of Internal Affairs entered the main reception area of the presidential complex, produced a fragmentation grenade and demanded to be reinstated in his job. A member of the Presidential Security Service who had completed an ATA hostage negotiation course one month earlier used his training to talk the man into surrendering peacefully.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR) Defense and Military Contacts: In FY 2001, the U.S. Government increased its CTR Defense and Military Contacts with Azerbaijan's Ministry of Defense in areas exempt from restrictions contained in Section 907 of the FREEDOM Support Act, including nonproliferation, humanitarian relief and democratization.

DoD/U.S. Customs Service (USCS) Counter-Proliferation Program: DoD and USCS jointly provided technical assistance to Azerbaijan to help enable the country's border control and other law enforcement agencies to stop the spread of weapons of mass destruction (WMD), nuclear materials, missile equipment and related technology. In August 2001, DoD/USCS provided training under the Risk Report/Wisconsin Project for Azerbaijani officials on a computer database on counterproliferation containing a worldwide list of entities recognized as contributing to weapons proliferation. DoD and USCS scheduled three WMD training events for the period January to May 2002.

Humanitarian Programs

USAID Humanitarian Assistance: In FY 2001, USAID continued to focus on making the transition from meeting basic humanitarian needs to promoting longer-term sustainable economic development through programs aimed at the private sector. Prospects for permanently resettling internally displaced persons (IDPs) and refugees diminished, as progress in resolving the Nagorno-Karabakh conflict with Armenia stalled. USAID-funded grantees provided essential assistance to IDPs and refugees in Azerbaijan. Economic opportunity activities provided training for 4,140 clients, disbursed loans to 13,069 clients (6,469 of whom were women), and created 7,342 jobs. U.S. Government-funded projects have helped deliver primary-health-care services (441,672 visits) to IDP patients. Community development initiatives mobilized 160 communities and supported the completion of 318 community projects.

U.S. Department of Agriculture (USDA) – Food Assistance: In FY 2001, under its Food for Progress Program, USDA allocated \$2 million for the provision of approximately 4,000 metric tons of food aid to Azerbaijan through the private voluntary organization (PVO) International Rescue Committee (IRC). The IRC monetized the commodities to support agricultural extension and training programs in Azerbaijan.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: EUCOM provided a robust and well-received program of humanitarian aid to Azerbaijan in FY 2001, donating excess defense articles (EDA), explosive ordnance disposal equipment, and medical supplies. The Department of Defense also sponsored training events designed to improve Azerbaijan's disaster management capability. EUCOM's many humanitarian activities have generated significant goodwill in Azerbaijan and have contributed to the positive regard many Azerbaijanis have for the U.S. military.

- **Assistance to Earthquake Victims:** After a November 2000 earthquake measuring 7.3 on the Richter scale, EUCOM sent humanitarian cargo consisting of blankets, beds, sleeping bags, clothes, overcoats, chairs, desks and other furnishings designed to help people displaced by the quake. This humanitarian shipment totaled more than 7,000 items with an estimated value of \$249,000. Unfortunately, this shipment was detained en route to Azerbaijan at the Russian border in Dagestan, and EUCOM had to pay nearly \$16,000 in customs fees in order to gain the release of this humanitarian cargo and deliver it to the people who needed it in Azerbaijan.
- **Emergency Management Training:** In July 2001, four Azerbaijanis flew to the United States in order to participate in a hurricane exercise conducted jointly by the National Guard and the Federal Emergency

Management Agency (FEMA). In August, a military training team from Fort Bragg conducted a disaster management seminar in Baku. This one-week training event was attended by 45 Azerbaijani officials from six different government departments involved in disaster response.

- **Humanitarian Demining:** EUCOM provided technical assistance and donated excess defense articles (EDA) in order to support Azerbaijan's humanitarian demining effort. After Azerbaijani Government personnel successfully completed explosive ordnance disposal training conducted by Special Operations Command Europe, EUCOM transferred demining field equipment totaling nearly \$100,000 to the Government of Azerbaijan, and the Azerbaijan National Agency for Mine Action received six four-wheel-drive pick-up trucks valued at \$63,000, which are now being used by Azerbaijani personnel who are clearing unexploded mines and other ordnance from regions to which displaced residents wish to return. In addition, under a State Department-funded humanitarian demining initiative begun in FY 2000 and concluded in FY 2001, the Department of Defense conducted training in Georgia that was attended by 15 Azerbaijanis and provided equipment in support of the Beecroft Demining Initiative's confidence and security-building measures.
- **Medical Equipment:** Under the State Department's Operation Provide Hope, EUCOM donated medical equipment to four hospitals and five clinics in Baku, including x-ray machines, sonogram machines and laboratory instruments. After the delivery of this equipment, military medical technicians from EUCOM returned to Azerbaijan to perform calibrations and provide follow-on training to local medical staff.
- **School Renovation:** EUCOM contributed construction funding to renovate three public schools in Baku. This project transformed old school buildings, which were causing lower attendance due to unsafe structural conditions, into safe clean schools that now boast increased enrollment. The \$250,000 contract for this project was awarded to a local construction firm that won the job in a fair and open bidding process governed by U.S. Defense Department guidelines, thus providing an added benefit to the community.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia transported an estimated \$18.37 million in privately donated humanitarian commodities—primarily medicines, medical supplies and food—to Azerbaijan at a cost of \$2.14 million to the U.S. Government. These commodities were distributed through the following U.S. PVOs: International Relief and Development (IRD), the United Methodist Committee on Relief (UMCOR) and Counterpart International (CI).

Support for International Humanitarian Organizations: The U.S. Government allocated \$580,000 to UNICEF to support a project to revitalize health structures in districts with concentrations of IDPs and refugees in 2001-02. UNICEF is working in 15 districts and mobilizing communities to form health councils. In addition, the U.S. Government provided \$300,000 to the United Nations Development Program (UNDP) to establish resource centers in areas with concentrations of IDPs and refugees to provide access to institution-building assistance. USAID also provided a small grant to a demining activity being implemented by the UNDP and the Azerbaijan National Agency for Mine Action (ANAMA).

Partnership Programs

USAID Health Partnership: USAID continued to work with the American International Health Alliance (AIHA) on a health partnership project between Baku hospitals and hospitals from Oregon, Virginia and Texas. This partnership, to which USAID has contributed \$3.17 million for the period 1999-2001, provides services to IDP and refugee populations and to other vulnerable groups. The AIHA team works with hospitals and health providers to improve health services.

U.S. Department of State – University Partnership Program: Since 1998, with support from a university partnership grant awarded by the Bureau of Educational and Cultural Affairs (ECA), Georgia State University has been helping the Azerbaijan State Oil Academy (ASOA) develop a two-year master's degree program in business administration (MBA), which is now fully functioning and has gained a reputation for quality and real results. In On September 18, 2001, the first 15 MBA students graduated from the ASOA in a ceremony that included a moment of silence for the victims of the September 11 terrorist attack. The ECA Bureau awarded a second grant to Georgia State University in 2001 to work with ASOA on developing a full-fledged undergraduate business program in conjunction with the MBA program. In addition, also with the support of a university partnership grant, Azerbaijan's Western University has developed an executive MBA program in partnership with Northern Alabama University and a master's degree program in public administration (MPA) with Indiana University. Similarly, Azerbaijan's largest and most important state-run educational institution, Baku State

University (BSU), has an effective partnership with Indiana University, with whom it cooperates on its American Studies Center. As BSU is still where the majority of less affluent Azerbaijani students pursue higher education, the American Studies Center plays a key role in spreading understanding about America to a new audience of Azerbaijani students. The U.S. Embassy's Public Affairs Section continues to support BSU's efforts to make the Center and partnership more effective by integrating it more fully into the university community.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2001, the Eurasia Foundation awarded 31 grants totaling \$863,000 to Azerbaijani NGOs working to support civil society, private enterprise development, and public administration and policy. Examples of activities supported by the Foundation are provided below:

- **Civil Society Development:** Following Azerbaijan's acceptance into the Council of Europe (COE), the Azerbaijani NGO "Society and Law" began creating a mechanism for Azerbaijani citizens to gain access to the European Court of Human Rights, including the provision of free public legal assistance through a new consulting center. In addition, the newspaper *525* is organizing a nationwide discussion of the importance of public television, a COE requirement. The law firm Mahir is supporting the rule of law through the introduction of an alternative civil legal system, which includes selection and training of independent mediators.
- **Private Enterprise Development:** The Ecological Society "Ruzgar" is improving agri-business practices and food product safety through a series of conferences supporting more efficient use of water resources. In addition, the Association of Certified Accountants is supporting the introduction of International Accounting Standards (IAS) by introducing an accounting certification system, and the Association of Certified Companies is advancing the professional development and promotional strategies of the consulting services sector through a series of training programs on franchising and the organization and functioning of credit unions.
- **Southern Caucasus Cooperation Project (SCCP):** The SCCP (which was initiated in 2000 to facilitate greater contact and cooperation among leading NGOs in Armenia, Azerbaijan, and Georgia, and to help overcome the political and economic obstacles to regional integration) made 37 grants totaling \$497,000 to Azerbaijani NGOs working with partner organizations in Armenia and Georgia.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, Section 907 of the FREEDOM Support Act, which prohibits certain types of assistance to the Government of Azerbaijan, continued to be a significant barrier to accomplishing the purposes identified under the SRSA. The U.S. Government's inability to provide technical assistance to the Government of Azerbaijan in crucial areas such as tax and customs policy formulation and implementation, restructuring of banking and financial systems, combating corruption, and protection of intellectual property rights compromised the U.S. Government's ability to encourage economic growth and development in Azerbaijan.

Nevertheless, in FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA: promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

In particular, humanitarian assistance helped meet the basic needs of refugees and IDPs, fostering conditions that may make reconciliation and recovery from regional conflicts more likely. Economic initiatives directed at the private sector and small and medium-sized enterprises helped entrepreneurs become more familiar with what is required to compete successfully in the global economy. TDA programs have fostered a limited number of projects to improve infrastructure development, including air traffic control and seismic preparedness, and are expected to help jump-start a wider range of trade and commercial activities between the U.S. and Azerbaijani private sectors.

U.S. Government-funded activities in the areas of nonproliferation and border control have been vital in helping the Azerbaijani Government improve control over its borders to prevent the proliferation of technology and

materials related to weapons of mass destruction. Greater and more targeted assistance is needed, however, to help the Azerbaijani Government increase its effectiveness in carrying out counter-proliferation activities.

U.S. Government-funded assistance activities have been effective in strengthening democracy, tolerance, and the development of civil society. Assistance activities in the area of NGO development, international exchanges and advanced professional training programs in skill areas vital to civil society development have been particularly effective.

Preview of FY 2002 Programs

The FY 2002 Foreign Operations Appropriations Act gives the President the authority to waive the Section 907 restrictions on U.S. Government assistance to the Government of Azerbaijan on the grounds of national security, and he did so on January 25, 2002. This waiver will allow U.S. assistance to be more proactive in areas related to the war on terrorism. The U.S. Government is actively reviewing its current assistance strategy to take into account new opportunities presented by the waiver, including activities to enhance Azerbaijan's ability to improve border security and counter threats such as proliferation of weapons of mass destruction, terrorism, and transit of narcotics and conventional weapons; and additional activities with both governmental and non-governmental organizations to support the development of a more vibrant private sector.

State Department Export Control and Related Border Security (EXBS) assistance will be enhanced in FY 2002 by \$3 million in funding provided through the Emergency Response Fund supplemental appropriation. FY 2002 regular and supplemental funds will be used to enhance the Azerbaijani Government's control of its southern border with Iran and its maritime border in the Caspian Sea. The U.S. Government will continue to provide U.S. Customs Service and Coast Guard Advisors in FY 2002, and will repair and upgrade communications for two additional Maritime Border Guard vessels in spring 2002. In addition, the U.S. Government will provide the Border Guards with additional communications and essential motion-sensor equipment to detect illicit attempts to cross the southern border.

U.S. Government assistance will also continue to focus on economic development and growth. In accordance with a strategy begun in FY 2001, emphasis will be placed on private-sector development with job and income creation as the major priority for development assistance activities. The program will reduce activities solely devoted to meeting the basic needs of IDPs and refugees. Additional emphasis will also be placed on assistance to rural areas that have not benefited from oil and gas development, which is primarily concentrated in the capital city of Baku and its immediate environs. Areas in which the U.S. Government will provide assistance include addressing economic development constraints in credit availability, improving business management capabilities, market development, and product diversification.

The U.S. Government will also continue to support activities aimed at improving the quality, responsiveness and capability of the print and broadcast media to report political, economic and social news and events in an informative and unbiased manner. At the same time, the U.S. Government will continue to advocate strongly for and support programs that promote democratic governance activities and improving the circumstances for expanding basic human rights and civil liberties. U.S. Government support will continue to improve the capabilities of the growing NGO community, which is taking on greater responsibility in addressing social and economic issues.

Future USAID agricultural-sector activities include initiating an agricultural input program aimed at strengthening the capacity of input dealers to advise growers on appropriate use of fertilizers, seeds, feed, and crop protection products. The project will seek to increase the productivity of the agricultural sector through expanded availability and use of inputs. USAID will also launch a business support initiative in the Zagatala region, in hopes of mitigating ethnic strife and economic instability in the region. The business support initiative will work with enterprises identified by the project as most vital to the future economic development of the region and, in partnership with local business associations and support services, help build adequate supplier and dealer networks. USAID will also implement a social investment initiative.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO AZERBAIJAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	8.20
- Democratic Reform	5.13
- Humanitarian Assistance	9.17
- Cross-Cutting / Special Initiatives	1.50
- Eurasia Foundation	2.00
TOTAL USAID	26.00
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.37
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	2.00
- Cargo Value (DoD excess and privately donated, not included in total below)	18.37
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	20.37
U.S. DEPARTMENT OF STATE	
- Export Control & Related Border Security (EXBS)	1.00
- ECA Bureau - Public Diplomacy Programs	6.43
- EUR Bureau - Public Diplomacy Programs	0.35
- International Information Programs (IIP)	0.10
TOTAL U.S. DEPARTMENT OF STATE	7.88
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowships	0.08
TOTAL TRANSFERS TO OTHER AGENCIES	10.33
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	36.32

OTHER AGENCY FUNDS	
USAID - P.L. 480, Title II Food Assistance	1.80
U.S. DEPARTMENT OF DEFENSE	0.52
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	2.01
U.S. DEPARTMENT OF STATE	
- NADR / Export Control & Related Border Security (EXBS)	0.83
- NADR / Science Centers	
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.48
- International Information Programs (IIP)	0.02
- NADR / Anti-Terrorism Assistance (ATA)	0.94
TOTAL U.S. DEPARTMENT OF STATE	2.27
TOTAL FY 2001 AGENCY FUNDS BUDGETED	6.59

TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	42.92
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For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO AZERBAIJAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	5		0.22	8.80	
1992	Surface		2	0.02	0.42	
	Operation Provide Hope II (Food&Med.)			0.30	1.30	
	EUR/ACE Admin & Program Support			0.21		
FY 1992 TOTAL		5	2	0.75	10.52	11.27
1993	Airlift	4		0.13	0.92	
1993	Surface		0			
	CARE Grant			0.44		
	EUR/ACE Admin & Program Support			0.29		
FY 1993 TOTAL		4	0	0.86	0.92	1.78
1994	Airlift	8		0.60	4.70	
1994	Surface		4	0.01	0.40	
	CARE Grant			0.04		
	Relief International Grant			0.04		
	Medicines Sans Frontiers			0.01		
	WFP Grant			1.00		
	EUR/ACE Admin & Program Support			0.41		
FY 1994 TOTAL		8	4	2.11	5.10	7.21
1995	Airlift	0				
1995	Surface		41	0.26	2.52	
	Relief Int'l. Grant			0.03		
	CARE Grant			0.17		
	WFP Grant			1.60		
	EUR/ACE Admin & Program Support			0.42		
FY 1995 TOTAL		0	41	2.48	2.52	5.00
1996	Airlift	1		0.07	0.53	
1996	Surface		30	0.29	2.58	
	UMCOR Grant			0.36		
	Project HOPE Grant			0.05		
	Counterpart Grant			0.09		
	Intl Relief Cmte Grant			0.01		
	WFP Grant			0.40		
	EUR/ACE Admin & Program Support			0.12		
FY 1996 TOTAL		1	30	1.39	3.11	4.50
1997	Airlift	5		0.29	5.40	
1997	Surface		19	0.15	5.42	
	Intl Relief Cmte Grant			0.01		
	Heart to Heart Grant			0.03		
	UMCOR Grant			0.37		
	Project HOPE Grant			0.03		
	EUR/ACE Admin & Program Support			0.26		
FY 1997 TOTAL		5	19	1.14	10.82	11.96
1998	Airlift	8		0.64	8.54	
1998	Surface		287	0.34	3.49	
	UMCOR Grant			0.43		
	Counterpart Grant			0.17		
	CitihHope			0.03		
	Project Hope			0.04		
	DoD Excess Hospital (Baku - Sept. 98)			0.95	12.50	
	EUR/ACE Admin & Program Support			0.28		
FY 1998 TOTAL		8	287	2.88	24.53	27.41

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO AZERBAIJAN

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1999	Airlift	11		0.18	4.00	
1999	Surface		84	0.57	11.23	
	Counterpart Grant			0.24		
	Counterpart Small Medium Grant			0.40		
	Eaton-HAP			0.40		
	CitiHope			0.10		
	UMCOR			0.45		
	EUR/ACE Admin & Program Support			0.63		
FY 1999 TOTAL		11	84	2.97	15.23	18.20
2000	Airlift	7		0.12	7.16	
2000	Surface		35	0.19	5.10	
	Counterpart Grant			0.14		
	Counterpart Small Medium			0.03		
	UMCOR			0.38		
	Heart to Heart Grant			0.40		
	IRD			0.21		
	EATON-HAP			0.16		
	EUR/ACE Admin & Program Support			0.21		
FY 2000 TOTAL		7	35	1.82	12.26	14.08
2001	Airlift	7		0.19	7.93	
2001	Surface		74	0.35	10.44	
	Counterpart Grant			0.14		
	Counterpart Small Medium			0.03		
	UMCOR			0.25		
	DoD Excess Hospital (Revisit)			0.55		
	IRD			0.44		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.19		
FY 2001 TOTAL		7	74	2.14	18.37	20.51
CUMULATIVE TOTAL		56	576	18.54	103.38	121.92

BELARUS

Political Overview

In September 2001, head of state Aleksandr Lukashenko was returned to office for a new five-year term through presidential elections characterized by massive fraud and vote rigging. Although opposition parties demonstrated an ability to form a broad coalition and selected a single candidate, labor union leader Vladimir Goncharik, to run against Lukashenko, the opposition's presidential campaign efforts were stymied by government actions that included direct intimidation, denial of access to state media, and the stifling of independent media. The opposition was also effectively precluded from having its members serve on local election commissions. On Election Day, independent election observers—both local and international—were barred from observing vote counting and tabulation. Throughout the year, Lukashenko continued to rule by presidential decree, as the Parliament remained essentially powerless, and the courts did not exercise independence from executive-branch authorities. However, in spite of the Belarusian Government's efforts to suppress civil society through such means as complicated procedures for registering NGOs, a presidential decree impeding NGOs from receiving international assistance, and harassment of civil society activists by state security services, the presidential election process provided a context for the emergence of a more vibrant civil society. Local government elections are expected to be held in early 2003.

Economic Overview

Belarus has largely retained a centrally planned economy, with most large-scale enterprises still in government hands. Privatization efforts remained blocked by the Lukashenko regime in FY 2001, while the government discouraged the development of private small and medium-sized enterprises through infringements on private property rights, harassment from tax authorities and other government entities, and state-sector subsidies that rendered private business unprofitable. Belarus's economy remains heavily dependent on Russia, both as a market for exports and as a provider of subsidized energy resources. Given the overall economic and political climate, there is very little foreign investment in Belarus. In FY 2001, economic growth was stagnant. Inflation was well over 50 percent, as a result of currency emissions to cover a significant government budget deficit. The government's sole economic success was in increasing the convertibility of the Belarusian ruble. Preliminary steps were taken towards economic integration with Russia, including efforts at harmonizing taxation policies.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$37.78 million in assistance to Belarus, including \$12.41 million in FREEDOM Support Act (FSA) assistance (\$11.43 million in FY 2001 funds and \$980,000 in prior-year funds), \$500,000 from the State Department's Human Rights and Democracy Fund (HRDF), \$440,000 in Educational and Cultural Exchanges (ECE) assistance, and privately donated and U.S. Defense Department excess humanitarian commodities valued at \$24.39 million. U.S. Government assistance to Belarus continued to be subject to a policy of "selective engagement" with the Government of Belarus—a policy adopted after the illegal constitutional referendum of November 1996, through which Lukashenko extended his term of office and brought about the dissolution of Belarus's legitimate parliament. Under "selective engagement," no U.S. bilateral assistance is channeled through the Government of Belarus, except for humanitarian assistance and exchange programs with state-run educational institutions. U.S. Government assistance to Belarus is almost exclusively targeted at the country's non-governmental sector, particularly NGOs and independent media that are working to promote the development of civil society and the free flow of information. In FY 2001, the U.S. Government's assistance strategy for Belarus was focused on promoting the conduct of free and fair democratic elections and the growth of civil society in Belarus. U.S. Government-funded assistance programs sought to increase the democratic awareness of Belarusian citizens in the context of the October 2000 parliamentary and September 2001 presidential elections. The U.S. Government also sought to counteract the Belarusian Government's efforts to limit the free flow of information in Belarus, providing small grants, legal aid, Internet access and other essential services to Belarus's independent press.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,300 Belarusian citizens to the United States for short-term professional or long-term academic training, including some 310 in FY 2001 alone. These programs are giving reform-oriented Belarusians an opportunity to develop their skills and establish contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section (PAS) in collaboration with the Bureau of Educational and Cultural Affairs (ECA) continued to be a key component of U.S. Government-funded assistance to Belarus. Approximately 290 Belarusians traveled to the United States under the ECA Bureau's academic and professional exchange programs. A total of 90 people from throughout Belarus traveled to the United States for short-term professional training under the Community Connections Program, which was launched in Belarus in 1997. More than 40 Belarusian high school students spent one full academic year living with an American family and attending an American high school under the Future Leaders' Exchange (FLEX) Program. More than 30 Belarusians received opportunities to study at U.S. universities through the Muskie Undergraduate and Graduate Exchange Programs, the Fulbright Program, the Regional Scholars Exchange Program and Fellowships in Contemporary Issues. Through the International Visitor (IV) Program, the PAS sent over 50 Belarusians to the United States for professional training in areas such as public-opinion polling, print journalism, NGO management, cultural heritage preservation, immigration and refugee issues, and international crime. In addition, the PAS brought a number of U.S. specialists from various disciplines to Belarus to give lectures and consult with local counterparts. For example, one of America's premiere academics at Columbia University helped to organize Belarus's first-ever trans-Atlantic studies program at the European Humanities University, the country's leading independent university. Upon returning home, an alumna of a program funded through the ECA Bureau's Professional Training Program who participated in a leadership program organized by Magee Womancare International founded the Association of Women-Entrepreneurs, which supports small businesses established by women, and established the *Mogilev Economic Newspaper*. She is also working to assist women in crisis situations and young women graduating from high school, and is providing consulting services for female entrepreneurs.

U.S. Department of State – Internet Access Training Program (IATP): In FY 2001, the IATP Program, which is administered by the ECA Bureau, opened four new public-access Internet facilities in Belarus, bringing the total number to six. The IATP sites are located in public libraries and are generally comprised of eight to ten public-access Internet terminals. The sites are located in Minsk, Grodno, Brest, Mogilev, Vitebsk and Gomel.

U.S. Department of State – English Language Training: Under this program, which is administered by the ECA Bureau, Belarus received its first U.S. Government-funded English teaching professional, who is teaching at the Minsk State Linguistics University.

U.S. Department of Commerce – Special American Business Internship Training (SABIT): In FY 2001, the SABIT Program sent five Belarus managers and scientists to U.S. companies for hands-on training, ranging from four weeks to six months in duration, in the areas of retail, tourism, and small and medium enterprise association development. All five took part in the following specialized programs: business management for women, services, and business association development. Since completing her SABIT internship in March 2001, an apparel manager from Pinsk has opened up a second retail clothing store in her hometown, and is applying Western marketing, strategic planning and customer-service concepts.

Democracy Programs

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 136 grants totaling approximately \$2 million in support of independent print and electronic media, youth and women's groups, human rights groups, independent trade unions, and other pro-democracy organizations. This brings the cumulative number of Democracy Commission grants since 1997 to 371. Although Democracy Commission grants are limited in size (individual grants do not exceed \$24,000, with most falling between \$5,000 and \$15,000), they have proven to be a very effective vehicle for supporting the reform efforts of non-governmental segments of Belarusian society. In conjunction with technical and legal assistance provided by USAID, Democracy Commission grants have helped sustain national, regional and local independent print media in Belarus despite continued government harassment. The grants helped Belarusian NGOs and

independent media explain the importance of a free and fair democratic electoral process to Belarusian citizens during the parliamentary and presidential elections. Democracy Commission grants also played a significant role in supporting human rights monitoring and education programs in Belarus.

USAID Political Party Development Programs: In FY 2001, USAID political process programs implemented by the International Republican Institute (IRI) and the National Democratic Institute (NDI) focused on strengthening the capacity of democratic political forces to participate in the electoral process, as well as on training democratically oriented NGOs to monitor the electoral process in an effective, non-partisan manner. USAID-funded assistance was targeted on building a broad pro-democracy coalition including political parties and other civil society groups, training regional political-party staff in the basics of party work and the analysis and use of strategic polling data. Coalition-building roundtables and conferences were organized for leaders of democratic political parties and civil society groups, facilitating the formation of a broad civic coalition that put forward and supported a united pro-democracy candidate. Technical training and on-site consultations for regional party activists considerably enhanced the skills of party officials, who joined campaign teams and played key roles in running election campaigns. Campaign managers were trained in the use of strategic polling data. A reliable strategic polling program was designed and implemented in Belarus. In July 2001, sociologists introduced tracking sample techniques that allowed close monitoring of public opinion. These USAID-funded activities helped make political leaders much more sensitive to the importance of public opinion. In FY 2002, IRI and NDI will continue to conduct in-country workshops and other programs that promote political party-building, but do not favor any particular party or candidate.

USAID Support for Domestic Election Observer Network: USAID and the Organization for Security and Cooperation in Europe (OSCE) jointly provided training and technical assistance to a non-partisan domestic election observer network established by the Central Coordinating *Rada* (Council) of Observers and the Assembly of Democratic NGOs. The observer network involved approximately 14,000 observers who covered every polling station in Belarus with at least two observers per polling station on Election Day (September 9), and at least one observer per polling station during the five days of early voting (September 4-8).

USAID Support for Independent Media: Recognizing that independent print and broadcast media are an essential element for establishing a democratic and market-based system, USAID stepped up its support of independent media in Belarus in FY 2001. USAID's Professional Media Program (ProMedia II), which is implemented by the International Research and Exchanges Board (IREX), provided financial and technical support to newspapers, independent television stations, and extra-territorial radio stations. Throughout the year, the Belarusian Government increased its harassment of the independent media through the issuance of presidential decrees, inspections by the tax police, equipment confiscation and the closing-down of independent printing presses and newspapers. Emergency newsprint and equipment grants to independent media were made available to allow continued publication leading up to the elections. ProMedia II continued to serve as a source of technical assistance and communications support for all non-governmental media, providing training in election coverage and investigative reporting to independent journalists throughout the country. As noted above, Democracy Commission grants were also used to provide material support to independent media.

USAID Rule-of-Law Programs: When it began operations in Belarus in 1992, the American Bar Association's USAID-funded Central and Eastern European Law Initiative (ABA/CEELI) focused on reforming legal education, the legal profession and the judiciary. However, because Belarusian Government institutions have been unwilling to institute reforms and due to the U.S. Government's policy of "selective engagement," ABA/CEELI shifted its focus to working with human-rights organizations, law students, and local judges' and lawyers' associations. In FY 2001, ABA/CEELI continued to support the development of the Free Trade Union of Belarus by training trade union lawyers and workers on principles of the independent trade union movement, labor, employment, workers' and human rights. However, in addition to maintaining its ongoing human-rights-oriented programs, ABA/CEELI devoted substantial time and resources to election-related public education and advocacy activities. ABA/CEELI provided support to legal professionals involved in various aspects of the electoral process, focusing its efforts on developing a cadre of expert human-rights lawyers who could actively represent citizens and provide legal support to NGOs and independent media during the run-up to the presidential elections. In addition, ABA/CEELI provided targeted election-related training to legal professionals working at the local and national level with the domestic election observer network described above, as well as training for Belarusian citizens on addressing human and civil rights violations during the pre-election period.

USAID Support for NGO Development: Despite the Belarusian Government's general attitude of distrust towards NGOs and its desire to suppress all civic initiatives, Belarusian NGOs were quite active in FY 2001 in the areas of human rights, social services and humanitarian activities (i.e., helping people meet their basic needs), and addressing social welfare and other issues of public interest. The Belarusian Government created an extremely unfavorable legal, political and economic environment for NGO formation and survival in FY 2001, using tax, audit and other types of inspections as a way of pressuring NGOs engaging in civil society development activities. The most notable hurdle placed in the path of Belarusian NGOs was Presidential Decree Number Eight, "On the Registration Procedure for Foreign Gratuitous Aid," which seriously infringed on the rights of recipient organizations and individuals. The government's hostile attitude notwithstanding, Belarusian NGOs continued to build a foundation for a genuinely democratic civil society. In FY 2001, USAID expanded its NGO development activities, supporting civil society organizations and independent trade unions with expertise in protecting their constituents' rights. USAID also supported NGO-implemented voter education and get-out-the-vote campaigns throughout the country, and achieved significant results in strengthening civic groups to be effective advocates for democratic reform and democratic values by training domestic non-partisan election observers. With USAID support, Freedom House and the Counterpart Alliance for Partnership (CAP) promoted civil society development in Belarus in FY 2001 by providing technical and legal assistance and small grants to local NGOs. In FY 2001, USAID expanded its NGO development activities, supporting civil society organizations and independent trade unions with expertise in protecting their constituency's rights and initiating legislative change. NGOs were also intensively involved in voter education and get-out-the-vote campaigns throughout the country.

- **Freedom House:** Freedom House's Building Democracy in Belarus program made 65 grants to support the election mobilization campaign, which consisted of a series of synchronized countrywide actions and events, with the same positive message delivered in all localities. Projects on youth and women, especially those coordinated with the national voter mobilization effort, were given special consideration; other grants supported materials production, community, sports and cultural events. Grants were also awarded to establish cooperative links between Belarusian NGOs and their counterparts in countries that have held democratic elections and have had experience in nonpartisan mobilization campaigns.
- **Counterpart Alliance for Partnership (CAP):** CAP promoted civil society development in Belarus by providing assistance to local NGOs. Six new NGO coalitions were created with the help of CAP-sponsored mobilization events: Dialogue (12 NGOs); Belarus Women's Alliance (24 NGOs); Bobruysk Coalition (17 NGOs); Vitebsk Women's NGO Coalition (9 NGOs); Mogilev NGO Center (16 NGOs); Gorky NGO Coalition (8 NGOs). Most groups are dedicated to continuing their work in democracy building and have expressed interest in focusing on the 2003 local elections as their next challenge. USAID has achieved significant results in strengthening civic groups to be effective advocates for democratic reform and democratic values through training non-partisan election observers for monitoring election violations.

U.S. Department of State – Support for the National Endowment for Democracy (NED): In FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia provided \$3.08 million in supplemental funding to NED to support its grant-making activities in Belarus. This supplemental funding was used to support more than 50 projects seeking to promote free, fair and transparent presidential elections in Belarus. NED supported the non-partisan, election-related efforts of U.S. and Belarusian NGOs to educate citizens, mobilize voters, promote a free exchange of ideas and issues, monitor the polls, and improve political party and NGO coalition-building. NED's get-out-the-vote grants included a strong focus on youth, workers and rural citizens.

U.S. Department of State – Human Rights and Democracy Fund (HRDF): The 2001 presidential elections presented a unique opportunity for the U.S. Government to support Belarusian organizations working to promote free and fair elections. In FY 2001, the Bureau of Democracy, Human Rights and Labor (DRL) provided \$500,000 from the DRL-administered HRDF to the National Endowment for Democracy (NED) to award subgrants to democratic forces in Belarus for election-related projects, including get-out-the-vote campaigns, independent media campaigns, coalition-building and human-rights monitoring of compliance with OSCE-mandated conditions.

Economic Development Programs

USAID Support for Small and Medium-Sized Enterprise Development: To safeguard the results of the USAID-supported small-scale privatization program, which was implemented by the International Finance Corporation (IFC) but ended in May 2000 due to Belarusian Government's reluctance to pursue continued privatization, and to improve the conditions for existing small businesses, USAID launched a Small and Medium-Sized Enterprise (SME) Development Project in June 2000. This activity complemented USAID's civil society development activities by providing technical and legal assistance to private entrepreneurs and business associations, which are rapidly becoming one of the strongest public voices for greater private-sector development in Belarus. In FY 2001, the SME Development Project focused on strengthening business associations and increasing their customer and membership base, and on developing SMEs' lobbying capability and advocacy skills. USAID took full advantage of the unique opportunity created by the pre-election period to help strengthen and integrate the Belarusian business community, so as to enable it to defend itself and lobby effectively for its rights and interests.

USAID Support for Women Entrepreneurs: The Women's Economic Empowerment Program (WEEP) implemented by Winrock International and Agricultural Cooperative Development International / Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) provided support to women's business initiatives, with the goal of empowering women to take more control over their personal and economic situation. Due to the restrictive and stagnating business environment in Belarus in FY 2001, WEEP concentrated on offering educational and informational programs to help women NGO activists develop better leadership and managerial skills. WEEP also provided seed funding to support ten women's local initiatives throughout Belarus, including workshops, roundtables and conferences that reached over 3,000 women in towns and villages throughout Belarus.

USAID Support for Agribusiness Development: In FY 2001, the Citizens' Network for Foreign Affairs (CNFA) initiated a USAID-funded agribusiness volunteer program geared towards helping Belarusian private farmers and agribusinesses to overcome the current adverse economic conditions and become role models for other entrepreneurs. CNFA worked towards this goal by strengthening the organizational capacity of the Belarusian Farmer's Union and its regional affiliates, supporting the development of grassroots private farmers, and linking promising private farmers with Western agribusinesses. In FY 2001, CNFA brought 15 U.S. volunteers to Belarus to provide technical assistance to independent farmers.

USAID Farmer-to-Farmer (FTF) Program: The political and legal environment for the development of private agribusiness remained difficult in Belarus in FY 2001. Private ownership of agricultural land is still illegal. In spite of these obstacles, some private firms and associations have been created. FTF volunteers are helping the Belarusian Farmers' Association develop a non-governmental, member-driven organization and is helping several private firms by providing training in financial management.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): BISNIS published three *Search for Partners* leads to help private companies in Belarus develop business relationships with U.S. companies.

Security and Regional Stability Programs

As it has for the past several years, Belarus remained ineligible to receive U.S. Government-funded security-related assistance in FY 2001. In February 1997, President Clinton de-certified Belarus under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program due to its poor record on human rights, resulting in program suspension and the reallocation to other countries of unobligated CTR funds. The U.S. Government is providing minimal security-related assistance to Belarus on a case-by-case basis. For example, the U.S. Embassy in Minsk continues to send Belarusians from both the governmental and non-governmental sectors to training sessions at the U.S. Defense Department's Marshall Center in Germany and has sponsored the participation of Belarusian journalists and academicians in NATO familiarization programs.

Humanitarian Assistance Programs

USAID Humanitarian Assistance: Since 1995, the USAID-funded Counterpart Humanitarian Assistance Program (CHAP) has delivered and distributed more than \$27 million worth of humanitarian assistance to the most vulnerable groups in Belarus, including almost \$4.76 million in FY 2001. CHAP continued to coordinate its efforts with Counterpart's NGO Development Program to provide Belarusian NGOs with commodities that enhance the effectiveness and visibility of their community-focused projects. CHAP donations to CAP-targeted NGOs have been almost \$1.8 million since the program's inception; 273 CAP-supported NGOs have received CHAP donations. CHAP's new approach has helped Belarusian NGOs play a more important role in social services, humanitarian relief and health, especially in rural areas. The State Department's Operation Provide Hope supplemented this program by providing transportation and commodity support.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: In FY 2001, EUCOM delivered \$182,000 in medical supplies, equipment and delivery vans to a renovated blood bank in Belarus. The cost of this project was \$12,000.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia transported approximately \$19.46 million in privately donated and U.S. Defense Department excess humanitarian commodities to Belarus at a cost of approximately \$700,000 to the U.S. Government. The primary U.S. private voluntary organization (PVO) involved in this effort was CitiHope.

Cross-Sectoral Programs

Eurasia Foundation: At the end of FY 2001, USAID's Office of the Inspector General issued its final report on the fraudulent actions of an employee of the Eurasia Foundation's Kiev regional office, which administers the Foundation's grant-making activities in Belarus, Moldova and Ukraine. Upon discovering evidence in FY 1999 that fraud had taken place, the Foundation referred the case to Ukrainian authorities. The USAID Inspector General's report reached conclusions regarding the total amount misappropriated and made a series of recommendations to ensure improved program management. The Eurasia Foundation has taken the control actions recommended by the USAID Inspector General, who subsequently closed the case, enabling USAID to negotiate a new grant with the Foundation. The Foundation's insurance company has fully reimbursed USAID for the misappropriated funds. The Foundation plans to resume grant-making in Belarus during the first half of 2002. In FY 2001, through its headquarters in Washington, D.C., the Foundation approved a partnership grant to the Research Foundation of the State University of New York (Buffalo) to implement the third phase of the establishment of a Western-style master's in business administration (MBA) program at the Yanka Kupala State University in Grodno, Belarus. A third partner under this partnership grant was the Riga School of Business in Latvia. Grant funds will support continued faculty training, the development of regionally oriented case studies and teaching materials, the establishment of an English Language Center, the strengthening of the academic and administrative infrastructure of the program, and the implementation of the first year of the MBA program.

Preview of FY 2002 Programs

In FY 2002, U.S. Government assistance programs will continue to focus on strengthening civil society, following the undemocratic parliamentary and presidential elections held in Belarus in FY 2001. The main emphasis will be on supporting independent print and electronic media, political-party development, civil-society development, and human-rights protection, bringing to bear the Central and Eastern European countries' experience in these areas. Assistance will also be provided in the areas of trade union democratization, economic development, humanitarian programs, and culture. The goal of U.S. assistance will be to strengthen Belarusian civil society in order to develop democratic political structures that represent all segments of society and can bring Belarus up to European democratic standards.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO BELARUS**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Democratic Reform	4.56
TOTAL USAID	4.56
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.07
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	0.50
- Cargo Value (DoD excess and privately donated, not included in total below)	19.46
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	19.96
U.S. DEPARTMENT OF STATE	
- ECA Bureau - Public Diplomacy Programs	2.93
- EUR Bureau - Public Diplomacy Programs	3.35
- International Information Programs (IIP)	0.02
TOTAL U.S. DEPARTMENT OF STATE	6.30
TOTAL TRANSFERS TO OTHER AGENCIES	6.87
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	11.43
OTHER AGENCY FUNDS	
U.S. DEPARTMENT OF DEFENSE - EUCOM Humanitarian Assistance	0.01
U.S. DEPARTMENT OF ENERGY	
U.S. DEPARTMENT OF STATE	
- NADR / Science Centers	
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.44
- International Information Programs (IIP)	0.03
- DRL Bureau - Human Rights & Democracy Fund (HRDF)	0.50
TOTAL U.S. DEPARTMENT OF STATE	0.97
TOTAL FY 2001 AGENCY FUNDS BUDGETED	0.98
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	12.41

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO BELARUS

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	8		0.41	13.36	
1992	Surface		8	0.01	0.17	
	EUR/ACE Admin & Program Support			0.16		
FY 1992 TOTAL		8	8	0.58	13.53	14.11
1993	Airlift	3		0.27	3.05	
1993	Surface		75	0.51	10.42	
	EUR/ACE Admin & Program Support			0.40		
FY 1993 TOTAL		3	75	1.18	13.47	14.65
1994	Airlift	2		0.21	1.82	
1994	Surface		113	0.45	12.32	
	DoD Excess Hospital (Minsk-Aug'94)			1.50	11.20	
	EUR/ACE Admin & Program Support			0.52		
FY 1994 TOTAL		2	113	2.68	25.34	28.02
1995	Airlift	1		0.11	2.50	
1995	Surface		108	0.54	14.99	
	Counterpart Grant			0.10		
	EUR/ACE Admin & Program Support			0.45		
FY 1995 TOTAL		1	108	1.20	17.49	18.69
1996	Airlift	4		0.44	11.83	
1996	Surface		172	0.81	28.07	
	Counterpart Grant			0.10		
	EUR/ACE Admin & Program Support			0.13		
FY 1996 TOTAL		4	172	1.48	39.90	41.38
1997	Airlift	1		0.14	4.01	
1997	Surface		58	0.29	6.45	
	Counterpart Grant			0.02		
	EUR/ACE Admin & Program Support			0.13		
FY 1997 TOTAL		1	58	0.58	10.46	11.04
1998	Airlift	3		0.11	2.44	
1998	Surface		37	0.18	5.42	
	EUR/ACE Admin & Program Support			0.06		
FY 1998 TOTAL		3	37	0.35	7.86	8.21
1999	Airlift	4		0.03	2.81	
1999	Surface		69	0.27	14.16	
	Counterpart Grant			0.01		
	CitiHope			0.06		
	EUR/ACE Admin & Program Support			0.05		
FY 1999 TOTAL		4	69	0.41	16.97	17.39
2000	Airlift	4		0.08	4.31	
2000	Surface		59	0.25	10.40	
	Counterpart Grant			0.04		
	Counterpart Small Medium			0.03		
	CITIHOPE			0.15		
	EUR/ACE Admin & Program Support			0.07		
FY 2000 TOTAL		4	59	0.62	14.72	15.34
2001	Airlift	2		0.08	8.68	
2001	Surface		82	0.31	10.78	
	Counterpart Grant			0.04		
	Counterpart Small Medium			0.03		
	CITIHOPE			0.17		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.05		
FY 2001 TOTAL		2	82	0.70	19.46	20.16
CUMULATIVE TOTAL		32	781	9.78	179.20	188.98

GEORGIA

Political Overview

FY 2001, like previous years, did not bring any resolution to the civil war and separatist conflicts that broke out after Georgia's 1991 declaration of independence and resulted in the Georgian Government's loss of control over Abkhazia and the Tskhinvali region (South Ossetia). Largely because of these two unresolved conflicts, Georgia's 1995 constitution is silent on the question of local and regional governments' administrative structure and relations to the central government. The central government's authority is also limited in the autonomous, but not separatist, region of Ajara. Local elections scheduled for November 2001 were postponed until 2002. In early November, President Shevardnadze dismissed his entire cabinet in the wake of public demonstrations against attempts by security officials to pressure an independent television station. Georgia has made significant progress in passing democratic reform-oriented legislation, but implementation continues to be slow. Georgia still has serious human rights problems, especially police misconduct and harassment of non-traditional religious groups. However, despite these ongoing problems, Georgia has a lively free press, and its laws are among the region's most compliant with Council of Europe (COE) and World Trade Organization (WTO) norms. Although public cynicism and disillusionment with the pace of reform are widespread, public debate on the issues of corruption, human rights and democracy is spirited. Close cooperation in the security area has continued to be a highlight of U.S.-Georgian relations. Georgia has a strong commitment to nonproliferation and the interdiction of transit shipments of proliferation concern. While military and security organizational reforms have been slow in Georgia and plagued by problems of lack of financial support and corruption, U.S. assistance has been successful in making progress in Georgia on several high-priority security issues.

Economic Overview

Agriculture accounts for some 20 percent of Georgia's GDP, and key exports include scrap metal, manganese, wine, bottled mineral water and agricultural products. However, living standards have declined sharply in Georgia since the country gained its independence, and FY 2001 was no exception, despite a projected increase of almost five percent in GDP in 2001 (an increase which is predominantly the result of last year's low statistical base resulting from the severe drought in eastern Georgia in 2000). Estimates of Georgia's per capita GDP in 2000 ranged from \$600 to \$660. The Georgian Government's monetary policy continued to be tight, and the exchange rate for Georgia's national currency, the lari, remained stable, despite a slight depreciation following the government crisis in November. Georgia experienced a growing fiscal deficit, as planned privatizations failed to materialize, and revenue collection continued to be poor.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$166.94 million in assistance to Georgia, including \$99.26 million in FREEDOM Support Act assistance (\$93.09 million in FY 2001 funds and \$6.17 million in prior-year funds), \$8.78 million in USAID P.L. 480-Title II food aid, \$8.43 million in U.S. Department of Agriculture food aid, \$4.49 million in Foreign Military Financing (FMF), \$5.37 million in other U.S. Government assistance, and U.S. Defense Department excess and privately donated humanitarian commodities valued at \$40.61 million. U.S. Government-funded assistance programs supported economic restructuring, energy-sector reform, democracy-building, the enhancement of Georgia's capability to control its borders and the creation of a military that can meet Georgia's legitimate security needs. In FY 2001, the U.S. and Georgian Governments continued the Four-Point Program begun in 2000 and expanded it to include energy security as a fifth component. The renamed Five-Point Program, which is designed to help concentrate resources and attention on key economic and government reform priorities, stresses anti-corruption efforts, tax and revenue enhancement, budgetary reform, civil service reform and energy security.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 3,000 Georgian citizens to the United States for short-term professional or long-term academic training, including some 509 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, over 300 Georgians traveled to the United States on professional and academic exchange programs administered by the U.S. Embassy's Public Affairs Section (PAS) in collaboration with the Bureau of Educational and Cultural Affairs (ECA).

- **Professional Exchange Programs:** Since 1997, the Community Connections Program has sent approximately 400 Georgians to the United States for short-term, community-based internships. The 70 Georgian participants sent in FY 2001 included 40 entrepreneurs and 30 professionals whose programs focused on environmental advocacy and education administration. Four Community Connections newsletters, which showcased successful program alumni and highlighted additional support resources for alumni, were published. The first-ever *Community Connections Alumni Directory* was published in June 2001, listing over 300 program participants and profiling more than 80 successful alumni. In FY 2001, for the first time in Georgia, the PAS administered a micro-grant program for the alumni of the Community Connections Program. The PAS and the U.S. NGO Project Harmony selected nine applicants for micro-grants of approximately \$500 each. The Public Affairs Section also sent over 40 Georgians to the United States through International Visitor (IV) programs focusing on a variety of priority topics, including higher education, presidential campaigning, management of NGOs, ethics in business and government, oil revenue management, state television management, ecology, and mass media. A participant in an FY 2001 IV program on oil revenue management was subsequently appointed Minister of State Property Management of Georgia, and an FY 2000 International Visitor program participant was appointed Minister of Security of Georgia.
- **Academic Exchange Programs:** In FY 2001, a total of 50 Georgian high school students studied in U.S. high schools under the Future Leaders' Exchange (FLEX) program. Fifteen Georgian students and three instructors from two schools in Batumi (in western Georgia) and fifteen American students and three instructors from two U.S. schools participated in the Secondary School Exchange Program, which is focusing mainly on Georgia's regions. A total of 20 students attended U.S. universities under the FREEDOM Support Act (FSA) Undergraduate Exchange Program, and 28 graduate students traveled to the United States for one- to two-year masters' and non-degree programs under the Muskie/FSA Graduate Fellowship Program. In FY 2001, the PAS launched a new Muskie Ph.D. Fellowship Program. One Georgian finalist was selected to participate in the program. In its efforts to support faculty development and scholarly research, the PAS sent five Georgian teachers to the United States under the Teaching Excellence Awards (TEA) Program. In addition, the TEA Program awarded 37 Georgian teachers with \$200 and 32 Georgian schools with \$2,000, for use in purchasing books and school equipment. Four Georgian faculty members studied environment, linguistics, journalism, and economics under the Junior Faculty Development Program. Seven Georgians conducted research under the Regional Scholar Exchange and Contemporary Issues programs in the areas of conflict resolution, children's rights, insurance, sociology, law, demography, and education. In addition, three Fulbright Scholars from Georgia spent 10 months in U.S. universities studying urban policy and sustainable development, archeology, and the political theory of corruption.

USAID Training Programs: Almost 3,000 Georgians participated in USAID-funded training programs in FY 2001. The participants received training in the areas of humanitarian assistance and social transition, economic restructuring, democracy and governance, and energy and environment. Approximately 185 Georgians received U.S.-based training and some 400 received third-country training; the remainder received in-country training.

- **“Young Leaders for Development” Program:** Supported by USAID since 1998, this Abkhaz-Georgian young leaders' program has been developing a cadre of future leaders from both sides of the Abkhaz-Georgian conflict who have established mutual trust, confidence and understanding. A summer 2001 Peace Camp Program that took place in Armenia and the United States brought together Georgian and Abkhaz youth to continue the process of conflict resolution with community-based confidence- and trust-building activities.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, SABIT provided training to ten Georgians in the areas of environmental technologies, lab accreditation, medical equipment standards, accounting, tourism, retail, and hotel management. Specialized program topics included business management for women.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, the Cochran Program provided training to nine Georgian participants in the areas of grain marketing, land privatization, and farmers' organizations. A formal evaluation of Cochran activities through FY 2000 indicated that program participants are now managing their enterprises more efficiently and are sharing their newly acquired knowledge with their colleagues.

Democracy Programs

Anti-Corruption Assistance: Anti-corruption assistance continued to be a central element of U.S. Government assistance to Georgia in FY 2001. In July 2000, President Shevardnadze created an Anti-Corruption Commission (ACC) headed by the Chairman of Georgia's Supreme Court. In April 2001, the ACC was replaced by a successor entity, the Anti-Corruption Coordinating Council (ACCC), which was also created by presidential decree. President Shevardnadze chaired the ACCC's first meeting in May 2001, and thereafter, the Council met regularly, supporting various reform legislation proposals. The ACCC, the Soros Foundation's Open Society Georgia and Transparency International-Georgia jointly sponsored a conference that assessed the degree to which various Armenian Government ministries were complying with President Shevardnadze's March 2001 Anti-Corruption Decree. Unfortunately, however, the ACCC has not been given the power to implement its recommendations.

- **U.S. Department of Justice (DOJ) – Anti-Corruption Assistance:** The creation of the ACC in July 2000 represented the culmination of over two years of close cooperation between a DOJ Resident Legal Advisor (RLA) and the Georgian Government. In FY 2001, the RLA worked to facilitate the transition from the ACC to the ACCC. DOJ helped the ACCC locate office space, provided financial support to help it make rent payments and security-related upgrades, and transferred office furniture and computer equipment that DOJ had previously provided to the ACC. The RLA advised the Executive Secretary of the ACCC, and attended the ACCC's anti-corruption conference. In addition to working with the ACCC, the RLA also helped the Director of the National Strategy Information Center (NSIC) implement a program on the "culture of lawfulness" aimed at reducing the degree to which Georgia's civil society tolerates corrupt activity. This program, coordinated and funded by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) and DOJ's National Institute of Justice (NIJ), was modeled on a similar effort carried out in Sicily to reduce tolerance of the Sicilian mafia. This past summer, initial training was provided to a cadre of teachers who will provide anti-corruption awareness instruction to seventh-, eighth- and ninth-graders. Additional teachers will be trained each summer over the next four years, and NSIC plans to provide anti-corruption awareness instruction to all seventh-, eighth- and ninth-graders throughout the country by the end of the four-year period. In September 2001, the RLA co-sponsored an NSIC "culture of lawfulness" program that featured an exchange between civic leaders from Palermo, Sicily and Georgia that gave them an opportunity to exchange views and experiences in combating corruption.
- **U.S. Department of the Treasury/DOJ/USAID Assistance to the Chamber of Control:** In FY 2001, the U.S. Treasury Department, DOJ and USAID continued to provide assistance to Georgia's Chamber of Control, the country's supreme audit agency. The first step in this program was to help the Chamber reduce its staffing level to one consistent with similar bodies in other countries. A second goal was to ensure that the Chamber's staff is sufficiently knowledgeable about international accounting and auditing standards. Following the provision of DOJ technical assistance to the Chamber, the Chamber conducted competency examinations for all of its employees in July 2001. The DOJ RLA and representatives from USAID and the U.S. Treasury helped prepare the examinations and monitored their administration and grading to ensure that the process was carried out fairly and free from corruption.
- **USAID Anti-Corruption Assistance:** USAID has sought to enhance government transparency and accountability and to reduce opportunities for rent-seeking and abuse of power in Georgia; to this end, USAID has been promoting the empowerment of Georgian citizens by raising their awareness of their legal rights and providing access to legal mechanisms that enable them to protect these rights. USAID assistance has also sought to increase the capacity of Georgia's legal institutions to enact and implement better laws and regulations in a predictable and transparent manner. Georgian Government agencies need clear legal bounds for exercising their authority; civic awareness and a willingness to challenge government actions provide the key monitoring and enforcement mechanisms to maintain these bounds. The implementation of Georgia's General Administrative Code and several related laws have provided the legal mechanisms necessary to achieve these objectives. The adoption of the General Administrative

Code and the Administrative Procedure Code, which went into force in January 2000, represented extraordinary advances for Georgia and broke new legal ground for the Eurasian states. These are complex codes—initial USAID assistance focused on the provisions dealing with freedom of information and the transparency of public agency meetings. With USAID support through such organizations as the Georgian Young Lawyers' Association and the Liberty Institute, the efforts of interested citizens and informed courts are starting to have an impact on the implementation of the law. A reformed judiciary has decided cases in a way that gives meaning to the codes' progressive provisions. Agencies have been compelled to disclose information they had previously sought to withhold, and disputes between citizens and agencies have been resolved according to the new procedures. In FY 2001, USAID launched a major initiative to support the drafting of a new reform-oriented licensing law harmonized with the provisions of the Administrative Code. Implementation of this new law will provide opportunities to improve the administrative process for individual citizens and small and medium-sized enterprises (SMEs).

U.S. Department of Justice – Procuracy Reform Program: In FY 2001, the DOJ law enforcement/rule of law RLA began an effort to help the Georgian Procuracy reform itself. This effort included a commitment of financial and technical assistance to both the Procuracy and the Council of Justice to support competency examinations for all members of the Procuracy. Such testing has yet to occur, however, due in part to the Parliament's failure to pass implementing legislation. DOJ also initiated and coordinated an international effort to conduct an assessment of the Procuracy using as its standard the Council of Europe's standards for the role of the procuracy in a democratic society. DOJ and European Union (EU) representatives jointly carried out the assessment along with potential donor organizations such as the World Bank. In addition, DOJ began a program of assistance aimed at improving the legal infrastructure of the Procuracy. DOJ provided the Procuracy with a modern law library, complete with computer access to electronic legal databases as well as computers, photocopying and communications equipment for management staff. It is anticipated that this effort will continue into FY 2002 with provision of similar modern law libraries for the nine Regional Procuracy offices.

USAID Judicial Reform Programs: Progress on judicial reform also continued in FY 2001. With the help of USAID technical assistance, the Council of Justice held two judicial qualification examinations. Those candidates who passed the examination participated in a competition for vacant judicial positions and underwent a vetting process. The implementation of a merit-based system for selecting judges represents a major achievement for judicial independence in Georgia. In addition, the USAID-supported Conference of Judges, which includes all Georgian judges, met for the second time and adopted a judicial code of ethics. The Judges of Georgia (JOG), a private judges' association also supported by USAID, continued to grow and extended its services to the regions. However, judicial reform could be stymied if judges do not receive an adequate salary in a timely manner. Georgian judges have identified a need for bar reform as a critical missing link in the country's judicial reform process. After several years of stiff opposition from Soviet-era legal associations, the Parliament, with support from USAID through legal advocacy organizations and private attorneys, enacted a modern, progressive Law on Advocates, which mandates advocate qualification examinations and calls for the introduction of a code of ethics for advocates. A draft implementing decree has been prepared and examinations are planned for spring 2002.

USAID Support for Legal Clinics: Through the American Bar Association's Central and East European Law Initiative (ABA/CEELI), USAID provided significant resources to support human rights through legal clinics and legal service organizations.

USAID NGO/Civil Society Development Programs: USAID is seeking to strengthen Georgia's NGO sector, and to help civil society more effectively advocate for reform. Through the Horizonti Foundation, USAID has launched an NGO-strengthening program that teaches advocacy skills to nascent NGOs and provides small grants to implement projects. The program also fosters partnerships between NGOs and government, as well as between NGOs and the private sector. In FY 2001, Horizonti supported the work of 31 NGOs in Georgia, in areas ranging from human rights to medical care. NGOs are urged to develop creative sustainability plans—one notable success was in Guria, where families now donate funds each month to maintain the medical services they received as the result of a Horizonti grant.

USAID Civic Education Programs: The International Foundation for Election Systems (IFES), a USAID grantee, supported civic education programs in seven Georgian cities and surrounding villages (Kutaisi, Borjomi, Akhaltsikhe, Khashuri, Gori, Telavi and Rustavi) in FY 2001, drawing together groups of citizen activists, NGO representatives, students, and local government representatives to better educate themselves and the public about their rights and responsibilities in a democracy. These “Be an Active Citizen” campaigns also engaged secondary schools by having teachers work with parents to foster self-help activities in their communities. These activities have already demonstrated encouraging results, as teachers have identified ways in which schools can be rehabilitated through community initiatives with no need for funding from outside sources. In one case, teachers organized a series of student concerts for the community to raise funds needed to purchase new windows for their school.

USAID Local Governance Programs: USAID is helping reform Georgia’s local governments in two ways. The first focuses on local governments themselves: USAID is providing local government officials with intensive training in financial management, constituent outreach, service delivery through a small grants program, and budget training skills to maximize the limited resources available to local governments in Georgia. At the same time, USAID is also focusing on building a strong, active citizenry that is able to hold government officials accountable for providing community services. By working simultaneously with both the “supply side” (local government services) and “demand side” (citizen activism), USAID aims to help Georgians achieve both an active citizenry and an accountable local government system. In FY 2001, intensive activities to build the capacity of local governments to effectively respond to and interact with their citizens were under way in five cities: Zestaponi, Poti, Ozurgeti, Mtskheta and Lagodekhi. USAID’s implementing partner, the Urban Institute (UI), worked with the Parliament, the State Chancellery, local councils and NGOs to draft a revised Organic Law on Local Self-Governance, which more clearly defines and delegates authority between governors, mayors, and local city councils. A revised version of this legislation was signed into law in August 2001. In FY 2001, UI also completed Georgia’s first national assessment of local governance (a baseline survey of local governance in the five focus cities); training for local *sakrebulo*s (town councils) on financial management and budgetary planning; and the launch of citizen awareness and media programs. In FY 2001, USAID also supported activities of the Councils’ Association of Georgia (CAG), which includes 10,000 members of local councils throughout the country. Through the National Democratic Institute (NDI) and the Academy for Educational Development (AED), USAID supported extensive training for council members in FY 2001, including the Tbilisi City Council, national and regional leaders of the CAG, and female *sakrebulo* members.

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy’s Democracy Commission awarded 18 small grants totaling to \$250,000 to Georgian NGOs in support of regional development, local government training, and mass media. Highlights of FY 2001 Democracy Commission grants include grants to community-based organizations in the Vake and Varketili districts of Tbilisi to help establish neighborhood committees of residents to monitor and ensure transparency of local government decisions, and a grant to the Cultural-Humanitarian Foundation “Sukhumi,” which was founded in the western Georgian city of Kutaisi by internally displaced persons (IDPs) from Abkhazia, in support of a project supporting economic development of the region by providing practical business training to IDPs.

USAID Support for Independent Media: In FY 2001, through the International Center for Journalists (ICFJ) and Internews, USAID supported the development of independent print and broadcast media throughout Georgia. These programs trained media outlets to become more financially viable; improved journalists’ professionalism; and helped create journalists’ associations. The ICFJ helped newspapers become financially viable through extensive training in professional management. With ICFJ support, Georgia’s leading independent newspapers launched advertising campaigns and several editions began featuring the country’s first advertising circulars. Internews introduced investigative journalism activities through training and program production assistance. Broadcasts resulting from these activities have resulted in full-fledged investigations of corrupt public officials. In FY 2001, ICFJ trained a total of 452 print journalists, and Internews assisted 31 television and 10 independent radio stations.

U.S. Department of State – Support for Independent Media: In FY 2001, the U.S. Embassy’s Public Affairs Section (PAS) sent a team of print journalists from Tbilisi and different regions of Georgia to the United States on a three-week International Visitor (IV) program to familiarize themselves with American-style journalism. The participants visited the *Washington Post*, Freedom Forum, Foreign Press Center, and other media-related organizations. Upon their return to Georgia, the journalists published stories about life in the United States and shared with their readers their impressions and opinions on the significance of free media and freedom of

speech in a democratic society. In FY 2001, the PAS also arranged a six-week Professional in Residence program for a U.S. expert on newspaper design to consult with the staff of *Rezonans*, one of the leading independent dailies in Georgia. Through intensive on-the-job training, the U.S. expert provided the *Rezonans* staff with practical tips that made the paper visually more attractive. The PAS also invited a U.S. television professional to provide six weeks of training in investigative journalism to the staff of Georgia's popular television program "60 Minutes." The U.S. professional provided counseling and helpful tips on the content, legal aspects and visual aspects of the show.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2001, the PAS continued to administer the Internet Access and Training Program (IATP), which establishes public-access Internet facilities and is implemented by the International Research and Exchanges Board (IREX). In FY 2001, IATP awarded 12 grants to develop websites and organize Internet training and conferences in Georgia.

U.S. Department of State – Program for Internet Community Development in the Caucasus: In FY 2001, the U.S.-based NGO Project Harmony successfully completed a PAS-funded Program for Internet Community Development in the Caucasus. This three-country program covering Armenia, Azerbaijan and Georgia was designed to prepare professionals working in the business and NGO communities to use Internet tools for more effective networking and cooperation. The centerpiece of the program was a March 2001 conference, which brought 10 participants from each of the three countries to a series of workshops facilitated by three U.S. trainers specializing in Internet community development for professionals. As a result of the conference, several online events were convened with the goal of promoting crossborder communication and information-sharing. Between April and August 2001, a South Caucasus journalists' conference, a conference for young lawyers' associations in the Caucasus, and a conference for migration professionals in Armenia and Azerbaijan were also held with support from Project Harmony.

U.S. Department of State – International Information Programs: In FY 2001, the PAS brought 11 U.S. speakers to Georgia, including the media specialists noted above. In November 2000, Massachusetts State Representative John Quinn visited Georgia for one week and delivered lectures on U.S. presidential elections to a variety of Georgian audiences. Quinn's visit served as an excellent opportunity to educate various representatives of Georgian society about the complex subject of the U.S. election system. The PAS also invited an expert on American quilting to participate in the International Silk Road symposium "Caucasian Textile Route." The speaker brought works by American quilt artists for the symposium exhibition display and delivered lectures on American quilting. In addition, the PAS participated in the organization of a regional conference of the American Library Association and brought two U.S. speakers to Georgia to participate in the conference. Ten librarians each from Armenia, Azerbaijan and Georgia participated in the conference. The PAS also funded a career forum and job fair. Over 35 Georgian businesses and international organizations and over 150 alumni of U.S. Government-sponsored programs participated in the job fair.

USAID Election-Related Assistance: USAID supported the drafting of Georgia's first Unified Electoral Code (UEC), which was signed into law in August 2001. When the UEC was implemented during recent parliamentary by-elections, international observers and domestic monitors alike noted improved election administration, compared to Georgia's previous elections in 1999 and 2000.

USAID Political Party and Candidate Training: In FY 2001, the International Republican Institute (IRI) and the National Democratic Institute (NDI) worked with virtually all of Georgia's major political parties (including the Citizens' Union, National Democratic Party, Industry Will Save Georgia, Traditionalists, New Right, Peoples' Party, Labor Party, Socialists, Unified Georgia Faction, and Greens), providing both candidate training and capacity-building assistance to the parties' regional branches. USAID-funded activities helped train political candidates and parties in message development, campaign tactics and constituent outreach. USAID-supported trainers also helped develop party organizational structures and platforms. Political party staff were encouraged to develop a consistent, issue-based political message and to communicate their message to voters more effectively. Parties and candidates also were trained in the effective use of the media to convey their message. In FY 2001, NDI undertook a major initiative to train female candidates and encourage women to become more active in politics and decision-making, providing training in such areas as public speaking, message development, and effective lobbying. IRI supported an outreach program for youth in politics. Extensive get-out-the-vote programs aimed at encouraging young people to vote resulted in a substantial increase in young voters: 54 percent of Georgian youth now vote in elections. IRI training also helped 20 young people from local villages to run as independent candidates in local government elections. In addition, IRI worked with the more

established political parties to strengthen their youth sections to help them become effective components of the parties. IRI also worked in secondary schools in six cities, running mock local election programs that successfully encouraged students to adopt democratic methods in their own student body elections.

U.S. Department of State – Georgian Women's Leadership Program: In FY 2001, the U.S. Embassy's Public Affairs Section initiated a new women's leadership program administered by the U.S. NGO Project Harmony, which seeks to empower Georgian women from four regions of Georgia to provide leadership and guidance in the areas of civic activism, community development, public health and education.

Economic Development Programs

U.S. Department of the Treasury – Technical Advisors: In FY 2001, the Treasury Department's Office of Technical Assistance placed four advisors with the Government of Georgia: two in the area of tax administration and one each in the areas of budget development and debt issuance and management. In the area of budget development, Treasury Department advisors created a new database that will provide the Georgian Government with an effective means to monitor and forecast revenues and expenditures and to improve cash management. In the area of debt issuance and management, Treasury Department advisors helped improve the primary market for government securities and establish a highly liquid secondary market. These measures included increasing the range of maturities offered, restructuring the tax code in terms of government securities and amending the national debt law. Treasury Department advisors also fostered increased cooperation between the Georgian Ministry of Finance and the National Bank of Georgia, with a view toward removing other impediments to the government securities market. The Treasury Department's tax advisors continued to assist in the reorganization and management of the State Tax Department (STD) and provided assistance to the newly formed Inspector General's Office. The advisors also helped implement a testing program for STD employees and advised the Georgian Government to reduce the size of its bureaucracy and increase revenue collections.

USAID Private Enterprise Programs: USAID is supporting tax and fiscal reform, including the establishment of a modern and transparent tax administration, land privatization, accounting reform and banking supervision. In addition, USAID is providing assistance to micro-enterprises, small and medium-sized enterprises (SMEs), and farmers and agribusinesses; and is providing restructuring and policy advice to the Ministry of Agriculture and Food. These programs are designed to create the conditions necessary to foster business growth in Georgia.

- **Tax and Fiscal Reform Program:** In FY 2001, USAID provided technical assistance to the State Tax Department (STD) to help it enforce tax laws fairly and efficiently, increase government revenues, improve transparency, ensure taxpayer compliance and develop a tax system more conducive to private-sector growth. The reorganization of the STD along functional lines has been completed—the staff has been downsized by 35 percent, all existing staff and new candidates for the regional tax inspectorates have been tested, and regional tax inspectorates, large tax inspectorates and headquarters have been computerized and linked through a communication network. Also with USAID support, a fully operational training center has been established in eastern Georgia, a set of tax regulations has been drafted, a *Plain-Language Guide to the Tax Code* has been circulated for comments, an anti-fraud program for value-added tax (VAT) has been submitted to the Minister of Revenue, and excise stamps for cigarettes and alcohol have been introduced.
- **Land Privatization Program:** In FY 2001, USAID continued to provide technical assistance in the area of land-market reform, helping to register ownership rights for small agricultural and commercial land parcels, supporting secondary land transactions, helping landowners protect their property rights, advising on land-related legal reform, assisting in further land privatization, and helping build the institutional capacity of the Association for the Protection of Landowners' Rights (APLR). USAID used existing Georgian technology, expertise and information to provide on-the-job training and assistance to local registrars in carrying out land registration efforts, which are largely done manually but with some automation to accelerate the initial registration process. To date, 1.5 million of a targeted 2.4 million parcels have been surveyed, registered and titled. Sales volume in the secondary land market is doubling annually, with 6,500 registered transactions in FY 2001. The APLR has been actively involved in the USAID Land Market Development project since its inception and has gained considerable experience in all aspects of the project.

- Accounting Reform Programs:** In FY 2001, USAID technical assistance continued to support the conversion of Georgia's accounting infrastructure from Soviet-era to international accounting standards (IAS). The STD has approved a new tax reconciliation form, which allows enterprises to maintain their books based on IAS. A total of 540 private enterprises have converted to IAS-based accounting, including 250 joint stock companies. The USAID-supported Georgian Federation of Professional Accountants and Auditors (GFPA) is one of only two organizations in the former Soviet Union to be a full member of the International Federation of Accountants (IFAC), and has assumed responsibility for administering and implementing an English-language accounting certification program in cooperation with the British-based Association of Certified Chartered Accountants (ACCA). The program has been under way since 1999 and has more than 270 students at various stages of the certification process.
- Banking Supervision Reform Program:** In FY 2001, USAID continued to provide technical assistance to help the National Bank of Georgia (NBG) improve on-site and off-site bank supervision and inspection. Progress was made in developing quarterly uniform bank performance reports (UBPR), and the number of banks was reduced to 24, two of the top ten banks (in terms of assets) having been closed without a run on bank deposits. One large bank was merged into a stronger bank. With USAID support, amendments to the Law on the NBG and Law on Commercial Banks were passed by the Georgian Parliament. The NBG approved regulations on asset classification, conflict of interest, and internal audits. Commercial banks converted to IAS in January 2001. The NBG has issued new accounting procedures and policies on internal control, reporting parameters and accounting for repossessed assets. In addition, USAID helped develop an electronic interbank payment system to provide real-time settlements between the NBG and commercial banks.
- Assistance to Small and Medium-Sized Enterprises (SMEs):** In FY 2001, USAID's Georgia Enterprise Support Program continued to provide support to business-service providers and business associations and helped address legal and regulatory impediments to enterprise development. Through its Caucasus SME Finance Program, USAID provided technical assistance and training to three Georgian commercial banks—TBC Bank, TbilComBank, and the Bank of Georgia—in order to better meet SMEs' demand for credit nationwide. USAID also supported the introduction of new financial products for SMEs through the three Georgian partner banks, including a loan that supports the growth of micro-enterprises to the SME level of operation, and real-estate-based lending products for commercial entities and households. In addition, USAID facilitated various training opportunities for loan officers, credit committee members and real estate valuers. As a result of these activities, over \$5 million in loans has been disbursed to over 260 Georgian SMEs, with \$3.5 million of that total disbursed to 210 SMEs in FY 2001 alone.
- Assistance to Micro-Enterprises:** In FY 2001, USAID increased Georgian micro-entrepreneurs' access to credit for by providing technical assistance to the Georgian micro-finance institution Constanta Foundation, and continued to support the micro-finance activities of the Foundation for International Community Assistance (FINCA), which have benefited a total of 18,000 borrowers, approximately 85 percent of whom are women. In support of USAID's goal to direct more assistance to the regions of Georgia, the Constanta Foundation opened a new branch and mobile office, and FINCA opened two new branches in FY 2001 in regions where there are virtually no other commercial sources of micro-credit. All in all, four USAID partner financial institutions have established models of successful lending by not only providing a range of innovative loan products to micro-, small and medium-sized enterprises but also maintaining a near-98-percent repayment rate. These institutions are making steady progress toward operational and financial sustainability.
- Assistance to Farmers and Agribusinesses:** In an effort to assist farmers and agribusinesses, USAID has supported a seed-enterprise enhancement and development activity with two key components. First, a functioning seed production system was created with the establishment of a private seed company—Horizon, Limited—which is the only company supplying quality seed certified by the Georgian Government. During FY 2001, Horizon was the only company in Georgia that was able to provide 182 metric tons of certified, quality wheat seed as part of the U.S. Government-funded drought relief effort. Since Horizon has reached operational and financial sustainability, USAID phased out its support for Horizon in FY 2001. The activity's second component involved the creation of six regional credit associations designed to address the demand for rural credit. By pooling resources and avoiding unaffordably high bank interest rates, the credit association system saw its number of active clients (small- and medium-sized Georgian agricultural producers and agribusinesses) reach 1,400 in FY 2001, with a portfolio of 758 loans totaling over \$2 million.

- **Assistance to the Ministry of Agriculture and Food:** In FY 2001, USAID began to help Georgia's Ministry of Agriculture and Food restructure itself in such a way that will provide a supportive environment for the growth and expansion of private-sector agricultural enterprises. This activity's goals include developing food quality and safety standards, gathering and publishing market and statistical information, reorganizing and downsizing the Ministry to make it more responsive and efficient, and reorienting the Ministry's policies to better support development in private-sector agriculture. The restructuring process began with the introduction of qualification exams for Ministry employees.

USAID Farmer-to-Farmer (FTF) Program: In collaboration with the USAID-funded Seed Enterprise Enhancement and Development Project, FTF volunteers contributed to the creation of a private seed company that is supplying certified seed of four major crops to farmers in Georgia and surrounding countries. FTF volunteers also helped introduce and produce Iceberg lettuce to supply McDonald's chains in the region. Through FTF assistance, on-farm production of cost-effective poultry rations and improved heating systems for poultry sheds have been introduced to selected enterprises and are now becoming more widely adopted by other producers.

U.S. Department of State – Business and Economic Development Exchange Programs: As noted above, in FY 2001, 40 Georgian entrepreneurs participated in the Community Connections Program, which offers three-to-five week specialized internships in the United States.

U.S. Department of Transportation – Federal Aviation Administration (FAA): The FAA is conducting an air safety study in Georgia that began in late 2001 and will continue into FY 2002. The FREEDOM Support Act-funded study will examine the existing regulatory processes and entities in Georgia in order to determine the steps needed to restructure and finance a viable aviation regulatory authority.

Trade and Investment Programs

In FY 2001, the U.S. Government continued to work with the Georgian Government to help develop a legal and regulatory environment conducive to free trade and investment. At present, foreign direct investment in Georgia is decreasing each year, due to complex regulations, corruption and a high rate of taxation. U.S. Government assistance focused on banking supervision; revision of the complex Tax Code and fair, transparent and efficient implementation of tax laws; and implementation of legislation that conforms to World Trade Organization (WTO) standards.

U.S. Trade and Development Agency (TDA): In FY 2001, TDA provided a grant of \$178,500 in support of the development of a refrigerated warehouse facility at the Port of Poti that would allow for increased imports of American agricultural products into Georgia. TDA also supported efforts at regional cooperation by providing a \$400,000 grant to the Georgian Government to study the issue of integrating the upper-airspace air traffic control systems of Armenia, Azerbaijan and Georgia. In addition, TDA continued its support of Georgia's oil and gas sector through a \$100,000 extension of the grant for a strategic advisor to the President of Georgia on oil and gas issues, and through a \$200,000 increase in a grant to the Georgian Government for technical assistance on gas transit issues.

Energy and Environmental Programs

USAID Energy-Sector Programs: In FY 2001, USAID continued to provide training and technical assistance to build up the institutional capability of Georgia's energy sector, and facilitated the completion of international audits for six enterprises, carried out in anticipation of their applications for commercial credit and credit from international financial institutions. USAID assistance was also instrumental in analyzing and justifying a proposed electricity tariff increase in November 2001. The increase was poorly received by the Georgian public and political circles, even though the higher tariff was still well below international market prices. In FY 2001, USAID also supported the negotiations of management contracts for Georgia's electricity transmission, distribution and wholesale electricity market entities. A contract for the wholesale electricity market was successfully concluded in September 2001. The remaining contract for the dispatch and transmission systems awaits Parliament's ratification of a World Bank loan that would provide initial financing for the contract. A contract for managing the electricity distribution sector outside of Tbilisi is also being developed. In FY 2001, a total of 12 USAID-funded pilot projects in energy efficiency were initiated at sites around Georgia to increase

public awareness of energy conservation and cost savings. Georgia's newly private-sector-led power industry is developing public awareness campaigns to help residential and commercial customers reduce energy consumption and save on electricity bills. During FY 2001, USAID also funded four public service announcements aired on local television during evening prime-time programming that emphasize measures individual households can take to conserve energy. Through partnerships formed with U.S. counterpart agencies from Oklahoma, Colorado and Pennsylvania, Georgia's State Agency for Oil and Gas Regulation received further training in contract preparation and legal responsibilities, as well as environmental and site safety.

USAID Environmental Programs: In FY 2001, USAID's Caucasus Regional Mission in Tbilisi and the USAID Mission in Armenia jointly implemented a regional program to promote discussion and cooperation among Armenia, Azerbaijan and Georgia on trans-boundary river basin management. Following the preparation of a needs-assessment in early 2001, the program was fully implemented, addressing pilot watershed programs on two sub-basins of the Kura and Aras Rivers. With the signing of a host-government agreement for the Baku-Tbilisi-Ceyhan oil pipeline and an intergovernmental agreement for the Shah-Deniz gas pipeline, the Georgian Government has committed itself to improving its environmental monitoring and evaluation capabilities. USAID is providing technical assistance to Georgia's Ministry of Environment and Natural Resources, the country's NGO community, and the Georgian companies responsible for oversight of the transit gas and oil pipelines to enhance their environmental monitoring and evaluation capabilities. The first stage in this process—to improve public participation in the environmental decision-making process and to expand outreach to a broader constituency—is currently being implemented. USAID-funded technical assistance also supported a preliminary assessment of the pipelines' environmental impact, including suggestions for alternative mitigation options that could be taken by the Georgian Government.

Social-Sector Programs

USAID Drought Relief Programs: In September 2000, the U.S. Government initiated a rapid bilateral and multilateral response to the worst drought in Georgia in 50 years. This combined winter and spring response of agricultural inputs, seed, and special credit packages benefited almost 38,000 households. Over 800 agricultural loans were provided and over 10,000 hectares of crops were planted. The hard-hit Samtskhe-Javakheti region, a politically sensitive and largely ethnic Armenian enclave of subsistence farmers in southern Georgia, was one of the main targets of this assistance. Because this region is one of the most impoverished in Georgia, responding to their needs contributed to political stability within Georgia. Moreover, the U.S. Government's quick response to the emergency was instrumental in prompting other international donors to join the drought relief effort. USAID's Office of Foreign Disaster Assistance (OFDA) and Food for Peace Program provided crucial drought relief assistance. Over 13,000 subsistence farmers received OFDA-funded agricultural inputs. One indicator of the success of this effort was the 342-percent increase in the wheat harvest relative to last year. Due in part to the provision of better-quality seed, the overall harvest surpassed the pre-drought level by 136 percent. Another indicator of success was a detailed nutritional survey in the drought-affected regions, which showed that the incidence of acute malnutrition did not increase over the winter months. USAID's Food for Peace donation of 15,000 metric tons of food was critical to the implementation of the World Food Program's drought-relief feeding program.

USAID Georgia Winter Heat Assistance Program: For the third year in a row, USAID supported winter heating subsidies for pensioners and social institutions for the months of November 2000 through March 2001, with \$6.7 million in funding. Without these subsidies, 179,109 households, 120 centers for internally displaced persons (IDPs) and 288 socially critical institutions would most likely have had their electricity cut off during the winter, causing significant human suffering and possible social unrest. In addition, this much-needed injection of cash payments into the energy sector helped secure critical natural gas and electricity deliveries that otherwise would not have been available. This program covered every region of Georgia except Abkhazia and South Ossetia.

USAID Assistance to Internally Displaced Persons (IDPs) and Pensioners: In FY 2001, USAID helped improve the shelter and basic living conditions of 7,789 IDPs accommodated in 27 collective centers, while at the same time establishing a system for future maintenance and rehabilitation by building a sense of responsibility and self-reliance among the IDPs. With USAID support, more than 7,000 vulnerable, isolated pensioners received hot meals five times each week in several regions of the country. From December 2000 to

February 2001, a USAID-funded emergency winter heat program provided wood for heating and cooking to 306 vulnerable households in the politically sensitive breakaway region of South Ossetia.

USAID Community Mobilization Projects: In FY 2001, more than 300 USAID-supported community projects were successfully completed. The communities themselves selected the projects, which addressed priority needs in health, social infrastructure, shelter and economic opportunity. Georgian NGO partners and community members were key to the success of these projects: the participating communities contributed over \$374,000 in labor, materials and cash to these projects. Program highlights are provided below:

- **Social Infrastructure Projects:** Projects included the rehabilitation of schools, outpatient clinics, hospitals and irrigation, water supply, sewage and rainwater drainage systems; roads and bridges; electrification; recreation centers; and community rooms in IDP collective centers.
- **Community Health Projects:** Almost 8,000 community members gained access to primary-health-care services and many more participated in health education sessions.
- **Economic Opportunity Projects:** A total of 1,391 micro-credit and individual loans were awarded to entrepreneurs and businesses, and seven Georgian NGOs strengthened their capacity to implement, manage and sustain credit programs. To better equip Georgians for meeting the demands of the current job market, two vocational training centers in Zugdidi and Kutaisi offered computer and English language classes in FY 2001, improving the skills of 3,631 individuals. In addition, eight agricultural community micro-projects increased opportunities for household and commercial agricultural production. Typical agricultural interventions included seed distribution, livestock dispersal, veterinary assistance, development of rural credit associations, and the provision of agricultural production grants. Approximately 9,000 households benefited from these agricultural projects.

USAID Conflict Resolution Programs: USAID-funded conflict resolution activities focused primarily on increasing contact and cooperation between youth affected by the conflict in Abkhazia. A total of 5,310 IDP and vulnerable youth were provided with opportunities for personal growth and psycho-social rehabilitation through Youth Houses in Sukhumi, Tbilisi and Zugdidi. Conflict management and prevention training was provided to 510 Abkhaz and Georgian teenagers who were victims of the Abkhaz-Georgian conflict. A total of 20 Abkhaz and Georgians participated in a U.S.-based train-the-trainer program. These trainers then used their new conflict-prevention and -transformation skills to help 324 Abkhaz and Georgian participants of summer 2001 Peace Camps to look for creative and peaceful ways to end this eight-year conflict. This year, the camps were held in Armenia, rather than the United States, allowing significantly more youth to participate and interact with each other.

USAID Support for Immunization Programs: USAID has been the primary donor for immunization programs in Georgia since 1995. This support resulted in overall child immunization levels of 74 percent in FY 2001.

USAID Reproductive Health Programs: In FY 2001, USAID provided educational materials and referrals to consultants to help married couples make informed choices regarding healthy family planning. Over 170 Georgian health-care professionals were trained in counseling, contraceptive technology, quality customer service and community mobilization. In addition, 3,600 women's health brochures and booklets were printed and distributed, and 1,300 people attended 48 clinic open houses, presentations and seminars. Under this initiative, USAID is supporting 35 clinics serving a total of 2,652 women. A survey in Tbilisi showed overall exposure to family planning public service announcements on television to be as high as 70 percent. The USAID-funded Safe Motherhood Initiative (SMI), launched in FY 2001, is improving maternal and infant health in Georgia by strengthening the integration of maternal and perinatal health services at the regional and local level. The project assesses the quality of perinatal services provided and supports the transformation of women's care into a more integrated and effective system. This will result in the delivery of higher-quality, patient-oriented services and will raise women's awareness of the importance of perinatal care for themselves and their children's health. A community education program plan was developed and implemented in FY 2001, with messages focusing on Georgia's priority health problems.

U.S. Department of State – Bureau of Population, Refugees and Migration (PRM): In FY 2001, PRM contributed \$250,000 to support the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) field coordination unit in Georgia. In FY 2001, PRM allocated \$721,253 to NGO projects in Georgia: \$340,390 to Action Against Hunger for its community agricultural development project and \$380,863 to the International Rescue Committee for community programs aimed at increasing self-reliance and creating durable solutions for IDPs.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Georgia Border Security and Law Enforcement (GBSLE) Assistance Program: GBSLE is funded by the U.S. Department of State with FREEDOM Support Act funds, and is administered by the U.S. Customs Service (USCS) under State Department guidance and policy oversight. USCS funds and coordinates efforts with other federal agencies (including the Departments of Commerce, Defense and Energy, and the U.S. Coast Guard), the U.S. Embassy in Tbilisi and the Georgian Government. USCS also supervises an in-country advisory team. The GBSLE Program has succeeded in enhancing Georgia's capabilities to control its borders after the 1998 departure of Russian border guards, but much remains to be done. The GBSLE Program is a multi-year assistance effort that reflects the long-term U.S. commitment to support Georgia's sovereignty and territorial integrity. The GBSLE Program, which is a major element of the State Department's Export Control and Related Border Security (EXBS) Program, continues to be the largest single U.S. Government-funded assistance program in Georgia. In FY 2001, GBSLE assistance provided to the Georgian Border Guards (GBG)/Georgian Coast Guard (GCG), Georgian Customs Service (GCS), Ministry of Defense (MOD) and other export and border control and law enforcement agencies totaled \$18, million bringing the cumulative FY 1998-2001 program total to \$72 million. The primary purpose of the GBSLE Program is to enhance Georgia's abilities to exercise greater control over the movement of people and goods across its land borders, coastline and ports of entry to reduce the threat of weapons smuggling and to increase Georgian government abilities to collect Customs revenues. Hostilities in Chechnya have continued to pose a threat to Georgia's sovereignty and territorial integrity, and threats of terrorism in Georgia have increased in the wake of the September 11 attacks on the United States. In FY 2001, GBSLE assistance to the GBG continued to help the U.S. Government respond to a request from the Organization for Security and Cooperation in Europe (OSCE) to assist with expanding the OSCE's monitoring role on Georgia's northern border. Also in FY 2001, the GCS underwent another change in leadership, which caused some delays in GBSLE implementation, but seems to have led to progress in cleaning up corruption within the GCS. Under the GBSLE Program, the U.S. Government has provided the GBG, GCS, MOD and other border security and law enforcement agencies with equipment, training and services, including communications equipment (radios and base stations to enhance command and control operations), vehicles and helicopters with spare parts for transport and patrol, surveillance and detection equipment, computers for automation of applications, licensing and regulatory systems, forensics laboratory assistance, and a wide array of EXBS and law enforcement training. The following specific types of assistance were provided under the GBSLE Program in FY 2001:

- Continued support for the radar system provided for the Port of Supsa pipeline terminal to enhance Georgia's maritime border control capabilities;
- Three Mi-8 and two Mi-2 transport/patrol helicopters (including spare parts), vehicles, support for Coast Guard vessels, uniforms, tents, heaters, generators, flashlights, radiation detection equipment, GPS systems, fuel for training operations and maintenance support;
- U.S. Army Corps of Engineers support, airport security enhancements; renovation of the GBG airport hangar facility in Tbilisi to provide enhanced maintenance for the patrol helicopters; and infrastructure enhancements for the Lilo Training and Communications Center, Red Bridge GBG base, and the GCG Poti Maritime Division base, including self-contained kitchens/diners to facilitate GBG/GCG training and operations;
- Expert advisors to help the GCS, GBG, and Revenue Ministry develop plans for organizational reform and restructuring;
- Support for the costs of transporting and delivering to the GCG a former U.S. Coast Guard 82-foot cutter, Point Countess, provided in January 2001 under the U.S. Defense Department's Excess Defense Articles (EDA) Program;
- High-frequency radios and a 31-inch radar on four Griff patrol boats, and a 27-meter radar tower and expansion of a communication tower at the GCG base in Poti;

- U.S.-based Defense Language Institute training in U.S. harbor-patrolling techniques for GCG conscripts/trainees; classroom and hands-on training to GCG personnel in Poti and other training on shipboard operations which helped the GCG participate in NATO's 2001 Partnership for Peace exercises;
- A train-the-trainer course in the proper use of the PR-24 baton (which is used by police departments in the United States) at Georgian borders in accordance with internationally recognized human rights standards;
- A parliamentary exchange program and other exchanges with high-ranking Georgian government officials to review program priorities and goals;
- A workshop hosted by Georgia on the development of the Central Asian and Caucasus Regional Transit Agreement (Georgia also offered to be the repository for the final version of this agreement);
- The submission to the Ministry of Justice of a code of conduct for GCS personnel that was drafted by U.S. technical experts; and
- An evaluation of the GCS's computer system, as a result of which the GCS will be able to collect more duties through a computerized networking system.

U.S. Department of Justice (DOJ) – Criminal Justice, Rule-of-Law Programs: In January 2001, DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) placed a new Resident Legal Advisor (RLA) in Georgia. The RLA provided assistance to the Ministry of Justice and Prosecutor General's Office on combating organized crime, fraud and money laundering. Throughout the year, the RLA worked with prosecutors and legislators to encourage criminal procedure reform. As part of this effort, OPDAT conducted a conference in Chakvi, Georgia in June for a group of 71 judges, prosecutors and defense attorneys. The conference covered topics including arrest, pre-trial detention and interrogation of suspects/accused persons, and gave Georgian experts an opportunity to identify areas of the Criminal Procedure Code that are in need of reform. Soon after the conference, a number of amendments to the Code were adopted. In July 2001, OPDAT sent a U.S. judge, prosecutor and defense attorney to Georgia to conduct a demonstration jury trial organized by the RLA at the request of the Chairman of the Georgian Parliament's Legal Affairs Committee. The demonstration trial, took place over a two-day period in the Georgian Parliament, with members of parliament sitting as jurors. Substantial portions of the trial received extensive television coverage. After familiarizing themselves with the jury trial process, a number of legislators expressed an interest in adopting a jury trial system and implementing substantial criminal procedure reform in Georgia. In FY 2002, OPDAT will also work closely with the Parliament to encourage substantial criminal procedure reform and new legislation compliant with international standards.

- **DOJ/CEELI Criminal Law Liaison:** With funding from the ACTTA Program, DOJ provided a grant to the American Bar Association's Central and East European Law Initiative (ABA/CEELI) for the placement of a criminal law liaison (CLL) in Tbilisi. In FY 2001, the CLL began a training program for Chamber of Control and the Georgian Procuracy unit designated to receive referrals from the Chamber. This training focused on a special unit within the Chamber that screens matters under audit for potential criminal violations and subsequent referral to the Procurator General's Office. The CLL worked with the Chamber of Control to review and revise its criminal regulatory scheme and assist in the development of a modern filing and case-tracking system. The CLL also worked in the areas of anti-corruption, combating human trafficking and criminal procedure reform. The CLL worked with local experts to develop a trial manual that will help prosecutors and other attorneys implement Georgia's new Criminal Procedure Code.

U.S. Department of State / U.S. Department of Justice – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) continued to provide funding for an additional Justice Department Resident Legal Advisor (RLA) in Tbilisi to develop and implement ACTTA-funded training programs. Like his predecessor, the RLA conducted seminars and served as an instructor at the International Law Enforcement Academy (ILEA) in Budapest on such topics as anti-corruption, ethics, trial advocacy, criminal procedure and preventing human-rights abuses by prison guards and administrators. In FY 2001, over 400 Georgians participated in DOJ-sponsored law enforcement training conferences and seminars, 51 of them at ILEA, 27 at a joint Armenian-Georgian conference in Yerevan, Armenia, and the rest in Georgia. DOJ sponsored training for Georgian prosecutors, investigators, judges, members of parliament and policy makers on various law enforcement-related subjects, including transnational organized crime, money laundering, public corruption, criminal procedure, excessive force/human rights violations and interrogation techniques (conducted by the Federal Bureau of Investigation). The training included a two-part U.S. Drug Enforcement Administration (DEA) conference held in Budapest and in Yerevan, Armenia, on counter-narcotics activities. The INL Bureau also funded a forensic institute development project implemented by DOJ's International Criminal Investigative

Training and Assistance Program (ICITAP) and supported an interdisciplinary anti-money laundering program to be integrated with the anti-corruption efforts described above.

U.S. Department of State – Military/Ammunition Relocation: The Military Relocation Program was initiated in FY 2000 to facilitate the withdrawal of Russian forces, closure of Russian military bases and removal, disposal and/or destruction of equipment and munitions from Georgia. Russia has repeatedly raised the issue of costs as a significant obstacle to its timely withdrawal. Russian officials have reaffirmed their commitment to withdraw Russian forces from Georgia in accordance with agreements reached during the November 1999 OSCE Summit in Istanbul. Specifically, Russia committed to do the following: (1) reduce the levels of its treaty-limited equipment (TLE) in Georgia to specified levels, and to withdraw all TLE from two politically sensitive facilities by no later than December 31, 2000; (2) disband and withdraw two of its bases in Georgia (Gudauta in separatist Abkhazia and Vaziani near the capital) by July 1, 2001; and (3) complete negotiations with Georgia regarding the status and duration of remaining Russian bases (Batumi and Akhalkalaki) during calendar year 2000. These negotiations were still ongoing at the end of 2001. Between August and December 2000, Russia fulfilled its commitment to reduce the amount of Russian CFE TLE in Georgia. By December 31, 2000, Russia had withdrawn 35 tanks, 313 armored combat vehicles (ACVs), and 27 artillery pieces, and destroyed 24 tanks, 90 ACVs and two artillery pieces, from its facilities at Vaziani/Tbilisi, as well from bases at Batumi and Akhalkalaki, thus fulfilling the first phase of the Georgian-Russian agreement reached at Istanbul. In concrete terms, this meant that over one half of the Russian TLE that was on Georgian territory at the time of the Istanbul Summit has been withdrawn or destroyed. Sustained U.S. Government engagement, including the work of the Special Envoy for the Treaty on Conventional Armed Forces in Europe (CFE) and the prospect of U.S. financial assistance, was critical in achieving this result. By July 1, 2001, Russia claimed to have met its remaining Istanbul commitments in Georgia, by declaring the Russian bases at Gudauta, Vaziani and Batumi closed. While all of the Russian Forces at Vaziani were withdrawn and that base was transferred to Georgia, the “closure” of the base at Gudauta, in the Abkhazia region of Georgia was not independently confirmed by international observers. The status and duration of Russia’s military presence in Georgia remains a matter for negotiation, as does the residual presence of Russian troops at Batumi and Akhalkalaki. The dispute, as of the end of 2001, was centered on the duration of this residual presence. The Georgians have pressed for a three-to four-year term; the Russians seek 14 years to complete their withdrawal.

The U.S. Defense Department's Defense Threat Reduction Agency (DTRA) is the designated U.S. executive agent implementing the Military Relocation Program in Georgia. Foreign policy direction for the program is provided by the Department of State in coordination with the Department of Defense, including the Office of the Secretary of Defense, and other agencies through an Interagency Working Group chaired by the Coordinator of U.S. Assistance to Europe and Eurasia. A total of up to \$10 million in FY 2001 and prior-year FREEDOM Support Act (FSA) funds has been notified to Congress as proposed obligations to reimburse the costs of withdrawal activities in Georgia. Such reimbursement is to be based on observed/validated costs (such as costs for transport by rail or sea, per-item costs for destruction or elimination, and costs to facilitate base closure and infrastructure elimination) once Russia and/or Georgia formally accepts a U.S. implementation proposal for reimbursement arrangements. While Russia has yet to accept these arrangements, steps were taken to ensure that observation/documentation was developed that would allow eventual reimbursement to Russia once implementation arrangements were finalized. Georgia accepted the U.S. implementation arrangements in FY 2001, and Georgian costs associated with the Russian withdrawal (principally railroad transportation costs) have been reimbursed. All equipment withdrawal and destruction activities to date (with the exception of the withdrawal of 76 ACVs from Georgia to Armenia) were observed by U.S.-led multinational teams as a prerequisite for potential U.S. reimbursement of documented, validated withdrawal/destruction costs. However, the U.S. Government indicated to the Russian Government that no U.S. assistance could be used to support costs associated with withdrawal of military forces/equipment to locations outside of Russia. The key unresolved aspects of base closures at Gudauta, Batumi, and Akhalkalaki, and a possible end date for the remainder of the Russian presence in Georgia suggest that a tough task lies ahead for Russia and Georgia in 2002. The U.S. Government will continue to play a role in this process through the Military Relocation Program.

U.S. Department of State – Science Centers/Other Nonproliferation Programs: Georgia is an active member of the multilateral International Science and Technology Center (ISTC) in Moscow, and a number of Georgia’s former Soviet weapons scientists are working on ISTC-supported peaceful civilian research projects funded with U.S. Government contributions. FY 2001 assistance for Georgia under the Science Centers program totaled an estimated \$500,000. Projects have been funded with scientists at the Georgian Technical

University, the Institute of Cybernetics, the Institute of Stable Isotopes, the Republican Center of Environmental Monitoring, the State Institute of Economic Relations and Tbilisi State University.

U.S. Department of State – Redirection of Biological Weapons (BW) Expertise:

- **U.S. Department of Health and Human Services (HHS) – Biotechnology Engagement Program (BTEP):** In FY 2001, an estimated \$2 million was allocated for BTEP assistance in Georgia. BTEP projects are planned or underway at four Georgian scientific institutions: the Eliava Institute of Bacteriophage, Microbiology and Virology; the National Center for Disease Control of Georgia; the National Center of Tuberculosis and Lung Disease; and the Georgian AIDS and Clinical Immunology Research Center.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): With an estimated \$1.5 million in FSA funding in FY 2001, CRDF activated five new Competitive Grant awards in Georgia, including the renewal of two projects conducting cutting-edge epidemiological studies of tuberculosis and HIV transmission. The CRDF received 66 proposals—more than three times as many as had been submitted in the previous competition. The CRDF also awarded five Travel Grants to Georgian scientists and issued two Regional Experimental Support Center (RESC) awards in Tbilisi: one to the Georgian Technical University to support the purchase of major scientific instrumentation for the Center for Medical Polymers and Biomaterials, including an FTIR Spectrophotometer and a UV-VIS Spectrophotometer; and one to the Eliava Institute of Bacteriophage, Microbiology and Virology for its Regional Experimental Center for Applied Microbiology and Bacteriophage Research. Both RESC grantees had been engaged in weapons research during the Soviet period. The CRDF also provided support for the initial development of a Georgian Research and Development Foundation. The CRDF is helping the Georgians develop the structure of the new foundation, which will be based on analogous CRDF-funded foundations in Armenia and Moldova. Once the new foundation is operational, the CRDF will carry out a series of training activities and grant competitions.

U.S. Department of State – Anti-Terrorism Assistance (ATA) Training Programs: With an estimated \$970,000 million in FY 2001 ATA funding, the ATA Program provided several courses to appropriate Georgian security and law enforcement personnel throughout the fiscal year.

U.S. Department of State – Foreign Military Financing (FMF) Program: In FY 2001, Georgia received an estimated \$4.49 million in security assistance under the FMF Program, which was used to purchase communications, individual and other equipment, and support items for U.S. UH-1H helicopters delivered under the Excess Defense Articles (EDA) Program in October 2001. The UH-1H helicopters will increase the Georgian military's capability to participate in NATO Partnership for Peace (PFP) activities and greatly enhance its ability to transport soldiers and equipment.

U.S. Department of State – International Military Education and Training (IMET): An estimated \$480,000 in FY 2001 IMET assistance was used to send members of the Georgian Armed Forces to military training courses, English language training, and courses in civil-military relations. These programs have helped Georgian military personnel develop the skills necessary to augment Georgia's participation in PFP and its interoperability with NATO. Georgian pilots and maintenance technicians continue to receive English language training and specialty training in the United States to help them operate and maintain the UH-1H aircraft delivered under the EDA Program (described above).

U.S. Department of Defense – Military Liaison Team: The multi-service Military Liaison Team (MLT) consists of a mix of active duty and reserve personnel deployed to Georgia on long-term temporary-duty assignments. The program consists of four basic types of events: (1) contact teams visit Georgia to share information on procedures within the U.S. military (this is the most effective type of event for reaching the greatest number of mid-grade personnel); (2) familiarization visits provide for limited numbers of foreign military personnel to travel to Western Europe or the United States; (3) conferences for participants from several countries are conducted on issues of mutual interest; and (4) a limited number of individual exchanges of staff officers or non-commissioned officers (NCOs) allow in-depth exposure to U.S. operations. An added dimension to the MLT Program is the State Partnership Program (SPP), under which the National Guard from the state of Georgia is partnered with the country of Georgia. This partnership is developing long-term institutional and personal relationships between the U.S. and Georgian partners and is allowing more Americans to become directly involved in assisting Georgia transition to a democratic society with a Western-style military. Roughly 25 percent of all MLT events involve SPP partners.

Humanitarian Programs

U.S. Department of State – Operation Provide Hope: In FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia transported \$40.61 million in U.S. Defense Department (DoD) excess and privately donated humanitarian commodities to Georgia at a total cost of \$4.73 million to the U.S. Government. Assistance provided under Operation Provide Hope included a hospital upgrade program, support for the Counterpart Humanitarian Assistance Program (CHAP), a program to help small and medium-sized U.S. private voluntary organizations (PVOs) transport humanitarian commodities, and grants to support the monitored distribution of donated medicines by the U.S. PVOs.

- **Hospital Upgrade Project:** A joint State Department/DoD hospital upgrade project delivered over \$18 million in humanitarian assistance to Georgia, including \$10.2 million in DoD excess medical equipment and supplies and \$8 million in privately donated medicines that were airlifted into Tbilisi in conjunction with this project. The medical equipment and supplies were distributed to nine hospitals and the medicines delivered to 37 health facilities throughout Georgia. A U.S. Armed Forces medical team installed the equipment and trained Georgian medical personnel on its proper use. The medicines were obtained from U.S. pharmaceutical manufacturers—including Eli Lilly, Merck, Johnson and Johnson, and others—by the United Methodist Committee on Relief (UMCOR), with help from the PVOs Heart to Heart and Project Hope. UMCOR, A Call to Serve (ACTS), and International Relief and Development (IRD) assisted in the distribution and subsequent monitoring of the donated medicines.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2001, USDA allocated \$8.4 million for the provision of almost 32,000 metric tons of food commodities to Georgia. Direct feeding programs were implemented through the United Nations World Food Program, and under USDA's Global Food For Education Program, a school feeding program was carried out by the PVO, International Orthodox Christian Charities.

Partnership Programs

USAID Health Partnerships: In FY 2001, USAID's health-care reform programs continued to promote self-sufficiency at the local level. USAID-funded health partnerships supported this objective by providing technical assistance, equipment and supplies; improving the knowledge, efficiency and effectiveness of local health care providers; and mobilizing the medical community to promote quality primary-care services. Over 300 health-care professionals were trained through these partnership programs in FY 2001. Partnerships exist between Tbilisi and U.S. health care institutions in Scranton (Pennsylvania), Minneapolis, San Francisco and Atlanta, as well as between the cities of Kutaisi and Atlanta and between Mtskheta-Mtianeti and Milwaukee. Program highlights are provided below:

- **Mtskheta Primary Health Care (PHC) Center:** This newly renovated, family-oriented, community-based center, which incorporates health promotion and disease prevention elements into a multi-disciplinary approach, formally opened in February 2001 and served 4,500 patients during FY 2001. Regional and local governments supported the center's renovation. Notably, a private Milwaukee-based donor provided \$100,000 to build a new facility in Mtskheta to serve as a teaching and demonstration family health center.
- **Tbilisi Blood Bank:** A blood bank was established in Tbilisi with the goal of decreasing transfusion reactions and the transmission of blood-borne diseases. The blood bank is equipped with modern equipment and supplies and the staff has been trained to test, type and cross-match the blood transfused there. The blood bank received 1,507 blood donations and processed 3,259 blood products for transfusion. The partnership also procured and distributed a national four-month supply of HIV test kits for its AIDS program, and helped Tbilisi State Medical University establish a master's degree program in health administration.
- **Kutaisi Women's Wellness Center (WWC):** In FY 2001, the Kutaisi WWC served approximately 4,000 women, providing early-detection, screening, disease prevention, and health promotion services. The WWC's Breast Cancer Program increases women's awareness of risk, early detection and treatment of breast cancer. The Center also provides prenatal care, reproductive health and family planning services. Recently, the WWC began to offer pap smears—the first in Georgia.

U.S. Department of State – Georgian Institute of Public Affairs (GIPA): In FY 2001, the U.S. Embassy's Public Affairs Section continued to support GIPA, which underwent major changes to its organizational structure. GIPA is now comprised of two schools: the School of Public Administration (SPA), and the School of Journalism and Media Management (SJMM). The SPA continued to cooperate with the National Association of Public Administration (NAPA) and established new partnerships with the National Association of Schools of

Public Affairs and Administration (NASPAA) and the University of Georgia at Athens. The SJMM, which is also supported by the International Center for Journalists and the Soros-funded Open Society Institute, recruited its first class of 20 students in fall 2001.

U.S. Department of State – Caucasus School of Business (CSB): The U.S. Embassy's Public Affairs Section continued to support a three-year university partnership grant between a consortium of three Georgian institutions and their U.S. partner, Georgia State University. In FY 2001, CSB awarded 25 bachelor's and 10 master's degrees in business administration. In FY 2001, enrollment significantly increased, with 50 students enrolling in master's-degree programs and 75 in bachelor's-degree programs.

U.S. Department of State – American Academy in Tbilisi: September 2001 saw the opening of the American Academy in Tbilisi, a model school based on the best practices and principles of American education. This project is an example of U.S. assistance resources being leveraged by the Georgian business community's investment in Georgia's future. The Academy has received two years of funding to date through the Bureau of Educational and Cultural Affairs (ECA). Over a four-year period, ECA Bureau grants will sponsor a year of training for each of the 20 Georgian teachers who will staff the Academy, helping build it into a four-year institution. Teacher training will take place in the United States at the Harvard Graduate School of Education, the Simmons College, and the Phillips Exeter Academy, and support will be provided for related curriculum development and organizational planning involving the participating teachers and the U.S. and Georgian project directors. Five Georgian teachers completed 2000-01 academic-year programs at two leading U.S. graduate schools of education. A second group of five is enrolled in the 2001-02 program. It is expected that the Armenian Academy will operate as a positive force for change in the Georgian educational system and will help shape Georgia's next generation of leaders.

U.S. Department of State – Georgian Foundation for Strategic and International Studies (GFSIS): In FY 2001, the U.S. Embassy's Public Affairs Section and the ECA Bureau awarded the RAND Corporation a two-grant to support the creation of a Georgian Foundation for Strategic and International Studies. The main objective of the project is to strengthen Georgia's capacity for research and analysis on major foreign policy and national security issues. In FY 2001 and 2002, GFSIS will train a total of 30 Georgian specialists in policy analysis. In FY 2002, GFSIS will organize a conference in Tbilisi to present policy research options.

Cross-Sectoral Programs

Peace Corps: The first Peace Corps Volunteers (PCVs) ever to be placed in Georgia arrived in May 2001. The 14 PCVs are serving in rural communities and towns throughout the country, where they focus on offering and enhancing English education for Georgian students and improving the teaching methodologies of Georgian teachers. English-language training is in high demand in Georgia, because Georgians realize that English language skills will expand their professional opportunities in areas such as teaching, tourism, business and community development. PCVs work with English language teachers in provincial and rural schools managed by the Ministry of Education. Their primary activities include team teaching with Georgian colleagues in English language classrooms, initiating and implementing extracurricular activities for the school community, and introducing alternative teaching methods. To ease the severe shortage of textbooks and modern teaching materials, PCVs are helping their schools establish English language resource centers and collaborating with their counterparts to develop curricula.

Eurasia Foundation: In FY 2001, the Eurasia Foundation's field office in Tbilisi awarded 34 grants totaling \$920,000 to Georgian NGOs working in the areas of civil society (17 grants), private enterprise development (10 grants), and public administration and policy (7 grants). The Foundation's activities focused on the development of particular regions through initiatives in all three of these areas. The Foundation supported projects designed to facilitate citizen participation in local government decision-making and to improve the public's access to information, resulting in increased government accountability and reducing the potential for corruption. To increase citizen access to local government information, the Foundation awarded grants ranging from \$25,000 to \$35,000 to information centers run by three regional branches of the Councils' Association of Georgia in Lanchkhuri, Signagi and Zugdidi districts, and two city councils in Telavi and Zestaponi.

- **Business Advocacy Competition:** The problem of burdensome government regulation remains a major concern in Georgia's regions. To help address this problem, the Foundation organized a competition to help local business associations identify obstacles posed to business development by onerous government regulations. The Foundation awarded a total of almost \$180,000 to six business associations, with the goal

of fostering their institutional development through the implementation of specific business advocacy initiatives.

- **South Caucasus Cooperation Program (SCCP):** The SCCP was initiated in 2000 to facilitate greater contact and cooperation among leading NGOs and professional associations in Armenia, Azerbaijan and Georgia, and to help overcome the political and economic obstacles to regional integration. By supporting the exchange of information and providing grants for cross-border initiatives, the SCCP is accelerating the region's transition to democratic and market-based systems. In FY 2001, the SCCP supported cross-border projects in areas such as business development, legal reform, civil society, and public policy, awarding 38 grants totaling nearly \$460,000 to Georgian-based NGOs working in partnership with Armenian and Azerbaijani NGOs. Examples include the development of a regional training center for information specialists and librarians, the establishment of a regional network for improving election administration, the creation of a consumer-rights advocacy movement; the establishment of a regional tourism information system; and the creation of regional insurance associations.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the Silk Road Strategy Act: promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

In FY 2002, U.S. Government-supported democracy programs will continue to focus on developing a solid base of human and physical resources that can support democratic reform. The U.S. Government will also continue to focus its assistance on addressing weapons proliferation and national security concerns through export control and border security programs, as well as monitoring Russian equipment and ammunition withdrawals. U.S. Government-funded assistance will also continue to address energy security, provide support for anti-corruption measures, and support the development of civil society and the next generation of leaders. Economic reform programs will concentrate on budgetary reform, improving transparency and on tax and revenue enhancement, and helping the Ministry of Finance meet International Monetary Fund (IMF) conditions. Exchange programs will focus on such fields as public administration, fiscal oversight, and energy management, in order to continue developing an indigenous knowledge base. Specific attention will be given to youth and alumni of U.S. Government-funded exchange programs.

Border Security and Law Enforcement (BSLE) Assistance Program: In FY 2002, the BSLE Program will be turning over another Mi-8 helicopter to the Georgian Border Guards (GBG). Construction of GBG barracks, office space and a training room will start this year at the Red Bridge post on the Azerbaijan-Georgia border. An export control course for members of the GBG, Georgian Customs Service (GCS) and other officials is scheduled to be held in Tbilisi, and the GCS's computer networking for tracking and revenue collection is scheduled to be completed.

Anti-Corruption Assistance: In 2002, the U.S. Department of Justice will continue to provide technical assistance and training to the Anti-Corruption Coordinating Council (ACCC) as it takes on its planned functions, and will support efforts to involve the ACCC in public outreach efforts. Future USAID assistance for implementing administrative law will focus on three broad agency functions: general activities, licensing and freedom of information. Licensing is one of the quintessential administrative law functions of the government, and one of the most susceptible to abuse and corruption in the absence of transparent procedures and standards.

USAID Local Government Programs: In FY 2002, USAID and its implementing partner, the Urban Institute, will strengthen community participation in local governance through a variety of methods, including: the establishment of a condominium association; the launching of citizen information centers in all five focus cities; and assisting *sakrebulo*s (town councils) with their first formal annual reports to citizens. In addition, the National Democratic Institute (NDI) will award small grants for up to nine chapters of the Councils' Association of Georgia (CAG) to improve services in their particular cities.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO GEORGIA**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	14.35
- Energy-Sector Reform	12.65
- Democratic Reform	4.74
- Humanitarian Assistance	7.57
- Cross-Cutting / Special Initiatives	2.77
- Eurasia Foundation	2.00
TOTAL USAID	44.08
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.35
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	2.00
- Cargo Value (DoD excess and privately donated, not included in total below)	40.61
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	42.61
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	1.87
- ECA Bureau - Public Diplomacy Programs	5.69
- EUR Bureau - Public Diplomacy Programs	0.40
- International Information Programs (IIP)	0.06
- Military Relocation	13.20
TOTAL U.S. DEPARTMENT OF STATE	21.22
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	1.60
CIVILIAN R&D FOUNDATION (NSF/CRDF)	1.50
U.S. CUSTOMS SERVICE - EXBS Georgia Border Sec./Law Enf. (BSLE)	18.00
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowship Program	0.10
U.S. DEPT. OF THE TREASURY - Technical Advisors	2.00
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES - BTEP	2.00
FEDERAL AVIATION ADMINISTRATION (FAA)	0.25
TOTAL TRANSFERS TO OTHER AGENCIES	49.02
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	93.09

OTHER AGENCY FUNDS	
USAID - P.L. 480, Title II Food Assistance	8.78
U.S. DEPARTMENT OF DEFENSE	0.62
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	8.43
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.48
- NADR / Science Centers	0.50
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	4.49
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.79
- International Information Programs (IIP)	0.02
- NADR / Anti-Terrorism Assistance (ATA)	0.97
- Bureau of Population, Refugees, and Migration (PRM)	0.97
TOTAL U.S. DEPARTMENT OF STATE	8.22
PEACE CORPS	1.03
TOTAL FY 2001 AGENCY FUNDS BUDGETED	27.07

TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	120.17
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For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO GEORGIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	19		1.04	17.38	
1992	Surface		0			
	DoD Excess Hospital (Tbilisi-Sep'92)			2.00	15.00	
	ACTS Grant			0.05		
	Operation Provide Hope II (Food & Med.)			0.10	1.92	
	EUR/ACE Admin & Program Support			1.24		
FY 1992 TOTAL		19	0	4.43	34.30	38.73
1993	Airlift	10		0.89	9.90	
1993	Surface		386	2.33	22.71	
	ACTS Grant			0.46		
	CARE Grant			0.83		
	Fuel Shipment (Mazout)			5.15		
	EUR/ACE Admin & Program Support			4.93		
FY 1993 TOTAL		10	386	14.59	32.61	47.20
1994	Airlift	30		2.60	20.79	
1994	Surface		184	1.19	29.59	
	Japanese Kerosene			0.30		
	ACTS .70 / UMCOR .35 Grant			1.05		
	CRS .50 / CARE .06 / WFP 1.00 Grant			1.56		
	Caucasus Logistics Assistance Unit			1.75		
	EUR/ACE Admin & Program Support			2.02		
FY 1994 TOTAL		30	184	10.47	50.38	60.85
1995	Airlift	10		0.69	8.47	
1995	Surface		178	1.27	8.74	
	Fuel Shipment (Mazout - Oct. '94)			2.00		
	ACTS Grant			0.38		
	WFP 1.00 / CARE .26 Grant			1.26		
	Counterpart Grant			0.65		
	UMCOR Grant			0.28		
	DoD Hospital Upgrade (Tbilisi-Jun'95)			0.15	1.35	
	EUR/ACE Admin & Program Support			2.20		
FY 1995 TOTAL		10	178	8.88	18.56	27.44
1996	Airlift	12		1.05	21.82	
1996	Surface		237	1.47	19.37	
	UMCOR .35 / ACTS .33 Grant			0.68		
	Counterpart Grant			0.25		
	EUR/ACE Admin & Program Support			0.32		
FY 1996 TOTAL		12	237	3.77	41.19	44.96
1997	Airlift	5		0.40	26.66	
1997	Surface		139	0.77	29.17	
	UMCOR .20 / .35 Grant			0.55		
	EUR/ACE Admin & Program Support			0.57		
FY 1997 TOTAL		5	139	2.29	55.83	58.12
1998	Airlift	6		0.53	22.85	
1998	Surface		97	0.46	13.87	
	IMC .20 / ACTS .33 / UMCOR .27 Grant			0.80		
	Counterpart Grant			0.34		
	Heart to Heart Grant			0.03		
	EUR/ACE Admin & Program Support			0.36		
FY 1998 TOTAL		6	97	2.52	36.72	39.24

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO GEORGIA

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1999	Airlift	11		0.36	16.02	
1999	Surface		158	0.78	23.07	
	Counterpart Grant			0.37		
	A.C.T.S.			0.30		
	UMCOR			0.22		
	Hellenic/Counterpart			0.31		
	I.R.D.			0.26		
	EUR/ACE Admin & Program Support			0.50		
FY 1999 TOTAL		11	158	3.10	39.08	42.19
2000	Airlift	12		0.14	7.41	
2000	Surface		97	0.40	18.18	
	UMCOR			0.20		
	Counterpart Grant			0.34		
	Counterpart Small Medium			0.03		
	IRD			0.47		
	ACTS			0.26		
	EUR/ACE Admin & Program Support			0.21		
FY 2000 TOTAL		12	97	2.05	25.59	27.64
2001	Airlift	11		0.17	18.72	
2001	Surface		164	0.65	21.89	
	UMCOR			0.27		
	Counterpart Grant			0.34		
	Counterpart Small Medium			0.03		
	IRD			0.47		
	HEART TO HEART			0.05		
	DoD Excess Hospital (Tbilisi-Aug '01)			1.67		
	ACTS Intl			0.30		
	Project Hope			0.04		
	World Council of Hellenes			0.35		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.37		
FY 2001 TOTAL		11	164	4.73	40.61	45.34
CUMULATIVE TOTAL		126	1640	56.84	374.88	431.71

KAZAKHSTAN

Political and Economic Overview

In FY 2001, Kazakhstan made only limited progress toward continued political reforms. Kazakhstan's system of exit visas was abolished, an unprecedented open public policy debate took place on the media law, and the first experimental rural elections, although flawed, were held. Nevertheless, the country's lack of progress towards a truly independent press, continued reports of corruption in government and business, and some erosion of Kazakhstan's liberal foreign investment climate continued to be key areas of concern.

Although these issues remained a concern, the Government of Kazakhstan continued to be a leader in economic reform among the Eurasian countries, making substantial progress in banking reform, mortgage industry development and accounting reform. The Government of Kazakhstan also remained strongly committed to cooperation on non-proliferation and demilitarization of the country's Soviet-era military infrastructure. The Kazakhstani Government, working together with the International Atomic Energy Agency (IAEA) and the United States, completed the packaging of spent nuclear fuel from the Aktau BN-350 breeder reactor, which contained three tons of weapons-grade plutonium. The Government of Kazakhstan made a firm and immediate commitment to support the United States in its fight against terrorism and recently reinvigorated its efforts to join the World Trade Organization (WTO).

Economic reforms and high oil prices contributed to Kazakhstan's strong economic performance in FY 2001. The oil prices, combined with the growing output in almost every sector of the economy, helped Kazakhstan post an economic growth rate of 9.6 percent in 2000, after 1.7 percent growth in 1999 and a 2.6 percent fall in 1998. The country's per-capita gross domestic product (GDP) increased in 2000 to \$1,225. Inflation has been under control and is expected to be below seven percent for 2001. Real growth in GDP for 2001 is forecasted at roughly 14 percent. In January 2001, Kazakhstan established the National Fund, the first oil fund of its kind in the Eurasian region, to accumulate the Kazakhstani Government's extra revenues from oil, gas and metal exports in the event of a decrease in oil revenues. As of mid-November 2001, the fund contained over \$1.25 billion. Should the government's revenues drop, National Fund reserves can be drawn upon to replenish the budget. Kazakhstan's National Bank's foreign exchange reserves of \$2.5 billion cover four months' worth of Kazakhstan's imports.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$94.15 million in assistance to Kazakhstan, including \$46.87 million in FREEDOM Support Act assistance (\$46.50 million in FY 2001 funds and \$370,000 in prior-year funds) and \$18.23 million in U.S. Energy Department assistance, \$10.19 million in other U.S. Government assistance, and privately donated and U.S. Defense Department excess humanitarian commodities valued at \$18.86 million. U.S. Government assistance continued to promote business development, democracy-building (including support for independent media, local governments, non-governmental organizations, access to information, and education), humanitarian relief, health care, military reform, and the non-proliferation of weapons of mass destruction. Economic reform assistance helped Kazakhstan improve its legal and regulatory environment so that it can make progress towards accession to the WTO, strengthen the country's banking sector and improve insurance, customs, mortgage, and private pension systems. In the health sector, the U.S. Government worked to increase access to quality primary health care, improve control of tuberculosis and hepatitis B, and initiate HIV/AIDS activities. Through U.S. Government-funded training programs, thousands of Kazakhstanis gained the skills needed to implement reforms in primary health care, democratic reform, and enterprise and finance. U.S. Government-funded activities promoting policy reform in the energy and oil sectors continued, as did activities promoting increased regional cooperation in solving environmental and energy-related issues, such as multilateral water resource management. Security related assistance for Kazakhstan continued to help reduce threats of proliferation of weapons of mass destruction (WMD) and other weapons; ensure the security of nuclear materials at nuclear power, research and production facilities; enhance export control and border security capabilities; and redirect former Soviet weapons expertise to peaceful projects. Kazakhstan has made major efforts in WMD nonproliferation and has paid increasing attention to concerns about conventional weapons transfers. The U.S. Government also focused security assistance on establishing professional armed forces in Kazakhstan capable of operating alongside NATO forces in peacekeeping, search-and-rescue and humanitarian operations, and on enhancing the Kazakhstani Armed Forces' support for democratic and economic reform.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 3,600 Kazakhstani citizens to the United States for short-term professional or long-term academic training, including some 480 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training Programs: In FY 2001, USAID trained over 700 Kazakhstani citizens (approximately 50 percent of whom were women) in the areas of enterprise and finance, democratic reform, and primary health care. Eighty-six Kazakhstanis received USAID-funded training in the United States. The overall impact of USAID's training programs in Kazakhstan has been broad and deep. After returning from a decentralization study tour to Poland, members of the Kazakhstani Parliament widely publicized their experience in the press, conducted training for other parliamentarians, established non-governmental organizations (NGOs) and centers to help combat drug abuse, and prepared recommendations for a parliamentary handbook and for the Kazakhstani Agency for Strategic Planning. Parliamentarians who participated in a study tour of the Netherlands and Norway used what they learned about the importance of managing oil profits to support the establishment of Kazakhstan's National Fund. Following a conference on developing housing finance, the president of Lariba Bank drafted a plan that resulted in the April 2001 pilot project to issue mortgage-backed bonds on the Kazakhstani Stock Exchange.

USAID Resource Network for Economics and Business Education (RNEBE): Since January 2001, RNEBE has been helping reform-minded public and private institutions move toward market-related instruction and research. The first component of RNEBE included the development of a website that is fostering greater sharing of information, including curricula and course syllabi, between universities in Central Asia and their counterparts in the West. Professors have benefited from training, workshops and seminars on modern teaching methods, and access to up-to-date case studies and other essential teaching tools. The second component of RNEBE includes the translation and distribution of basic materials such as textbooks, computers and audio/visual equipment, as well as the sponsorship of a Visiting International Professors (VIP) Program. In just under a year, a total of 43 institutions have already joined RNEBE, and five VIP professors have begun teaching students and helping to develop their departments at their host universities.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in cooperation with the Bureau of Educational and Cultural Affairs (ECA) continued to support democratic institution-building and the transition to a free-market economy in Kazakhstan. These programs focused on independent media, journalism, education reform, the economics of higher education, the rule of law and electoral reform, democracy and human rights, Islam and ethnic diversity in America, NGO leadership development, grassroots participation in the political process, leadership training for women, Internet access and distance learning, small business and entrepreneurial development, public administration, English language instruction and American studies. Over 350 Kazakhstani citizens traveled to the United States in FY 2001 on State Department exchange programs, roughly half of them on academic exchanges and half on professional exchanges. About 100 Kazakhstani graduate, undergraduate and high school students participated in State Department exchange programs in FY 2001. Alumni of these programs have gone on to successful careers in government, private industry and academia. In FY 2001, 20 university professors gained experience in research, teaching and curriculum development under the Fulbright, Regional Scholars Exchange, and Junior Faculty Development (JFDP) Programs. Under the Community Connections Program, 70 Kazakhstani professionals in the fields of journalism, small-business development, environmental policy, and public administration traveled to the United States for five-week intensive community-based training. An additional 70 Kazakhstani professionals participated in International Visitor (IV) programs on topics such as independent media management, university administration, NGO and youth NGO development, grassroots political party development, small and medium-sized enterprise management, global climate change, protection of the rights of the disabled, and U.S. immigration policies. Nearly 500 Kazakhstani politicians, jurists, professors, university rectors, environmental experts, government officials, NGO and community leaders have participated in the IV Program during the past nine years. FY 2001 saw the conclusion of an eight-year project on public administration training for senior local and regional administrators from throughout Kazakhstan. This program has made a material contribution to the development of a professional civil service by sending nearly 100 Kazakhstani public servants to the United

States for intensive six-week workshops in various aspects of public administration. Alumni of this program include several current *akims* (heads of regional and local governments).

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, USDA's Cochran Program continued to support agricultural reform in Kazakhstan, organizing short-term training for 13 agricultural specialists. These programs focused on agricultural statistics, veterinary and phytosanitary control, oilseed processing, and dairy cow genetics. Former Cochran Program participants from East Kazakhstan *Oblast* (Region) are working closely with a U.S. genetics company to implement new technology for transferring cattle embryos, while other former participants are continuing a collaborative project with USDA's National Agricultural Statistics Service to implement a system of agricultural statistics in Kazakhstan.

U.S. Department of Agriculture (USDA) – Faculty Exchange Program (FEP): FEP provides long-term practical training ranging from five to six months in duration to qualified university educators from progressive agricultural institutions to increase their capability to develop academic and adult education programs and curriculum to teach agricultural economics, marketing, agribusiness, and agrarian law in a market-based economy. FEP has established a number of linkages between U.S. and Kazakhstani universities and has supported follow-up support visits by U.S. faculty to their FEP counterparts in Kazakhstan. There were two Kazakhstani participants in FEP in FY 2001. Since its inception in 1995, FEP has trained 10 Kazakhstani participants from four different universities, institutes and agricultural training institutions.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, the SABIT Program provided internships at U.S. businesses for 25 Kazakhstani participants in such industries as aviation, automotive sales, metallurgy, power generation, telecommunications, tourism, retail, hospital administration, and small and medium-sized enterprise association development. Six took part in the regular long-term (three- to six-month) SABIT program, and 19 took part in the specialized one-month programs in the areas of environmental technology, standards, business management for women and business association development. In FY 2001, a former SABIT alumna established an Association of Dairy Producers of Kazakhstan.

Democracy Programs

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission continued to serve as a flexible mechanism for supporting democratic institution-building at the grassroots level, awarding 13 grants totaling \$100,000 to local NGOs working in such areas as human rights, women's political leadership, civic education, prisoners' rights, freedom of speech, and independent media development. The Democracy Commission has contributed to the development of a healthy NGO sector in Kazakhstan and has fostered the sector's cooperation with the government and mass media. Organizations such as the Confederation of Non-Governmental Organizations, the Gender Information and Analytical Center, the Kazakhstan Human Rights Bureau, the Kazakhstan Law and Environment Eurasia Partnership, as well as the Ditar Center of Education and Promotion of Democracy have received Democracy Commission grants to support training sessions, publications, conferences and other democracy-building initiatives.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2001, IATP, which is administered by the Bureau of Educational and Cultural Affairs and implemented by the International Research and Exchanges Board (IREX), expanded its public-access Internet facilities in the capital city of Astana, providing Internet access to a variety of users, including alumni of U.S. Government-funded exchange programs and accredited journalists, helping them maintain their contacts and broaden their professional horizons. In addition to the new site in Astana, existing IATP sites at the National Library, the training center at the IREX office in Almaty, and centers in Atyrau, Karaganda and Shymkent continue to expand Internet access to important regions of the country. New IATP sites are planned for Taraz, Ust-Kamenogorsk, Uralsk, and Kyzyl-Orda. IATP also makes distance learning available to people who would not otherwise have the opportunity to access higher education. School children in Kazakhstan combined art and the Internet to convey their reactions to the events of September 11 through the "Children Against Terrorism" project. State Department exchange program alumni, IATP staff, Peace Corps volunteers, and local schoolteachers helped students in Shymkent, Temirtau and Karaganda mount exhibits of their paintings, drawings and letters on anti-terrorism themes and post them on the World Wide Web. The best of the hundreds of submitted works were selected by juries of teachers, alumni and Peace Corps volunteers and posted at the URL www.antiterror.freenet.kz and on the IATP-Kazakhstan website (<http://www.iatp.kz>), as well as on local websites.

USAID Citizen Participation Programs: In FY 2001, USAID's citizen participation programs continued to focus on creating an environment that fosters NGO development, the rule of law, the free flow of information, and citizen participation. USAID-sponsored information and resource centers disseminated information about NGO legislation and served as a focal point for the local NGO community to share ideas and receive training. As a result, Kazakhstani civic groups increasingly expressed their views on draft legislation. For example, with USAID technical assistance, local NGOs organized an advocacy campaign against the government's proposed changes in the law on media. By combining citizen petition drives with unprecedented protests by independent television stations, Kazakhstani citizens were able to take part in an open discussion and debate on the proposed amendments, resulting in the adoption of a compromise measure that softened many of the legislation's harshest articles.

USAID Support for Independent Media: In an environment characterized by media self-censorship and government pressure on independent news outlets, USAID continued to provide assistance to Kazakhstan's independent media in FY 2001. USAID support combined media-advocacy activities with direct technical assistance to non-state television and radio broadcasters. In addition to the above-mentioned NGO advocacy campaign against the media law amendments, USAID-supported advocacy activities included monitoring and reporting on infringements of press freedom, publication of a monthly bulletin on media law, direct support for local media-advocacy organizations, and legal aid for independent news outlets. The technical assistance component of USAID's support included organization of seminars and training for both managerial and technical personnel of non-state stations, with the aim of enhancing the stations' technical sophistication and sustainability.

USAID Civic Education Programs: USAID expanded the scope of its civic education programs to promote the dissemination of information on civic rights and domestic public issues. A USAID-supported civic education textbook and curriculum reform program for tenth- and eleventh-graders now reaches 335 schools and over 8,000 students throughout the country. In addition, USAID also supported debate clubs, students' local government days, democracy summer camps, student action committees and other civic education activities. Five students from the USAID-supported Debate Center participated in parliamentary hearings on youth policy in Kazakhstan, and two students presented a draft law on youth to Members of the Kazakhstani Parliament. These debate clubs are receiving wide exposure through national youth debate tournaments and through a national television program, "City of the Future," which regularly features student debates.

USAID Parliamentary Assistance: USAID continued to help maintain the Kazakhstani Parliament's legislative drafting center, which became operational in January 2000 and has reviewed a total of 60 draft laws. At present, the center is working only with draft legislation initiated exclusively by members of parliament. Over the past year, Kazakhstani parliamentarians met with their constituents to discuss legislative issues more frequently than ever before; the best example of this trend was the public advocacy campaigns conducted against amendments to the Media Law and the Law on Self-Government.

USAID Local Government Initiative: In FY 2001, over 2,150 Kazakhstani local government and housing officials, approximately a quarter of whom were elected, not appointed to their positions, received training through USAID's Local Government Initiative on practical ways to build citizen participation into the functions of local government, promote open and competitive procurement practices, and improve management practices. The Kazakhstani Government has shown its long-term commitment to train/retrain public servants by creating a network of regional training centers (RTCs). USAID has helped three of these RTCs develop a more advanced strategic vision and modern training techniques. USAID-funded advisors worked with local and national government officials on the issue of decentralization and provided comments on the local and state government law adopted in January 2001. While this law did not by itself provide for meaningful decentralization, press articles and discussions with local officials reflected an increased amount of interest in decentralization and in modifying the current system of appointed mayors and governors. These shifts in attitudes, although not yet manifested in legislation, may prove to be the most important long-term development in the area of local government reform.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Please see Security, Regional Stability and Law Enforcement Programs section below.

Economic Development Programs

USAID Business Development and Economic Restructuring Programs: In FY 2001, Kazakhstan continued to make progress in the areas of business development and economic restructuring. U.S. Government-funded economic reform and business development activities under the Regional Initiative in Atyrau had a significant impact in the areas of enterprise accounting, municipal finance and customer service through targeted business advisory services. Highlights of USAID-funded activities are provided below:

- **Fiscal Reform Programs:** USAID-supported work on tax policy and administration, budgeting and intergovernmental finance achieved significant results in FY 2001. The Government of Kazakhstan finalized a memorandum of understanding with USAID that will set the stage for greater assistance to parliamentarians in analyzing the impact of policy changes and budget performance. One example of the impact of this assistance is the results achieved with the help of USAID-funded training and technical assistance in implementing the newly created National Fund designed to shelter Kazakhstan's economy from the destabilizing effects of sharp fluctuations in international oil prices. The National Fund's assets exceed \$1.25 billion, and it is the first fund of its kind in the Eurasian region. In addition, largely thanks to U.S. Government assistance, major revisions of Kazakhstan's tax code will take effect in January 2002 that will simplify the code in general, eliminate special exemptions, and improve the tax status of non-profit entities.
- **Banking Reform Programs:** With the help of USAID-funded assistance, real progress also continued in banking reform. Kazakhstan's banks adopted international standards such as deposit insurance. In addition, USAID assistance was a driving force behind the passage of a consolidated bank supervision law. Kazakhstan's banking sector continues to grow: total individual deposits grew by 18 percent over the first half of 2001, while consumer deposits rose by 17 percent during the same period.
- **Pension Reform Programs:** Kazakhstan's private accumulation pension system continued to develop rapidly during FY 2001, surpassing \$1 billion in assets. To keep pace with the growing capital pool represented by Kazakhstan's pension funds, USAID has helped develop new financial instruments. The first corporate bonds in Kazakhstan's history were issued with USAID assistance in late 1999. Since then, more than \$400 million in local corporate bonds have been issued and are providing new investment opportunities for pension funds. As the pension industry grows, consolidation is beginning to occur and the first significant mergers have taken place. USAID helped ensure orderly and effective supervision of these mergers by Kazakhstan's regulatory bodies and provided support to the merging funds. Also during FY 2001, the Kazakhstani Government adopted USAID's recommendation to unify regulation under a single, independent body. USAID support has facilitated important changes to methodologies for valuing and accounting for pension assets. In 2001, pension investment in government debt decreased from 95 to 68 percent of the total portfolio.
- **Insurance Reform Programs:** USAID provided critical support for the development of a new insurance law that was passed by the Kazakhstani Parliament, bringing Kazakhstan into compliance with international standards, setting a new standard for insurance reform in the Eurasian region, and providing a solid foundation for Kazakhstan's life insurance and annuities markets. In FY 2001, Kazakhstan's Department of Insurance Supervision joined the International Association of Insurance Supervision.
- **Mortgage Industry Development Programs:** The Government of Kazakhstan made great strides in developing a primary mortgage-lending program to accumulate capital for the small and medium-sized enterprise (SME) sector and allow a new generation of Kazakhstani citizens to own their own homes. With USAID assistance, the Kazakhstani Government is working to develop a successful mortgage mechanism that will make housing more affordable for the general public and expand the effective demand for housing; attract investments in the mortgage lending industry through creation of the secondary mortgage and mortgage securities markets; and establish a mechanism to mobilize private funds for the housing sector. Mortgage banks will make loans as collateral to borrow from the private pension funds. During 2001, a commercial bank in Kazakhstan issued the Eurasian region's first-ever mortgage-backed bond, and home mortgage loans increased from \$1 million to \$9 million.
- **Accounting Reform Programs:** In FY 2001, Kazakhstan once again continued to lead the Eurasian countries in the area of accounting reform. USAID-funded advisors continued to help the Kazakhstani

Government implement a modern accounting curriculum in the country's universities, with the Ministry of Education adopting an international model accounting curriculum. USAID-funded advisors also trained and mentored five associate professors of financial accounting. In addition, 183 professors were trained in international finance and managerial accounting. USAID also provided training to Kazakhstan's growing number of actuaries and delivered business short courses to 1,764 accountants, 81 percent of whom were women. During FY 2001, the Central Asian Council of Auditors and Accountants (CACAA) was created, with Kazakhstani associations playing a major role. In October 2001, eight national associations signed an official protocol to work toward the establishment of a Regional Examination and Certification Center that will be located in Almaty.

- **SME Training and Advisory Services Project:** This successful, three-pronged program provides business training courses, business advisory services, and business association and advocacy development assistance. The project has significantly increased the professional development of small entrepreneurs through focused training in key areas such as accounting, management, marketing and taxes. Since the project's inception in 2000, a total of 2,200 entrepreneurs (73 percent of whom were women) and 1,764 accountants (81 percent of whom were women) have taken the project's business short-courses. The project has also developed a local private-sector capacity to provide market-oriented training to small businesses. Since the project began working with professional associations, Kazakhstani organizations have started to develop region-wide associations that adhere to internationally accepted professional standards.
- **Micro-Credit Programs:** The Kazakhstan Community Loan Fund (KCLF) in Taldy-Korgan, which was established with USAID support, has made loans averaging less than \$233 to over 2,700 clients, over 80 percent of whom are female. Having disbursed 12,500 loans totaling more than \$2.6 million, the KCLF is one of the most successful micro-credit programs in Central Asia. The KCLF's system brings together groups of small-business owners to support each other and provide a group guarantee for members' loans. In FY 2001, the KCLF once again expanded operations, setting up an office in Almaty *Oblast* (Region). Another micro-finance institution, the Asian Credit Fund (ACF), was established in 1997 with USAID support and is currently funded with a \$400,000 line of credit. Since its inception, the ACF has lent \$4 million and has served 1,210 clients. The program reached the financial break-even point in December 2000. ACF plans to open branches in other cities of Kazakhstan and introduce new lending products.
- **Farmer-to-Farmer (FTF) Program:** USAID's FTF Program has provided assistance to 62 host organizations in Kazakhstan, directly benefiting over 2,700 Kazakhstani citizens (approximately half of whom were women). An FTF volunteer helped one enterprise improve its mushroom production and handling, resulting in a \$12,000 increase in profits. FTF volunteers also helped the Kazakhstani company FoodMaster successfully install a potato-chip processing line, select contract farmers to grow new potato varieties, and design a potato storage facility. Without FTF assistance, the farmers would have lost the first crop and be a year behind schedule; instead, the firm now sells the first locally produced potato chips and is employing 39 new workers. In addition, two FTF volunteers helped the Ust-Kamenogorsk Poultry Factory complete a business plan and financing request. The GIMV Post-Privatization Fund purchased a 47-percent ownership stake in the facility for a \$1.5 million equity investment. In addition, they extended a loan for \$2.1 million. FTF is also helping to create and inventory a national park dedicated to preserving biodiversity and indigenous plant and animal species.

U.S. Department of the Treasury – Technical Advisors:

- **Government Debt Issuance and Management:** In response to requests by the Governor of the National Bank of Kazakhstan (NBK) for a resident government debt advisor, the Treasury Department's Office of Technical Assistance placed a new advisor in Kazakhstan in August 2001. The advisor's principal duties are to provide technical assistance to Kazakhstani authorities as they seek to fulfill the potential of government securities markets in the country's capital markets. He will also more fully develop the NBK's advisory relationship with the Ministry of Finance.
- **Enforcement:** The Treasury Department's Enforcement Team conducted an assessment in Kazakhstan on establishing a comprehensive technical assistance program. The team worked in coordination and cooperation with the U.S. Embassy's Resident Legal Advisor, as well as the Embassy-based representative of the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). The assessment was conducted at nine different Kazakhstani agencies involved in law enforcement, including the General Prosecutor, Ministry of Finance, Supreme Court, Financial Police, Ministry of Internal Affairs,

Police Academy, National Security Commission, National Bank, and National Security Commission. The assessment also involved the participation of relevant Kazakhstani NGOs and private-sector entities, and was used as the basis for the designing of a technical assistance program for FY 2002.

U.S. Export-Import (Ex-Im) Bank: In FY 2001, Ex-Im Bank approved two medium-term guarantee transactions for \$7.3 million in Kazakhstan: a \$2.9 million transaction structured with Bank Turanalem and a \$4.4 million transaction structured with KazKommertsBank. Both transactions were structured with bank guarantees and without a sovereign guarantee.

U.S. Trade and Development Agency (TDA): In FY 2001, TDA's activities in Kazakhstan continued to support the U.S. Government's Caspian Basin energy policy. TDA provided a \$346,000 grant for technical assistance in transporting Kazakhstani oil to the Port of Dubendi in Azerbaijan, which would result in an increased volume of oil available for the Baku-Tbilisi-Ceyhan oil pipeline.

Trade and Investment Programs

Central Asian - American Enterprise Fund (CAAEF): Due to senior-management turnover and several ongoing strategic reviews of the Fund's current portfolio, the CAAEF made no new equity investments in Kazakhstan in FY 2001. However, micro- and small-business lending activities through the CAAEF's partner banks continued. (For more detail, please see Enterprise Funds section in Part III of this report.)

USAID Efforts to Remove Investment Constraints: In FY 2001, USAID began work on removing investment constraints that impede the growth of businesses, focusing on both national-level reforms and local implementation of those reforms. USAID sought to promote increased dialogue and information-sharing between local governments and businesses, and to educate members of the government and private sector on the existing constraints to trade and investment in Kazakhstan's small and medium-sized enterprises (SMEs). Throughout the year, USAID facilitated a number of improvements in the country's investment climate, including the introduction of an online system to simplify product certification for the Mangistau *Oblast* (Region) Administration. USAID also helped reduce the number of steps required in the registration of legal entities, improve land acquisition and site development, reduce the timeframe of the alcohol licensing process, and bring the Ministry of Economy and Trade into compliance with national laws. USAID also helped revise the process of getting from product certification to the adoption of standards, in response to the numerous complaints received about the process.

USAID Customs Reform Programs: In FY 2001, USAID continued to foster cooperation and coordination between tax and customs authorities in order to stimulate cross-border trade in the region, and Kazakhstan's international trade in general. This project helped the Kazakhstani Government join the Revised Kyoto Convention (previously known as the Customs Union), which sets international customs standards and procedures, and to implement customs modernization plans. USAID helped prepare alternative proposals to a Ministry of State Revenue regulation that would effectively have put 60 to 70 customs brokers out of business and thereby eliminated an entire SME industry. USAID helped strengthen the Kazakhstan Customs Committee's relations with the World Customs Organization (WCO), which in turn provided training on the rules under the Harmonized System. USAID also helped prepare the Customs Committee for the annual WCO meeting, at which Kazakhstan was elected to the WCO's Budget Committee.

USAID Support for WTO Accession and Commercial Law Reform: In FY 2001, U.S. Government-funded trade and investment programs continued to promote market and commercial law reform by supporting Kazakhstan's efforts to accede to the World Trade Organization (WTO). USAID-funded advisors helped draft laws and regulations essential to WTO accession. Chief among these were laws protecting various intellectual property rights, including the Law on Commercial Secrets and the Law on Microcircuits. In addition to helping with WTO issues, USAID-funded advisors helped the Kazakhstani Government assess the country's current customs regime, and design and implement a customs modernization plan, which resulted in an increase in the number of pre-arrival customs declarations.

Energy and Environmental Programs

U.S. Department of Energy (DOE) – International Nuclear Safety Program: The BN-350 breeder reactor in Aktau is in stand-by condition. DOE's National Nuclear Security Administration (NNSA) is assisting with reactor's irreversible shutdown by providing technical assistance and equipment to put the reactor into an environmentally, industrially and radiologically safe condition. In FY 2001, work continued on the development of a decommissioning plan. Cesium traps were designed and are now being fabricated for decontaminating the reactor's sodium coolant prior to draining and treating. (For additional details, please see Security, Regional Stability and Law Enforcement Programs section below.)

U.S. Nuclear Regulatory Commission (NRC): In FY 2001, the NRC provided training to Kazakhstani nuclear regulatory authority personnel in such areas as inspection techniques for operating nuclear power and research reactors, radioactive waste and spent-fuel management and decommissioning of nuclear power plants.

USAID Energy-Sector Programs: USAID is helping Kazakhstan develop an effective strategy for improving the management of its natural resources. USAID-funded advisors helped the Ministry of Natural Resources and Environmental Protection (MNREP) draft a petroleum products law. With USAID support, the U.S. Energy Association (USEA) initiated several partnership activities between U.S. energy operators and their Kazakhstani counterparts. In FY 2001, USAID developed several field models to demonstrate that policies and technologies proposed for Kazakhstan's energy sector are viable. These included biological treatment of soil damaged by oil spills (as part of a larger program of oil and gas field clean-up) and the retrofitting of an apartment-building heating system in Atyrau, with the goal of lowering costs for the heating plant operator and passing the savings along to consumers.

U.S. Department of Commerce – U.S.-Kazakhstan Business Development Committee (BDC) : A BDC-supported Commerce Department panel discussion gave Kazakhstani energy officials an opportunity to brief over 200 U.S. company representatives at the Offshore Technology Conference (OTC) in Houston, Texas on opportunities for cooperation with Kazakhstan's oil and gas sector. The Department also helped arrange individual meetings between Kazakhstani officials and U.S. businesses.

U.S. Department of the Interior – Minerals Management Service (MMS): Under its Caspian Partnership for Regulatory Cooperation (CPRC), MMS held a technical assistance workshop in December 2000 in Astana on the management of offshore reserve potential with a systematic program of data collection, resource evaluation and a leasing strategy. The workshop introduced 19 Kazakhstani participants to topics such as the value of information and bidding theory and was similar to an August 1999 workshop held in Ashgabat, Turkmenistan, that covered MMS's system for ensuring fair market return on oil and gas resources. MMS's principal counterpart at the workshop was Kazakhstan's Ministry of Energy, Industry and Trade (MEIT), with additional participation from the Agency for Investments, MNREP, the Oil and Gas Research and Design Institute (NIPI NefteGas), the Ministry of Economy, the Agency for Strategic Planning, and the National Oil Company of Kazakhstan (KazakhOil).

USAID Environmental Programs: In FY 2001, USAID's environmental programs included activities in the areas of climate change and water management. Some of this work was part of broader USAID regional programs covering all of the Central Asian countries. Program highlights are provided below:

- **Global Climate Change:** USAID continued to provide technical assistance to the Climate Change Coordination Center office in Astana. USAID is currently working with the Government of Kazakhstan and other donors to ensure that the Climate Change Coordination Center office evolves into an integral component of the Kazakhstani Government.
- **Regional and Local Water Management:** USAID assistance helped establish policy and technical working groups involving participants from Kazakhstan and the other Central Asian countries for improving the collection, analysis and exchange of hydrological data. Significant progress has been made towards establishing a regional communication system that will collect and distribute hydrological data throughout the region. A base station (meteor-burst system) for collecting such data will be established in Almaty *Oblast* (Region). USAID has also agreed to provide the hydro-meteorological agency in Almaty with a high-resolution terminal for receiving meteorological imagery from the National Oceanic and Atmospheric Administration (NOAA) satellite, which will be useful in projecting stream flows.

- **EcoLinks:** USAID's EcoLinks Program promotes partnerships linking businesses, local governments, and associations with U.S. counterparts or other partners in the Eurasian states and in Central and Eastern Europe. (Please see Partnership Programs section below for additional details.)

Social-Sector Programs

USAID Primary Health Care Programs: USAID is developing models of quality primary health care at pilot sites in the Karaganda, East Kazakhstan and Pavlodar *Oblasts* (Regions). USAID's primary-health-care programs emphasize community involvement, higher-quality care, and better financing of medical care. Kazakhstani communities are becoming more involved in health care through popular open-enrollment campaigns that allow patients to select their own doctors. More than 700,000 people from Pavlodar *Oblast* recently enrolled in primary-health-care practices of their own choosing. By getting practical health-care information from mass media campaigns and from their family doctors and nurses, Kazakhstani families are also learning to take an active role in their own health care. USAID-supported "Keeping Children Healthy" campaigns reaching one million people improved their understanding of breastfeeding, appropriate use of antibiotics, and appropriate feeding for children with diarrhea. This knowledge can increase children's chances of survival. In addition, a USAID-supported Drug Information Center in Karaganda *Oblast* is disseminating information on prescription drugs so that physicians can prescribe the most effective and least costly medications.

USAID Infectious Disease Programs: USAID is providing technical assistance to the Government of Kazakhstan in the nationwide implementation of the Directly Observed Treatment, Short Course (DOTS) tuberculosis strategy recommended by the World Health Organization (WHO). These joint efforts have led to a decline in the national tuberculosis incidence rate from 86 per 100,000 inhabitants during the first six months of 2000 to approximately 81 per 100,000 inhabitants during the first six months of 2001 (a six-percent decline). Kazakhstan's national tuberculosis mortality rate is also continuing to decline from 38.4 per 100,000 in 1998 to 26.9 per 100,000 in 2000 (a 30-percent decline). USAID and the Centers for Disease Control and Prevention (CDC) calculated that implementation of the DOTS strategy in Kazakhstan has already saved the lives of approximately 5,000 Kazakhstani citizens. The Tuberculosis Electronic Case-Based Surveillance System database developed by USAID became fully operational countrywide in 2001, allowing policy-makers to analyze trends rapidly and make informed decisions. As a result of universal newborn immunization against hepatitis-B, which was introduced with USAID assistance in 1998, there were no hepatitis-B cases reported among children of age one to six in 2000. USAID-supported research and training in HIV/AIDS surveillance was initiated in 2001. USAID sponsored a study tour by Kazakhstani Government officials to a model drug-abuse harm-reduction site in Lithuania, a Central Asian condom social-marketing assessment and workshop, and (jointly with UNICEF and UNAIDS) a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections (STIs).

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: As a former nuclear weapons state with nuclear reactors, and an inheritor of Soviet biological and chemical weapons infrastructure and expertise, Kazakhstan has the potential to be a source or transit country for weapons of mass destruction (WMD), WMD materials and technology, as well as a source of conventional-weapons transfers to countries of proliferation concern. Kazakhstan has demonstrated a willingness to cooperate with the United States in preventing weapons proliferation, and the EXBS Program seeks to enhance Kazakhstan's capabilities to prevent such proliferation. In FY 2001, the Department of State allocated \$3.1 million in FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds to provide EXBS training and equipment assistance for Kazakhstan, building on the \$2.6 million provided for EXBS assistance in FY 2000. In FY 2001, the EXBS Program provided Kazakhstan's Border Guards, Customs Service and Ministry of Defense with over 130 radios to strengthen interoperability (34 officers were trained in the use of the radios), repairs to a patrol boat, x-ray machines and interdiction tool kits. In addition, EXBS Program plans include the provision of night-vision devices, patrol vehicles, computers and other support equipment to Kazakhstan's border control authorities. In August 2001, the U.S. Customs Service provided intensive border inspection training in the United States to 16 Kazakhstani Border Guard and Customs officials to enhance the effectiveness of vehicle inspections and passenger interviews. Although a scheduled September 2001 visit to Kazakhstan to work on plans for the FY 2001 EXBS program was cancelled due to security concerns, the EXBS Program placed a resident EXBS Program Advisor in Kazakhstan in October 2000. Remaining FY 2001 funding will

support additional communications equipment and training, an export control command center, support equipment for border posts, in-country training for Border Guard and Customs personnel on the use of equipment and on border inspection techniques, train-the-trainer workshops and training equipment, and additional maritime equipment. With State Department EXBS funds, the U.S. Department of Energy (DOE) is helping Kazakhstan develop a computerized review system for nuclear export control licenses. In FY 2001, DOE's expanded its efforts, providing internal compliance systems for export control at Kazakhstan's nuclear industries and facilities. DOE also provided training to help Kazakhstani officials recognize dual-use commodities and radioactive materials. These efforts were supportive of Kazakhstan's interest in joining the Nuclear Suppliers' Group.

- In the aftermath of the September 11 terrorist attacks, an additional \$2 million in EXBS funding to strengthen Kazakhstan's border security was provided under the Emergency Response Fund supplemental appropriation. These funds will be used to maximize the border-security capabilities of Kazakhstan's Border Guards and other border security agencies in order to prevent weapons proliferation and complement counter-terrorism assistance. Proposed assistance may include additional communications equipment, body armor, binoculars, laser range-finders, Geiger counters, seven more interdiction tool kits, pallet and baggage x-ray machines, infrastructure support, four-wheel drive vehicles and other transport/patrol assets, and additional training.

U.S. Department of State – Science Centers, Other Nonproliferation Programs: In FY 2001, the U.S. Government allocated an estimated \$1 million to International Science and Technology Center (ISTC)-related projects and activities at Kazakhstani institutes in the fields of biotechnology, nuclear-reactor decommissioning technology, environmental decontamination and monitoring, and robotics and manufacturing technology. These projects provide former weapons scientists with opportunities to work on peaceful civilian research projects. As part of the U.S. effort to redirect former biological weapons (BW) scientists, the ISTC continued to support the redirection of scientists at the former BW production facility in Stepnogorsk.

U.S. Department of State – Redirection of Biological Weapons (BW) Expertise:

- **U.S. Department of Health and Human Services (HHS) – Biotechnology Engagement Program (BTEP):** In FY 2001, with an estimated \$950,000 in FREEDOM Support Act funds, HHS's BTEP efforts in Kazakhstan focused on redirecting former Soviet weapons scientists through civilian research projects. Projects included public-health-related research addressing the plague and anthrax and involved work with Kazakhstan's Institute for Research on Plague and the Ministry of Health.
- **U.S. Environmental Protection Agency (EPA) – BW Redirection:** In FY 2001, EPA projects under the FREEDOM Support Act-funded BW Redirection Program provided redirection opportunities for scientists from the former Soviet BW facility in Stepnogorsk. EPA provided support to convert the sampling laboratory provided under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program into an environmental monitoring laboratory that employs and retrains former Soviet BW weapons scientists. The performance of this laboratory has improved to the point that it is in a position to gain accreditation in Kazakhstan. Three other research projects, all of them using the Stepnogorsk laboratory, were initiated in 2001 or will be initiated in 2002. Research areas include pesticide contamination, detoxification of a bacterial species in the human intestine and bio-remediation of mercury contamination in Pavlodar. All these projects are managed through the ISTC. The EPA component of the U.S. Government's redirection efforts for FY 2001 was \$1 million, of which \$730,000 was allocated to the ISTC. The remainder was used to support training of former weapons scientists in Kazakhstan and the United States and to cover EPA program support costs.
- **U.S. Department of Agriculture – Agricultural Research Service (ARS) – Collaborative Research:** As a result of site visits to Kazakhstan made by ARS scientists in 1999 and 2000, ARS focused an estimated \$1.07 million in FY 2001 assistance on collaboration with three Kazakhstani institutes: the Scientific Research Agricultural Institute (SRAI) in Otar; the Institute of Microbiology and Virology (IMV) in Almaty; and the National Center on Biotechnology in Stepnogorsk. In addition to funding individual research projects, ARS is providing institutional support to help build research programs. ARS has approved 12 projects involving these institutes, three of which were funded in FY 2001. Six of the remaining nine projects are in varying stages of development. Additional research projects are being developed in the following areas: new uses for agricultural products, global climate change, plant and animal germ plasm collection, and animal and plant disease. In support of an ARS partner project at SRAI, the Department of State funded a two-month training program for three SRAI scientists on molecular virology and viral genomics at ARS' Plum Island Animal Disease Center. Additional U.S.-based training for SRAI scientists will be funded in FY 2002.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, an estimated \$1 million in FREEDOM Support Act-funded assistance was provided to Kazakhstan through the CRDF, which made seven Competitive Grant awards totaling \$300,000, with important applications for regional health and environmental problems. Five of these projects included former defense scientists and two included former Stepnogorsk BW researchers. The CRDF awarded two Travel Grants to scientists from Kazakhstan. Of seven proposals submitted to the Regional Experimental Support Center (RESC) competition, in FY 2001, the CRDF granted an award for an X-ray diffractometer to the Institute of Nuclear Physics of the National Nuclear Center of Kazakhstan.

U.S. Department of Defense – Cooperative Threat Reduction (CTR) Program: Kazakhstan has been a strong cooperative partner under the CTR Program, receiving an estimated \$162 million in CTR assistance from FY 1992 through FY 2001 to support the following projects:

- **WMD Infrastructure Elimination:** This project assists Kazakhstan in eliminating equipment and facilities previously used to support the deployment and operation of Soviet WMD, preventing proliferation of WMD materials, and consolidating/securing fissile and radioactive materials. Accomplishments in FY 2001 include support for efforts by the National Nuclear Center of Kazakhstan to inventory radiological sources and design packaging for the safe transport of this material.
- **BW Proliferation Prevention:** This project consolidates and secures or eliminates dangerous pathogen collections, dismantles former Soviet BW research and production facilities, and targets research to enhance U.S. bio-defense capabilities against dangerous pathogens. Accomplishments in FY 2001 included the continued consolidation and dismantlement of the former BW production/research facility at Stepnogorsk, completion of an extensive joint operation to collect and analyze samples from the facility, which did not contain any indications of anthrax; and continuation of two projects to enhance security of pathogen collections at former BW institutes.

U.S. Department of Energy (DOE) – Aktau BN-350 Breeder Reactor Fuel Disposition/Decommissioning: As mentioned in the Energy and Environmental Programs section above, the BN-350 fast-breeder reactor in Aktau is in standby condition, and DOE is assisting with its shutdown and decommissioning. In FY 2001, DOE continued its efforts to place the plant's spent-fuel assemblies, which contain nearly three tons of weapons-grade plutonium, in safe and secure storage. In FY 2001, DOE focused on completing the packaging of the material, which was completed in April 2001. With the technical support of a DOE National Nuclear Security Administration (NNSA) contractor, workers at the BN-350 reactor placed the fuel assemblies into stainless steel containers; heated, evacuated, backfilled, and welded the containers; and then placed the containers into the BN-350 pool under International Atomic Energy Agency (IAEA) safeguards. In FY 2001, the BN-350 program spent \$7 million of \$15.8 million in allocated and fully obligated DOE/NNSA funds.

U.S. Department of State – Anti-Terrorism Assistance (ATA): An estimated \$1.41 million in ATA assistance was provided to Kazakhstan in FY 2001. Following the September 11 attacks, Kazakhstan's anti-terrorism unit, Arastan, responded quickly to provide enhanced protection to the U.S. Embassy. When the U.S. Armed Forces began military action in Afghanistan, Arastan augmented its unit and extended coverage to include the embassy annexes. ATA-trained members of Arastan have cross-trained other team members. In FY 2001, Kazakhstani officials participated in an ATA-sponsored Central Asian Counter-Terrorism Conference in Istanbul, Turkey. The ATA program also sent a team to Kazakhstan to assess the needs and capabilities of its anti-terrorism units. Based on this assessment visit, the ATA Program sent more than 100 Kazakhstani officers to the United States in FY 2001 to participate in various short-term training programs covering crisis response, border operations and management of major cases.

U.S. Department of Defense – Security Assistance Office: In FY 2001, the U.S. Department of Defense established a permanent Security Assistance Office (SAO) at the U.S. Embassy in Kazakhstan—the first such office in Central Asia. In addition to acting as the primary point of contact for military sales, the SAO manages several grant programs, two of which received funding from the U.S. Department of State in FY 2001: the Foreign Military Financing (FMF) and International Military Education and Training (IMET) Programs.

U.S. Department of State – Foreign Military Financing (FMF): An estimated \$1.89 million in FMF assistance was provided to Kazakhstan in FY 2001. The FMF program in Kazakhstan is focused on helping the Ministry of Defense (MOD) reform the country's armed forces to meet new security challenges, both within Kazakhstan and multilaterally. In FY 2001, Kazakhstan ordered \$800,000 in equipment to outfit the Kazakhstan Peacekeeping

Battalion (KAZBAT) with modern infantry equipment to prepare it for eventual participation in international peacekeeping operations. FY 2001 also witnessed a shift in Kazakhstan's military priorities. Guerilla actions by Islamic radicals in Kyrgyzstan and Uzbekistan in 1999-2000 spurred Kazakhstan to speed up the reorganization and restructuring of its military forces to focus on security in its southern and western border regions. In response to the lack of infrastructure to support a military presence in these areas, the MOD requested to use \$1.9 million in FY 2001 and remaining prior-year FMF funds to refurbish facilities at a future military base near the strategically important oil fields of the North Caspian Sea. The base would house forces dedicated to the security of oil pipelines and other petroleum infrastructure. The State Department approved a preliminary project survey, which the U.S. Army Corps of Engineers completed in October 2001.

U.S. Department of State – International Military Education and Training (IMET) Program: The objective of IMET is to build a core group of selected officers and officials in defense-related positions with a first-hand knowledge of the operation of the U.S. Armed Forces. Training received under IMET will enhance regional cooperation by deepening Kazakhstan's cooperation in PFP and its interoperability with NATO forces in the context of PFP exercises. A total of \$583,000 was provided to Kazakhstan for the education of defense officials in the United States and for English language programs. In connection with ongoing financial reforms within Kazakhstan's Defense Ministry, \$29,000 was used to send an official to the International Defense Management Course. In FY 2001, increased emphasis was placed on in-country English language training to broaden the number of officials eligible for training in the United States, and to prepare for contact with U.S. military during bilateral training and exercises. Nearly \$60,000 in training materials and computers was distributed to support language labs and language training centers.

U.S. Department of Defense – CTR Defense and Military Contacts, Defense Reform Programs: FY 2001 saw a downturn in the U.S. Government's number of military contact activities with Kazakhstan, although based on planning exchanges, the number of events for FY 2002 is expected to return to about 20 events annually. The seven CTR events completed during FY 2001 included planning exchanges for FY 2002, officer exchanges for professional development and resource management exchanges. Military-to-military contacts and participation in bilateral and multilateral exercises continued to help integrate Kazakhstani military personnel into Western military operations and promote the modernization of Kazakhstani equipment and training in accordance with NATO standards. All of the events held in FY 2001 encouraged the development of professional and apolitical armed forces capable of legitimate self-defense and of contributing to international peacekeeping operations. DoD's defense reform initiatives in Kazakhstan in FY 2001 included exchanges on defense resource management (models for building a comprehensive defense budget) and defense-related environmental issues. These contacts have helped develop long-term institutional relationships between Kazakhstan and the United States, and have promoted substantive dialogue on defense reform.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, the ACTTA Program, which is administered by the Bureau of International Narcotics and Law Enforcement Affairs (INL), trained over 250 Kazakhstani officials from the Ministry of Internal Affairs, the procuracy, the courts, the Customs Committee, the Border Guards, the Ministry of Justice, the Agency of Financial Police and the Committee for National Security (KNB). The main objective of these training programs was to help Kazakhstani law enforcement officials combat the growing regional threat of narcotics trafficking and the associated problems of organized crime, corruption, money laundering and drug abuse. ACTTA training programs also promoted the rule of law and increased cooperation among Kazakhstan's law enforcement agencies. Training topics included the collection and preservation of crime-scene evidence and tool-mark identification. In addition to conducting training in Kazakhstan, the ACTTA Program also sponsored the participation of Kazakhstani officials in 13 regional conferences, and provided technical assistance and equipment for the development of a police forensics lab and for Kazakhstan's Counternarcotics Training Center. The INL Bureau also provided funding for demand-reduction efforts, a resident advisor to help manage INL programs, and a Regional Legal Advisor in Almaty who advises the Kazakhstani Government on legal and judicial reform.

Humanitarian Programs

U.S. Department of Agriculture – Food Aid: In FY 2001, USDA allocated \$860,000 for the provision of approximately 1,700 metric tons of food commodities to Kazakhstan. As part of the American Red Cross's Aral Sea Program, Kazakhstan received food aid under USDA's Food for Progress Program for support of direct-feeding initiatives in the Aral Sea region.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia facilitated the delivery of \$18.86 million in U.S. Defense Department excess and privately donated humanitarian commodities to needy populations in Kazakhstan at a cost to the U.S. Government of approximately \$1.91 million. These commodities were distributed through U.S. private voluntary organizations, including Counterpart International and Project Hope.

Partnership Programs

USAID Health Partnership Program: In FY 2001, USAID continued to fund partnerships between U.S. and Kazakhstani health-care organizations to promote health-care education, administered by the American International Health Alliance (AIHA). The Kazakhstan School of Public Health (KSPH) in Almaty and Virginia Commonwealth University, whose partnership focuses on health-management education, have worked to develop and improve post-graduate programs, research and service functions for students at KSPH. New short-term certificate programs in public health and health management and a curriculum for a Ph.D. program in health services research were also developed. The USAID-funded partnership between the City Health Administration in Astana and Mercy Health System in Pittsburgh, Pennsylvania, is improving primary health care by fostering the development of prevention-oriented family-based primary care with integrated delivery of social services. AIHA's Health Partnerships Program has been extended through September 2003.

USAID EcoLinks Environmental Partnership Program: USAID's EcoLinks Program seeks practical, market-based solutions to industrial and urban environmental problems. The program promotes partnerships linking Kazakhstani businesses, local governments, and associations with their counterparts in the United States, Central and Eastern Europe, and the other Eurasian states. These partnerships are helping Kazakhstani organizations identify and remedy environmental problems, adopt "best practices," and increase trade and investment in environmental goods and services. EcoLinks conducts competitions for grants to carry out one-year-long partnership activities on a cost-sharing basis, and provides small grants to meet immediate short-term needs on an as-needed basis. In FY 2001, the EcoLinks Partnership Grant Program awarded three large (\$43,000 to \$49,000) and twelve small (\$3,200 to \$5,000) grants totaling \$197,000.

USAID Energy-Sector Partnerships: With USAID support, the U.S. Energy Association (USEA) initiated several partnership activities between U.S. energy operators and their Kazakhstani counterparts.

USAID NGO Partnership Programs: USAID has supported successful partnerships between U.S. and Kazakhstani NGOs, such as those between the Almaty Association of Entrepreneurs and the Tucson Chamber of Commerce, the Kazakhstan Association of Tourism Agencies and the Tucson Visitors Bureau, and Tucson's United Way organization and the Confederation of Non-Governmental Organizations of Kazakhstan. USAID also made special efforts to ensure that Kazakhstani representatives participated in international conferences such as USAID's "Partners in Transition" Conference in Sofia and the International Harm-Reduction Conference in Delhi.

U.S. Department of State – University Partnerships: The College and University Partnership Program administered by the Bureau of Educational and Cultural Affairs (ECA) continued to promote self-sustaining, long-term relationships between U.S. and Kazakhstani universities. These partnerships facilitate the exchange of information and scholars on a range of important issues, including law school curriculum development and educational administration, with the goal of developing new courses and programs in these and other key reform fields. In FY 2001, the ECA Bureau awarded a new university partnership grant in support of curriculum and institutional development activities between Vanderbilt University in Tennessee and a consortium of three Kazakhstani universities in the cities of Astana, Almaty and Ust-Kamenogorsk. Under an ongoing partnership project, Indiana University continued to help strengthen the education curriculum at Taraz State University. The ECA Bureau is also supporting cooperation between Indiana University's School of Law and the Adilet Higher Law School in Almaty, and the University of New Mexico and the Kazakhstani Institute of Management in the fields of public finance and tax reform.

Cross-Sectoral Programs

Atyrau Regional Initiative: In FY 2001, the U.S. Government's Regional Initiative (RI) in Atyrau continued to serve as a pilot effort to demonstrate the kinds of results that can be achieved by concentrating a wide array of

assistance activities in a single region. The Services Group, a USAID contractor, worked with public and private Kazakhstani institutions to remove the barriers and obstacles to investment and doing business in Atyrau. The project helped local government officials to reform regulations and procedures that were impeding private investment. With USAID support, the Pragma Corporation provided training to local entrepreneurs to strengthen business skills in areas such as marketing, accounting, customer service, and ISO 9000 certification. Also with USAID support, the U.S. private voluntary organization Project Hope helped local medical professionals diagnose and treat tuberculosis. Through PA Consulting, USAID's Natural Resources Management Project worked with local resource managers of oil, gas, electric power and heating plants on pilot energy-efficiency projects and oil spill clean-up training. In addition, the State Department's Internet Access and Training Program (IATP) maintained a public-access Internet facility in Atyrau. These and other U.S. Government-supported activities in Atyrau were complemented by several projects funded by the Chevron Corporation, including a business advisory center and a small-loan program administered by European Bank for Reconstruction and Development (EBRD).

Eurasia Foundation: In FY 2001, the Eurasia Foundation's regional office in Almaty awarded 42 grants totaling over \$1.16 million to Kazakhstani NGOs working in the areas of civil society-building, private-enterprise development, and public administration and policy. The size of the average grant was \$27,700, and nearly half of the total grant funds were focused on strengthening small private enterprises and business education in Kazakhstan. One major success in FY 2001 was a nationwide grassroots advocacy campaign that gathered more than 30,000 student signatures and prompted the Ministry of Education and Science to adopt new guidelines for student contracting, as a result of which 11 universities have adopted contracting as a means of more explicitly defining students' rights and responsibilities.

Peace Corps: In FY 2001, Peace Corps programs in Kazakhstan concentrated on four sectors: teaching English as a foreign language, economic development, public health and environmental education. As of the end of FY 2001, 129 Peace Corps volunteers (PCVs) were serving two-year terms of service in all of Kazakhstan's 14 *oblasts* (regions), working with Kazakhstani colleagues in local organizations. Since 1993, nearly 500 PCVs have served in Kazakhstan. Program highlights are provided below:

- **Teaching English as a Foreign Language (TEFL):** TEFL PCVs provided assistance with English-language teaching and educational resource development. The majority of TEFL volunteers taught secondary school students, while others taught English at the university level. In addition, TEFL volunteers conducted workshops for local teachers on using different methodologies and content-based lessons, helped write grant applications, and helped obtain access to information. In collaboration with the Soros Foundation, PCVs helped establish English teachers' associations and resource centers, as well as training local teachers to run NGOs. With support from PCVs, local teachers and school staff developed planning and fund-raising skills that will help their associations and NGOs achieve self-sustainability. PCVs provided information resources, consulting and training to 11 information resource centers throughout Kazakhstan. These information centers were originally established to support learning of the English language, but have subsequently become a source of information on a variety of subjects and are now serving a wider-ranging clientele. As a result of working with PCVs, local teachers and principals have become more open to new ideas and have made considerable changes and improvements to their curricula, libraries and teaching techniques.
- **Economic Development:** Knowledge of modern business practices is in great demand in Kazakhstan, and there continues to be a shortage of local teachers trained in business-related subjects. Since 1993, economic development PCVs have been teaching Western business techniques to Kazakhstani entrepreneurs and students in secondary and post-secondary institutions, NGOs, business centers, business incubators and micro-finance institutions. In just over six years, PCVs have taught business skills to more than 10,000 Kazakhstanis. Students, teachers and entrepreneurs learned modern business skills, ranging from business-plan creation, small-business start-up and sustainability to the more general transfer of knowledge on business-related subjects.
- **Public Health:** Public health PCVs focused on maternal, child and youth health, including HIV/AIDS awareness, sex education, and the transition from curative medicine to preventive health care. PCVs helped develop family-practice concepts, as well as the organizational and management skills of nascent health NGOs and family practice clinics. In addition to working in AIDS centers, clinics and local NGOs, PCVs also implemented independent secondary projects, such as teaching health classes in schools and organizing community events for occasions such as World AIDS Awareness Day and health fairs.
- **Environmental Education:** Environmental education PCVs worked in Kazakhstani secondary schools, universities and NGOs, helping local teachers develop environmental curricula, with an emphasis on training

teachers in lesson planning. The PCVs also helped establish and manage environmental NGOs, providing training and start-up assistance to NGO members, including assistance with project planning and management. With resources provided by the PCVs, these NGOs were able to increase their contacts with other Kazakhstani and international environmental NGOs, giving them access to updated environmental data, techniques and information; additional staff training; and project funding. PCVs also conducted environmental projects in their host communities, such as summer ecological camps, Earth Day events, riverbank clean-ups, nationwide anti-litter campaigns and other environmental awareness projects.

- **Small Project Assistance (SPA) Program:** In FY 2001, the SPA Program awarded 36 grants totaling over \$65,000 to support PCV-implemented projects in the areas of education, health, environment and business. In the area of education, SPA grants provided support to schools to help them utilize Junior Achievement computer simulation programs in classroom settings, as well as enabling them to conduct more focused Internet searches. Other SPA grants enhanced libraries and resource centers in schools, enabling student populations to be better prepared for competitive job markets. One grant in Pavlodar provided computers and related equipment to orphans for language and business education studies, providing them with a greater prospect of finding employment in an increasingly modernized society. Another grant allowed the Petropavlovsk Women's Association to secure appropriate equipment to educate women in computer use and applications, thus enhancing their abilities and prospects for gainful employment. In the health sector, SPA grants enabled community health centers to procure teaching aids to educate local populations on influenza and other gastrointestinal illnesses, tuberculosis, hepatitis and cardiovascular disease.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

In FY 2002, the U.S. Government will continue to focus on providing assistance directly to Kazakhstan's regions through the Atyrau Regional Initiative and in southern Kazakhstan. The U.S. Government will also continue to highlight assistance in the areas of counter-terrorism, counter-narcotics, nonproliferation, export control and border security. Ongoing projects under the State Department's Export Control and Related Border Security (EXBS) Program will be expanded to deliver more communications and detection equipment, as well as training, to Kazakhstan's Border Guards, Customs Committee, Ministry of Defense and other border control agencies.

In FY 2002, USAID's priorities will include the promotion of enterprise growth, civil-society development, information dissemination, improved health care, environmental management, and implementation of a nascent regional conflict prevention strategy. Secondary priorities will include local government and fiscal reform. In the area of enterprise growth, USAID will focus on improving the business environment through a regional trade network and strengthened business advisory services and business-related education in Kazakhstan, tax and budgetary reform, and financial mechanisms such as insurance, mortgages and micro-credit. In the area of civil-society development, USAID will place a greater emphasis on increasing the sustainability of civic organizations, while continuing to strengthen NGOs' capacity to engage in citizen advocacy. In particular, USAID will devote more attention to information dissemination and civic education activities; especially those targeted at youth. USAID will redouble its efforts to support independent media, which is constantly under threat of being shut down. USAID has been invited by several *oblasts* (regions) to expand its model of primary health care and family practices, and will expand the program to Pavlodar and Karaganda *Oblasts*. In cooperation with the Centers for Disease Control and Prevention (CDC), USAID will conduct a study on the causes of infant mortality. USAID will also initiate HIV/AIDS prevention activities through the Soros Foundation and Population Services International. USAID will focus environmental efforts on increasing citizen participation in public policy processes, building capacity of local governments to manage environmental (especially water-related) issues, and improving the national policy framework. USAID will also continue to focus on promoting energy efficiency, regional water management, and mitigating the impact of oil and gas development on the Caspian Sea.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO KAZAKHSTAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Economic Restructuring	2.40
- Private-Sector Development	9.90
- Environmental Management	2.70
- Democratic Reform	5.70
- Social-Sector Reform	6.20
- Cross-Cutting / Special Initiatives	2.07
- Eurasia Foundation	1.00
TOTAL USAID	29.97
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS, BDC	1.15
U.S. DEPARTMENT OF ENERGY - Nuclear Reactor Safety	1.88
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	1.50
- Cargo Value (DoD excess and privately donated, not included in total below)	18.86
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	20.36
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.73
- Export Control & Related Border Security (EXBS)	2.50
- ECA Bureau - Public Diplomacy Programs	4.44
- EUR Bureau - Public Diplomacy Programs	0.15
- International Information Programs (IIP)	0.02
TOTAL U.S. DEPARTMENT OF STATE	7.84
CIVILIAN R&D FOUNDATION (NSF/CRDF)	1.00
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	0.90
U.S. DEPT. OF AGRICULTURE (USDA) - ARS BW Redirection, Cochran, FEP	1.32
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES - BTEP	0.95
TOTAL TRANSFERS TO OTHER AGENCIES	16.54
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	46.50
OTHER AGENCY FUNDS	
USAID - Child Survival, Disaster Assistance	0.23
U.S. DEPARTMENT OF DEFENSE	1.99
U.S. DEPARTMENT OF ENERGY	18.23
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.58
- NADR / Export Control & Related Border Security (EXBS)	0.61
- NADR / Science Centers	1.00
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	1.90
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.66
- International Information Programs (IIP)	0.06
- NADR / Anti-Terrorism Assistance (ATA)	1.41
TOTAL U.S. DEPARTMENT OF STATE	6.22
PEACE CORPS	1.76
TOTAL FY 2001 AGENCY FUNDS BUDGETED	28.42
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	74.92

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KAZAKHSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.90	22.00	
1992	Surface		4	0.03	0.25	
	Operation Provide Hope II (Food&Med.)			0.50	3.22	
	EUR/ACE Admin & Program Support			0.55		
FY 1992 TOTAL		9	4	1.98	25.47	27.45
1993	Airlift	6		0.90	9.80	
1993	Surface		28	0.20	1.40	
	EUR/ACE Admin & Program Support			0.56		
FY 1993 TOTAL		6	28	1.66	11.20	12.86
1994	Airlift	3		0.47	11.40	
1994	Surface		226	0.36	7.20	
	UMCOR Grant			0.07		
	EUR/ACE Admin & Program Support			0.22		
FY 1994 TOTAL		3	226	1.12	18.60	19.72
1995	Airlift	8		0.88	9.42	
1995	Surface		198	1.13	8.05	
	DoD Excess Hospital (Almaty-Dec'94)			2.10	13.50	
	Counterpart Grant			0.10		
	UMCOR Grant			0.03		
	EUR/ACE Admin & Program Support			0.49		
FY 1995 TOTAL		8	198	4.73	30.97	35.70
1996	Airlift	6		0.77	7.66	
1996	Surface		56	0.44	4.92	
	Project Sapphire			0.10		
	Counterpart Grant			0.10		
	Heart to Heart Grant			0.11		
	DoD Excess Hospital (Semi/Kurch-Nov'95)			0.68	5.32	
	DoD Excess Hospital (Ust-Kamenogorsk-Jun'96)			0.02	1.48	
	EUR/ACE Admin & Program Support			0.21		
FY 1996 TOTAL		6	56	2.43	19.38	21.81
1997	Airlift	5		0.64	11.97	
1997	Surface		84	0.62	13.33	
	Counterpart Grant			0.09		
	EUR/ACE Admin & Program Support			0.40		
FY 1997 TOTAL		5	84	1.75	25.30	27.05
1998	Airlift	6		0.25	1.71	
1998	Surface		61	0.47	9.68	
	Counterpart Grant			0.42		
	EUR/ACE Admin & Program Support			0.23		
FY 1998 TOTAL		6	61	1.37	11.39	12.76
1999	Airlift	1		0.01	0.01	
1999	Surface		83	0.56	13.97	
	Counterpart Grant			0.40		
	EUR/ACE Admin & Program Support			0.20		
FY 1999 TOTAL		1	83	1.17	13.97	15.14
2000	Airlift	0				
2000	Surface		68	0.38	10.26	
	Counterpart Grant			0.50		
	Counterpart Small Medium			0.03		
	EUR/ACE Admin & Program Support			0.13		
FY 2000 TOTAL		0	68	1.04	10.26	11.29
2001	Airlift	1		0.11	7.23	
2001	Surface		82	0.46	11.62	
	Counterpart Grant			0.55		
	Counterpart Small Medium			0.03		
	PROJECT HOPE			0.13		
	DoD Excess Hospital (Revisit)			0.45		
	Global Transition			0.02		
	EUR/ACE Admin & Program Support			0.16		
FY 2001 TOTAL		1	82	1.91	18.86	20.76
CUMULATIVE TOTAL		45	890	19.15	185.40	204.54

KYRGYZSTAN

Political Overview

In FY 2001, the focus of the Kyrgyz Government's activities shifted from last year's elections and combat with insurgents to increasing border security in the south, border delineation and negotiations with Kazakhstan, Uzbekistan and China, and measures to address growing unemployment, poverty and the rising activism of extremist political groups. Unlike last year, however, there were no incursions into Kyrgyzstan by the Islamic Movement of Uzbekistan (IMU). Several armed clashes with Kyrgyz military forces were reported in Batken *Oblast* (Region) during the summer, but there was no clear evidence to connect them to the IMU or militant insurgents. The Government's human rights record remained poor in several key areas, although there were some positive developments. Civil society in Kyrgyzstan remains the most vibrant and viable in Central Asia, despite continued government pressure and harassment of non-governmental organizations (NGOs), civic groups and independent media in FY 2001, with NGOs and media outlets facing judicial proceedings and tax investigations. A lawsuit closed the most prominent independent Kyrgyz-language newspaper. In April, the Ministry of Justice required all media and political parties to re-register. The government withheld the registration of 16 new media outlets for five months before registering them all, including two independent newspapers, in October. The Kyrgyz Government also harassed and pressured some human-rights groups in FY 2001, and undue pressure was applied to organizations, media outlets and individuals practicing their right to free speech and press. However, despite government harassment, Kyrgyzstan's large and active NGO community was able to focus and organize public demands. For example, an NGO-organized campaign led to the recall of a presidential initiative that would have undermined citizens' right of association.

The executive branch continues to dominate the judiciary; however, despite constitutional limitations, the Parliament, which was elected in flawed elections last year, has become more independent, and occasionally modified or even blocked government initiatives. Notably, the Parliament has opened the legislative process to non-governmental input, as public hearings are gradually becoming a regular part of the legislative process. The first public hearing on the Budget Code held in November. After successfully introducing self-government principles in 12 small cities, the Kyrgyz Government expanded local self-government status to all 22 cities. In December, the first elections for local officials took place in 460 villages throughout the country, involving 1,800 candidates and over 352,000 villagers. A number of candidates took part in pre-election debates, at least one of which was televised. Religious tolerance was practiced widely, although the law requires religious groups to register with the Ministry of Justice, and some groups experienced bureaucratic difficulties. Creating an independent judiciary free from government or other influence is essential to further democratic reform in Kyrgyzstan.

Economic Overview

Kyrgyzstan is a landlocked country with limited natural resources and an aging, mostly Soviet-era industrial complex. After years of economic decline exacerbated by the 1998 Russian financial crisis, Kyrgyzstan's economy recovered slowly, and enjoyed monetary stability and modest overall growth in 2001. Although about 60 percent of Kyrgyzstan's economy was in private hands by 1997, there has been virtually no privatization since that time. The political will to forge the compromises necessary to advance privatization in key "crown jewel" sectors such as telecommunications and mining is still lacking. The first Eurasian country to join the World Trade Organization (WTO), having done so in December 1998, Kyrgyzstan continued to work on meeting its post-accession requirements and commitments during FY 2001, receiving targeted U.S. Government assistance in this area.

Inflation remained stable at 7.7 percent for 2001, and is projected to be 7.5 percent in 2002. GDP grew by five percent in 2001, and is expected to grow by two to 2.5 percent in 2002. The exchange rate of the som, Kyrgyzstan's national currency, remained relatively unchanged in 2001, hovering between 47 and 48 som per dollar. The monthly per capita salary was 1,324 soms (\$27.58), a 7.9-percent increase over 2000. However, 60.5 percent of the population lived below the poverty line, up from 55.3 percent in 1999. The monthly poverty level is 4,300 soms (\$89.58) per family of four, or 1,070 soms (\$22.40) per person. Kyrgyzstan is saddled with \$1.5 billion in external debt and struggles to meet its debt-servicing obligations. Russia, Kazakhstan and Uzbekistan remain Kyrgyzstan's biggest trading partners, with China becoming more significant in the last several years. The biggest Kyrgyz exports are gold, tobacco, cotton and hydro-electricity. Even though gold prices increased by about \$20 per ounce in 2001, Kyrgyzstan had an overall trade deficit of \$78 million in 2000

and a projected trade deficit of \$84 million in 2001. The stock market registered a total trading volume \$14.02 million in 2001, down from \$22.2 million in 2000, due to lower share prices and less trading volume, specifically related to less trading activity of shares of the Reemstma Cigarette Company. Progress was made in privatizing KyrgyzEnergo, Kyrgyzstan's state energy company, with the shareholders approving its division into separate power-generation, transmission and four energy-distribution companies.

In July, President Akayev, other high-ranking government officials, private investors, and representatives of the diplomatic community and international financial institutions held a roundtable on improving the country's investment climate. By year's end, a coordination council, secretariat and 19 working groups made up of government, investor, and donor organization representatives were making good progress on removing obstacles to investment and more effectively marketing Kyrgyzstan's advantages. However, weaknesses in the rule of law also made themselves felt in the economic arena, as National Bank decisions to close poorly managed and undercapitalized banks were sometimes overturned by other government agencies.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$50.85 million in assistance to Kyrgyzstan, including \$33.39 million in FREEDOM Support Act (FSA) funds (\$33.29 million in FY 2001 funds and \$100,000 in prior-year funds), \$3.38 million in U.S. Department of Agriculture (USDA) food aid, \$4.92 million in other U.S. Government assistance, and U.S. Defense Department excess and privately donated humanitarian commodities valued at \$9.16 million. U.S. Government-funded assistance programs tracked closely with U.S. national interests in Kyrgyzstan, focusing mainly on promoting security, economic and democratic reform, and social transition. As in previous years, the Kyrgyz Government was on the whole very receptive to U.S. Government-funded assistance programs, but did not always follow through with full institutional support.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,000 Kyrgyz citizens to the United States for short-term professional or long-term academic training, including some 206 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, 117 Kyrgyz citizens participated in academic exchange programs administered by the U.S. Embassy's Public Affairs Section in cooperation with the Bureau of Educational and Cultural Affairs (ECA). Over 50 young Kyrgyz citizens participated in long-term (one academic year or more) exchange programs, including 38 high school students under the Future Leaders' Exchange (FLEX) Program, 14 undergraduates under the FSA Undergraduate Exchange Program, and 11 graduate fellows under the Muskie/FSA Graduate Program. A total of 41 Kyrgyz traveled to the United States under the International Visitor (IV) Program, bringing the cumulative total of Kyrgyz IV grantees to 262. After his September 2001 IV program, a Member of Parliament serving as the Chairman of the Subcommittee on Religious Issues is opening a Center of Religious Tolerance based on models he saw in the United States and is working to establish a Day of Religious Reconciliation in Kyrgyzstan. Three U.S. Fulbright scholars, including the first Fulbright student and Fulbright Specialist, traveled to Kyrgyzstan in FY 2001, bringing the cumulative total to 22. One English Teaching Fellow traveled to Kyrgyzstan in FY 2001.

USAID Training Programs: In FY 2001, USAID trained over 1,500 Kyrgyz citizens in the areas of enterprise and finance, democratic reform, local governance and primary health care. A total of 36 Kyrgyz citizens received USAID-funded training in the United States. The overall impact of USAID's training programs in these areas has been broad and deep. After participating in a seminar for senior bank supervisors from emerging market economies, the head of the National Bank Inspection Department developed a new, easier-to-read format for commercial bank activity reports. The Bank's Board of Directors accepted the two-part format in August 2001. As a result of condominium training, the chairman of the regional association Our House broadcast the first informational talk show on condominiums over state radio and reached an agreement with the State Radio Agency to air information on the topic every two weeks. After attending the Energex 2000 Conference, the director of the Center for the Study of Renewable Energy Resource Utilization drafted a Law on State Policies on the Usage of Non-Traditional Renewable Sources of Energy, which was passed by the Parliament in February 2001.

USAID Resource Network for Economics and Business Education (RNEBE): In January 2001, USAID began supporting Kyrgyzstan's efforts to move towards market-related instruction and research, by funding RNEBE, a project implemented by the Carana Corporation. The first component of the project included the development of a website to foster greater sharing of information, including curricula and course syllabi, among universities in Central Asia and their counterparts in the West. During its first year of operation, RNEBE achieved a high level of participation (over 20 universities) and provided summer courses in modern business practices and economics to 56 professors, 86 percent of whom were women. Professors also received training and participated in workshops and seminars on modernized teaching methods and were provided with access to up-to-date case studies and other essential teaching tools. The project's second component includes the translation and distribution of basic materials such as textbooks, computers and audio/visual equipment, as well as the sponsorship of a Visiting International Professors (VIP) program. The project is currently assisting the Ministry of Education with reorganization, including the development of independent testing, accreditation and selecting boards of trustees.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: Under USDA's Cochran Program, four Kyrgyz participants completed agricultural training in the United States in FY 2001. Upon returning home, these participants helped local farmers organize their own processing and marketing cooperative, introduced soybeans and other non-traditional crops, improved the availability of agricultural finance in Kyrgyzstan, improved seed certification procedures and modernized the packaging and marketing of agricultural products.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, five Kyrgyz participants participated in the SABIT Program, bringing the total to 42 since 1995. Participants received training in the areas of environmental technologies, lab accreditation, accounting, and hotel management, and participated in specialized programs in business management for women. SABIT internships in hotel management and information technology standards addressed two priority development areas of the Kyrgyz economy. After returning home, a SABIT alumna organized an Association of Tourist and Mountain-Skiing Resorts and developed a training project for middle-management specialists.

Democracy Programs

USAID Democracy Programs: Kyrgyzstan's flawed 2000 parliamentary and presidential elections underscored the vulnerability of the country's NGOs and independent media to government pressure and intimidation. In FY 2001, USAID-funded democracy programs implemented by the National Democratic Institute for International Affairs (NDI), the International Foundation for Election Systems (IFES), Internews, Counterpart Consortium, Eurasia Foundation, the American Bar Association's Central and East European Law Initiative (ABA/CEELI), and the Urban Institute focused on strengthening democratic political culture and institutions by supporting civic initiatives; providing training for NGOs, community-based organizations, initiative groups, and community leaders at the local level; and strengthening a network of civil society support centers throughout the country.

- **USAID NGO Development Programs:** Priority areas in FY 2001 included training and small grants for independent, non-partisan NGOs to help them increase their institutional capacity and expand their areas of activity; strengthening the civil-society sector and supporting the development of grassroots organizations; and encouraging greater citizen participation to make the Kyrgyz Government more responsive to the needs of the Kyrgyz people. NDI conducted a major national advocacy training program for NGOs throughout the country, involving over 46 prominent NGO activists. These NGOs form the backbone of a large and active NGO community that led to a focused and organized public outcry and a well-orchestrated advocacy campaign that resulted in the recall of Decree Number 358, a presidential decree that would have undermined the rights of citizens, political parties, NGOs and media, as well as freedom of association. NGOs also successfully lobbied parliament to promote significant changes and amendments to the electoral code, ombudsman law, law on local self-government and other key legislation. As mentioned above, the first public parliamentary national budget hearing with significant NGO and citizen participation was held in November with USAID assistance. USAID also helped Kyrgyz NGOs maintain their significant role in the country's electoral process. Kyrgyzstan's first-ever local elections were conducted in pilot regions in spring 2001, with full-blown elections in over 460 villages and cities conducted in fall 2001. These were the first direct local elections in Central Asia where citizens were able to vote for mayors and heads of local governments. With USAID assistance, Kyrgyz NGOs prepared eight candidate debates in the regions

(including three key races), produced over 150,000 voter education brochures and initiated a domestic monitoring campaign on election day.

- **USAID Independent Media Programs:** In FY 2001, USAID's support for independent media included technical training, exchanges, the placement of resident advisors, Internet connectivity, and work with media associations and journalists. USAID grantee Internews conducted over a dozen specialized media training programs in Bishkek, Osh and Karakol, helping station managers, journalists and technical operators from key independent stations improve the quality of their programming and news reporting. USAID-funded media assistance was also instrumental in helping television stations and newspapers re-register. Internews continued to provide technical support to the very popular weekly public affairs television show "Nashe Vremya" ("Our Time"). USAID also provided legal advice for journalists and independent television stations, which are facing increased government lawsuits and harassment. In a major breakthrough for free speech, USAID-funded legal assistance helped secure the release of a Kyrgyz journalist from prison. In early summer, the Supreme Arbitration Court ruled in favor of the largest independent television station in Osh, ordering the Bishkek Arbitration Court to reconsider its ruling and allow the station to maintain its license and frequency. USAID's new three-year media initiative started in fall 2001. Through Internews, a production fund will encourage the development and distribution of print and electronic public service announcements, information and programs in Kyrgyz, Uzbek and Russian.
- **USAID Civic Education Programs:** With USAID support, IFES has developed a broad civic education program that involves interactive methodologies and addresses important social issues. In FY 2001, with the full support of Kyrgyzstan's Ministry of Education, IFES developed and published the country's first civic education textbook since independence, as well as accompanying materials and a civic education curriculum. The textbook and course were developed by local and international experts, and the course was tested in an intensive pilot program in Bishkek and Osh schools. The textbook will be published in Kyrgyz, Uzbek and Russian. IFES also supported summer democracy camps in Osh and Lake Issyk-Kul that involved over 200 students who are actively engaged in their communities and who now form a basis for other USAID-supported activities, including student action committees and student "Local Government Day" projects.
- **USAID Local Government Initiative:** USAID-sponsored local government training focused on practical ways to build citizen participation into the functions of local government, to promote open and competitive procurement practices, and to improve management practices. With USAID support, the Urban Institute continued to strengthen local governments by working with local and national government officials on decentralization and by helping the Kyrgyz Government draft key legislation, including a new communal property law and local self-government law. USAID's Local Government Initiative facilitated the conducting of nine public budget hearings in eight cities in FY 2001. Over 2,000 citizens participated in these hearings, which have become one of the most popular methods of soliciting citizen input and increasing citizen participation. Public hearings were also held on issues such as asset management and communal property, and four open council meetings were held in FY 2001. These hearings provided Kyrgyz officials and citizens with a better understanding of budget planning and encouraged the country's locally elected councils to play a larger role in policy-making. In FY 2001, six self-governing cities adopted USAID's recommendations regarding reporting processes for budget planning and execution, and two cities also adopted USAID's recommendations regarding asset management planning. USAID-funded technical assistance to condominium associations, which give citizens an opportunity to take personal responsibility for their homes and hold local government officials accountable, led to an increase in the number of these associations from 222 to 300, encompassing a total of total 40,000 single-family dwellings. With USAID support, three active regional condominium associations and one local government NGO, the Association of Cities, actively promoted greater efficiency and transparency in local government. (See also Partnership Programs section below.)
- **USAID Conflict Mitigation Activities:** In FY 2001, Mercy Corps International launched a USAID-funded conflict mitigation initiative in the Ferghana Valley to help prevent conflict and encourage citizen dialogue and participation across ethnic lines. Through Mercy Corps' partnership with the Foundation for Tolerance International and other Tajik and Uzbek NGOs, 20 communities throughout the Ferghana Valley will benefit from activities and projects designed to promote institutional capacity and infrastructure development, and to address issues of ethnic tension, poverty, resource scarcity and transit across relatively new international borders.

Democracy Fund Small Grants Program: Under this program administered by the U.S. Embassy's Public Affairs Section, the embassy-based Democracy Commission awarded 22 grants in FY 2001 totaling \$188,500 in support of women's and students' organizations, independent media, civic and legal education, and public debates promoting the development of civil society.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Please see Security, Regional Stability and Law Enforcement Programs section below.

Economic Development Programs

USAID Accounting Reform Programs: In FY 2001, the Pragma Corporation, a USAID contractor, helped the Kyrgyz Parliament draft laws to be introduced in 2002 requiring the full adoption all 41 International Accounting Standards (IAS) and International Standards of Audit (ISA), respectively. USAID also helped publish 500 copies of IAS for educational and professional use. The USAID-supported Kyrgyz Union of Auditors and Accountants became an associate member of the International Federation of Accountants (IFAC); and the International Council of Certified Accountants and Auditors (ICCAA), a regional association of accountants and auditors, was formed in October 2001 and subsequently adopted the IFAC charter and applied for IFAC membership. The total number of accountants, auditors, trainers, teachers, regulators, information technology specialists, tax inspectors and students who have completed USAID's 60-hour financial accounting course climbed to over 5,100 during FY 2001. In addition, Kyrgyzstan's Ministry of Education made a commitment to adopt a modern accounting curriculum at its universities.

USAID Commercial Law Reform Program: In 2001, USAID supported the drafting of comprehensive amendments to the Law on Land Governance and Criminal Code, as well as revisions to the Land Code. Associates in Rural Development (ARD)/Checchi, a USAID contractor, helped draft nine laws: a Law on Advocates (*Advokatura*), a Law on Judicial Self Governance, a Law on Banking, a Law on Pledges (Collateral), a Law on Leasing, a Law on Micro-Finance Institutions, a Law on Joint Stock Companies, a Commercial Arbitration Law, and a Law on Enforcement of Judgments. With USAID assistance, a *Land Law Digest* was distributed in CD-ROM format for review by individuals interested in Kyrgyz rural land law, and five new legal assistance centers were opened in 2001, bringing the total to eight. These legal assistance centers have provided free legal advice to over 1,000 citizens. There are plans to open seven additional centers in the northern part of the country in 2002. In September 2001, USAID's Commercial Law Reform Program helped select a Judicial Advisory Committee that will oversee judicial reforms. To help make judges more accountable and create a reference tool on which other judges can base their opinions, USAID helped create an Internet-based database (www.bdsa/toktom.kg) containing 1,600 judicial opinions by the nine judges of the Kyrgyzstan's Constitutional Court and the 55 judges of the Arbitrage Court. The database is accessible free of charge, enabling lawyers, judges, citizens and law students unimpeded access to legal information and thus further empowering grassroots movements.

USAID Fiscal Reform Programs: In FY 2001, the Barents Group, a USAID contractor, helped Kyrgyzstan's Ministry of Finance and Tax Inspectorate formulate and implement economic restructuring policies. USAID-funded assistance included an analysis of the new tax code, technical assistance for the development of an automated tax information system, and assistance with government budget planning and the formulation of budget policies at the national and local levels. In addition, USAID-funded advisors are working with the Kyrgyz Parliament to improve its fiscal analysis capabilities. Also during FY 2001, the Eurasian region's first-ever letter-rulings database and processing system was fully implemented in Kyrgyzstan. This database compiles decisions made by tax authorities in response to taxpayer inquiries and is available to the public, thus promoting transparency in the tax collection process, consistency in decision-making by tax authorities and a more level playing field for all taxpayers. As a first step in bringing the country's shadow economy into the real economy, USAID supported the implementation of a new "patent tax" system (not related to copyright issues) designed to help collect taxes from otherwise difficult-to-tax "cash" businesses such as restaurants, hairdressers, casinos, saunas, billiard halls and foreign exchange offices. The new system, which assesses a set fee on cash-based businesses regardless of the amount of revenue generated monthly, is expected to raise approximately 100 million som (about \$2 million) per year—a substantial sum in a country with a budget of some 15 billion som. FY 2001 saw tax collections improve over 25 percent in comparison to last year. USAID also fostered government-wide support for a city-administered real property tax plan, under which more than 20 city councils will vote to determine the property tax levy in their jurisdictions. In addition, as mentioned above, the first public

parliamentary budget hearings in the Eurasian region were held in Kyrgyzstan with USAID assistance in November 2001. In a first for Kyrgyzstan, the budget code can now be found online at www.kenesh.gov.kg/budget.

USAID Banking Reform Program: In FY 2001, USAID helped the National Bank of the Kyrgyz Republic (NBKR) improve its ability to supervise the country's commercial banking sector. USAID-funded Barents Group advisors developed a bank inspection manual and provided training to banking supervisors in accounting, risk analysis and other topics related to banking supervision. The NBKR's senior-level management supported the introduction of a corporate governance component to combat corruption in the banking sector. With the help of USAID assistance, NBKR employees were able to identify weak and insolvent banks. Since January 1, 2001, four banks have been closed (Akyl Invest Bank, Insan Bank, Kramds Bank and Kurlush Bank) and Issyk Kul Bank is now in receivership/conservatorship.

USAID Land Reform Project: Through its contractor Chemonics International, USAID is helping to establish in Kyrgyzstan the most advanced institutional infrastructure for private land ownership in all of Central Asia. This effort is facilitating the implementation of private land ownership and the development of supporting institutions and administrative systems to ensure that the benefits of private land ownership accrue to the new landowners. USAID's Land Reform Project is leveraging its achievements in land reform by working closely with USAID's Project on Legal Infrastructure, which is implemented by ARD/Checchi. This synergy has extended the reach of ARD/Checchi's judicial training and has resulted in the creation of practical implementation manuals to help land-market participants understand their rights of ownership and how they can utilize these rights in a practical economic sense. In 2001, a total of 4,000 Kyrgyz citizens took part in land rights workshops, and USAID distributed over 67,000 copies of a *Land Rights Bulletin* and *Water Rights Bulletin* in the Kyrgyz, Russian and Uzbek languages to farmers, government officials and other stakeholders. To teach rural landowners about their rights under the new land-sales law, ARD/Checchi and Chemonics cooperated on a rural land campaign. ARD/Checchi produced five different television and radio commercials in Kyrgyz, Uzbek and Russian about the general rights of citizens to buy, sell, rent and mortgage rural land, and Chemonics subsequently organized grassroots seminars conducted by 120 specialists in 1,800 villages throughout the country, reaching an estimated 142,000 farmers, and distributed two million tri-lingual pamphlets covering this issue. USAID-funded advisors also helped complete commentaries to the Tax Code and Part Two of the Civil Code, and helped develop a draft water law based on the consensus of all major stakeholders. These efforts significantly improved Kyrgyzstan's business climate by creating fairer, less burdensome laws and regulations. USAID-funded advisors also facilitated the formation of a professional appraisers' association and opened three new legal assistance centers in Osh *Oblast* (Region), which provided legal assistance to over 1,000 rural clients, enabling numerous farmers to resolve their land disputes in a peaceful manner.

USAID Small and Medium-Sized Enterprise (SME) Training and Advisory Services Project: This three-pronged activity implemented by the Pragma Corporation is providing business training courses and business advisory services, and is facilitating business advocacy and business association development. The SME Training and Advisory Services Project has conducted training in essential areas such as accounting, management, marketing and taxation. Since its inception in 2000, the Project has provided short-term business training to 2,286 entrepreneurs (60 percent of whom were women) and 1,124 accountants (75 percent of whom were women). The Project has also fostered the development of a local, private, market-oriented capacity for providing training to small businesses. In September 2001, the first annual "Local Training Partner/Trainer of the Year" competition was held, recognizing the significant accomplishments of numerous local partners. In addition, the Project is working to develop region-wide business associations that adhere to internationally accepted professional standards. For example, at one local firm (BNC Securities, Limited), a USAID-funded business advisor introduced the first salary savings program available in Kyrgyzstan. BNC set out to be the first local company to introduce this product into the market. Working with the advisor, BNC was able to adapt the required legal documentation to Kyrgyz rules and regulations and, within a month, had pitched its product to select companies from promising industries (including telecommunications, financial services and tourism) and to groups of professionals (including accountants, lawyers and doctors). The impact of USAID's advisory services was also felt in the broadcasting sector. Armed with a petition containing 32,000 signatures and with financial impact projections developed in cooperation with a USAID-funded advisor, Osh Television was able to convince the Arbitration Court to remand to a lower court a suit that would have left the station without a broadcast frequency. Osh Television thus preserved its right to broadcast on its existing frequency for another two years.

USAID Micro-Lending Programs: USAID is supporting three micro-credit loan programs in Kyrgyzstan implemented by the Foundation for International Community Assistance (FINCA), Mercy Corps International (MCI), and Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), respectively. FINCA is developing sustainable savings and micro-credit services in the Chui, Osh, Jalal-Abad, Issyk Kul, Naryn and Batken *Oblasts* (Regions). Since the program's inception, FINCA has disbursed \$34.9 million in som-denominated loans (ranging from \$30 to \$2,500) to 146,129 clients, 88 percent of whom were women. In addition, FINCA continues to expand its Small-Enterprise Loan Program, which disbursed over \$817,430 in FY 2001, maintaining a repayment rate of over 97 percent. MCI is implementing an SME credit program that has been funded until now by the Central Asian - American Enterprise Fund (CAAEF), which is winding down its operations. USAID is looking to transfer existing CAAEF funds to MCI. MCI has 385 active clients and an outstanding portfolio of \$830,000, with an average loan size of \$3,000 for its currently active clients and a repayment rate of 99 percent. During its two years of operation, the MCI program has disbursed 1,043 loans totaling \$4.7 million and has become financially self-sufficient. ACDI/VOCA began providing rural credit in the Osh Region in 1997 in the form of seasonal agricultural loans and working capital loans for micro-, small and medium-sized enterprises. ACDI/VOCA merged three existing credit programs into one, the Bai Tushum Foundation Fund (BTFF), and oversees the Fund's operations. BTFF has achieved a 96-percent repayment rate on its loans, and is covering its operational expenses through interest income. As of October 2001, BTFF had more than 800 active borrowers and a total outstanding loan portfolio of about \$1.2 million, having disbursed a total of 514 loans in 2001, with an average loan size of just under \$1,500. The size of BTFF's loan portfolio is expected to increase to \$2.52 million in 2002. More than 50 percent of the BTFF's portfolio is concentrated in the Kyrgyz part of the Ferghana Valley through BTFF's Osh branch. USAID-supported micro-lending has helped create new jobs and successful enterprises. For example, one bakery borrowed 450,000 soms and increased its staff from three to 16 employees. Another bakery borrowed 120,000 soms, which enabled it to increase its staff by six, purchase two new machines and expand its product line. On average, one new job is created for every \$2,000 loaned to Kyrgyz micro-enterprises.

USAID Farmer-to-Farmer (FTF) Program: The FTF Program has provided assistance to 65 host organizations in Kyrgyzstan, including 34 credit unions, directly benefiting a total of almost 4,200 individuals. Over the past year, loan sizes of FTF-assisted credit unions have increased from \$168 to \$431, and the credit unions have raised \$193,000 of their own capital and borrowed an additional \$127,000. The FTF Program has helped Kyrgyz credit unions establish linkages with U.S. credit unions. In addition, the FTF Program is helping the Asian Development Bank (ADB) implement a \$12.5 million credit union project, and an FTF volunteer provided input to a law legalizing credit unions.

Trade and Investment Programs

USAID Support for WTO Implementation and Trade/Investment Promotion: Kyrgyzstan joined the World Trade Organization (WTO) in December 1998. In FY 2001, USAID continued to assist the Kyrgyz Government with WTO post-accession implementation issues and provide ad hoc advice on the protection of intellectual property rights through two of its contractors: the Pragma Corporation, and Booz-Allen and Hamilton. Officials of the Ministry of Foreign Trade and Industry (MFTI) and of the Antimonopoly Committee benefited from a USAID-funded seminar on procedures for investigating antidumping and countervailing, and a guide on anti-dumping, countervailing and safeguards investigations was prepared for businesses. In addition, government officials took part in a one-week seminar on understanding the WTO Agreements. USAID-funded advisors helped the MFTI draft two regulations implementing the Laws on Anti-Dumping and Countervailing Duties and Subsidies. Also during FY 2001, USAID performed an analysis of Kyrgyzstan's foreign trade regime, which generally remains very liberal. Based on this analysis, USAID has shifted the focus of its assistance to promoting regional trade of goods produced by small and medium-sized enterprises (SMEs) and to marketing issues. USAID is helping to develop an Internet-based regional trade network (www.smetradecenter.net) to give buyers, sellers and the general public access to a database of information on over 600 companies, including data on product availability and pricing.

USAID Regulatory Reform Programs: In FY 2001, ARD/Checchi continued to work on removing investment constraints that impede the operations and growth of businesses in Kyrgyzstan. At the national level, efforts were focused on drafting and implementing laws to remove constraints to SME trade and investment and facilitate business growth. At the local level, ARD/Checchi's efforts were focused on increasing dissemination, adoption and implementation of these laws in selected *oblasts* (regions). In FY 2001, governmental and non-governmental organizations received recommendations for improving inspection procedures and government

regulations on inspections. Following an inventory of licenses and sub-licenses and all license-issuing agencies, the government reduced the number of licensed business activities from 62 to 29 and adopted and publicized a list of flat fees for licenses, thereby reducing opportunities for corruption. ARD/Checchi has helped identify major institutional conflicts of interest and has proposed ways of eliminating them. In collaboration with Kyrgyzstan's new Secretariat for Attracting Investment, ARD/Checchi will help create a more favorable investment environment for foreign and domestic investors and thus help generate much-needed economic growth.

USAID Customs Reform Programs: In FY 2001, USAID continued to foster increased cooperation and coordination between and among Kyrgyzstan's and Kazakhstan's tax and customs authorities to streamline procedures, limit the potential for corruption and stimulate regional cross-border trade. Booz-Allen and Hamilton helped the Governments of Kazakhstan and Kyrgyzstan to join and implement the Revised Kyoto Convention. To facilitate this process, USAID conducted a number of seminars on such issues as creating task forces, public information, customs valuation, rules of origin, classification of goods, and sources of information. USAID also helped the State Customs Inspectorate modernize and simplify customs procedures and establish a post-import control Audit Team to carry out audits with the State Tax Inspectorate. This modernization will result in cost-savings, as computerization and selective inspection procedures based on specific risk parameters will expedite the customs clearance process. In addition, USAID-funded public information seminars have created a more transparent customs process and have helped strengthen Kyrgyzstan's private-sector importers and exporters.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): In FY 2001, BISNIS provided guidance and input for an investment roundtable involving the participation of the U.S. Ambassador and representatives of other embassies, foreign investors, international financial institutions (IFIs), and high-level Kyrgyz Government officials, including President Akayev.

Energy and Environmental Programs

USAID Power-Sector Programs: After many years of technical assistance from USAID, the World Bank and the European Bank for Reconstruction and Development (EBRD), the Kyrgyz Government is finally "unbundling" the entities that make up the country's electricity sector—a process that started in 2001 and will continue through 2002. The State Energy Agency, an independent regulatory body set up with the assistance of USAID-funded advisors, received additional training to help it increase public participation in the regulatory process. The programs also provided similar training to a variety of NGOs and assessed the feasibility of community hydropower projects and a national energy plan emphasizing public participation.

USAID Water Management Programs: USAID helped establish policy and technical working groups on improving the collection, analysis and exchange of hydrological data, including participants from Kyrgyzstan and the other Central Asian countries. These groups have made significant progress towards establishing a regional communication system to collect and distribute hydrological data throughout the region. Two hydro-meteorological platforms are being procured and will be installed in Kyrgyzstan to improve stream flow projections in the Syr Darya River basin. As a result of this assistance, water managers from Kyrgyzstan's National Hydro-Meteorological Service (NHS) have new tools and training to better collect, process and exchange critical water data both internally and with their Central Asian counterparts. NHS personnel are participating in the Regional Snowmelt Working Group, which meets regularly to share data on anticipated water runoff, vital to both the agriculture and power sectors. Having participated in USAID-funded training and study tours, Kyrgyz water managers from different educational backgrounds and government agencies are more knowledgeable on water-management issues. In addition, USAID helped develop a website for the Ministry of Agriculture and Water Resources designed to establish a communications link with the country's irrigation districts.

Social-Sector Programs

USAID Primary Health Care Programs: In close collaboration with the World Bank, USAID is developing models of primary health care nationwide, emphasizing community involvement and higher-quality, better-financed care. Communities are becoming involved in their health care through popular open-enrollment campaigns that enable people to select their own doctors. Open-enrollment campaigns involved one million people from Bishkek and the neighboring Chui *Oblast* (Region). A public-satisfaction survey conducted in one region showed that 70 percent of respondents noticed improved health promotion efforts; 83 percent found an

increase in the scope of primary-health-care services available to them; and 61 percent noted improvements in the quality of services after family doctors were retrained and passed accreditation exams. Currently, 48 percent of all primary-health-care doctors and 22 percent of all primary-health-care nurses in Kyrgyzstan have completed standard retraining courses. Early results from the introduction of hospital co-payments in two *oblasts* indicate that people who are hospitalized now pay less in co-payments than they previously paid under-the-table, and the increased revenues from co-payments are permitting hospitals to increase their stocks of medications and supplies.

USAID Infectious Disease Programs: USAID is providing technical assistance to Kyrgyzstan's Ministry of Health in implementing the World Health Organization (WHO)-recommended Directly Observed Treatment, Short-Course (DOTS) tuberculosis strategy nationwide. The focus of the program is to strengthen and standardize DOTS clinical and laboratory training and monitoring of program implementation in close collaboration with the WHO. USAID's implementing partner, the U.S. private voluntary organization Project HOPE, opened an office in Bishkek to assure the quality of the training and monitoring of the DOTS program. USAID is also continuing to help strengthen Kyrgyzstan's Infectious Disease Reference Laboratory and the viral hepatitis sentinel surveillance system through three pilot programs that make it possible to estimate the incidence of viral hepatitis and proportionality for hepatitis A, B, C, D and E by providing quality-assured laboratory diagnostics and to verify the effectiveness of hepatitis B immunizations in newborns. As part of these activities, a fully functioning polymerized chain reaction (PCR) diagnostic system has been installed, and personnel have been trained in PCR procedures, enabling the laboratory to confirm ethological diagnosis of viral hepatitis. In FY 2001, USAID initiated research and training in HIV/AIDS surveillance, funding a study tour for Kyrgyz Government officials to a model drug-abuse harm-reduction site in Lithuania, conducting a Central Asian condom social-marketing assessment and workshop; and organizing, jointly with UNICEF and UNAIDS, a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections (STIs).

U.S. Department of State – Bureau of Population, Refugees and Migration (PRM): In FY 2001, the PRM Bureau contributed \$17,000 to the Office of Democratic Institutions and Human Rights (ODIHR) of the Organization for Security and Cooperation in Europe (OSCE) to support its program for registering permanent residents.

Security, Regional Stability and Law Enforcement Programs

In FY 2001, U.S. Government-funded security assistance to Kyrgyzstan focused on border security, regional security, nonproliferation and peacekeeping. The events of September 11 and the war against terrorism have drawn greater attention to the need to enhance border security and export controls in Kyrgyzstan and throughout the Central Asian region.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The points of entry where both Kyrgyz Customs Service and Border Guards operate remain very high-risk areas for the movement of materials related to weapons of mass destruction (WMD) and other weapons trafficking. In FY 2001, the U.S. Government allocated \$2.5 million in FREEDOM Support Act-funded EXBS assistance to Kyrgyzstan, building on the \$2.99 million in FY 2000 EXBS assistance being implemented by the U.S. Customs Service (USCS). The Kyrgyz Border Guards, Customs Service and Ministry of Defense have received radios, computers, base stations, vehicles and shelters to assist in patrolling and securing Kyrgyzstan's mountainous border regions. EXBS assistance is also providing infrastructure support for the Border Guards operating between the various ports of entry, including border shelters, night-vision goggles, vehicles, body armor, communications equipment, and helicopter/aviation spare parts. Kyrgyzstan has also received Central Asian Regional Communications Link equipment for communication with counterpart border security officials from the other Central Asian states in the event of border crisis or other emergency. In September 2001, 16 Kyrgyz officials participated in an International Border Interdiction Training (IBIT) course on land-border interdiction methods in Hidalgo, Texas. Kyrgyz officials also participated in the drafting of a Regional Transit Agreement for Central Asia and the Caucasus. A group of 14 participants from the Kyrgyz Customs Service participated in a USCS "train-the-trainer" course held in Bishkek in August 2001, and in September, a USCS regional integrity-awareness seminar in Bishkek improved the knowledge and skills of 24 Kyrgyz participants.

- In the aftermath of the September 11 terrorist attacks, an additional \$3.5 million in EXBS funding for strengthening Kyrgyzstan's border security was provided under the Emergency Response Fund supplemental appropriation. These funds will be used to enhance air patrol/aviation interdiction capabilities of the Ministry of Defense and Border Guards to prevent weapons proliferation and complement counter-terrorism assistance. Proposed assistance may include helicopters, upgrades, spare and repair parts, infrastructure support and training.

U.S. Department of State – Science Centers/Other Nonproliferation Programs: In FY 2001, the U.S. Government provided \$500,000 for International Science and Technology Center (ISTC)-related projects and activities at Kyrgyz institutes. The goal of these projects, which included the fields of astronomy, environmental monitoring, mining technology, and seismic monitoring, is to provide former weapons scientists with opportunities to work on peaceful civilian research.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, the CRDF awarded a \$41,000 grant in the area of seismology and awarded two Travel Grants to applied scientists in Kyrgyzstan. In addition, the CRDF made a \$100,000 continuing grant to the International Geodynamics Research Center (IGRC), a joint Kyrgyz-Russian facility that promotes international collaboration and fieldwork in geodynamics in the Tien Shan region. This grant was supplemented by \$40,000 in additional support from the National Science Foundation (NSF) to be administered through the Incorporated Research Institutions for Seismology (IRIS), a consortium of U.S. universities that have research programs in seismology. The IRIS grant is supporting the Kyrgyz Seismic Network, a series of seismic sensing stations maintained by the IGRC. Besides promoting international scientific collaboration in the geosciences, the Center has an important non-proliferation role, as its network of seismic stations has the ability to record important seismic events anywhere in Asia. The CRDF received eight proposals from Kyrgyzstan for its current competition, whose results will be announced in early FY 2002.

U.S. Department of State – Foreign Military Financing (FMF): In FY 2001, Kyrgyzstan was allocated \$1.86 million in FMF assistance. The Kyrgyz requested this funding be used to purchase 187 "man-pack" high-frequency (HF) radios, and 25 vehicle-mounted HF radios, all with associated accessories, spare parts and encryption. Prior-year FMF funding was used to acquire 150 sets of night-vision goggles, five HF radio base stations, 300 sets of load-bearing equipment, and 3,000 desert camouflage uniforms. In FY 2002, an estimated \$2 million in FMF funding will be used to fund requirements for additional communications and mountaineering equipment for Kyrgyzstan's Ministry of Defense, parachutes and uniforms for the Kyrgyz National Guard (KNG), and chemical-biological protective gear and environmental sampling equipment for the Ministry of Environment and Emergency Situations (MEES).

U.S. Department of State – International Military Education and Training (IMET): Through IMET, the U.S. Government has sought to encourage and facilitate greater participation and more active cooperation by the Kyrgyz Republic in NATO's PFP and related activities, and has also encouraged the Kyrgyz to reform its military along democratic lines. In FY 2001, Kyrgyzstan was allocated an estimated \$380,000 in IMET funds. Nine Kyrgyz military officers received a full year of IMET-funded English language instruction at the Defense Language Institute in San Antonio, as well as follow-on military training. IMET-funded English language laboratories have been established at the MOD, KNG and MEES. A fourth language lab has been proposed for installation during FY 2003 at a peacekeeping battalion headquarters at Koi Tash. Also in FY 2001, an Expanded IMET (E-IMET) seminar on civil-military relations was held in Florida with participants from the Ministry of Foreign Affairs (MFA) and International Institute of Strategic Studies (ISS), and other military and civilian organizations. In FY 2002, E-IMET will fund a month-long senior defense management meeting and a week-long AIDS strategic planning conference. From 1994 through 2001, 41 Kyrgyz have participated in IMET-sponsored courses, and 20 individuals have participated in E-IMET programs.

U.S. Department of State – Anti-Terrorism Assistance (ATA): With an estimated \$570,000 in FY 2001 funding, the ATA Program provided several courses to appropriate Kyrgyz security and law enforcement personnel throughout FY 2001. In April 2001, an ATA assessment team conducted four days of training in Bishkek for 16 participants. In June-July, 24 participants took part in ATA training in Albuquerque, New Mexico and 20 participants attended an ATA hostage negotiation course, also in the United States. These seminars gave key Kyrgyz law enforcement officials the opportunity to exchange views with U.S. law enforcement officials

and learn new methods of fighting against terrorism, which they put to use in the aftermath of the September 11 attacks, when they came to the aid of the U.S. Embassy and U.S. citizens in Kyrgyzstan.

U.S. Department of Defense (DoD) – Partnership for Peace (PFP) Program: Kyrgyzstan is an enthusiastic participant in NATO's Euro-Atlantic Partnership Council (EAPC) and PFP, and was an early supporter of the Central Asian Peacekeeping Battalion (CENTRASBAT) regional cooperation concept as well. Under PFP programs jointly sponsored by NATO and the U.S. Government's Warsaw Initiative, Kyrgyz military officials attended planning conferences, joint exercises and other events. Kyrgyzstan was allocated an estimated \$250,000 in Warsaw Initiative funding to enable it to participate in NATO/PFP exercises in 2001, which culminated in a multinational Central Asian Command Post exercise hosted by the U.S. Warrior Preparation Center in Germany. The MOD, KNG and MEES also participated in a state partnership program with the Montana National Guard that included basic infantry training, combat lifesaving courses, mountain rescue and survival training, and planning for an international workshop on emergency response. In addition, the Kyrgyz are active participants in programs sponsored by the DoD's Marshall Center in Germany, as well as in regional and multilateral fora on security, including those sponsored by the United Nations, the Organization for Security and Cooperation in Europe (OSCE) and the U.S. Government.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR): In FY 2001, as part of an ongoing effort under the Defense and Military Contact Program, about \$350,000 was allocated to support defense and military contacts with Kyrgyzstan under the coordination of the U.S. Central Command (CENTCOM). These contacts occurred mainly within the framework of the Balance Knight and Balance Knife series of exercises and were designed to enhance Kyrgyz military defense skills and readiness in all-season mountainous environments.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, the Bureau of International Narcotics and Law Enforcement Affairs (INL) funded training to support law enforcement development in Kyrgyzstan. Training topics included interview and interrogation skills and anti-corruption efforts within police forces. In addition, the INL Bureau provided funding for border security equipment and demand-reduction efforts to combat drug abuse. Six officers from the Drug Enforcement Division of the Ministry of Internal Affairs (MVD) participated in a week-long seminar at the International Law Enforcement Academy (ILEA) in Budapest. Upon returning home, the participants shared what they had learned with their fellow MVD officers. The Chief of the Drug Enforcement Division called the seminar very useful and timely and credited it for the MVD's success in seizing more drugs in southern and northern Kyrgyzstan this past year. In addition, 16 MVD officials received training at ILEA during the October-December period.

Humanitarian Programs

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2001, USDA allocated \$3.4 million for the provision of approximately 8,000 metric tons of food commodities to Kyrgyzstan. Under USDA's Global Food for Education Initiative, donated food commodities were distributed to school children by the U.S. private voluntary organization (PVO), Mercy Corps International.

U.S. Department of State – Operation Provide Hope: Since 1992, Operation Provide Hope has provided over \$130 million in humanitarian assistance to Kyrgyzstan. In FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia delivered \$9.16 million in humanitarian commodities to Kyrgyzstan at a cost of \$800,000 to the U.S. Government. A number of small and medium-sized cargoes were delivered through U.S. charitable organizations, but the majority of this assistance was delivered in the form of high-value pharmaceuticals by the U.S. PVOs CitiHope and Project Hope. In addition, Counterpart International distributed U.S. Defense Department excess property to needy populations throughout Kyrgyzstan.

Partnership Programs

USAID Health Partnership Program: The American International Health Alliance's (AIHA) Health Partnership Program is supporting a partnership between the Kyrgyz State Medical Academy (KSMA) and the University of Nevada School of Medicine focused on developing primary health care, with an emphasis on educating health professionals. In September 2001, the University of South Florida Health Sciences Center joined the partnership. The project is concentrating on faculty and curriculum development, and on producing related

educational materials for training and retraining community-based primary care practitioners, nurses and health-care administrators. The partners have made significant progress in faculty and curriculum development in the areas of interdisciplinary collaboration for teaching primary care, health care administration, and nursing. KSMA faculty have learned new teaching methodologies and created new teaching modules. KSMA created new departments for health management and higher nursing education, and opened a new teaching clinic. In addition, a multi-disciplinary Community Assessment Team has been established and trained in skills related to strategic planning and community assessment tools and methodologies. The AIHA Program has been extended through September 30, 2003.

USAID Local Government Initiative: Under the Resource Cities Exchange Program implemented by the International City/County Management Association (ICMA) between the cities of Naryn and Great Falls, Montana, the U.S. and Kyrgyz partners made technical improvements to Naryn's water and waste management systems, improving the quality of water and waste disposal for the city's residents.

U.S. Department of Defense – Partnership for Peace (PFP): As mentioned above, under the PFP Program, the Kyrgyz Ministry of Defense, National Guard and Ministry of Environment and Emergency Situations participated in a state partnership program with the Montana National Guard that included basic infantry training, combat lifesaving courses, mountain rescue and survival training, and planning for an international workshop on emergency response.

Cross-Sectoral Programs

Peace Corps: In FY 2001, 53 Peace Corps volunteers worked in Kyrgyzstan until they were evacuated to the United States in late September 2001. Volunteers worked primarily in rural parts of the country, focusing on sustainable economic development in local non-governmental organizations and English language teaching in secondary and higher education institutions. Volunteers also worked on secondary projects in the areas of environmental education, gender education, health education, tourism, and information technology. In FY 2001, the Peace Corps' Small Project Assistance (SPA) Program awarded 14 grants totaling over \$31,000 in support of PCV-implemented projects in the areas of education, small business development and youth. Projects ranged from purchasing 27,000 new English instruction books to setting up school computer centers. Education grants focused on repairs and renovations to school buildings and resource centers. SPA-funded activities at resource centers included the installation of computers, as well as renovations to increase shelf space to accommodate donations of books from outside sources.

Eurasia Foundation: In FY 2001, the Eurasia Foundation's Central Asia regional office awarded 27 grants totaling approximately \$479,667 to Kyrgyz NGOs working in the areas of civil society-building, private enterprise development, and public administration and public policy. The average grant size was \$17,766, and nearly half of the total grant funds were focused on strengthening small private enterprises and improving business education in Kyrgyzstan. In FY 2001, working together with the U.S. Embassy's Democracy Commission, the Eurasia Foundation helped establish the country's first independent press center and news service.

Preview of FY 2002 Programs

Exchanges and partnerships will continue to provide vital support across the entire spectrum of U.S. policy initiatives and imperatives. The Kyrgyz Government highly values all types of U.S. Government-funded assistance, training, and exchange programs, and is particularly appreciative of security assistance rendered by the U.S. Central Command (CENTCOM) and under the Export Control and Related Border Security (EXBS), and International Military Education and Training (IMET) and U.S. Defense Department programs. The Kyrgyz Government took full responsibility for controlling its borders from Russian Border Guards in August 1998, and will continue to need considerable assistance to do this job adequately, particularly along its porous and ill-defended southern border. The Kyrgyz Government has also made a high-priority request for help in establishing better border control, as well as a disaster-response and mountain-rescue center.

The U.S. Government will continue to provide assistance to prevent the proliferation of weapons of mass destruction (WMD), weapons technology and expertise in Kyrgyzstan in FY 2002. Continuing scientific collaboration programs will help prevent proliferation of weapons expertise and will redirect former Soviet weapons experts to peaceful pursuits. The U.S. Government will provide increased support to enhance Kyrgyzstan's export controls and border security, providing assistance with infrastructure development,

equipment and training. New law enforcement assistance, including assistance to be provided under the International Narcotics Control and Law Enforcement Letter of Agreement signed in December 2001, will also be provided.

As a follow up to the U.S.-based International Border Interdiction Training (IBIT) described in the Security Programs section above, in February 2002, additional training (IBIT II) is scheduled to take place at Kyrgyz border crossings and at the Bishkek International Airport utilizing two specially made interdiction tool kits. Future support will include radiological interdiction equipment and training at several of the main border posts where illegal components hidden in vehicles are most likely to be discovered. Due to the security situation in Kyrgyzstan, travel is not possible to high-risk border posts west and south of Osh. This creates difficulties in delivering basic equipment and training at some locations that may need them the most. An integrity-awareness seminar and a train-the-trainer workshop are also scheduled for FY 2002.

While Kyrgyzstan has thus far dealt successfully with the threat posed to its security by the armed insurgency, the threat could be a long-term problem that will require additional training of Kyrgyzstan's military and strengthening of its border. It is also important that Kyrgyzstan move forward with economic reform and creation of a business climate conducive to investment in order to decrease unemployment and thereby reduce the possibility that disenfranchised young people, particularly in the southern areas of the country, will be attracted to the militant ideology of the insurgents and political radicals. Support for secondary agricultural processing to create jobs and encourage rural residents not to migrate to cities where there is no employment combined with conflict prevention efforts will be key.

The U.S. Government will continue to encourage the Kyrgyz Government to support democratic development and civil society, including efforts to enhance the parliament's transparency and openness by supporting public hearings, public debates, and greater dialogue with NGOs. In FY 2002, a USAID-funded trilingual (Kyrgyz, Russian and Uzbek) civic education course will be implemented in over 100 schools throughout the country. USAID's new media and information initiative will provide additional support to independent media and journalists through a production fund, and promote better outreach into the rural communities and greater partnerships between NGOs and independent media outlets. Efforts will also be made to provide greater legal protection to journalists, newspapers, and television stations. Increased support for information technology and Internet connectivity programs will provide better information dissemination in regions beyond the cities of Bishkek and Osh. USAID's Local Government Initiative will seek to disseminate "good local practices" to a wider universe of cities, including all 22 cities that have been granted self-government status. USAID will begin to support the monitoring and evaluation component of Kyrgyzstan's tuberculosis program to improve its impact, and will initiate HIV/AIDS prevention activities through the Soros Foundation and Population Services International.

In FY 2002, USAID will increase its water management assistance in Kyrgyzstan, providing training and upgrading equipment used by water managers in the Ministry of Agriculture and Water Resources and the National Hydro-Meteorological Service. USAID will also implement a pilot demonstration project on the management of on-farm water in cooperation with local water-user groups in the Ferghana Valley. USAID-funded work on the development of trans-boundary agreements for shared water and related energy systems will continue, with the goal of reducing tension over the control and use of water resources.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO KYRGYZSTAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Economic Restructuring	2.30
- Private-Sector Development	7.40
- Environmental Management	1.00
- Democratic Reform	5.05
- Social-Sector Reform	2.80
- Cross-Cutting / Special Initiatives	4.02
- Eurasia Foundation	1.25
TOTAL USAID	23.82
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.35
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	1.50
- Cargo Value (DoD excess and privately donated, not included in total below)	9.16
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	10.66
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.29
- Export Control & Related Border Security (EXBS)	2.50
- ECA Bureau - Public Diplomacy Programs	4.43
- EUR Bureau - Public Diplomacy Programs	0.26
TOTAL U.S. DEPARTMENT OF STATE	7.48
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowship Program	0.15
TOTAL TRANSFERS TO OTHER AGENCIES	9.48
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	33.29
OTHER AGENCY FUNDS	
U.S. DEPARTMENT OF DEFENSE	0.22
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	3.38
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.38
- NADR / Science Centers	0.50
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	1.85
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.46
- NADR / Anti-Terrorism Assistance (ATA)	0.57
- Bureau of Population, Refugees, and Migration (PRM)	0.02
TOTAL U.S. DEPARTMENT OF STATE	3.78
U.S. DEPARTMENT OF EDUCATION - Fulbright-Hays Exchange Programs	0.04
PEACE CORPS	0.88
TOTAL FY 2001 AGENCY FUNDS BUDGETED	8.30
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	41.60

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KYRGYZSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	6		0.37	10.40	
1992	Surface					
	Operation Provide Hope II (Food&Med.)			0.10	2.15	
	EUR/ACE Admin & Program Support			0.18		
FY 1992 TOTAL		6	0	0.65	12.55	13.20
1993	Airlift	8		0.86	5.61	
1993	Surface					
	DoD Excess Hospital (Bishkek-Apr'93)			1.50	17.70	
	EUR/ACE Admin & Program Support			1.20		
FY 1993 TOTAL		8	0	3.56	23.31	26.87
1994	Airlift	5		0.49	9.58	
1994	Surface		18	0.09	1.14	
	EUR/ACE Admin & Program Support			0.14		
FY 1994 TOTAL		5	18	0.72	10.72	11.44
1995	Airlift	2		0.12	0.80	
1995	Surface		42	0.16	0.45	
	DoD Hospital Upgrade (Bishkek-Jun'95)			0.15	1.35	
	EUR/ACE Admin & Program Support			0.28		
FY 1995 TOTAL		2	42	0.71	2.60	3.31
1996	Airlift	0		0.00	0.00	
1996	Surface		36	0.26	3.17	
	Heart to Heart Grant			0.11		
	EUR/ACE Admin & Program Support			0.03		
FY 1996 TOTAL		0	36	0.40	3.17	3.57
1997	Airlift	8		0.58	5.14	
1997	Surface		32	0.34	6.98	
	Counterpart Grant			0.10		
	EUR/ACE Admin & Program Support			0.31		
FY 1997 TOTAL		8	32	1.33	12.12	13.45
1998	Airlift	19		0.49	11.77	
1998	Surface		40	0.33	7.81	
	Counterpart Grant			0.09		
	Project Hope			0.13		
	CitiHope Grant			0.21		
	EUR/ACE Admin & Program Support			0.23		
FY 1998 TOTAL		19	40	1.48	19.58	21.06
1999	Airlift	3		0.24	7.72	
1999	Surface		80	0.60	11.81	
	Counterpart Grant			0.18		
	Heart to Heart Int'l			0.02		
	CitiHope Int'l			0.16		
	EUR/ACE Admin & Program Support			0.22		
FY 1999 TOTAL		3	80	1.42	19.53	20.96
2000	Airlift	4		0.13	7.88	
2000	Surface		69	0.45	9.95	
	Counterpart Grant			0.10		
	Counterpart Small Medium			0.03		
	CitiHope Int'l			0.27		
	EUR/ACE Admin & Program Support			0.13		
FY 2000 TOTAL		4	69	1.12	17.83	18.94
2001	Airlift	2		0.01	2.97	
2001	Surface		62	0.41	6.19	
	Counterpart Grant			0.10		
	Counterpart Small Medium			0.03		
	CitiHope Int'l			0.17		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.06		
FY 2001 TOTAL		2	62	0.80	9.16	9.96
CUMULATIVE TOTAL		57	379	12.19	130.57	142.76

MOLDOVA

Political Overview

In FY 2001, Moldova joined the World Trade Organization (WTO) and the Southeast European Stability Pact. The Moldovan Government also sought to improve its relations with the International Monetary Fund (IMF) and the World Bank and to comply with agreements negotiated last year by the former government. Agreement in these areas is critical because large government debts that come due in 2002 must be rescheduled. In February 2001, the Communist Party won more than two-thirds of the seats in the Parliament and selected party chairman Vladimir Voronin as the country's president. The government has made concerted efforts to find ways to pay for Moldova's energy supplies. Politically, the government is committed to presenting a budget that will deal with social safety net items such health, education and increasing pensions and salaries. The Moldovan Government also supported democracy and human rights in FY 2001. However, the country remained divided, with the Transnistrian region along the Ukrainian border controlled by separatist forces. The new Communist government showed increased determination to resolve this ongoing conflict, but was unable to make significant progress because of fundamental disagreements with the separatist authorities in Transnistria over the region's status. Recent progress by Russia in destroying the weapons and munitions of the Organized Group of Russian Forces (OGRF) stationed in Transnistria has raised hopes that Russia intends to comply with the 1999 Istanbul Accords, though this has also drawn intense criticism of the OGRF from the Transnistrian leadership in Tiraspol. Towards the end of 2001, the leadership of the autonomous region of Gagauzia had become more vocal in its complaints that the Moldovan Government did not respect the region's statutorily guaranteed autonomy.

Economic Overview

Moldova made steady progress on economic reform in 2001. After showing dramatic improvement in 2000, the country's macroeconomic situation remained strong. Preliminary figures showed that real GDP for the first half of the year was four percent greater than for the same period in 2000. After high inflation in 1999, the inflation rate was reduced to 18 percent in 2000. The budget deficit for the year 2001 was projected to be 1.5 percent of GDP, compared with 7.5 percent in 1997 and 3.2 percent in 1999. The foreign exchange rate stabilized in the range of 12.5 to 13.0 Moldovan leu per U.S. dollar. During the first half of 2001, exports increased more rapidly than imports. However, Moldova continued to depend on foreign sources, particularly for its energy needs. The government spent about one fourth of its consolidated budget on public debt service, particularly for energy debt. The energy supply situation has improved for most of the country as a result of the privatization of three out of five of the country's electricity distribution companies. In July, the Parliament passed legislation to privatize the tobacco industry and a number of wineries, removing one of the key impediments to the resumption of external financial assistance.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$72.29 million in assistance to Moldova, including \$44.95 million in FREEDOM Support Act (FSA) assistance (\$44.85 million in FY 2001 funds and \$100,000 in prior-year funds), \$12.82 million in U.S. Department of Agriculture food aid, \$5.60 million in other U.S. Government assistance and U.S. Defense Department excess and privately donated humanitarian commodities valued at \$8.92 million. Agricultural post-land-privatization activities and energy-sector privatization continued to be the main foci of U.S. Government assistance to Moldova. Law enforcement, border control and non-proliferation were also heavily emphasized in FY 2001. The Export Control and Related Border Security (EXBS) Program is helping the Moldovan Customs Service establish joint border posts along the Ukrainian border. To promote regional stability and security, the U.S. Government has committed up to \$14 million in military relocation assistance provided primarily through the Organization for Security and Cooperation in Europe (OSCE) to facilitate the implementation of the Russian military withdrawal commitments made at the OSCE Istanbul Summit. Moldova has engaged in an extensive Defense and Military Contacts Program with the United States, expanded its participation in Partnership for Peace (PFP) exercises, and made effective use of International Military Education and Training (IMET) funds, and a U.S. Military Liaison Team continued operations in Moldova. Successful humanitarian demining operations have made Moldova officially mine-free as of summer 2000. USDA's Food for Progress Program provided wheat and wheat flour to Moldova, which helped the neediest segments of the Moldovan population. The U.S. Government also continued to promote the development of a competitive, market-oriented economy, sound fiscal policies, transparent and accountable governance, and agricultural development.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,300 Moldovan citizens to the United States for short-term professional or long-term academic training, including some 316 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training: USAID supported the training of thousands of Moldovans in a number of ongoing project activities in FY 2001, including 27 under the Global Training for Development (GTD) Program.

- The Private Farmer Assistance Project (PFAP) organized more than 1,150 seminars and roundtables on legal and economic issues related to business cooperatives, accounting and technological issues for more than 60,000 landowners and over 8,200 enterprises. PFAP also provided business consultations and legal advice, especially on land and property leases and in-kind property separation, to more than 179,000 people in 2001. This training is needed in order to develop successful private rural enterprises in those regions of Moldova where agricultural privatization has been completed and to finalize the privatization of collective farms in the remaining regions.
- In FY 2001, some 50 Moldovans from West NIS Enterprise Fund (WNISEF) portfolio companies participated in eight seminars on topics ranging from executive leadership to more specific areas such as sales techniques, finance for non-financial executives and finance for human-resource managers. This training helped increase the performance of the WNISEF portfolio companies at the managerial level and to serve as an example for other companies in Moldova.
- Under the Private Farmer Commercialization Program (PFCP), 3,765 private farmers received training through seminars at village farm stores on topics important for rural businesses. In addition, more than 11,000 farm store customers have received one-on-one consultations from store agronomists, resulting in higher crop yields and income. Eight top specialists from Moldovan private companies received U.S.-based training. Staff from the Alfa-Nistru and Mavisem farm service centers attended seven to ten days of specialized training seminars on input distribution and operation of U.S. service centers. This training helped Moldovan enterprises increase their efficiency and profitability and helped expand machinery services and other inputs provided to farmers.
- The International Foundation for Election Systems (IFES) trained and mobilized 200 domestic observers for the 2001 parliamentary elections, with the goal of improving the election process at national and local levels.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, over 260 Moldovans traveled to the United States under exchange programs administered by the Bureau of Educational and Cultural Affairs, 81 of them on academic exchanges and 179 on professional exchanges. In addition, 15 Americans traveled to Moldova as speakers, teachers or professionals in residence (PIRs) under programs funded by the Office of International Information Programs. Of these, eight taught at local universities. Program topics included agricultural reform, legal and judicial systems, the principles of transparent government and public service, combating trafficking in women, broadcast media development, local government issues, and health-care reform. Among the highlights of this year's International Visitor (IV) programs was a project in which all six members of the Moldovan Constitutional Court learned about the U.S. judicial system. In addition, a Moldovan participant of an IV program on the U.S. judicial system was subsequently appointed to the European Court of Human Rights in Strasbourg.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, the Cochran Program provided training to four Moldovan participants in the area of veterinary inspection and medicine. In addition, 12 Moldovans received training during the first quarter of FY 2002. As a result of organic farming training received in 2000, a former Cochran Fellow expanded his agribusiness and increased crop yield considerably, becoming one of southern Moldova's top agricultural producers. Another participant, who received training in extension service organization and farm management in 1999, provided training to some 150 local farmers and agricultural specialists at the Moldovan Institute for Rural Development and was appointed president of the Moldovan Agency for Agricultural Consulting and Schooling. A participant who received training in agricultural business management and marketing in 1999 became a leader of a Moldovan NGO, the Center for Marketing and Information in Agriculture (CAMIB), whose website was visited by more than 20,000 people in 2000-01.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, the SABIT Program provided internships for 23 Moldovan citizens with U.S. host companies. Participants received training in the areas of food processing and packaging, environmental technologies, lab accreditation, telecommunications, medical equipment, accounting, hotel management, hospital administration, and small and medium-sized enterprise (SME) association development. Five took part in the regular SABIT program and 18 took part in the specialized programs in areas including environmental technologies, standards, business management for women, services, and business association development. Upon returning home, SABIT private-sector interns have applied free-market principles in their industries, and SABIT governmental interns have helped shape Moldova's economic and trade policy. For example, after participating in a SABIT financial services/insurance program, the owner of the Garantie Insurance Company expanded his company's working relations with such Western insurance companies as AIG (U.S.), St. Paul RE (U.S.), Royal and Son Alliance (Great Britain), Generali Assicurazioni S.P.A. (Italy) and MARSH, AON Brokers.

Democracy Programs

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 42 grants totaling \$190,495 to Moldovan independent media and NGOs involved in civic education; environmental education; the promotion of human rights, including the rights of women, children, and gender minorities; and the development of community information and training centers. Several grants were awarded to NGOs for youth projects bringing together young people from Transnistria, Gagauzia and other parts of Moldova to work together on issues of common concern. The grants helped the recipients produce newsletters, newspaper supplements and other publications; hold seminars and workshops; and become more self-sustaining through the purchase of equipment to make their organizations more independent and efficient.

USAID Rule-of-Law Programs: USAID-funded technical assistance provided by the American Bar Association's Central and East European Law Initiative (ABA/CEELI) has increased the institutional capacity of Moldova's legal institutions and professional organizations, and has trained legal experts and professional citizens to better understand their rights and responsibilities in a free and democratic society. In FY 2001, ABA/CEELI continued to support its main partners: the Rule of Law Center, the Environmental Public Advocacy Center and the Judicial Training Center. The Moldovan Law Center held 25 seminars for lawyers and judges throughout Moldova that were attended by a total of 594 legal professionals. The Environmental Public Advocacy Center (EPAC) offered 139 consultations to citizens, NGOs and governmental organizations and held 15 seminars that provided a total of 643 mayors, social workers, farmers and heads of collective farms with training and legal advice. The EPAC also initiated 13 new environmental cases while continuing to work on a number of old cases. The Judicial Training Center, which provides training to legal professionals, organized 34 training sessions benefiting a total of 863 legal professionals.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Please see Security, Regional Stability and Law Enforcement Programs section below.

U.S. Department of Justice (DOJ) – Rule-of-Law and Criminal Justice Programs: Please see Security, Regional Stability and Law Enforcement Programs section below.

Economic Development Programs

USAID Loan Portfolio Guarantee (LPG) Program: USAID's Micro-Enterprise and Small-Business Loan Portfolio Guarantee (LPG) Program helps mobilize credit for qualifying micro-enterprises and small businesses by utilizing the formal financial sector on the basis of a risk-sharing arrangement. Three Moldovan financial institutions—AgroIndBank, FinComBank, and Victoria Bank—have been part of the LPG program since FY 2000. AgroIndBank has the best performance record among the ten financial institutions from Central and Eastern Europe included in the LPG Program. AgroIndBank and FinComBank are utilizing the program to greatly expand their lending activity to agriculture and agribusinesses. In FY 2001, USAID supported over 30 loans that leveraged a total of about \$1 million in lending to SMEs.

USAID Support for Small and Medium-Sized Enterprise (SME) Development: The BIZPRO Project, which began in June 2001, seeks to increase the role of SMEs in the Moldovan economy by improving their access to market-based business skills, information and financing, and by building the capacity of business service providers. BIZPRO has financed the training of entrepreneurs and developed the first franchising and leasing activities in Moldova. With BIZPRO assistance, three business associations developed hotlines that are enabling entrepreneurs to acquire answers to questions on business development and operations, and a Moldovan Business Association Network was established that includes all of the country's active business associations.

USAID Fiscal Reform Programs: Moldova made progress in fiscal reform in 2001. The State Tax Service (STS) increased revenue collection, strengthened many of its operational components, improved the compliance capacity of tax inspectors, and developed a pilot data-entry program in support of radical reform of the STS's organizational structure and its information technology infrastructure. USAID sponsored efforts by the Moldovan Parliament's Center for Budgetary and Financial Analysis (CBFA) to enhance deliberations on the annual budget and facilitate the passage of fiscal reform legislation by providing non-partisan analysis. The project's staff developed a cooperative working relationship with the new Communist Party leadership of the Budget and Finance Committee. In addition, a new policy analysis unit within the CBFA is developing refined forecasting models to better inform government policy makers. The Moldovan Government has issued a directive to begin the implementation of performance budgeting, and the 2002 budget proposal includes three ministry budgets under this new format, which will subsequently be expanded to all budget units. Local treasury offices have become fully operational. Based on the recommendations of USAID's Fiscal Reform Project advisors, debt management within the Ministry of Finance has been elevated to the sub-cabinet level.

USAID Banking Reform Project: In FY 2001, USAID continued to support the development of Moldova's banking infrastructure, achieving significant results in establishing the fundamentals of an effective bank supervision function. USAID's Banking Reform Project provided the National Bank Supervision Department with practical advice for on-site examination methodology, including a policy on the examination of data processing operations, and helped introduce off-site analytical tools based on international reporting standards, which provided early warning of impending problems. In addition, the on-site manual was expanded to cover issues related to foreign exchange operations. In FY 2001, private commercial banks played an increasing role relative to state-owned banks. Of the 20 commercial banks in which the state now has a stake, it has a majority interest in only one of them. Moldova's banking system continues to be one of the region's leaders in banking reform.

USAID Accounting Reform Project: USAID began its accounting reform activities in Moldova in 1996. Today, Moldova leads the Eurasian region in all areas of accounting reform. With USAID assistance, accounting and auditing standards based on International Accounting Standards (IAS) and International Standards on Audits (ISA) have been adopted, providing a legal and regulatory framework to implement both of these standards. Thousands of Moldovan accountants have been trained in IAS, and over 80 auditors have been trained in implementing ISA. Harmonization of book and tax accounting facilitated the conversion of enterprise bookkeeping practices to IAS. The Association of Professional Accountants and Auditors of Moldova (ACAP), a self-regulated accounting and audit organization, has become a driving force for continued accounting reform in Moldova. Also with USAID assistance, an accounting curriculum has been introduced at the Academy of Economic Studies of Moldova. A new government-sanctioned auditor certification program developed by ACAP was put in place, making Moldova the first country in the Eurasian region with such a program.

USAID Commercial Law Project: USAID's Commercial Law Project continued its efforts to develop a market-based legal framework in Moldova—in particular, a body of commercial law based upon market principles. At the request of the Speaker of the Moldovan Parliament, USAID helped draft a revised civil code in Romanian and Russian to replace the country's Soviet-era civil code. The revised draft was introduced to Parliament for discussion through a legislative initiative. The Commercial Law Project also focused on building the institutional capacity of the Parliament, Ministry of Justice and court system in the areas of legislative drafting and management of legal information centers, as well as on training staff and legal experts. In addition, the project helped the Ministry of Justice draft a law on the organization and operation of the Ministry.

U.S. Department of Commerce – Commercial Law Development Program (CLDP): In FY 2001, CLDP provided technical assistance to the Moldovan Parliament, Ministry of Justice, and the court system in drafting legislation in the area of commercial law, as well as training programs for Moldovans involved in the process. In addition, a State Department/U.S. Customs Service advisor worked closely with the Department of Commerce in sponsoring training on intellectual property rights and World Trade Organization (WTO) issues for Moldovan Customs officials.

U.S. Department of the Treasury – Technical Advisors

- **Government Debt Issuance and Management:** The Treasury Department began its resident government securities program in Moldova with the placement of an advisor in 1995 and a successor who served from 1997 to 1999. Significant progress was made during that four-year period on the development of primary and secondary markets and enhancing the National Bank's ability to utilize these markets in the conduct of open market operations. Treasury Department advisors worked on a public debt law, which is now functioning well, as is Moldova's primary dealer system and the fiscal agency agreement between the Ministry of Finance and the National Bank of Moldova. As with other countries in the region, the 1998 Russian default all but destroyed Moldova's debt markets. The recently arrived Treasury Department advisor will work with the Ministry of Finance and the National Bank of Moldova to rebuild the government securities market as it seeks to recover from the current depressed levels.
- **Enforcement:** The Treasury Department's Enforcement Team played a significant role in drafting a new law on money laundering that was introduced by the government and passed by the parliament. The team developed and delivered two separate training programs for the National Bank of Moldova and the Bankers' Association of Moldova on bank examination procedures and methodologies of detecting and reporting suspicious financial transactions. The team also provided technical assistance in drafting and implementing a law on the establishment of an investigative tax unit within the Ministry of Finance. The team helped a the bank-fraud working group draft amendments to the bank secrecy law and in suggesting new anti-fraud banking laws. In addition, the team provided specialized forensic training and assistance, and advice on implementing the Law on Judicial Examinations.

USAID Telecommunications Regulatory Reform Assistance: In May 2000, USAID initiated an activity to help the Moldovan Government regulate the country's telecommunications sector, facilitating the establishment of the National Regulatory Agency for Telecommunication and Informatics (ANRTI). USAID continued to provide expert assistance to this fledgling regulatory body in FY 2001, with the goal of developing its capacity to perform the functions of an independent regulator, including the development of licensing procedures, tariff and rate-setting policies, and other essential functions.

USAID Local Government Reform Project: During the last three years, the Moldovan Government has legislated extensive changes in local government structure to strengthen local autonomy. However, Moldova's new Communist administration recently introduced amendments to the Law on Local Public Finances that may decrease local autonomy by transferring the management of finances from local councils to the local representatives of the central government. The impact of the new changes will become clear in early 2002, when the 2002 Budget Law is implemented. USAID's Local Government Reform Project is designed to help local governments achieve greater fiscal decentralization, efficient administration, and democratic governance. Since the project's inception in February 2000, USAID-funded experts have reviewed existing legislation, identified needed changes and improvements, and prepared drafts of amendments and new legislation to remove conflicts, gaps and ambiguities in the laws. The Moldovan Parliament did not adopt the experts' proposals for the 2001 Budget Law, but the experts continue to work with both the government and the Parliament on the adoption of other drafts. In addition, USAID-funded manuals and training programs have helped mayors make better use of existing laws, especially on budgeting and finance. USAID is helping mayors' associations develop their own training and consulting capabilities, so that they can help their members achieve similar results. By training mayors' associations in strategic planning and by providing assistance to citizens' groups concerned with municipal services and local finance, USAID is enhancing both the "supply side" and the "demand side" of democratic local government. In addition, USAID is helping to develop improved municipal services through six pilot centers in Soroca, Chisinau and Lapushna *Rayons* (Counties), each of which is implementing pilot projects in the areas of water supply, residential heating and solid waste management. The pilot centers are also implementing projects in local taxation, budget and treasury administration. USAID is working on opening six more pilot centers in Edinet, Ungheni and Orhei Counties, as well as in the autonomous region of Gagauzia in southern Moldova.

USAID Private Farmer Assistance Project (PFAP): USAID launched PFAP in January 2001 to provide post-privatization assistance in four areas of key importance to Moldova's agricultural sector and the overall economy: (1) improving the policy, legal and regulatory environment; (2) developing rural enterprises, with an emphasis on business cooperatives; (3) expanding the availability of agricultural inputs and services; and (4) completing the privatization of collective farms. In FY 2001, PFAP helped draft 40 laws, regulations and other normative acts on the development of private agricultural enterprises; facilitated promulgation and implementation of the Law on Business Cooperatives; strengthened over 100 savings and credit associations (SCAs) and helped create 17 new SCAs. PFAP also organized training for landowners and enterprises on topics such as lease relations, sales contracts, accounting, marketing, business planning, grants policies and leadership skills; and provided consultations and legal advice to over 179,000 people and almost 4,500 enterprises. PFAP assistance is contributing to the success of private agribusinesses, thus ensuring that the transition to private farms results in sustainable economic growth. PFAP is also supporting the formation and development of a network of NGOs to provide continuing business and legal support to private farmers and enterprises in rural communities throughout Moldova.

USAID Private Farmer Commercialization Program (PFCP): In February 2001, USAID began to implement the three-year PFCP program to build on the success of the USAID land privatization program and the USAID-funded agricultural partnership program implemented by the Citizens' Network for Foreign Affairs (CNFA). PFCP links newly landed private farmers with access to essential inputs, credit, and output markets, as well as technical assistance, thus improving the economic well-being of private farmers at the village level. During FY 2001, PFCP developed two farm service centers and two marketing projects, and helped privatize a previously developed demonstration apple orchard. Partnerships created with USAID-funded CNFA assistance are now directly improving the economic well-being of an estimated 25,000 Moldovan private farmers: six new farm stores were opened, bringing the total number of stores to 15. The stores are providing small-packaged inputs and machinery services to private farmers, with each store serving from 1,000 to 2,000 farmers. Training seminars for farm-store customers are an integral part of the farm store development program. In addition, loan activity in support of the PFCP continued at a good pace in private farmer credit fund programs with AgroIndBank and FinComBank, with 62 loans totaling \$559,655 having been made to private farmers for equipment and small-scale processing. The loan program was expanded to include micro-lending for land purchases financed through SCAs. Under this new SCA program, 29 land loans averaging \$1,300 have been made. These initial land mortgages are helping to develop and standardize Moldova's land market.

USAID Agriculture Volunteers Program (AVP): In FY 2001, 24 out of 39 planned AVP assignments were completed, including assignments in the following areas: cooperative formation and development at seven milk receiving station locations, credit training at 15 savings and credit associations, assistance to three farm service centers and farm stores in business management, and business development training delivered to 13 farmers' cooperatives and associations. In addition, several pilot cooperative models were implemented. USAID is optimistic that the success of these models will lead to replication by other farmers' groups and will help provide better systems of input distribution and credit to farmers, as well as linking farmers to effective output markets.

USAID Farmer-to-Farmer (FTF) Program: In FY 2001, FTF volunteers worked on improving Moldova's organizational capacity to manage capital, with a special emphasis on improved business planning techniques and management practices. FTF's work with two dairy cooperatives has resulted in sales increases of over 100 percent, and FTF support to rural savings and credit associations has resulted in the creation of over 370 associations that have a combined membership of more than 30,000, a loan portfolio of \$6.5 million, and a repayment rate of 98 percent.

Trade and Investment Programs

Western NIS Enterprise Fund (WNISEF): In FY 2001, the WNISEF made two new investments totaling \$2.6 million in Moldova: it supported a micro-enterprise credit program that provides loans to urban SMEs, as well as an AgroIndBank program to provide loans to rural SMEs. After five years of activity, WNISEF's investments in Moldova total \$13.7 million. The WNISEF's existing portfolio, which continued to show impressive performance in FY 2001, includes a glass-manufacturing company, a beverage-producing company, an agricultural distribution center, a micro-lending institution, and the country's largest commercial bank. The WNISEF's goal is to improve Moldova's investment climate to the point where the Moldovan businesses that it currently supports become driving forces in the country's economy. WNISEF has made substantial progress in this direction. All of the WNISEF's portfolio companies have become leaders in revenue growth and profitability, and together they employ over 2,000 people.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): A BISNIS-organized medical equipment and pharmaceuticals catalog show in Chisinau exhibited materials from 28 U.S. firms, identified 57 interested Moldovan firms in search of support, and generated 21 trade leads (ready-to-buy) and 61 investment proposals. North Carolina expanded its ties with Moldova following a BISNIS-supported trade mission to Moldova.

U.S. Export-Import (Ex-Im) Bank: Ex-Im Bank did not provide any support for U.S. exports to Moldova in FY 2001. In FY 2000, Ex-Im Bank did execute one agreement with the Government of Moldova—a Framework Government Guarantee Agreement (dated March 13, 2000) to establish the procedures for sovereign-guaranteed transactions—and concluded a Project Incentive Agreement, which would establish procedures and host-government support for private-sector project financing, where Ex-Im Bank looks to the revenues generated by the project to assure repayment of the debt, rather than relying on government guarantees. To date, no transactions have been approved under the Framework Government Guarantee Agreement or the Project Incentive Agreement.

Energy and Environmental Programs

USAID Power-Sector Privatization Project: Since the sale in 2000 of three of Moldova's five electric power distribution companies to Spain's third-largest integrated electricity company, Union Fenosa, Moldova's energy-sector reforms have stalled. While service standards and the performance of these privatized distribution companies have improved immensely since Union Fenosa began to operate them, the two remaining state-held distribution companies, as well as the country's combined heat and power generating facilities and district heating networks, have languished. In the absence of capital investments and the introduction of improved management similar to that which Union Fenosa brought to its privatized companies, no improvement in the performance of the remaining state-held energy-sector assets is foreseen. Recognizing this reality, the Moldovan Government, at the behest of the World Bank and International Monetary Fund (IMF) and in consultation with USAID, has renewed its commitment to privatize these companies. To this end, USAID is extending its assistance to the Department of Privatization on the management of the energy-sector privatization process.

USAID Power-Sector Regulatory Assistance: In order to achieve a successful transformation of Moldova's energy sector, a number of conditions within the market need to improve. In FY 2001, USAID continued to provide assistance with the development of power-sector regulatory capacity under the National Agency for Energy Regulation (ANRE). USAID also helped develop the technical capacity of the Ministry of Energy and the operator of the country's high-voltage power transmission and dispatch system, in order to enable them to formulate policies based on sound economic principles and commercial practices. USAID began preliminary work in helping the Moldovan Government analyze and develop strategies for dealing with the country's historical energy debt, which continues to place a burden on the economy.

USAID Municipal Network for Energy Efficiency: In FY 2001, USAID expanded to Moldova a regional program designed to help municipal authorities manage their energy consumption requirements. The program helps municipal governments develop internal policy and management frameworks for the introduction of energy-efficiency measures and investments.

Social-Sector Programs

USAID Weatherization Program: USAID conducted activities aimed at improving the energy efficiency of institutions that serve vulnerable segments of the Moldovan population, such as orphanages, hospitals, and special education schools. These activities were primarily directed at improving the thermal insulation properties of buildings, thereby reducing heat consumption levels required to maintain acceptable levels of comfort. Aside from the immediate benefit of reducing human suffering among those most vulnerable, these activities provided experience to institutions and to local companies by contracting them to perform the renovation services. These activities included training in the development of energy efficiency projects from the perspective of economic sustainability.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The State Department provided an estimated \$2 million in FREEDOM Support Act-funded EXBS assistance in FY 2001 to enhance capabilities of the border control and other law enforcement agencies in Moldova to prevent weapons proliferation and other illicit trafficking. EXBS assistance focuses on the detection, identification, interdiction and investigation of illegal transfers of weapons and weapons materials. The U.S. Embassy's EXBS/Bureau of International Narcotics and Law Enforcement Affairs (INL)/Southeast European Cooperation Initiative (SECI) Advisor worked closely with the Moldovan Customs Service on developing several wide-ranging border control projects. EXBS assistance provided in FY 2001 included \$424,000 to purchase vehicles, cell phones, computers, cameras, night-vision goggles and bulletproof vests for Moldovan Customs officials. A significant portion of this equipment will be used for monitoring the secessionist region of Transnistria, with a focus on the movement of munitions and contraband. The U.S. Embassy, in coordination with the Moldovan Department of Civil Defense, also worked to create a "first responder" unit for incidents related to weapons of mass destruction (WMD). In FY 2001, the U.S. Customs Service provided interdiction and enforcement equipment and training for Moldovan Customs and Border Guards. The EXBS Program also provided funding to the U.S. Department of Energy for the maintenance of existing radiation detectors and procurement of new ones; and to the U.S. Department of Commerce (DOC) for a workshop on licensing practices and procedures. In addition, DOC representatives helped their Moldovan counterparts draft export control implementing regulations, which was submitted to the Moldovan Government for approval. EXBS funding also has been provided for the purchase of containers to provide working space for Moldovan officers when they take up positions on the Ukrainian border. (Although Moldovan and Ukrainian officials continue to address this issue, no resolution has yet been reached.) Also during FY 2001, the U.S. Customs Service conducted a Passenger Interview and Vehicle Inspection Training program and a Train-the-Trainer Workshop for Moldovan Customs officers. Seminars on integrity-awareness and trade fraud are scheduled for FY 2002.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, the CRDF allocated \$2.5 million in assistance for Moldova. CRDF implemented a special program to improve Cooperative Grant proposals from Moldovan scientists. As a result, the CRDF selected five proposals from Moldova in FY 2001, totaling \$250,000, four of which include former defense scientists. The CRDF received 36 grant proposals from Moldova, a seven-fold increase over the previous competition. The CRDF attributes the upsurge in proposals from Moldova to its collaboration with the Moldovan Research and Development Association (MRDA), an independent science funding organization based on principles of competitive peer review. The MRDA became operational in October 2000 and in November 2000, the CRDF provided its staff intensive training in program management at the National Science Foundation (NSF). The CRDF and the MRDA have since organized two proposal-writing seminars, a commercialization seminar for applied scientists and a successful Bilateral Grants Program, under which 64 applications were received and 28 were funded for a total of over \$1 million (75 percent of the awards include former defense researchers). MRDA representatives also took part in a CRDF training activity in January 2002. In addition, the CRDF has initiated an effort to develop civilian and commercial collaborative projects involving several Moldovan firms known to have been involved in defense-related research and development. For example, the CRDF is accompanying

representatives of Moldovan institutes to trade shows in the United States. In FY 2001, the CRDF funded seven travel grants for Moldovan applied scientists and completed its first Regional Experimental Support Center (RESC) competition for Moldova. Ten institutions in Moldova submitted proposals to the RESC competition.

U.S. Department of Defense (DoD)/U.S. Customs Service (USCS) – Counter-Proliferation Program:

The DoD/USCS Counterproliferation Program conducted an advanced WMD training assessment and a WMD laboratory assessment in February 2001, and WMD training in May 2001. The Defense Threat Reduction Agency (DTRA) provided ten fiber-optic examination kits (“busters”), 30 radiation pagers and miscellaneous equipment to the Moldovan Customs Service during 2001.

U.S. Department of State – Foreign Military Financing (FMF) Program: FY 2001 saw the continuation of a robust FMF program for Moldova. Moldova’s FY 2001 FMF allocation of \$1.49 million was spent mainly on much-needed equipment for the peacekeeping battalion. FMF purchases included communications equipment, additional topographic instruments, computers, non-tactical vehicles and personal equipment for soldiers.

U.S. Department of State – International Military Education and Training (IMET) Program: Moldova and the United States have developed a very cooperative security relationship. U.S. military training through IMET helps Moldovan military personnel acquire the skills necessary to operate alongside NATO forces and participate more actively in Partnership for Peace (PFP) activities. Moldova was allocated \$630,000 in IMET funding in FY 2001. Twenty Moldovan officers received IMET training in FY 2001, bringing the cumulative total to 90 since the beginning of the program. In addition, all IMET-funded English language laboratories were upgraded with additional computers, and 50 Moldovans were trained under the Expanded IMET (E-IMET) Program. Moldovan IMET program graduates have consistently assumed positions of increasing responsibility in their home country, with over 85 percent of IMET graduates still serving on active duty.

U.S. Department of Defense – Partnership for Peace (PFP): Despite the election of a Communist government in February 2001, Moldova continued to play an active role in PFP exercises and conferences in FY 2001. Over 250 Moldovans participated in eight PFP exercises, and another 100 took part in 30 PFP-related conferences, workshops and seminars.

U.S. Department of Defense – U.S. Military Liaison Team (MLT): The MLT in Moldova began operations in late January 1999. In FY 2001, the MLT spent \$180,000 conducting 42 activities with the Moldovan army; 19 of these were familiarization visits to Germany or the United States, and the remainder were visits of U.S. traveling contact teams to Moldova. A total of 300 soldiers participated in MLT-sponsored activities. In addition, \$47,000 in humanitarian funding was used for blood titer and measles/mumps/rubella tests for 2,300 Moldovan children. Over half of the tested children were discovered to have active hepatitis or to have been exposed to hepatitis, and were inoculated. Based on these results, Moldova subsequently applied to UNICEF and the World Health Organization (WHO) for further assistance.

U.S. Department of State – Military Relocation Program: Military relocation assistance activities enhance Moldova’s sovereignty, help prevent proliferation of conventional weapons and promote stable, cooperative relations between Russia and Moldova and the other Eurasian states. The Department of State initiated this program in FY 2001 to facilitate the withdrawal of Russian forces, closure of Russian military bases and removal, disposal and/or destruction of ammunition, small arms and equipment from Moldova. In the past, Russia raised the issue of costs as a significant obstacle to its withdrawal. In FY 2001, Russia made significant strides in fulfilling its commitment to withdraw its forces, equipment and ammunition from Moldova in accordance with the Conventional Armed Forces in Europe (CFE) Treaty, the CFE Final Act, and the Istanbul Summit Declaration adopted at the Organization for Security Cooperation in Europe (OSCE) Summit in Istanbul. Specifically, Russia had withdrawn or destroyed all declared treaty-limited equipment (TLE) from Moldova by the end of November 2001, one month ahead of the deadline: 108 tanks were destroyed, 131 armored combat vehicles (ACVs) were eliminated (48 of which were withdrawn and 83 destroyed), and 125 artillery pieces were eliminated (of which 77 pieces were withdrawn and 48 destroyed). With regard to the elimination of munitions, Russia, despite Transnistrian opposition, withdrew an additional three trainloads of equipment in late 2001, with more planned for 2002. Discussions continue between Russia and the OSCE on executing a program designed to eliminate, either by destruction or withdrawal, some 42,000 tons of munitions and several thousand small arms and light weapons. At the December 2001 Bucharest OSCE Ministerial, Secretary Powell announced that the United States was prepared to support the Russian withdrawal effort through contributions to the OSCE Voluntary Fund for Moldova.

The Department of State has notified Congress of proposed obligations of up to \$14 million in FY 2001 and prior-year FREEDOM Support Act funds for the Moldova Military Relocation Program. Obligations to date have been for the destruction and removal of TLE, preparations for repair of the Tiraspol Airport (to facilitate the removal of small arms and light weapons), limited transportation of munitions and the development of a comprehensive program to eliminate the remaining munitions. Withdrawal and destruction/removal assistance has been proposed through the following mechanisms: (1) direct U.S. support activities, including support by defense and other experts in program management, observation, verification and oversight; and (2) multilaterally through the OSCE under the Voluntary Fund established for this purpose. Military relocation assistance provided through the OSCE has been and is expected to be on a reimbursable basis for previously agreed costs of specific, previously agreed activities that are directly related to the withdrawal from Moldova of Russian military forces and/or destruction/removal of equipment, small arms and ammunition by the deadlines set at Istanbul and whose successful completion has been effectively monitored and verified. Funded items include the following: (1) costs of moving tonnage back to Russia by air or rail transport to areas outside of the CFE flank region; (2) actual per-item costs for destruction or elimination; (3) assistance to facilitate base closure and infrastructure elimination; (4) other transport activities; and (5) other technical assistance and support requirements. Foreign-policy direction for the U.S. Military Relocation Program is provided by the Department of State, in coordination with the Department of Defense and other agencies, through an interagency working group chaired by the Coordinator of U.S. Assistance to Europe and Eurasia.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: The U.S. and Moldovan Governments signed a Letter of Agreement on Law Enforcement Assistance Programs on August 28, 2001. In FY 2001, the ACTTA Program administered by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) organized training in Moldova on anti-corruption, anti-trafficking, anti-narcotics and other specialized areas of law enforcement for participants from local police departments, the Ministry of Internal Affairs, the Ministry of Justice and other law enforcement agencies. In addition, an ACTTA-funded Anti-Trafficking Coordination Center sought to promote improved coordination between non-governmental organizations (NGOs) and Moldovan law enforcement agencies in the battle against trafficking in women. The U.S. Government sent a team of specialists to focus on vital Moldovan initiatives, such as the passage and implementation of a money laundering law and improvements in the integrity of the country's banking system. Moldovans also participated in regional law enforcement conferences at the FBI's International Law Enforcement Academy (ILEA) in Budapest, and continued to upgrade the operational capability of their police training academy. The ACTTA Program also continued to support a U.S. Customs Service advisor for Moldova focusing on border security assistance. In addition, the INL Bureau funded a project to build police and law enforcement capacity for case management, as well as a joint U.S. Treasury Department/U.S. Justice Department project on combating corruption and money laundering. The ACTTA Program also continued to fund a resident advisor at the U.S. Embassy to manage INL-funded projects.

U.S. Department of Justice (DOJ) – Criminal Justice Programs: In FY 2001, under a grant from DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), the American Bar Association's Central and East European Law Initiative (ABA/CEELI) worked on criminal procedure reform, defense bar training, and combating human trafficking. After the February 2001 passage of new provisions to Moldova's Code of Criminal Procedure relating to pre-trial release and bail, the DOJ/CEELI Program developed a series of regional training sessions for prosecutors, defense attorneys, judges and investigators to help them implement the new procedures. The first such seminars were held in June 2001. Throughout the year, the DOJ/CEELI Program worked closely with the International Organization on Migration (IOM) and the OSCE to provide technical assistance to the Moldovan Parliament's Legal Committee in drafting Moldova's anti-trafficking law. In April 2001, OPDAT and ABA/CEELI held a three-day roundtable for high-level Moldovan and Ukrainian officials to discuss the need for cooperation with the NGO community on trafficking issues and the importance of adequate legislation to combat trafficking. The DOJ/CEELI Program conducted monthly classes at the Judicial Training Center in Chisinau for intern defense attorneys. Topics covered included the role of the defense attorney as an advocate, client representation issues and victims' rights. In FY 2002, ABA/CEELI and OPDAT will focus on criminal procedure reform, combating organized crime and corruption, and combating trafficking in women.

Humanitarian Programs

Counterpart Humanitarian Assistance Program (CHAP): In FY 2001, with funding from USAID and the Office of the Coordinator of U.S. Assistance to Europe and Eurasia, CHAP made 13 deliveries of humanitarian commodities to Moldova valued at approximately \$3.96 million. The assistance was provided to 719 social service providers, including 293 small private farms, 134 governmental medical organizations, 19 NGOs, 13 boarding houses and schools, five disaster preparedness/emergency service providers and a number of other organizations with sectoral expertise in medicine, education, disaster victim assistance, children, the disabled, veterans and the elderly. Together, these organizations serve a total target population of over 578,500 vulnerable people. Commodities provided by CHAP included medical and dental equipment and supplies, pharmaceuticals, agricultural machinery and equipment, fire fighting, rescue and safety equipment, clothing and footwear, household and commercial furnishings and appliances, textiles, food preparation equipment, instruments and laboratory equipment.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2001, USDA allocated \$12.8 million for the provision of approximately 28,400 metric tons of food commodities to Moldova under its Global Food for Education Program. The donated food commodities were distributed to school children by the private voluntary organization International Partnership for Development.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia delivered \$5.01 million in U.S. Defense Department excess and privately donated humanitarian commodities to Moldova at a cost of \$770,000 to the U.S. Government. This assistance included pharmaceuticals collected and distributed by the U.S. private voluntary organization CitiHope.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: In FY 2001, the EUCOM Humanitarian Assistance Program delivered \$476,000 in medical supplies and vehicles to Chisinau at a cost of \$35,600. In addition, three fire stations were upgraded at a cost of \$180,000 and a local civil protection center was upgraded at a cost of \$75,000.

U.S. Department of Defense (DoD) – Demining Assistance: With the help of a DoD demining program that began in FY 1999 and provided over \$104,000 in demining equipment (in particular, modern metal detectors and personal protective equipment necessary to conduct demining operations efficiently and safely), Moldova declared itself mine-safe in March 2001, having destroyed more than 2,100 landmines. By fall 2000, Moldovan National Army deminers had cleared the single remaining minefield in the country, restoring 210 acres of agricultural land for use as orchards and pastureland, and for gathering firewood.

Cross-Sectoral Programs

Peace Corps: In FY 2001, the Peace Corps placed 84 volunteers (PCVs) in Moldova in three project areas: teaching English as a foreign language (TEFL), health education, and economic and organizational development. Moldova's 36 TEFL PCVs, who were placed primarily in villages and towns, incorporated problem-solving, critical-thinking activities, and environmental content into their English-language curricula. They also organized workshops on new teaching techniques for local teachers. A total of 20 health education PCVs were assigned to schools and community clinics or health-related NGOs in Moldova's regional centers and towns, where they taught a variety of preventive health topics. Working with several local youth NGOs, PCVs conducted peer-training and self-esteem workshops on life-skill education in towns and villages throughout Moldova. In addition, 28 economic and organizational development PCVs worked as catalysts to improve cooperatives, NGOs, and municipalities, and to promote economic (primarily agribusiness) and social-sector development. Throughout all project sectors, youth activities were a particular focus for Peace Corps volunteers working in Moldova. The Peace Corps is increasingly assigning volunteers to smaller towns and villages, where resources are scarce and there is greater need for assistance, rather than in Chisinau and other big cities.

- **Small Project Assistance (SPA) Program:** In FY 2001, the SPA Program awarded 18 grants totaling almost \$50,000 in support of PCV-implemented projects in the areas of education, health, agribusiness development, youth resource centers and the environment. In the area of agriculture, SPA grants supported a seminar program which led to increased community income by introducing community and cooperative agriculture practices, market identification and group market strategies. In the area of health, SPA grants supported resource materials procurement and community health training, including a series of preventive health care seminars organized and implemented through local NGOs. Education-related grants were focused on providing school groups with access to resource materials, textbooks and library equipment, promoting democratic values by increasing access to information. Grants to youth centers provided materials and resources to allow job skills, business entry and computer skills training to local youth.

Eurasia Foundation: At the end of FY 2001, USAID's Office of the Inspector General issued its final report on the fraudulent actions of an employee of the Eurasia Foundation's Kiev regional office, which administers the Foundation's grant-making activities in Belarus, Moldova and Ukraine. Upon discovering evidence in FY 1999 that fraud had taken place, the Foundation referred the case to Ukrainian authorities. The USAID Inspector General's report reached conclusions regarding the total amount misappropriated and made a series of recommendations to ensure improved program management. The Eurasia Foundation has taken the control actions recommended by the USAID Inspector General, who subsequently closed the case, enabling USAID to negotiate a new grant with the Foundation. The Foundation's insurance company has fully reimbursed USAID for the misappropriated funds. The Foundation plans to resume grant-making in Moldova during the first half of 2002.

Preview of FY 2002 Programs

In FY 2002, U.S. Government-funded assistance will continue to support Moldova's transition from stabilization to growth. Economic restructuring will continue to be the major focus of USAID's efforts. USAID's Fiscal Reform Program will continue to help the Moldovan Government move toward achieving internal and external balance, but fiscal policy will focus more on promoting economic growth through tax incentives, with an emphasis on small and medium-sized enterprises, and small farmers and agribusinesses. Energy-sector privatization and related work will continue. An agribusiness and post-privatization strategy will be implemented by accelerating the construction of farm stores and building new regional ones to provide newly privatized farmers agriculture inputs, credit, marketing and other needed assistance. A second major activity will establish a high-level unit to improve the policy, legal and regulatory environment in Moldova with a focus on agriculture, and will establish private-sector-based farmer associations and cooperatives. A third agricultural activity may be land market development. In addition, USAID will continue its Local Government Reform Program, so that the benefit of market reform and democratic society will not only continue at the central government level but also deepen to reach Moldovan citizens at the local level.

Further advanced law enforcement training is planned in methods to combat money laundering, organized crime, public corruption, violence against women, auto theft, drug-related activity, and sex crimes. Training of Moldovan law enforcement personnel in computer and Internet use is also planned, as is continued assistance to the Moldovan Police Academy and forensic laboratories. U.S. Government-funded border modernization activities and Customs Service training will be continued and enhanced.

U.S. Government will also continue to provide assistance to prevent the proliferation of weapons of mass destruction (WMD), weapons technology and expertise. Projects proposed under scientific collaboration programs will help prevent the proliferation of weapons expertise and redirect former Soviet weapons experts in Moldova to peaceful pursuits. The U.S. Government will provide increased assistance to enhance Moldova's export controls and border security, build the country's legal infrastructure and provide export control officials with equipment and training. In addition, the U.S. Government has offered military relocation assistance through the OSCE Voluntary Fund to facilitate the removal from Moldova of Russian forces, ammunition, and the destruction and disposal of military equipment.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO MOLDOVA**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Economic Restructuring	3.40
- Private-Sector Development	6.88
- Democratic Reform	1.80
- Social-Sector Reform	4.19
- Cross-Cutting / Special Initiatives	
- Eurasia Foundation	1.30
- Enterprise Funds	2.00
TOTAL USAID	19.57
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - CLDP, SABIT, BISNIS	0.49
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	0.50
- Cargo Value (DoD excess and privately donated, not included in total below)	5.01
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	5.51
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	1.04
- Export Control & Related Border Security (EXBS)	2.00
- ECA Bureau - Public Diplomacy Programs	3.75
- EUR Bureau - Public Diplomacy Programs	0.25
- Military Relocation	13.90
TOTAL U.S. DEPARTMENT OF STATE	20.94
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	0.20
CIVILIAN R&D FOUNDATION (NSF/CRDF)	2.50
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowships	0.15
U.S. DEPT. OF THE TREASURY - Technical Advisors	0.50
TOTAL TRANSFERS TO OTHER AGENCIES	25.28
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	44.85

OTHER AGENCY FUNDS	
USAID - Disaster Assistance	0.03
U.S. DEPARTMENT OF DEFENSE	1.17
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	12.82
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.63
- NADR / Science Centers	
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	1.50
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.21
- International Information Programs (IIP)	0.02
- NADR / Anti-Terrorism Assistance (ATA)	0.93
TOTAL U.S. DEPARTMENT OF STATE	3.29
PEACE CORPS	1.11
TOTAL FY 2001 AGENCY FUNDS BUDGETED	18.42

TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	63.26
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For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO MOLDOVA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	4		0.20	7.50	
1992	Surface		6	0.05	0.57	
	Operation Provide Hope II (Food&Med.)			0.30	1.10	
	EUR/ACE Admin & Program Support			0.21		
FY 1992 TOTAL		4	6	0.76	9.17	9.93
1993	Airlift	4		0.36	7.00	
1993	Surface		109	0.52	6.00	
	EUR/ACE Admin & Program Support			0.45		
FY 1993 TOTAL		4	109	1.33	13.00	14.33
1994	Airlift	4		0.09	0.50	
1994	Surface		55	0.30	9.20	
	DoD Excess Hospital (Chisinau-Aug'94)			1.20	12.50	
	Counterpart Grant			0.02		
	Oil & Coal			4.10		
	EUR/ACE Admin & Program Support			1.37		
FY 1994 TOTAL		4	55	7.08	22.20	29.28
1995	Airlift	0				
1995	Surface		113	0.62	6.17	
	Counterpart Grant			0.02		
	EUR/ACE Admin & Program Support			0.42		
FY 1995 TOTAL		0	113	1.06	6.17	7.23
1996	Airlift	3		0.17	0.69	
1996	Surface		103	0.35	6.84	
	DoD Hospital Upgrade (Chisinau-Jul'96)			0.15	1.35	
	EUR/ACE Admin & Program Support			0.06		
FY 1996 TOTAL		3	103	0.73	8.88	9.61
1997	Airlift	2		0.13	3.19	
1997	Surface		56	0.28	5.80	
	Counterpart Grant			0.09		
	EUR/ACE Admin & Program Support			0.15		
FY 1997 TOTAL		2	56	0.65	8.99	9.64
1998	Airlift	0				
1998	Surface		72	0.33	10.58	
	CitiHope			0.08		
	Counterpart Grant			0.01		
	EUR/ACE Admin & Program Support			0.07		
FY 1998 TOTAL		0	72	0.49	10.58	11.07
1999	Airlift	1		0.04	3.60	
1999	Surface		98	0.41	15.09	
	Counterpart Grant			0.02		
	CitiHope			0.17		
	EUR/ACE Admin & Program Support			0.12		
FY 1999 TOTAL		1	98	0.76	18.69	19.45
2000	Airlift	4		0.09	7.95	
2000	Surface		208	0.59	14.46	
	Counterpart Grant			0.15		
	Counterpart Small Medium			0.03		
	Cithope			0.20		
	DoD Hospital Project			1.54		
	EUR/ACE Admin & Program Support			0.33		
FY 2000 TOTAL		4	208	2.92	22.42	25.34
2001	Airlift	2		0.00	0.17	
2001	Surface		52	0.24	4.84	
	Counterpart Grant			0.05		
	Counterpart Small Medium			0.03		
	Cithope			0.17		
	HEART TO HEART			0.20		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.05		
FY 2001 TOTAL		2	52	0.77	5.01	5.78
CUMULATIVE TOTAL		24	872	16.55	125.11	141.66

RUSSIA

Political and Economic Overview

In FY 2001, President Vladimir Putin, who was elected in March 2000, continued to enjoy strong public support, which many observers attribute to his ability to provide a sense of stability and renewed national pride. Putin also continued to have a good relationship with the State Duma (Russia's lower house of parliament), an independent institution that represents powerful interests and individuals. Putin's strong public support has allowed him and his administration, headed by Prime Minister Mikhail Kasyanov, great latitude in pursuing their political and economic agenda.

During his first year in office, Putin focused on consolidating his power and adopting policies designed to strengthen the authority and power of the central federal government. These policies included stripping regional leaders of their seats in the Federation Council (the upper house of parliament), appointing presidential representatives charged with ensuring the primacy of federal law and the Constitution to seven newly created districts, and expanding the Kremlin's control over the media and information. The Russian military and internal security forces engaged in a large-scale military campaign to crush Chechen rebels, which caused widespread civilian casualties and destruction, displaced hundreds of thousands of people, and was characterized by human-rights abuses by both the Russian Government and rebel troops. Following the September 11 terrorist attacks against the United States, President Putin proposed talks with some Chechen rebel leaders, with the goal of ending hostilities. However, as of the end of 2001, subsequent meetings between federal officials and rebel leaders had changed little, as far as the situation on the ground was concerned.

There are approximately 70,000 non-governmental organizations (NGOs) in Russia, but civil society remains weak. In November 2001, several thousand NGO representatives met at the Kremlin in a Civic Forum that provided for limited dialogue between NGOs and government officials. President Putin spoke at the Forum, acknowledging the important role that independent NGOs can play and recognizing publicly that civil society cannot be controlled or created from above. However, non-state media organizations continued to encounter pressure from central and regional governments to alter their editorial policies and continued to face difficulties in maintaining their economic viability. During the year, NTV, Russia's largest non-state television network, was taken over by the state-dominated GazProm gas monopoly after coordinated actions by official bodies and GazProm that appeared to be politically motivated. A legal challenge from a minority shareholder resulted in court rulings to liquidate a recently established independent network, TV-6, which had become more popular after some of NTV's former staff began running the new network.

In FY 2001, Putin and the Kasyanov Administration focused on the enactment of a series of restructuring and reform measures. In fall 2001, the State Duma passed an extremely ambitious package of legal and judicial reforms. If properly implemented, the new Code of Criminal Procedure will fundamentally alter the criminal justice system in Russia by shifting power from prosecutors to the courts and assigning more rights to defendants. The entire legal reform package will fundamentally reconstitute the judicial system, resulting in what many observers believe will be the establishment of a true rule of law in Russia. A new law on political parties enacted in July established stricter criteria for party organizations and may result in a decrease in the number of parties that compete in the 2003 State Duma elections.

The Putin government continued its ambitious structural reform program under the leadership of the Minister of Economic Development and Trade, German Gref. This broad-ranging program, which is known as the Gref Plan, covers reforms in the areas of budget, pension and social welfare, deregulation, judicial reform, reduction of subsidies, restructuring natural monopolies and protection of property rights—all aimed at strengthening Russia's market economy and attracting foreign and domestic investment. However, Putin's economic reform team still faces daunting challenges. Persistent problems with crime and corruption, poor corporate governance and arbitrary actions by government officials continue to impede the attraction of significant foreign investment and the development of small and medium-sized enterprises (SMEs). The Russian Government also lacks the institutional capacity to fully implement its ambitious reform program, especially in such socially important, but highly complicated areas as the restructuring of the pension system. Nevertheless, in its spring and fall 2001 sessions, the State Duma tackled a number of key legislative pieces of the reform program. Other key reforms included passage of the urban land code, a new labor code, and an anti-money-laundering law, as well as the signing of a decree establishing a financial intelligence unit. In addition, the State Duma completed several readings of legislative components of the pension reform package, and a significant step in removing

administrative barriers to business was the passage of several deregulation laws that will simplify licensing procedures and reduce the number of mandatory inspections. The Russian Government has approved the basic plans for restructuring the country's electricity and rail monopolies, although the more complicated GazProm restructuring is not yet as far along. Russia's banking sector remained one of the weakest links in the Russian reform program in FY 2001, with little progress having been made since the 1998 financial crisis. The Russian Government has developed a banking reform proposal, but it is not clear that sufficient political will exists at the highest levels to press for banking reform as successfully as in other areas.

In 2001, the Russian economy's continued strong macro-economic indicators and solid recovery from the 1998 crisis began to attract the attention of foreign investors, even in the context of the global economic slowdown. GDP figures for 1999 were revised upward by 5.4 percent, resulting in an unexpectedly high final tally of 8.3 percent for 2000 GDP growth. Though lower oil prices and erosion of the ruble devaluation's effect slowed the rate of growth for 2001, forecasts estimated a 5.5 to 6.0 percent increase. The 2002 budget assumes a 4.3-percent GDP growth rate; however, sharply lower oil prices could reduce this figure. Russia's trade balance is in surplus and continues to feed foreign exchange reserves. Last year's income tax reform, which included a flat 13-percent rate and a reduction of tax loopholes, boosted government budget revenues. Inflation remained a problem in FY 2001, although it fell slightly compared to the previous year (17 to 19 percent, versus 20.2 percent in 2000). This decrease provided a reason for the Russian Government to delay the implementation of long-needed energy and transport fee changes. Industrial production continued to grow, but at a slower pace than in 2000. Official unemployment fell to around 11 percent or 8 million, but the inclusion of hidden unemployment would have pushed the figure up to the 15- to 25-percent range. Average wages and incomes were also rising, but remained about 25 percent below pre-crisis levels in real terms, and wage arrears were falling.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$1.051 billion in assistance to Russia, including \$385.71 million in U.S. Department of Defense (DoD) assistance, \$335.54 million in U.S. Department of Energy (DOE) assistance, \$182.43 million in FREEDOM Support Act (FSA) assistance (\$159.43 million in FY 2001 and \$23.00 million in prior-year funds), \$60.48 million in U.S. Department of Agriculture (USDA) food aid, \$68.82 million in other U.S. Government assistance, and DoD excess and privately donated humanitarian commodities valued at \$17.77 million. U.S. Government assistance and partnership programs continued to promote Russia's economic, political and social transformation.

In FY 2001, FSA-funded assistance to the Russian Government was subject to a 60-percent cut mandated by the U.S. Congress in connection with Russian transfers of nuclear technology to Iran. Of the \$158.19 million in FY 2001 FSA funds budgeted for assistance to Russia, USAID programs accounted for approximately \$91 million, State Department Public Diplomacy programs accounted for approximately \$32 million, and threat reduction programs accounted for approximately \$16 million. USAID assistance included approximately \$19 million for private-sector development and economic restructuring, \$16.1 million for democratic reform, \$14.6 million for health (including \$3.54 million in Child Survival and Disease (CSD) funds), \$6.9 million for environmental programs, \$4.2 million for exchanges, training and cross-cutting activities, and \$3.8 million for local governance programs. The Eurasia Foundation received \$10 million in USAID funding, and the U.S. Russia Investment Fund (TUSRIF) received \$20 million in USAID funding.

Russia remained the largest recipient of U.S. security-related assistance in FY 2001, primarily through the DoD Cooperative Threat Reduction Program and the nonproliferation assistance programs of the Departments of State and Energy. Since FY 1992, the U.S. Government has provided approximately \$4.1 billion in total security-related assistance to Russia, including about \$750 million in FY 2001. In mid-FY 2001, the Administration initiated a review of all nonproliferation and threat-reduction assistance provided to Russia, in order to ensure that the assistance being provided is effective and meets the highest U.S. security priorities. Recommendations from this review will be implemented in FY 2002.

Implementation Problems

Preserving the tax-free status of U.S. Government-funded assistance to Russia remained a challenge in FY 2001. The Russian Government continued to express ambivalence about the validity of the 1992 bilateral agreement between the United States and the Russian Federation that exempts all U.S. Government-funded assistance from taxation, particularly income taxes on U.S. expatriates implementing assistance programs and value-added taxes. Although the Russian Government has conceded that the agreement is valid, government representatives periodically suggest that it is defective and unenforceable as a matter of Russian domestic law. Local tax authorities sometimes attempt to collect taxes from assistance implementers and their programs. Furthermore, some changes in the Russian Tax Code, which brought positive results on a policy level and in revenue collection, had the effect of exacerbating problems related to the taxation of U.S. assistance. The U.S. Government has been proactively seeking an across-the-board, permanent solution to the assistance taxation problem through contacts with officials at various levels. While these efforts have resulted in Russian Government pledges to address aspects of the issue and in *ad hoc* solutions to individual problems, the overall problem remains unresolved. The Russian Ministry of Foreign Affairs has advised the U.S. Embassy that the Russian Government is preparing a draft protocol to facilitate the resolution of taxation of assistance issues. As of the end of FY 2001, the text had not been provided to the U.S. Government.

Under the Anti-Crime Training and Technical Assistance (ACTTA) Program implemented by the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL), programs involving the procurement of materials or personnel support for the Russian Government (including counter-narcotics programs for the Russian-Kazakhstani border region and support for task forces to combat trafficking in persons) were on hold, pending the signing of a Letter of Agreement on Law Enforcement Assistance between the U.S. and Russian governments.

In March 2001, the U.S. European Command's (EUCOM) Humanitarian Assistance program for Russia was put on hold due to issues surrounding a shipment of excess property through Russia to Azerbaijan. The shipment was detained at the Russian border in Dagestan, and EUCOM had to pay nearly \$16,000 in customs fees in order to gain the release of the humanitarian cargo and deliver it to the intended recipients in Azerbaijan. Similarly, the distribution of donated U.S. Department of Agriculture food commodities to needy populations in Russia was disrupted when the Russian Government failed to honor an agreement to grant duty-free entry of donated commodities for direct-feeding programs.

In May 2001, the International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs for Russia were suspended by the State Department in accordance with legal limitations on assistance that went into effect due to Russian arms transfers to nations sponsoring international terrorism. As a result, approximately \$600,000 of the \$800,000 in IMET funding allocated to the Russian Federation for FY 2001 and \$4.5 million in available Warsaw Initiative FMF funding remained unspent. It has yet to be determined if the FMF funding will be available for Russia at a later date, given its scheduled expiration at the end of FY 2002.

Training, Exchange and Educational Reform Programs

Since FY 1993, training and exchange programs implemented by the U.S. Government and U.S. Congress have brought approximately 48,300 Russian citizens to the United States for short-term professional or long-term academic training, including over 3,850 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

Library of Congress – Center for Russian Leadership Development – Open World Program: The Open World Program (OWP, formerly known as the Russian Leadership Program or RLP) brings small groups of young, emerging Russian political and civic leaders to the United States on intensive seven- to ten-day visits that give them a firsthand look at how democratic and market-based institutions function at the grassroots level. The U.S. Congress initiated OWP in 1999 as a pilot program administered by the Library of Congress. In December 2000, Congress authorized the establishment of an independent Center for Russian Leadership Development at the Library of Congress to provide a permanent home for the program. The Center was officially launched on October 1, 2001. OWP focuses on up-and-coming leaders from the local, regional and federal levels; recruits non-English-speaking, first-time visitors; and emphasizes hands-on, community-based programs with a home-stay component. The nearly 3,700 Russian visitors hosted to date represent 43 ethnic

groups and 88 of Russia's 89 regions. OWP participants have been hosted in 716 communities across the United States; OWP parliamentary participants are usually hosted by U.S. senators, representatives, and governors. During the 2001-2002 program cycle, OWP expects to bring 2,600 Russian leaders to the United States. In FY 2001, due to the program's ongoing reorganization, only 176 participants came to the United States. In addition to launching a new website (www.open-world2002.gov) and an *Open World Alumni Bulletin*, OWP also initiated a rule-of-law program for Russian judges. Program highlights are provided below:

- OWP hosted a delegation led by the First Vice Chair of the Russian State Duma (lower house of parliament), as well as a visit by the director of Russia's Parliamentary Library. OWP's fall 2000 civic program, which focused on federalism and elections, was designed to show the interrelationships among and different responsibilities of federal, state and local authorities; and the elections process and regulation of elections in a very crucial election year. Participants had the opportunity to meet with and observe in action a wide range of government officials and staff, educators, community and party activists, journalists and business leaders.
- Under OWP's rule-of-law pilot project, Russian judges were hosted by leading U.S. federal and state judges in cities across the United States. After an in-depth orientation in Washington, D.C., conducted by the Administrative Office of the U.S. Courts, each delegation of Russian judges traveled to their host judge's community, where they observed court proceedings; received briefings on court administration, case management, media relations, and other topics; toured courthouses and correctional facilities; attended law school classes; and held working meetings and roundtables with federal and state judges, court personnel, prosecutors, private attorneys, and law enforcement officials. Upon returning home, a number of the participants gave briefings and presentations to court staff, university students, representatives of the media, and fellow judges on what they learned about the U.S. judicial system during their OWP program.
- Upon returning from their OWP program, officials from the Sakhalin Island city of Kholmok undertook an urban beautification project.
- OWP alumni throughout Russia have begun to establish local and regional alumni associations. A survey of the participants in the 2000 OWP program indicated that 82 percent were more ready to cooperate with U.S. leaders as a result of their exchange-program experience.

U.S. Department of State – International Visitor (IV)/FREEDOM Support Grant (FSG) Program: In FY 2001, a total of 365 Russians traveled to the United States under the IV and FSG Programs, which are administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). These professional exchange programs covered a wide variety of issues, ranging from combating international organized crime to the promotion of culture and economic growth and the development of democratic institutions. Program topics included economic and environmental development, business ethics, supervision of elections, telecommunications and e-commerce, and equal rights for people with disabilities. Program highlights are provided below:

- **Preventing Family Violence:** After observing how U.S. officials use photo documentation when investigating and prosecuting domestic violence cases, alumni of an IV program on preventing family violence worked with Polaroid to obtain several cameras for documenting spousal abuse.
- **Government Regulation and the Promotion of Commerce:** After participating in an IV program, the Chief of the Methodology and Development Department of the Leningrad *Oblast* (Region) was able to influence the formulation of a new *oblast* law on taxation by arguing to Leningrad *Oblast* senior officials that, as in the United States, an important link exists between tax exemptions and reinvestment in the region. Another participant, the Director of the Business League of Entrepreneurs of Yekaterinburg, used ideas she picked up on her IV program to convince legislators to tax small businesses on real income, not estimated profits.
- **Judicial and Prison Reform:** After participating in an IV program, the Chief of Penal Colony Number Two in Yekaterinburg agreed to spend the money necessary to upgrade security and make more effective use of information technologies in his facility. The participant also acknowledged that cooperation between U.S. non-governmental organizations and U.S. law enforcement officials was an interesting concept he would like to study further.

U.S. Department of State – Community Connections (CC) Program: In FY 2001, 350 Russians took part in the CC Program, which targets non-English-speaking Russians. CC participants from individual Russian communities visit U.S. communities to study U.S. practices in their professional areas. CC also achieves the additional objective of acquainting Russian participants with U.S. society and culture through home-stays, as well as cultural and social events. Program topics included business development, NGO and educational administration, youth advocacy, access to information, and cultural and historical preservation.

U.S. Department of State – Business for Russia (BFR) Program: In FY 2001, a total of 300 English-speaking Russian entrepreneurs and eight local government officials (not all English-speaking) familiarized themselves with U.S. business and government structures through BFR internships in a total of more than 50 U.S. communities. This brings the total number of BFR participants since FY 1994 to 3,280. In addition to exposing Russian entrepreneurs to U.S. business practices, BFR also achieves the secondary objective of acquainting Russian participants with American society and culture through home-stays and cultural and social events.

U.S. Department of State – Productivity Enhancement Program (PEP): In FY 2001, 675 Russians participated in PEP, which is implemented by the Center for Citizen Initiatives (CCI) and provides U.S. internships for groups of Russian entrepreneurs in the management of specific business sectors, including construction, agriculture/fisheries, manufacturing, and wholesale/retail trade. A total of 2,678 Russians have participated since the program's inception in 1996. PEP participants pay for their own travel and living expenses, while PEP and the host communities cover training costs.

U.S. Department of State – Academic Exchange Programs: In FY 2001 approximately 1,100 participants (75 percent of them under the age of 30) traveled to the United States under the ECA Bureau's academic exchange programs, some of which included practical internships. Participants returned home with a deeper understanding of the foundations of democracy and market economics, as well as the concepts of government, civic activism and social responsibility. These programs included secondary school student and teacher exchanges, undergraduate and graduate (Muskie) exchanges, and programs for university faculty members. The Future Leaders' Exchange (FLEX) Program brought 355 Russian high school students to the United States for a year of study in FY 2001. Russian FLEX students participated in a special event during the Bush-Putin Summit in Crawford, Texas, in November 2001. Other program highlights are provided below:

- A participant in the Young Leaders' Fellowship Program, who works as a project administrator for the Center for Civil Initiatives and Social Partnership in Vladivostok, is developing new seminars and workshops to increase awareness of HIV/AIDS in his community. The Center's seminars will concentrate on high school students and will teach participants the "Five Steps to Health" Program, which the participant learned while volunteering at the AIDS Response Effort in Winchester, Virginia, as part of the Young Leaders' Program.
- A participant in the FSA Contemporary Issues Fellowship Program from Chita conducted research in the Department of Alaska Native and Rural Development at the University of Alaska in Fairbanks. In keeping with her research on adapting indigenous peoples to modern conditions, the participant was able to take advantage of the vast resources on native cultures in Alaska. At the Circumpolar Indigenous Leadership Symposium in Fairbanks, she gave a presentation on problems in the health-care system for Siberian natives, and she also published an article in the *Anchorage Daily News* on the health crisis in Russia. Upon returning to Russia, she established the NGO "Heritage," which works to support different ethnic groups from the region of Chita.
- As part of the Regional Scholar Exchange Program, the Kennan Institute annually awards the Galina Starovoitova Fellowship for study in the United States to a prominent Russian scholar or policy maker who is advancing human rights and conflict resolution in Russia. The FY 2001 Starovoitova fellows are Alexander Nikitin and William Smirnov. Alexander Nikitin, a researcher representing the Norwegian environmental organization Bellona in St. Petersburg, was arrested in 1996 and spent nearly a year in a Russian jail for co-authoring a report that warned of potential nuclear hazards in the Arctic Ocean. As a Starovoitova Fellow, he is studying non-governmental organizations and their relations with the Russian Government. William Smirnov heads the Political Science Department at the Moscow branch of the Russian Academy of Sciences. He has promoted human rights and an end to the conflict in Chechnya. While in the United States, Smirnov is conducting research on political rights in the twenty-first century.

U.S. Department of State – College and University Partnerships: In FY 2001, the ECA Bureau supported 12 new partnerships between Russian and U.S. educational institutions, focusing on a wide range of topics, including distance learning, economics, business administration, law, political science, civic education, public administration and the social sciences. Program highlights are provided below:

- Since 1998, the University of Maryland, with support from an ECA Bureau university partnership grant, has helped the St. Petersburg State University of Architecture and St. Petersburg State University develop a certificate program in urban management and planning. The certificate program introduced new courses on financial analysis for real-estate development and land-use planning. The first two classes, which included students and faculty, completed the certificate program in 2001, and a third class of mid-career professionals has enrolled in the program.
- The University of Washington received a university partnership grant in 2000 to promote curriculum development, research and outreach on issues related to micro-finance in Siberia. In the first year of the program, faculty exchanges with Irkutsk State University and the Siberian Academy of Public Administration resulted in the development and implementation of new course modules addressing program design, management, and evaluation, as related specifically to micro-finance projects. Program participants are also preparing case studies on micro-finance that will be used to enhance the curricula at all three partner institutions. As part of the outreach element of this project, the partner institutions are working with the Siberian International Microfinance Association (SIMA) to assist with practical implementation of micro-finance projects.

U.S. Department of State – “English as a Foreign Language” (EFL) Fellows Program: The EFL Program in Russia is the ECA Bureau’s largest EFL program worldwide. In FY 2001, nine EFL Fellows served in cities throughout Russia, roughly half of them in Western Russia and half in the Urals and Siberia. During the past year, EFL Fellows made a number of significant contributions to teacher development in Russia. As a group, they visited nearly 30 cities throughout Russia and organized conferences at their host sites. With a grant from the EFL Program, an EFL Fellow based in Pskov wrote a methodology manual that was published and distributed to all schools in the Pskov Region. Another EFL Fellow who was based in Tomsk provided Internet training to students.

U.S. Department of State – Alumni Programs: Maintaining contact with and among alumni of U.S. Government-funded exchange programs is a high priority, and every effort is made to reinforce the exchange-program experience after participants return home. Alumni activities organized in FY 2001 under the coordination of the U.S. Embassy’s Alumni Working Group included conferences, networking opportunities, career development seminars, job forums and U.S. Embassy and Consulate events. FLEX, Muskie/FSA and scholarly program alumni have established strong alumni associations. In FY 2001, the Department of State increased its focus on the alumni of professional exchange programs by providing them with Internet access and small grants and by encouraging the creation of alumni associations.

USAID Training Programs: USAID’s training programs build skills that Russian leaders, professionals and young entrepreneurs need to function effectively and manage their organizations in a market economy. People-to-people contacts expose Russians to U.S. values and approaches. Since 1993, USAID has provided U.S.-based training to more than 9,000 Russians, thus facilitating the development of community-based programs and strengthening NGOs, professional associations and business relations. In FY 2001, more than 300 Russians participated in USAID’s training programs in areas such as social welfare, the environment, support for small and medium-sized enterprises (SMEs), and the development of alumni associations. For example, U.S. training in association-building helped the Chair of the Institute of Professional Auditors to unite accounting and auditing organizations across Russia. USAID participates in and supports the efforts of the U.S. Embassy’s Alumni Working Group. A series of innovative USAID-funded management workshops for alumni of U.S. Government exchange and training programs facilitated the creation of new alumni groups in Samara and Novgorod and the significant strengthening of alumni associations in Tomsk, Khabarovsk and Vladivostok. In FY 2001, a new follow-on training activity was initiated to continue USAID’s cross-sectoral training and to strengthen Russian institutions to enable them to become training providers.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, USDA's Cochran Program continued to support agricultural reform in Russia, organizing short-term exchange programs for 30 Russian agriculturalists—in particular, senior and mid-level specialists and administrators concerned with agricultural trade agribusiness development, management, policy and marketing from the public and private sectors. The Cochran Program was initiated in Russia in 1993. Since that time, over 600 Russians have received training in the United States. Training activities included programs in food safety, trade, banking and finance, food processing, farm management, agricultural credit and credit unions.

U.S. Department of Agriculture (USDA) – Faculty Exchange Program (FEP): In FY 2001, FEP provided nine qualified university educators with five to six months of practical training at U.S. agricultural universities. FEP selects participants from progressive Russian agricultural institutions who want to increase their capability to develop academic and adult education programs and curriculum to teach agricultural economics, marketing, agribusiness, and agrarian law in a market-based economy. FEP has established a number of linkages between U.S. and Russian universities and has supported follow-up support visits by U.S. faculty to their FEP counterparts in Russia. Since its inception in 1995, FEP has trained 50 Russian participants from 26 different universities, institutes, and agricultural training institutions.

U.S. Department of Agriculture (USDA) – Emerging Markets Program: In FY 2001, USDA continued to provide technical assistance and training to improve the ability of the Russian Federation's State Committee on Statistics (GosKomStat) to furnish sufficient and timely statistical information on Russian agriculture. With USDA assistance, GosKomStat prepared and published a comprehensive report on the situation of private farms in Russia using data developed from the first nationwide agricultural economics survey of private farms conducted in Russia in June-July 2000. USDA will focus its future efforts on conducting a comprehensive review of the survey process being used in Russia and on assessing the feasibility of developing software to help analyze data on private farming.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, the SABIT Program sent 238 Russian managers and scientists to U.S. companies for hands-on training ranging from four weeks to six months in duration, in such industries as oil and gas exploration and production, banking, construction, health care, environmental technologies, lab accreditation, telecommunications, retail, tourism, accounting, timber, leasing, packaging and SME association development, among others. A total of 73 Russians took part in the regular SABIT program and 165 took part in specialized programs in areas such as environmental technologies, standards, business management for women, services, energy efficiency and timber, and business association development. SABIT organized several regional alumni conferences and seminars throughout the year, and SABIT alumni were also active in other events for alumni of U.S. Government-funded exchange programs. SABIT has developed a regional program for the Tomsk *Oblast* (Region) to support the U.S. Government's Regional Initiative. Two training sessions conducted in FY 2001 for the Tomsk *Oblast* rounded out the three-session program that began in 2000: a construction and energy efficiency program trained 19 construction experts, and a timber and wood processing session trained 18 timber- and wood-processing professionals.

Peace Corps:

- **Business Education:** In FY 2001, 30 Peace Corps Volunteers (PCVs) taught a full range of modern business theory and practice in universities, institutes, secondary schools and NGOs in 19 communities in western Russia. The PCVs conducted a total of almost 3,000 classes, lectures and seminars. The business education PCVs also established six resource centers, which are providing Internet access to their respective communities.
- **Teaching English as a Foreign Language:** Peace Corps continues to cooperate with the Ministry of Education (the official host organization of PCVs in Russia) to promote and strengthen its programs. In FY 2001, 149 PCVs taught various aspects of the English language in 89 secondary schools, 31 universities, 13 pedagogical universities, six retraining institutes, three public-service academies, five colleges and nine NGOs located in 70 communities of western Russia and the Russian Far East. The PCVs taught 1,432 courses in conversational English, American and British literature, and American history and culture; delivered 168 lectures; organized and conducted 506 seminars and workshops; nominated 38 candidates for exchange programs; established 19 English resource centers and improved 25 community resource centers; and organized 34 summer camps.

Democracy Programs

USAID NGO Development Program: USAID's NGO support program seeks to strengthen Russia's NGO sector by stimulating grassroots citizen participation—especially among youth—in the economic, political and social life of their communities in 24 regions throughout Russia, including southern Russia, Siberia, the Russian Far East, and the Novgorod and Samara regions. The program works through a network of 30 NGO resource centers to help NGOs improve their organizational capacity and financial viability, as well as the NGO sector's image. These resource centers administer small-grants programs and provide technical training and consulting services. The centers provide approximately 43,000 consultations to NGOs each year. In 2001, the program engaged over 21,000 young people in the network's activities.

USAID Support for Human-Rights Monitoring: USAID has supported the creation of a network of human rights NGOs in each of Russia's 89 regions, which for three years has monitored and reported on the human rights situation both locally and nationwide, and has developed the ability to draw public attention to specific human rights issues as they arise. Other USAID-funded human-rights programs offered programmatic support and made facilities available to NGOs working on issues such as the rights of minorities, refugees, psychiatric patients and other groups.

USAID Political Process Programs: USAID is supporting Russia's political development by enhancing citizens' understanding of democratic principles and encouraging the development of a multi-party system. With USAID assistance, the St. Petersburg League of Women Voters has grown from six to 14 chapters in northwest Russia over the past two years and has effectively stimulated voter turnout. Similarly, the USAID-supported VOICE Coalition has expanded into 15 regions over the past year and deployed more than 400 volunteers to monitor local and regional elections in Astrakhan, Yekaterinburg, Chelyabinsk and Yaroslavl. In order to increase the transparency of the electoral process, the USAID-supported Institute for Electoral Systems Development (IESD) posted the five drafts of the political party law on its website (www.democracy.ru) and prepared a comparative analysis of the draft laws. In February 2001, in cooperation with Moscow's Carnegie Center, IESD conducted a seminar on political party law.

USAID Domestic Violence and Gender Equality Programs: USAID provides support to 35 women's crisis centers through a small-grants program. Over the past two years, the calls to these crisis centers have almost doubled. USAID has also contributed to the organizational strengthening of the Russian Association of Crisis Centers. As part of its targeted assistance to promote civil society and improved human rights, USAID continues to support NGOs that seek to promote and defend women's rights in Russia at the policy level.

USAID Local Governance Programs: USAID works with local governments, businesses and NGOs (the Institute for Urban Economics, in particular) to strengthen the institution of local governance and improve life in Russian cities. The common goal of these activities is to increase the capacity of local governments to mobilize financial, human and physical resources, improve and maintain the delivery of key social services, and provide a foundation for sustained local economic growth.

USAID Independent Media Programs: In FY 2001, USAID continued to provide comprehensive assistance to Russia's independent media. Assistance ranged from professional journalism training to media-related business and legal support activities. USAID is working through and is strengthening a broadcast media NGO (Internews-Russia) and a print media NGO (the Press Development Institute). A regional news competition "News—Local Time" launched by Internews three years ago has changed the landscape of broadcast journalism in Russia, bringing together representatives of regional television stations that previously worked in isolation, drawing national attention to the accomplishments of local news programs, and motivating a young and rapidly developing community of journalists to think more seriously about their role as builders of civil society. In 2001, "News—Local Time" won the prestigious TEFI professional television award (the Russian analog of the Emmy) for the best television event of the year. USAID works closely with other sections of the U.S. Embassy, particularly the Public Affairs Section, to coordinate the U.S. Government's support for independent media.

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 17 grants totaling \$190,000 to local NGOs. The grants funded projects in the areas of human rights (particularly women's, children's and prisoners' rights), volunteerism, combating domestic violence and trafficking in people, health awareness for youth, and ethnic relations. The Democracy Commission awards small grants directly to democracy-building organizations in Russia, enabling them to develop their own programs and become self-sustaining over the long term.

U.S. Department of State – Women's Leadership Programs: The U.S. Embassy's Democracy Commission awarded a grant to the Association of Women Journalists and the women's magazine *We* to publish three special issues of the magazine: "Say No to Trafficking," "Women's Way to Politics," and "Women and Freedom of Speech." The release of each issue of the magazine was accompanied by a roundtable discussion designed to draw the attention of NGOs, media and government officials to these important issues. The State Department's International Visitor (IV) and Speaker Programs also supported projects in women's leadership. In addition, under its Training Grant Program, the State Department awarded a grant to support women environmental activists—for additional details, please see Partnership Programs section below.

U.S. Department of State – Civic Education Programs: In FY 2001, the U.S. Embassy's Public Affairs Section funded eight projects to support curriculum development, workshops and conferences, the opening of a civic education center, and a new database of civics resources.

U.S. Department of State – Media and Democracy Programs: The U.S. Speakers and Specialists Program, which is administered by the Office of International Information Programs (IIP), aims to facilitate communication between key foreign audiences and individual U.S. experts representative of a broad range of informed opinion. In FY 2001, a total of 49 U.S. speakers and specialists and professionals-in-residence traveled to Russia to share their expertise in media and other democracy-related topics, including the role of the press in a democracy, U.S. legal institutions, public administration and management. The Professionals-in-Residence (PIR) Program sends U.S. consultants for three weeks to ten months in fields such as media to act as consultants to media outlets and NGOs. In FY 2000, a PIR helped guide the former National Press Institute (NPI), now renamed the Press Development Institute (PDI), through a transition in its management and organizational mission. The PDI's emphasis has now shifted to newspaper management and legal assistance for journalists. In FY 2001, a PIR was assigned to PDI to consult with local newspapers on design issues. Over a three-month period, the PIR worked with two newspapers in St. Petersburg and four in northwest Russia, and conducted a seminar in Moscow. As a result of these consultations, several newspapers made dramatic changes in their design and advertising. Other U.S. media specialists traveled to Russia to advise on journalism curriculum development, the court system and the mass media, media law and ethics, and television news production.

U.S. Department of State – Internet Access and Training Program (IATP): IATP, which fosters the development of the Russian-language Internet by providing free and open Internet access and training to target audiences and alumni of U.S. Government programs, continued to expand in FY 2001: 25 new public-access Internet facilities were added to the network, for a total of 57 IATP public access sites in 36 communities across Russia. IATP, which is administered by the Bureau of Educational and Cultural Affairs (ECA), conducts training programs, professional workshops, and online events that promote the Internet as an educational tool and give Russian citizens the skills to develop quality Internet resources. The alumni association Professionals for Cooperation worked closely with IATP. In 2001, more than 3,000 alumni of U.S. Government programs participated in 423 training events, and approximately 25,000 alumni used IATP sites for Internet access.

U.S. Department of State – Book Translation Program: The U.S. Embassy's Public Affairs Section awards small subsidies to commercial publishers to help them bring translations of U.S. books to the Russian market. The goal of the program is to ensure the widest possible availability of U.S. works at affordable prices, while supporting the development of an independent publishing industry. In FY 2001, 11 new grants were awarded. Publishing projects selected for support included books on American society, history and thought, political science, business and economics, and ecology.

U.S. Department of State – Library Assistance: The U.S. Embassy's Public Affairs Section has an ongoing program of cooperation and assistance to public libraries throughout Russia, including the provision of print and electronic resources on the U.S. Government, business and society, and English-language training. The goal of this technical assistance is to help Russia's public libraries develop as modern institutions by providing free and open access to information.

U.S. Department of State – Regional Information Resource Programs: The Office of International Information Programs (IIP) supports a number of projects in Russia through its Moscow-based Information Resource Officer (IRO). In FY 2001, the IRO's Office was instrumental in launching the American Corners Program, opening sites in twelve Russian cities: Novgorod, Samara, Togliatti, Khabarovsk, Vologda, Petrozavodsk, Ufa, Kazan, Volgograd, Irkutsk, Novosibirsk and Yuzhno-Sakhalinsk. The American Corners in Samara, Togliatti, Khabarovsk and Yuzhno-Sakhalinsk help enrich the U.S. Government's ongoing Regional Initiative (RI) projects in those regions, while the American Corner in Novgorod acts as a base for post-RI follow-up activities. (See RI section below for further details.) The IRO's Office is also very active in conducting outreach and technical training. In FY 2001, the IRO's Office developed a grant-writing manual for NGOs, provided information to libraries and universities throughout Russia, conducted media outreach and trained advanced library-science students at the Moscow State University for Culture. The IRO's Office continuously promotes U.S. Government programs in Russia, highlighting the print, CD-ROM, and web-based resources produced by IIP and the Regional Program Office in Vienna. In FY 2002, the U.S. Embassy's Public Affairs Section plans to open new American Corners in St. Petersburg, Vladivostok, Arkhangelsk, Saratov, Omsk and Perm, and the IRO's Office will be providing online commercial database subscriptions to the Information Resource Centers (IRCs) in Moscow, St. Petersburg and Vladivostok.

USAID Rule-of-Law Programs: USAID's rule of law programs focus on judicial reform, legal education, professionalism and advocacy, human rights and anti-corruption. In FY 2001, USAID continued to work with the Russian judiciary, with both the commercial (arbitrage) courts and the courts of general jurisdiction. U.S. legal educators have popularized the clinical legal education model in Russia, with many Russian law schools now offering practice-based education. Of the dozens of clinics that have participated in this program, four clinics now serve as models for clinical education. USAID also supported public-interest law clinics, which over the past 18 months represented the interests of 7,000 workers and 220 trade unions in 2,720 hearings, resulting in \$222,700 in awards. In addition, USAID's SPAN Partnership Program supported the efforts of the Vermont/Karelia Rule-of-Law Project and the Union of Jurists of the Republic of Karelia to expand the student legal clinic at Petrozavodsk State University, which became the primary legal service provider for the indigent in Petrozavodsk. The partners also disseminated their experience to law schools in other Russian regions that are seeking to establish legal clinics. USAID's anti-corruption grantees have worked with local governments to promote budget transparency and a citizenry more informed of its legal rights. In FY 2001, USAID launched a new rule-of-law activity to continue programs in support of judicial reform—in particular, support for improved court administration, judicial training and a greater emphasis on judicial ethics, which is now incorporated into the Judicial Academy's training upon USAID's recommendation.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Please see Security, Regional Stability and Law Enforcement Programs section below.

U.S. Department of Justice (DOJ) – Rule-of-Law and Criminal Justice Programs: Please see Security, Regional Stability and Law Enforcement Programs section below.

Economic Development Programs

U.S. Department of the Treasury – Technical Advisors:

- **Budget Policy and Management:** The Treasury Department's resident budget advisor focused on reforming the Russian Treasury's accounting, budgeting and cash management systems and on modernizing its information technology. The advisor's primary role is to recommend and implement changes to the accounting system and the standards used for government accounting. The Federal Target Program of Federal Treasury Development for 2000-2004, which was approved in 1999, provides a sound blueprint for upgrading the ability of the Russian Treasury to execute and report on the federal budget. The U.S. Treasury budget team's ongoing program with the Russian Chamber of Accounts (COA) has continued to strengthen the COA's ability to provide the State Duma with independent information on executive budget proposals and on budget execution. In November 2001, an exchange provided high-level Chamber of

Accounts officials with an overview of U.S. executive and legislative budget procedures in Washington, D.C. and Boston.

- **Enforcement:** Throughout 2001, the Treasury Department's Enforcement Team worked with the Department's Financial Institutions Team in Moscow to assist the Suspicious Transactions Department of the Agency for Restructuring Creditor Organizations (ARCO). In addition, the Treasury Department sent representatives to the Ministry of Internal Affairs (MVD) Academy in Nizhny Novgorod and the Public Service Academy in Yekaterinburg for the three-day conferences held by the American University's Transnational Crime and Corruption Center (TraCCC) in each city. (For additional details on the TraCCC program, please see Security, Regional Stability and Law Enforcement Programs section below.)
- **Financial Institutions:** The Treasury Department assigned a resident advisor to ARCO from 1999-2001. This advisor provided continuous support to ARCO in fulfilling its mandate of managing and pursuing resolution of problem banks placed under its administration. To date, 21 banks from across Russia have been assigned to ARCO by the Central Bank of Russia, and successful tenders have been conducted for seven of these banks. The advisor also facilitated short-term technical assistance on deposit insurance, asset management methodologies and technology, and auditing. After the advisor completed his assignment in July 2001, the Treasury Department provided intermittent assistance in the area of internal auditing and control.
- **Tax Policy and Administration:** The Treasury Department has begun a gradual two-year phase-out of its technical assistance program in tax policy and administration. The Department proposes to continue to fund the other resident advisor working in information technology assistance, who will be supported by additional intermittent advisors, until August 2003.

USAID Think-Tank Support Project: A total of 27 think tanks and analysts from across Russia received grants to analyze critical pieces of Russia's economic reform agenda, such as a law reducing administrative barriers to small and medium-sized enterprises (SMEs). USAID also supported an actuarial analysis by the Independent Actuarial Center, a study that was critical to pension reform legislation passed by the State Duma this summer, moving the pension system closer to being fully funded. USAID-funded visits by international economists focused the attention of the Russian Government and key economic policymakers on currency exchange rate issues caused by the high price of oil on world markets.

USAID Fiscal Reform Programs: USAID's fiscal reform activity continued to provide technical assistance to the Russian Government at the federal, regional and local levels in the area of inter-governmental fiscal relations. Through this program, USAID is also working to build the institutional capacity of the Center for Fiscal Policy (CFP), a Russian organization that specializes in public finance and inter-governmental fiscal issues. With USAID support, CFP conducted in-depth analyses of the budget process in various areas, including transportation, science, penitentiary and judicial systems, and extra-budgetary revenues of state enterprises. Based on these analyses, CFP presented the Ministry of Finance with several inter-governmental fiscal reform recommendations that were incorporated into Russia's Budget Code. These changes will facilitate inter-governmental budget negotiations, make inter-governmental revenue transfers more predictable, and create incentives for local governments to increase revenue collections and rationalize spending. The FY 2002 Russian federal budget incorporates recommendations by the CFP to streamline the budget process and improve the efficiency of federal spending, thereby making the budget process more transparent, fair and rational. In addition, the Institute for the Economy in Transition (IET), another USAID grantee, developed tax legislation that was subsequently passed by the State Duma, reducing the corporate-profits tax rate from 35 percent to 24 percent. In January, the Russian Government also began implementing new 13-percent personal income tax rate legislation developed by IET and passed by the Duma in 2000. As a result of this new legislation, personal income tax revenues increased 54 percent during the first seven months of 2001, due to an expanded tax base and increased tax collection. USAID's ongoing and previous local-level pilot activities in land and real estate markets, municipal finance, social assistance, communal services and strategic development planning were used in the development of federal-level policy and legislative reform initiatives. Examples include the Russian Federation Land Code, passed by the State Duma on September 28, 2001 and adoption in July 2001 of the "Midterm Program for Socio-Economic Development of the Russian Federation, 2002-2004" (known as the Gref Plan). Other successes at the local level include numerous municipalities that are adopting new practices to better target and privatize social services, operate transparently and in full partnership with businesses and NGOs, and increase their capacity to advocate for federal-level changes.

USAID Regional Economic Development Programs: Under a grant from USAID, the first comprehensive workforce assessment for the Sakhalin oil and gas sector was developed in cooperation with the University of Alaska. This assessment describes workforce needs and delineates actions to meet Russian content requirements for the anticipated sizeable U.S. investments in the region. Also with USAID support, the University of Alaska collaborated in the preparation of the Sakhalin Fund for Future Development that was passed into law by the Sakhalin Duma (local parliament). This fund is modeled on the Alaska Permanent Fund and calls for a portion of Sakhalin's future resource revenues to be used to finance education and sustainable development projects for Sakhalin residents.

U.S. Securities and Exchange Commission (SEC): In November 2000, the SEC's Office of International Affairs participated in corporate governance programs sponsored by the Organization for Economic Cooperation and Development (OECD) and the Russian Federation's Commission on the Securities Market (RFCSM) in Moscow and St. Petersburg, respectively. In May 2001, the SEC worked with the Financial Services Volunteer Corps (FSVC) to conduct two corporate governance workshops at regional offices of the RFCSM in Krasnoyarsk and Irkutsk. The purpose of the workshops, which were attended by RFCSM and private-sector representatives, was to outline and contrast U.S. corporate governance practices with existing and proposed Russian corporate governance practices. In April 2001, SEC staff delivered a one-day overview of U.S. securities law investigation, enforcement and litigation practices at the SEC's Washington headquarters for a group of approximately 20 visiting Russian prosecutors. In July 2001, the Director of Regional Office Operations in the SEC's Division of Enforcement and the Associate Regional Director of Broker-Dealer Regulation in the SEC's Northeast Regional Office delivered a three-day training program in St. Petersburg for representatives of the RFCSM's ten western regional offices and for selected senior headquarters staff of the RFCSM. Approximately 30 RFCSM representatives attended the training, which focused primarily on enforcement and procedures for examining broker-dealers and self-regulatory organizations. In FY 2002, the SEC plans to comment on the draft Russian Corporate Governance Code and to continue to participate in the OECD's efforts to improve Russian corporate governance. The SEC also plans to reschedule and deliver a second enforcement and examination training program in Russia for the RFCSM's eastern regional offices, which was postponed due to the September 11 events.

U.S. Department of Transportation (DOT) – Federal Aviation Administration (FAA):

- **Development and Operation of Air Traffic Routes:** The FAA participates in several bilateral and multilateral forums aimed at the development and efficient operation of air traffic routes over Russia and the modernization of Russian air traffic control systems using modern air traffic control and communications technologies. These forums include the Russian-American Coordinating Group for Air Traffic Control and the International Civil Aviation Organization's (ICAO) Informal Trans-Asia/Trans-Siberia/Cross-Polar Routes High-Level Steering Group. To promote the shorter, more fuel-efficient air traffic routes over the Russian Far East, the FAA has actively pursued efforts to install and operate satellite voice communications between air traffic control centers in Alaska and the Russian Far East. The FAA is also working with the National Oceanic and Atmospheric Administration (NOAA), Russia's State Civil Aviation Authority (SCAA) and NOAA's Russian counterpart RosHydroMet to expand the dissemination of meteorological information necessary for operation on Russian air routes.
- **Russian-American Flight Standards Working Group:** The FAA participates in a working group consisting of U.S. flight safety and legal experts and their counterparts from the SCAA. The group meets twice a year (on average) to discuss air safety projects of mutual benefit, as well as addressing issues necessary to insure the safety of air operations between the United States and Russia.
- **Visual Flight Rules (VFR) Working Group:** In FY 2001, the FAA's Alaska Region and the Alaska Airmen's Association hosted a series of activities for SCAA flight-standards and air-traffic personnel to facilitate the development and opening of a new low-level general aviation VFR route from Nome, Alaska, to Provideniya, Russia, and to develop a general aviation sector in Russia. A demonstration flight was conducted on the Nome-Provideniya route in September 2000. Other activities included the development of other routes, flight procedures, and information-sharing on the technology and procedures associated with the U.S. flight service-station system, as no comparable system exists in Russia at this time.

- **Sharing GPS Technology:** The Capstone Project is a demonstration of relatively affordable applied global positioning system (GPS) technology coupled with digital data-link communications that enables delivery of text and graphic information to pilots. The FAA's Alaska Region hosted visits by SCAA representatives from Moscow and Tyumen, which resulted in requests for collaborative research and evaluation of Capstone technology for potential use in Russia. These requests are currently being considered by the FAA and U.S. industry. In addition, the FAA offered the eight nations of the Arctic Council (which includes Russia) an opportunity to participate in reviewing and evaluating results and applications of Capstone technology.
- **Accident Investigation Working Group:** The FAA participates in a bilateral working group chaired by the U.S. National Transportation Safety Board (NTSB) and the Russian Interstate Aviation Committee (MAK) focusing on accident and incident prevention and investigation. The aim of this working group is to review the U.S. and Russian accident prevention programs and share investigative techniques.
- **Expansion of Bilateral Air Safety Agreement:** In FY 2002, the FAA will start working with the MAK to expand the U.S.-Russian Bilateral Aviation Safety Agreement to cover large, Russian-made helicopters. Work will focus on technical cooperation in a "shadow" certification program, which will review Russia's capabilities in design, production and airworthiness certification of large helicopters. The project will work toward the goal of FAA-type certification of certain Russian helicopters. Program costs will be reimbursed by the MAK.
- **Cooperative Research on Titanium Use in Aircraft Engines:** The FAA has concluded a cooperative agreement with the Central Institute of Aviation Motors, under which U.S. and Russian experts are working to develop an international database on titanium use in turbine engines.
- **Computer Equipment:** The FAA has loaned computer equipment to its counterparts in the Magadan Region to expedite the exchange of safety data and communications via the Internet.

Trade and Investment Programs

U.S. Department of Commerce (DOC) – U.S.-Russia Business Development Committee (BDC): U.S.-Russian dialogue on economic reform and commercial development continued in FY 2001 within the framework of the U.S.-Russia BDC, which is administered by the DOC. The BDC actively continued its efforts through its numerous subgroups, including Information Technologies and Telecommunications, Healthcare Industries, Commercial Taxation, Banking and Financial Services, and Standards.

- **Promotion of Information Technology:** The BDC supported exchanges of information between the U.S. and Russian Governments and business communities on the regulation and promotion of information technology in Russia. In October, the BDC's bilateral Information Technologies and Telecommunications Working Group, co-chaired by the DOC, discussed the latest electronic commerce trends and impediments in each country, and DOC staff arranged meetings in Washington for Russian officials with other U.S. Government agencies, the World Bank and private companies. Through a video conference in March, the Group discussed telecommunications, information technology, and e-commerce issues raised in Russian Government policy statements. The DOC co-chair held further discussions in Moscow in May on solutions to obstacles in Russia to growth of information technology and telecommunications.
- **U.S.-Russia Rail Initiative:** Russia's railways play a critical role in the country's economy, hauling over 85 percent of freight cargo exports; however, Russia's freight rolling stock and locomotives are in dire need of modernization. Experts agree that U.S. companies could be Russia's best source of technology and equipment. BDC funds supported a DOC mission to strengthen contacts between U.S. rail suppliers and Russian Government officials and rail industry representatives. DOC-organized consultations culminated in the signing of a memorandum of understanding providing for harmonization of standards by the American Association of Railroads and the Russian Ministry of Railways.
- **Good-Governance Project:** The Good-Governance Project built increased awareness of business ethics and effective commercial dispute resolution through roundtables, training seminars and publications. Commerce Secretary Evans participated in a Moscow roundtable on business ethics, during which he gained an appreciation for the increasing emphasis that Russian Government officials and business representatives are placing on business ethics and corporate governance. Preparations were completed for the first of a series of business ethics training seminars in the Russian Far East (RFE) that will build awareness and help companies develop their own codes of conduct. Corporate governance seminars in St. Petersburg and Moscow set the stage for development of a *Corporate Governance Guide for Russian Enterprises* in FY 2002. In addition, a *Handbook on Commercial Dispute Resolution in the Russian Federation* was published in Russian, and 3,500 copies were widely distributed, as demand for the English and Russian editions continued to grow. Russia's new draft of the criminal code eliminated the prosecutor's role in business disputes—a key concern addressed in the *Handbook*.

- **Customs Link Entry/Exit America-Russia-Pacific (CLEAR-PAC):** The CLEAR-PAC team developed and tested software that will electronically connect the Russian Customs Service with customs brokers, enabling inspectors to review documents, make inquiries, and issue decisions regarding each stage of the customs clearance process before shipments arrive in Russia. In Vladivostok, the majority of shipments processed using this system were cleared and released to the importers within two hours, whereas clearances normally can take several days or weeks. The software was approved for regular operations at Vladivostok, and CLEAR-PAC initiated steps to install and test the software in Sakhalin. CLEAR-PAC also began a module to fully automate the processing of transit cargo and submitted a plan to the State Customs Committee for approval. In addition, the CLEAR-PAC team began planning the design and development of an electronic link allowing shipping data for goods originating from the United States to be transmitted directly to Russian Customs and/or customs brokers while the shipments are still en route.
- **U.S. West Coast-RFE Ad Hoc Working Group (AHWG):** The AHWG held its sixth annual meeting in the Republic of Buryatia in September 2001. Representatives of nine Russian regions and four U.S. states participated. Federal government representatives participated in ongoing discussions on bilateral trade in sustainable development and energy, telecommunications (including telemedicine), forestry, transportation, tourism, fisheries, finance and mining. In FY 2001, the AHWG continued joint region-to-region cooperation to strengthen good governance approaches to improving the business climate through its 12 industry sectors, while maintaining a dialogue on existing commercial barriers and policy recommendations to ease restrictions on regional trade. The AHWG focused on the national trade policy priorities of the Bush and Putin administrations, including promotion of the rule of law, oil-and-gas/energy development in the RFE (with an emphasis on commercial opportunities for U.S. West Coast companies), the resolution of key transportation issues and barriers to entry of air traffic between the regions, and further collaboration between the AHWG and the newly formed Russian-American Business Dialogue. The Governor of Alaska will host the AHWG's 2002 annual meeting in Anchorage. Sector-by-sector highlights from FY 2001 are provided below:
 - **Ecology:** The AHWG focused on Buryatia as a model for sustainable development that balances sound economics and bio-diversity. AHWG members participated in ecology conferences on issues such as fisheries management and the promotion of ecological concerns in forestry, mining, tourism and oil and gas development.
 - **Transportation:** Russia has included the East-West Intermodal Corridor (EWIC), which links the United States, Russia, Japan and Northern China, into its Federal Program of Modernization of the Transportation System of the Russian Federation. Russian and Chinese participants are also seeking the inclusion of the CLEAR-PAC system (described above) to expedite customs clearance. The Transportation Roundtable met in Alaska to evaluate the barriers to entry of U.S. and Russian carriers into the U.S. West Coast-RFE market, given the fact that the last U.S. carrier has pulled out of the region. A survey was conducted, with input by the AHWG, on the possible start-up of transportation services between Alaska and Sakhalin Island, but the companies that had expressed interest decided against entering the market.
 - **Telecommunications and Information Technologies:** The AHWG focus on organizing and developing telemedicine projects between the RFE and the U.S. West Coast, especially rural health-care delivery systems that tackle chronic public health challenges of epidemic proportions in several regions of the RFE.
 - **Finance:** The AHWG explored micro-financing mechanisms targeted at women and other small- to medium-sized enterprises within the framework of the Russian banking sector and called for the development of micro-financing services in the RFE using foundations and other organizations that offer such services.
 - **Business Ethics:** As part of the Commerce Department's Good-Governance Program described above, a business ethics seminar was held in Buryatia. In addition, a DOC-produced ethics publication was distributed widely through the AHWG communications network, listserv and mailing lists. In FY 2002, DOC and the AHWG will jointly organize a series of good-governance seminars in the RFE.

- **Training/Skill Development:** The AHWG also focused on the need for better use of intellectual capital in Eastern Siberia, the RFE and the U.S. West Coast in developing innovative solutions to commercial barriers in agriculture, tourism, finance, energy and transportation. A series of recommendations for enhancing the RFE's autonomy in curriculum development was developed and submitted to the Ministry of Education.
- **Support for USAID RFE Partnership Program:** The AHWG made significant contributions to the implementation of USAID's RFE Partnership Program, tapping into its extensive network of contacts to promote grant opportunities, organizing pre-bid seminars on the U.S. West Coast, and conducting grant-writing workshops in Anchorage, Seattle and San Francisco.
- **Development of Contacts with Chukotka:** The AHWG organized a U.S. visit for Chukotka Governor Abramovich that included meetings at the Boeing Company, as well as at fisheries and tourism and Arctic construction companies in the Puget Sound region; tours of the ports of Seattle, Tacoma and Everett; a meeting with the Governor of the State of Washington, Gary Locke; and a speech to a joint meeting of the Washington State House and Senate.
- **Development of Buryatian Travel/Tourism Contacts:** The AHWG organized a visit to the Puget Sound region by Buryatian travel/tourism officials, including a 14-day training program emphasizing hotel and motel management.

U.S. Department of Commerce – Commercial Law Development Program (CLDP): FY 2001 was the first full year in which CLDP concentrated on program activities, instead of funding a full-time advisor to the Ministry of Economic Development and Trade (MEDT) as in previous years. CLDP organized seminars for Russian Government and State Duma officials in Washington on drafting legislation necessary for Russia's accession to the World Trade Organization (WTO) and on protecting intellectual property rights, as well as a seminar in Moscow on sanitary and phytosanitary standards. CLDP also continued short-term training for Russian Government academics at Purdue University on economic models for analyzing the effects of WTO accession. CLDP has funded a U.S. expert working with the Russian Patent and Trademark Agency (RosPatent) to develop training programs and materials on enforcement of intellectual property rights. To build Russian public understanding of the WTO, CLDP worked with MEDT throughout the year to develop a WTO accession website in Russian, and a quarterly newsletter on the WTO, both of which were launched successfully this summer. CLDP will continue to support both of these public education activities. At the request of Russia's chief WTO negotiator, CLDP has begun funding a conformed legal translation of the Uruguay Round Agreements into Russian, which was identified by MEDT as a high priority to help prepare for Russia's WTO accession and eventual implementation.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): Early reports estimate more than \$28 million in transactions were facilitated by BISNIS in Russia during FY 2001. Two thirds of all reported transactions were valued at less than \$100,000, representing the SME sector. In FY 2001, BISNIS published 127 partner leads and more than 100 trade leads, 90 percent of which involved enterprises outside of central Russia. BISNIS briefed more than 200 training and exchange program participants in the United States and identified business contacts for them; many also received counseling on business development resources and opportunities from BISNIS representatives in 10 Russian cities (Sakhalin, Vladivostok, Khabarovsk, Novosibirsk, Tomsk, Yekaterinburg, Nizhniy Novgorod, Samara, St. Petersburg and Moscow). In addition, BISNIS organized roundtable events and individual meetings for a number of regional leaders with U.S. business and government representatives. In addition to regular regional reporting on practical business issues, BISNIS' special focus areas during FY 2001 included health care/medical sector development, information technology, technology commercialization, overcoming cross-cultural business obstacles, and middle-class development in Russia. BISNIS assisted SMEs and women-owned businesses, and advised regional government officials. In FY 2001, BISNIS regularly delivered market information on Russia to more than 5,000 recipients—primarily U.S. companies and NGOs.

U.S. Trade and Development Agency (TDA): Highlights of TDA's FY 2001 projects include a \$112,500 grant for a study on energy efficiency and climate control upgrades at Avtovaz, a \$344,589 grant for a study on rehabilitation of Yaroslavl's water distribution network and construction of a water treatment facility, a \$455,675 grant for a study on construction of an aluminum smelter near St. Petersburg, a \$200,000 grant for a pilot project on building RFE coastal fishing vessels, and a \$300,000 grant for a study on construction of a toll road in the Novgorod Region. In the petrochemical sector, TDA provided an \$80,000 grant for a study on construction of an isobutylene plant, a \$160,000 grant for a study on modernizing the Komsomolsk Refinery, and a \$140,000 grant for a study on modernizing the Tuapse Refinery. In addition, TDA completed Definitional Missions examining opportunities in the aluminum and airport sectors, and funded a Definitional Mission examining potential expansion and equipment modernization at Children's Hospital Number 20 in Moscow.

U.S. Export-Import (Ex-Im) Bank: In December 2000, after extensive due diligence, Ex-Im Bank announced a commercial banking program that will work with 15 Russian partner banks to facilitate transactions in Russia. Ex-Im Bank continued to market its Sub-Sovereign Program, which allows qualifying *oblasts* (regions) and cities to access Ex-Im Bank financing directly, without a sovereign guarantee. Currently, four Russian sub-sovereign entities qualify for this program: the City of Moscow, City of St. Petersburg, Samara *Oblast* and the Republic of Bashkortostan. Ex-Im Bank also signed a memorandum of understanding with Delta Leasing (a subsidiary of The U.S.-Russia Investment Fund) to explore the extension of Ex-Im Bank credit to develop a leasing program to support the importing of U.S. capital equipment and services to small and medium-sized Russian enterprises. Ex-Im Bank authorized \$150.4 million in loans and guarantees and \$6.3 million in insurance to Russia in FY 2001. These transactions included the authorization of a \$30.9 million guarantee to support the sale of imaging equipment to a pediatrics hospital in Moscow. This transaction was structured under a sovereign transaction basis.

Overseas Private Investment Corporation (OPIC): In FY 2001, OPIC committed to provide \$29.5 million in financing to API Glass Partners, L.P.'s glass-bottle manufacturing expansion project in Russia.

The U.S.-Russia Investment Fund (TUSRIF): In FY 2001, TUSRIF continued to help secure private financing through a separate management company, Delta Capital Management. TUSRIF has two other subsidiaries: Delta Leasing, which provides lease financing, and Delta Credit, which is Russia's first full-service mortgage operation. To further shift its activities to the financial sector, TUSRIF purchased a bank in Moscow, now named Delta Bank, which will serve as a base for leasing, mortgage lending and other services. In the area of equity investment, TUSRIF continued to shift the emphasis of its holdings to consumer products and the telecommunications, media and technology sectors, all of which showed strong growth in FY 2001. Some examples of TUSRIF equity investments include Mail.ru (a Russian Internet portal formerly known as Port.ru) and a regional cable television venture. TUSRIF's direct investments totaled approximately \$8 million. By the end of FY 2001, TUSRIF's cumulative total investments totaled approximately \$148.5 million, and TUSRIF had drawn down a total of \$232 million from its USAID grant of \$400 million. Reflows were approximately \$24 million in 2000. Delta's Russian Far East leasing company will break even by February 2002. TUSRIF has now shifted its focus from small-business lending to small-business leasing.

European Bank for Reconstruction and Development (EBRD) – Russian Small-Business Fund (RSBF): Since its inception in 1994, the RSBF, which receives significant support from the U.S. Government, has distributed more than \$647 million in loans through its partner banks. In August 2001 alone, the RSBF disbursed over 2,640 loans totaling \$22.7 million. This represents the highest number of loans disbursed in a single month since the RSBF began operations. As of September 2001, the total amount of loans in the RSBF's small loan portfolio is up 48 percent since January 2001, and the micro-loan portfolio is up an even more impressive 66 percent in dollar terms. Given this accelerated rate of lending, the RSBF is on course to reach its target of over \$250 million in disbursements for 2001, with a monthly outreach of over 3,000 loans. In addition, the repayment rates on both micro- and small loans remain excellent, as less than one percent of RSBF's outstanding loans are in arrears.

USAID Business Development Programs: To respond to the demand for high-quality business services, USAID is strengthening the Russian private sector's capacity to deliver such services through business support institutions. Under USAID's business support program in western Russia, 54 percent of business support institutions' clients reported an average percentage increase in sales of five to ten percent within six months of receiving assistance. Ten USAID-supported business support institutions increased their client base by 36 percent after introducing new services to their clients. These institutions also reduced their operating costs by seven to eight percent after receiving training to improve their management skills, which is focused on key industry sectors. USAID's programs train entrepreneurs in good business techniques and practices, both in on-site visits in the United States and Russia. With USAID support, Junior Achievement-Russia (JAR) has taught business skills to over 1.7 million primary and secondary school students in over 6,000 participating schools across Russia. USAID's SPAN Partnership Program enabled the Volkhov International Business Incubator and the Alliance of American and Russian Women to develop a women's business exchange program that trained over 1,300 individuals, 52 percent of whom were women. In late FY 2001, USAID initiated the Integrated Business Services (IBS) Project, whose aim is to strengthen business support institutions and provide small and medium-sized enterprises (SMEs) with a sustainable source of training and advisory services. In addition, U.S. business volunteers traveled to Russia to provide enterprise-level assistance to a wide range of small businesses, improving management and technical practices. Networks of business development centers managed by the University of Alaska - Anchorage's American-Russian Center and the Russian Academy of Management and the Market have provided training and consulting services to 77,000 regional SME entrepreneurs and managers.

USAID Business Finance Programs: In an effort to address the lack of access to small-business credit through Russia's commercial banks, USAID's credit programs continued to channel resources to SMEs through non-bank financial institutions. USAID has financed over 30,000 micro-credit loans totaling over \$30 million, with an average size of \$1,000 and a 97-percent repayment rate. More than 70 percent of these loans were issued to women entrepreneurs. This financing has created or sustained over 100,000 jobs. In addition, USAID and the U.S. Department of Agriculture (USDA) jointly supported the Russian-American Lending (RAL) Program, an agricultural credit program that is working through 40 rural credit cooperatives that have extended \$2.2 million in credit to 750 farmers in 18 regions. The program, which uses market interest rates, has achieved a 99-percent repayment rate. In late FY 2001, USAID launched a program to create a Russian micro-finance resource center to enhance the long-term sustainability and availability of credit for SMEs. In addition, USAID's Loan Portfolio Guarantee Program worked with a Russian commercial bank to provide small business loans, complementing the efforts of the EBRD Russian Small Business Fund and TUSRIF/Delta Leasing in providing credit to the SME sector.

USAID Support for SME Policy Reforms: By participating, along with other sections of the U.S. Embassy, in the bilateral U.S.-Russian Small Business Working Group, USAID has sought to help accelerate entrepreneurial growth by advocating policy reforms targeted at the constraints facing SMEs in Russia. USAID is also working with the Ministry of Anti-Monopoly Policy and Support for Entrepreneurship (MAPSE) on small-business tax reform; and a law on leasing, state support for entrepreneurship and consumer credit that was subsequently approved by the State Duma. In addition, USAID funds the Micro-Credit Policy Working Group, which advocates for value-added-tax exemptions for interest payments on loans made by non-bank financial institutions. In FY 2002, USAID will be implementing a new SME policy advocacy activity to improve the SME environment in Russia's regions.

USAID Farmer-to-Farmer (FTF) Program: FTF provides volunteer assistance to agribusinesses in three areas of Russia—western Russia, the Volga region and Siberia—and is active in 13 of Russia's 89 *oblasts* (regions). FTF concentrates on rural finance, food processing and the development of agricultural training and service organizations. FTF works closely with other U.S. Government agencies in Russia; for example, FTF volunteers help rural financial institutions develop to the point where they can qualify for formal loans under the RAL Program described above. Roughly one third of the 35 rural credit cooperatives that earned accreditation in the RAL program had assistance from an FTF volunteer. The FTF Program has provided assistance to more than 125 host enterprises and institutions, including 44 processors, 42 producers and 31 service organizations. FTF interventions have directly benefited 2,900 people, more than half of whom are women. The majority of enterprises assisted by FTF have substantially increased sales and profits, and more than 148 new products have been developed as a result of FTF assistance. Volunteer assistance in legal reform was also provided to help draft policies on cooperative management and bankruptcy laws.

Energy and Environmental Programs

U.S. Department of Energy (DOE) – International Nuclear Safety Program: A series of DOE projects have been completed or are in progress to improve the safety of Russia's nuclear power plants. In FY 2001, nuclear power plant simulators for training control room operators were installed at two plants, bringing to five the total number provided to date. A fully equipped training center has been established, and operator and maintenance personnel training programs have been implemented at the Balakovo nuclear power plant (NPP). Regulatory standards for simulators and training have been established, and U.S. training methodology has been transferred to all other plant sites in Russia. Safety parameter display systems have been installed at three reactors. These systems provide key parameters to plant operators, enabling them to control the plant if an accident occurs. In FY 2001, an in-depth safety assessment was completed for Unit 2 of the Leningrad NPP, and work began on an assessment for Unit 1. These assessments identify weaknesses, and are needed to assess plant modifications and to obtain operating licenses from the regulatory authority. The assessment results are being used to improve safety by focusing corrective actions on the identified weaknesses. In addition, international nuclear safety centers in the United States and Russia continued progress on validating the application of U.S. safety analysis computer codes for Russian reactors. Work continued with Russia's Ministry of Atomic Energy (MinAtom) on developing an emergency management program that includes networking of emergency centers through voice, video and data connections.

U.S. Nuclear Regulatory Commission (NRC): In FY 2001, the NRC provided training to Russian nuclear regulatory authority personnel in such areas as licensing of nuclear power plants, emergency planning and preparedness, inspection techniques for operating nuclear power plants, radioactive waste and spent fuel management and decommissioning of nuclear power plants.

U.S. Department of the Interior – U.S. Fish and Wildlife Service (FWS): Since 1972, FWS has been cooperating with its Russian counterparts in conserving wildlife and wildlife habitats under the U.S.-Russian Agreement on Cooperation in the Field of Protection of the Environment and Natural Resources. Joint fieldwork on marine mammal and migratory bird species has provided valuable data on population abundance and ecology that assist wildlife managers in both nations. In FY 2001, FWS continued its grants program to assist Russian federal nature reserves and national parks, which was initiated in FY 1995. A total of 16 nature reserves and two national parks received grants totaling \$107,575. The grants were used for combating poaching, improving radio communications among staff, acquiring field gear, and conducting conservation education. In addition, four grants totaling \$58,556 were awarded to Russian organizations for Amur tiger conservation (including scientific monitoring and environmental education) under the Rhinoceros and Tiger Conservation Act. In FY 2001, 15 FWS staff visited Russia to cooperate in the conservation of sturgeon, cranes, polar bears, sea birds and the Far Eastern leopard. Other topics of mutual interest included managing protected natural areas and controlling invasive species. A total of 56 Russian biologists visited the United States in FY 2001 to conduct fieldwork on shorebirds and migratory waterfowl and collaborate on protecting Pacific salmon, sturgeon, polar bears, walrus, sea otters and Arctic vegetation. In FY 2002, the FWS will award approximately 17 grants totaling approximately \$95,000 to Russian federal nature reserves and national parks to assist in wildlife conservation efforts. Other activities will include a bilateral conference on migratory birds, a workshop for Russian specialists on designing visitor center facilities and exhibits in parks and refuges, continued joint monitoring of caviar trade, and training for Russian personnel responsible for wildlife conservation on military lands.

USAID Environmental Programs: USAID's environmental programs are providing a mechanism to increase environmental protection in Russia, while also helping to fuel economic growth and promote democracy at the grassroots level. These programs focus on sound natural resource management, pollution prevention, NGO strengthening, and policy framework needed to support progress in these areas. About 150 eco-businesses in the Russian Far East (RFE) grew and improved their business performance with USAID assistance in the following areas: creating business plans and marketing strategies, introducing new equipment and technologies, feasibility studies, business tours and training, investment promotion, and improved product quality and packaging. USAID also supported the introduction in Siberia of a system of monitoring Siberian Moth outbreaks using pheromone traps. This new pest monitoring and prediction tool provides the necessary information to enable the Ministry of Natural Resources to combat such outbreaks quickly, minimizing the impact on Russia's economy from forest destruction and mitigating the potential for trans-boundary effects in the United States. Khabarovskiy Kray reports that reforestation efforts are now exceeding the amount of timber being cut in the region, due in part to USAID's greenhouse programs, which have introduced a cost-effective method for growing

robust seedlings. With USAID assistance, seven mobile fire-fighting units were created and fully equipped in Khabarovskiy and Primorskiy Krays to more effectively combat forest fires and to protect the Amur taiga habitat. In FY 2000-01, these fire brigades were actively used in fighting forest fires around forest settlements, saving people's lives and thousands hectares of valuable forests. An increased number of tourists has been recorded in all protected areas supported by USAID grants. Ten new tourist guesthouses were constructed in and around nature reserves to provide lodging for about 100 new tourists each night in remote but beautiful locations. Moreover, these projects added about 50 new construction jobs to rural economies, and they promise to add even greater employment in service sectors such as hotel, restaurant, guide and souvenir businesses. In addition, a total of 41 environmental education projects have introduced environmental curricula into schools and trained teachers. For example, USAID's program established an Internet network through which children in 140 cities across Russia can share environmental experiences. In the Republic of Buryatia, USAID grantees focused on the creation of a reserve for the preservation of natural and cultural resources. As a result, they have begun to revive their native language and have formed partnerships with U.S. and Canadian indigenous minorities to fully restore their folklore and way of life. President Putin signed a decree that recognizes USAID's grant recipients and includes them as Russia's official indigenous minorities. In the area of environmental advocacy, a USAID-supported environmental NGO was the key public representative at hearings devoted to a dispute over gas production in the environmentally sensitive Baikal region—a project that was subsequently suspended.

U.S. Environmental Protection Agency (EPA): FY 2001 witnessed the culmination of a multi-year, multi-donor effort to eliminate production of ozone-depleting substances, which facilitated the elimination of 18,500 metric tons of Russian production capacity at a cost of about \$1,420 per ton, compared to the worldwide average cost of \$9,450 per ton for phase-out activities related to the Montreal Protocol on ozone-depleting substances. As a result of a long-term EPA project to reduce and avoid greenhouse gas (GHG) emissions in Russia, 25 *oblasts* had adopted and were implementing energy-efficient building codes, including the City of Moscow and large regions such as Krasnoyarsk Kray, the Republic of Bashkortostan, and the Moscow, Novosibirsk, Chelyabinsk, and Tyumen *Oblasts*. With the help of the Ministry of Economic Development and Trade (MEDT), the EPA's Environmental Finance Program continued to develop the institutional capacities and expertise for the creation of an environmental finance center in Moscow, including work on policy options for environmental financing systems, project preparation, training in project finance, public administration and financial management. Additional GHG inventories were completed in the Sverdlovsk *Oblast* and Nizhniy Novgorod. EPA completed a Phase-One Inventory Report on persistent bio-accumulative toxics, the first comprehensive inventory of all types of polychlorinated biphenyls (PCBs) in use or stored in Russia. EPA also continued to help reduce mobile-source emissions in Moscow, in part through the installation of catalytic converters on the municipal vehicle fleet. EPA sought to reduce mercury emissions using E-SOx technology at the coal-fired heating plant in Dorogobuzh, aimed at reducing emissions of SO₂ and mercury emissions by fifty to sixty percent. After completion of construction of a facility for the treatment of low-level liquid radioactive waste resulting from the decommissioning of nuclear submarines, the upgraded facility in Murmansk has to date treated 450 cubic meters of liquid radioactive waste.

Other Environmental Programs: The U.S. Coast Guard's (USCG) Columbia Environmental Research Center continued to cooperate with Russia's Institute for Biology of Inland Waters in the area of aquatic ecology. The U.S. Geological Survey (USGS) is working with the Russian Government to bring the Russian National Seismological Network into accordance with the technical standards of the Global Seismographic Network. The National Oceanic and Atmospheric Administration's (NOAA) Alaska Fisheries Science Center continued to collaborate with Russian scientists at the Pacific Fisheries Research Center on research on the western Bering Sea, as well as a wide range of conservation projects. However, ongoing reorganization efforts at the Ministry of Natural Resources delayed the full implementation of some projects.

Social-Sector Programs

U.S. Department of Health and Human Services (HHS) – U.S.-Russia Health Committee: In FY 2001, U.S.-Russian cooperation in the area of health continued under the U.S.-Russian Health Committee, which includes HHS, USAID and the Russian Ministry of Health (MOH). The MOH's priorities included three areas of mutual interest: infectious diseases (including tuberculosis, HIV/AIDS and sexually transmitted infections), maternal and child health, and access to quality health care. Highlights of the Committee's activities are provided below:

- **Tuberculosis (TB) Treatment and Prevention:** In FY 2001, three pilot test sites were established in Ivanovo, Orel and Vladimir. In Ivanovo, much-needed patient and staff incentive, transportation and training programs were developed and implemented; the TB surveillance system and the technical aspects of the newly implemented Direct Observed Treatment, Short-Course (DOTS) protocol were reviewed and upgraded; and data were gathered to complete a regional profile. In Orel, a drug resistance survey, a draft regional profile and an intensive DOTS-Plus evaluation were completed, and results were shared with the World Health Organization (WHO); and an application was submitted to the WHO's Green Light Committee for a DOTS-Plus pilot project. In Vladimir, technical assistance facilitated the development of a DOTS-specific health commissioner's order and a governor's resolution that were signed in October 2000; and a decree on an obligatory TB-related health insurance fund was prepared.
- **Treatment and Prevention of Sexually Transmitted Diseases (STDs):** The results of a laboratory and integrated behavioral STD/HIV risk assessment study were presented to STD committees in Moscow and Berlin in 2001, helping to lay the groundwork for future development of international STD/HIV protocols and policies for high-risk populations. Critical findings of a study on the distribution, determinants and consequences of congenital syphilis in Russia (including Moscow, Moscow Region, St. Petersburg, Ryazan, and Novgorod) were incorporated in the Russian MOH's draft decree on preventing sexually transmitted infections, which was signed in March 2001 by Russia's Minister of Health.
- **Maternal and Child Health:** Findings regarding the risks of alcohol use during pregnancy by 1,000 Russian women of childbearing age were presented in Montreal in June 2001, published and disseminated broadly among the scientific community. A U.S. team traveled to Moscow in May to begin a series of collaborative research studies with Russian pediatricians and child psychology experts, and to provide training to the Russian pediatricians to strengthen the diagnosis and treatment of alcohol-related birth disorders in Moscow.
- **Access to Quality Health Care:** Activities in this area included a second phase of staff training for the Evidence-Based Practice Center (EPC) at the Moscow Medical Academy; completion of the EPC's first evidence report, *Blood Pressure Monitoring in the Primary-Care Setting*; development of a medical curriculum on evidence-based medicine; development of guidelines on the screening and treatment of depression; and collaboration with the Johns Hopkins Injury Center on a study of injury mortality in Sverdlovsk Oblast (Region).

USAID Infectious Disease Programs: USAID is working at the regional and grassroots levels to reduce the threat that infectious diseases, particularly tuberculosis and HIV/AIDS, pose to Russia and the world. USAID is working with the U.S. Centers for Disease Control and Prevention (CDC) and the WHO to combat TB in three pilot regions: Orel, Ivanovo and Vladimir. In Orel, new patients entering treatment experienced an average success rate of just over 75 percent—the WHO's standard for success. Results from Ivanovo are equally encouraging (over 70 percent success for the first group), and unconfirmed recent data for Vladimir also suggest a 70-percent success rate. With USAID support, health communication targeted at youth aged 15 to 25 is raising awareness of HIV and sexually transmitted infections. Increased awareness and availability of services also led to a 78-percent increase in the use of a drop-in center by injection drug users—typically a hard-to-reach group. One site reported a 56-percent decrease in needle-sharing and a 20-percent increase in condom use among this high-risk population. The Ministry of Health issued an order that recommends active interaction between obstetrician-gynecologists, specialists in skin and venereal diseases and neonatologists in the prevention and diagnosis of congenital syphilis. The order is based on the results of a CDC congenital syphilis study in five regions undertaken in collaboration with Russian specialists.

USAID Health-Care Reform Programs: USAID is working with the Russian MOH and regional health authorities to introduce models of modern primary-health-care services. Quality assurance methodologies first piloted in the Tula and Tver Regions are now being expanded to other sites. All general practitioners in these two regions are being trained in use of these evidence-based practices. A cost-effectiveness study in Tver found that an intervention to improve services related to pregnancy-induced hypertension led to overall cost-savings of 87 percent. The Tver Administration is now applying the methodology to five new clinical areas. In addition, federal health officials participating in a USAID-sponsored seminar in June prepared a proposal for a unified national approach to quality assurance. The resulting quality assurance policy document was sent to the MOH for approval. USAID also supported the creation of Russia's first independent health policy research center. USAID has trained over 600 professionals in the use of health-risk assessment methodology throughout Russia, and has helped develop and introduce a new curriculum in Russia's top medical universities.

USAID Women's and Children's Health Programs: USAID is working with Russian Government and private-sector experts to reduce maternal and infant mortality by improving health care for women and children. Target sites have restructured their services to meet internationally recognized WHO standards in maternal and child care. Two project facilities were awarded with the international WHO/UNICEF status of "Baby-Friendly Hospital." USAID assistance contributed to changes in previously outdated national breast-feeding policies, which now conform to WHO standards. USAID-funded technical assistance to the NGO Advocacy Network, which includes more than 20 Russian NGOs working in the field of reproductive health, resulted in the adoption of regional laws on reproductive health.

USAID Child Welfare Programs: More than 5,000 children and 3,000 families have benefited from assistance provided by 60 grantees in more than 20 regions under USAID's Assistance to Russian Orphans (ARO) Program. Local initiatives supported by USAID have prompted governmental institutions to seek partnerships with strong NGOs to improve child-care practices, particularly in Tomsk, Novgorod, Primorskiy Kray and Magadan. Local governments and private businesses have begun to make commitments to maintain financial support for these innovative services after the completion of USAID's program.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2001, the U.S. Government allocated a total of \$5 million in EXBS assistance for Russia from both FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds. Under the EXBS Program, the U.S. Departments of Commerce (DOC) and Energy (DOE) provided training to Russian high-technology enterprises to facilitate the implementation of internal export-control programs, enhance compliance with Russian laws, exchange experience and knowledge in the area of export control, strengthen regulations and procedures for export control (including licensing procedures and practices), and facilitate development of enforcement mechanisms. DOE also provided radiation-detection equipment and helped improve security at key transit points to help deter and interdict illicit transfers of nuclear-related materials and technology across Russia's borders.

U.S. Department of State – Science Centers Program: The International Science and Technology Center (ISTC) is an intergovernmental organization that coordinates the efforts of numerous governments, international organizations, and private sector industries to provide former Soviet weapons scientists with opportunities to redirect their talents to peaceful civilian research, thus helping to prevent the proliferation of their expertise. The ISTC also supports basic and applied research and technology development, contributes to the transition to market-based economies, fosters integration of scientists into the global scientific community and contributes to solving national and international technical problems. From its inception in 1992 through FY 2001, the ISTC has disbursed about \$85 million in grants and programming funds, supporting over 21,000 project participants. In FY 2001, the U.S. Government allocated \$23 million for ISTC-related projects and activities at Russian institutes in the areas of biotechnology/life sciences, nuclear physics, chemistry, materials, instrumentation, and aerospace and transportation research. The U.S. Government also continued to help redirect former Soviet biological-weapons (BW) scientists and facilities, and began planning a parallel program to redirect former chemical weapons scientists. As part of the BW redirection effort, the Department of State funded \$16 million in projects at both science centers and supported travel for Russian scientists to the United States, as well as training and communications upgrades at biotechnical institutes. In addition, through the ISTC, the U.S. Department of Health and Human Services (HHS), the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) funded several projects with Russian biological research institutes to

address specific public health issues and animal and plant microbiology studies. Under the U.S. Defense Department's (DoD) Cooperative Threat Reduction (CTR) Program, the Defense Threat Reduction Agency (DTRA) funded several projects through the ISTC in the areas of bioterrorist defense and biological material protection/physical security upgrades at several Russian biological institutes that were once part of the secret Soviet BW research network. (See also HHS, USDA and DoD-CTR sections below).

U.S. Department of State – Redirection of Biological Weapons (BW) Expertise:

- **U.S. Department of Agriculture – Agricultural Research Service (ARS) – Collaborative Research:** Funded at \$3.2 million in FY 2001, the ARS Collaborative Research program in Russia has approved a total of 18 projects involving 15 institutes. Nine of these projects have been funded to date, including seven in FY 2001. ARS has funded projects at former BW institutes such as the State Research Center for Applied Microbiology (SRCAM) in Obolensk, the State Research Center of Virology and Microbiology (VECTOR), and the All-Russian Research Institute of Phytopathology (RRIP). Other projects are registered at the ISTC and work plans are being finalized. One project is pending host-government concurrence. Four new plant-related proposals were approved for development in August 2001, and the Russian partners are scheduled to visit the United States to develop work plans. These proposals involve institutes new to the ARS program, such as the All-Russian Research Institute for Plant Protection in Pushkin. ARS has allocated \$99,700 to provide selected Russian institutes with the software, hardware and training to access USDA's National Agricultural Library (NAL) databases. In FY 2001, all the workstations were delivered and installed at the Russian institutes, training on the ARIEL™ software is planned. These computer workstations will facilitate access to important scientific literature cited in NAL's AGRICOLA database.
- **U.S. Department of Health and Human Services (HHS) – Biotechnology Engagement Program (BTEP):** Under the BTEP Program, U.S. scientists working for the Centers for Disease Control and Prevention (CDC), National Institutes of Health (NIH), U.S. Food and Drug Administration (FDA) and other agencies have worked with former Soviet scientists to develop project proposals. Since the program's inception, funding for BTEP has reached about \$25 million. In FY 2001, an estimated \$5.25 million was budgeted for BTEP projects in Russia. The majority of BTEP projects involve former BW scientists and institutes in Russia, with the goal of redirecting this expertise and facilities to peaceful civilian research in public health. BTEP projects are planned or underway at over 20 Russian institutions, including the State Research Center of Virology and Biotechnology (Vector), the State Research Center for Applied Microbiology (Obolensk), the Ivanovsky Institute of Virology, the Central Research Institute of Epidemiology, the Engelhardt Institute of Molecular Biology, the Central Institute for Tuberculosis, the Research Center for Toxicology and Hygienic Regulation of Biopreparations, the Research Institute of Pure Biopreparations, the Shemyakin/Ovchinnikov Institute of Bio-Organic Chemistry, and the All-Russian Research Center for Molecular Diagnostics and Treatment.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF):

The CRDF allocated an estimated \$4 million in FREEDOM Support Act funding for activities in Russia in FY 2001. Using FY 2001 and prior-year funds, CRDF activated 144 Competitive Grant awards totaling \$7.2 million for Russian projects in FY 2001. The CRDF also made 84 Travel Grants to Russian scientists. Four awards allowed scientists from the Sarov Open Computing Center to visit Analysis and Design Applications, Limited (Adapco), to train and work on Adapco commercial software engineering projects that led to an \$84,000 contract. In addition, the CRDF initiated 11 new "Next Steps to the Market" Grant Program awards, including a project involving the 3M Corporation and the Kurchatov Institute aimed at promoting research and development of the polymer electrode membrane (PEM) fuel-cell alternative energy technology. With partial funding from the W. Alton Jones Foundation, this project is leveraging about three dollars of private-sector funding for every dollar of CRDF funding. In FY 2001, the CRDF phased out its Closed Cities grants program, as funds are now available through the Science Centers program for U.S. partner travel to ISTC/ STCU projects. The CRDF introduced a new pilot Partner Search program to assist Russian researchers in the Closed Cities establish civilian commercial partnerships in the West and began Partner Search projects for experts from former closed cities of Sarov and Snezhinsk. In FY 2001, the CRDF completed the Regional Experimental Support Center (RESC) competition announced in late FY 2000 in Tomsk *Oblast* (Region), run jointly with the Russian Ministry of Industry, Science and Technologies (MIST) and the Tomsk Oblast Administration, which resulted in an award to the Nuclear Physics Institute at the Tomsk Polytechnic University. The CRDF's Russian partners have more than matched the CRDF's \$315,000 grant, making a total of \$715,000 available for the project.. Also in FY 2001, the CRDF announced a third RESC competition to be held in Khabarovsk in the Russian Far East to be awarded in early FY 2002. Both the MIST and the Khabarovsk Regional Administration have agreed to cost-share on the award with the CRDF.

U.S. Department of State – International Military Education and Training (IMET) and Foreign Military Financing (FMF): In May 2001, the International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs for Russia were suspended by the State Department in accordance with legal limitations on assistance that went into effect due to Russian arms transfers to nations on the U.S. list of nations sponsoring international terrorism. As a result, approximately \$600,000 of the \$800,000 in IMET funding allocated to the Russian Federation for FY 2001 and \$4.5 million in available Warsaw Initiative FMF funding remained unspent. It has yet to be determined if the FMF funding will be available for Russia at a later date, given its scheduled expiration at the end of FY 2002. Prior to the IMET Program's suspension, DoD expended approximately \$200,000 in IMET funding to sponsor the participation of 10 Russian officials in IMET training courses. One Russian graduate of an IMET course on peacekeeping operations is currently an advisor on international affairs to the Russian State Duma. After the IMET Program's suspension, Russia elected to keep two of its students in the United States to continue their education. Since the return of those two Russian officers, no other IMET activity with the Russia has occurred.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR) Program: Russia has been a strong cooperative partner under DOD's CTR Program, receiving an estimated \$2.4 billion in CTR assistance from FY 1992 through FY 2001 to support the following projects:

- **Strategic Offensive Arms Elimination:** This project reduces Russia's strategic offensive arms by destroying strategic weapons-of-mass-destruction (WMD) delivery systems. DoD provides equipment and services to destroy or dismantle intercontinental ballistic missiles (ICBMs), their silos, road/rail mobile launchers, sea-launched ballistic missiles (SLBMs), SLBM launchers and associated strategic submarines, strategic bombers, and WMD infrastructure. Accomplishments in FY 2001 include the following:
 - Elimination of 80 SLBM launchers and four associated ballistic missile submarines (SSBNs), bringing the cumulative total to 352 SLBMs and 20 SSBNs;
 - Transportation, dismantlement and elimination of 99 liquid-fueled SLBMs, bringing the cumulative total to 240;
 - Elimination of ten solid-fuel SLBMs by open-burn/open-detonation, bringing the cumulative total to 11;
 - Completed construction of two low-level radioactive waste volume-reduction facilities and initial testing;
 - Elimination of 25 SS-18 ICBM silos and 29 ICBMs (12 SS-17s, 11 SS-18s, and 6 SS-19s), bringing the cumulative total to 69 silos and 323 ICBMs;
 - Completed upgrade of the missile elimination and dismantlement facility at Surovatikha;
 - Completed construction of two liquid-fuel disposition systems; and
 - Shipment of 1,276 metric tons (MT) of fuel and 2,785 MT of oxidizer to a storage facility.
- **Nuclear Weapons Storage Security:** This project helps Russia enhance the capabilities of guard forces, make physical security upgrades to key nuclear weapons storage sites, install inventory control systems and improve practices to account for those nuclear weapons in the custody of the Ministry of Defense (MOD). Accomplishments in FY 2001 include the following:
 - Completed component testing of security suite hardware and software at the Security Assessment and Training Center (SATC) at Sergiev Posad and final selection of the approved suite of equipment to be installed at weapons storage sites;
 - Training to MOD guard personnel on equipment at the SATC;
 - Assistance with the installation of a security system at a Strategic Rocket Forces site near Aleysk;
 - Shipment of six sets of Quick Fix perimeter fencing and sensors from Sergiev Posad to support storage sites in Russia's northern region.
 - Tracking MOD installation of about 19 complete sets of Quick Fix equipment at weapons storage sites;
 - Contracting for the acquisition of small-arms training systems and construction of live-fire shooting ranges for Russian guard forces;
 - Contracting for equipment, consumables and training to ensure the reliability of Russian guard forces;
 - Contracting for additional dosimeter systems, radon detectors and training;
 - Initiated procurement of nuclear weapons storage site general support equipment;
 - Procurement and delivery to MOD of all remaining operational phase Automated Inventory Control & Management System (AICMS) computer equipment;
 - Life-cycle support and hardware upgrades for AICMS prototype equipment; and

- Completed site renovation, procured laboratory equipment, and initiated equipment installation, certification and training for the Center for Technological Diagnostics (CTD) in St. Petersburg to support Russian efforts to ensure the effectiveness of nuclear weapons handling equipment and procedures.
- **Nuclear Weapons Transportation Security:** This project assists in the safe, secure movement and consolidation of nuclear weapons from MOD operational sites to Ministry of Atomic Energy (MinAtom) nuclear weapons dismantlement facilities. The project also provides assistance to the MOD to bolster its ability to respond to, and mitigate the effects of a nuclear weapons accident or attempted theft. Accomplishments in FY 2001 include the following:
 - Facilitating 53 train shipments of nuclear warheads to dismantlement sites;
 - Maintaining and certifying 79 railcars, with an additional 43 railcars in the process of being completed;
 - Contracting for emergency-response vehicles and associated equipment to be used in the event of an accident during transit.
- **Fissile Material Storage Facility:** This project helps the Russian Government provide centralized, safe, secure, and ecologically sound storage at Mayak for up to 50 MT of weapons-grade plutonium and 200 MT of highly enriched uranium removed from nuclear weapons. Accomplishments in FY 2001 include the following:
 - Completion of 78 percent of facility construction and 59 percent of equipment installation;
 - Enclosure of all 21 buildings in the facility and near completion of interior finish work;
 - Completion of the heating plant that provides heat to essential buildings;
 - A thorough safety evaluation of the facility;
 - Continued negotiations and work on transparency equipment; and
 - Completed factory acceptance tests for the Integrated Control System (ICS) and the shipment of equipment to the site.
- **Elimination of Weapons-Grade Plutonium Production:** This project assists Russia in ceasing production of weapons-grade plutonium at Russia's three remaining plutonium-producing reactors: two in Seversk and one in Zheleznogorsk. Accomplishments in FY 2001 included the completion of studies for fossil-fuel alternatives to provide heat and electricity currently provided by plutonium-producing reactors. This project will be transferred to the U.S. Department of Energy in FY 2002.
- **Biological Weapons (BW) Proliferation Prevention:** This project consolidates and secures or eliminates dangerous pathogen collections, dismantles former Soviet BW research and production facilities, and targets research to enhance U.S. bio-defense capabilities against dangerous pathogens. Accomplishments in FY 2001 include the following:
 - The initiation of seven, continuation of six and completion of one collaborative biotechnical research project;
 - Security upgrades at one former BW institute;
 - The initial development of dismantlement efforts at four Russian biotechnical institutes.
- **Chemical Weapons (CW) Destruction:** This project assists Russia in demilitarizing two former CW production facilities, enhancing security at two nerve-agent storage facilities (Kizner and Shchuchye), and in the safe, secure, and environmentally sound destruction of its CW stockpile at Shchuchye. Accomplishments in FY 2001 include the following:
 - Completion of approximately 75 percent of the demilitarization of the CW production facility at Volgograd and 15 percent of demilitarization work at Novocheboksarsk;
 - Completed chemical site security surveys of Shchuchye and Kizner and 30-percent completion of the design reviews for enhancing security at each site;
 - Continued pre-construction activities at the CW destruction facility at Shchuchye, including the installation of temporary de-watering system, clearing and grubbing of an industrial area (110 hectares), and the construction of a 1.7 kilometer temporary access road; and
 - The transfer of the Chemical Agent Analytical Monitoring Lab into Russian custody in January 2001 and the provision of related training in March 2001.

U.S. Department of Defense (DoD) – CTR Defense and Military Contacts: Following a decline in 1999-2000 as a consequence of the Kosovo Campaign, CTR Defense and Military Contacts with Russia rebounded to 28 events in FY 2001. Significant events included Joint Staff/General Staff talks, a visit to the Far East by the Commander in Chief of the U.S. Pacific Command (CINCPAC), the Harvard University U.S.-Russian Generals Program, reciprocal O-6-level Small Group meetings, a trilateral Arctic search and rescue exercise with Canada; and several Theater Missile Defense exercise meetings.

U.S. Department of Defense (DoD) – Arctic Military Environmental Cooperation (AMEC): Since March 1995, DoD and the Norwegian and Russian Ministries of Defense have jointly implemented the AMEC Program, which addresses critical environmental issues related to these militaries' unique capabilities and activities in the Arctic region. AMEC activities in Russia focus on threats to the environment related primarily to Russian naval operations, particularly nuclear fuel and hazardous chemical disposal processes. Budgeted at \$4.26 million in FY 2001, AMEC projects include activities such as identifying practices that add contamination to the Arctic environment, selecting technologies that can be applied to address this problem, and providing trilateral cooperation through political and technical consultation on how best to mitigate environmental damage. AMEC projects also are focused on technology evaluation and demonstration, followed by prototype development for military applications in the Arctic region. Each of the three participating nations has hosted technology demonstrations; technical experts from each country have selected the most promising technologies and prototypes are being developed. A total of 14 projects have been approved for implementation by the three nations, four of which have been completed, seven of which are ongoing from previous years, and four of which will be initiated in FY 2002. AMEC projects completed to date include a prototype spent-fuel interim storage and transport cask, a surface-coating technology demonstration, radiological health training and reviews of radiation-monitoring and "clean-ship" technologies.

U.S. Department of Energy (DOE) – Nuclear Material Protection, Control & Accounting (MPC&A)

Program: The objective of the MPC&A Program is to complete comprehensive MPC&A upgrades at all Russian facilities that use or store weapons-usable nuclear material, including Russian Navy sites containing spent or damaged fuel and/or warheads. The program also seeks to foster the development of an indigenous safeguards culture and capability to maintain MPC&A upgrades over the long term. In addition, the program has undertaken cooperative projects designed to help institute national standards for MPC&A and strengthen national nuclear regulatory systems. An estimated \$169 million was budgeted for DOE MPC&A assistance in Russia in FY 2001. To rapidly improve the security of nuclear materials that are weapons-usable, DOE's National Nuclear Security Administration (NNSA) is providing a range of training programs and modern safeguards equipment for nuclear facilities in Russia, including radiation monitors for pedestrian and vehicular traffic to detect attempts to remove nuclear material, modern access-control devices for areas containing nuclear material, alarm stations and computers to process data coming from sensors installed inside facilities and around their perimeters, and tamper-indicating devices to prevent unauthorized removal of nuclear material. Accomplishments in FY 2001 include the following:

- **Memorandum for Access to MinAtom Sites:** In late FY 2001, the NNSA signed an Access Memorandum with Russia's Ministry of Atomic Energy (MinAtom). This arrangement is a critical step forward in the cooperative U.S.-Russian effort to secure Russian nuclear materials under the MPC&A Program. The memorandum, which allows MinAtom to grant U.S. technical specialists access to many sensitive nuclear facilities, is unprecedented in scope, with a list of 185 "cleared" specialists and the opportunity for up to 120 program visits annually.
- **Material Consolidation and Conversion (MCC) Project:** The MCC Project was initiated in May 1999 to provide secure storage for nuclear materials at fewer sites and at lower cost. In FY 2001, the MCC Program down-blended nearly 1.2 metric tons of attractive highly enriched uranium (HEU) into less attractive low-enriched uranium (LEU). Down-blending significantly reduces the proliferation risks associated with this material. The project has down-blended nearly 2.5 metric tons of HEU since its inception.
- **Cooperation with the Russian Navy:** In FY 2001, the MPC&A Program's cooperative efforts with the Russian Navy continued to make progress in upgrading the security of the Russian Navy's warhead sites. DOE completed the installation of MPC&A equipment at Sergiev Posad and Site 86. Comprehensive upgrades were completed at five Russian Navy warhead sites, and begun at one other site. Rapid upgrades were completed at 11 Russian Navy warhead sites and initiated at one additional site. To support the MPC&A upgrades provided in the Kola region, DOE began to help the Russian Ministry of Defense establish a technical center. DOE also trained 20 Russian Navy officers in basic and advanced MPC&A classes. DOE continues to expand the scope of cooperation to include MPC&A upgrades at additional naval sites containing materials of high proliferation concern.

- **MinAtom Weapons Complex:** In FY 2001, rapid physical protection (PP) upgrades were completed at the Siberian Chemical Combine's Radiochemical Plant, Chemical Metallurgical Plant, Conversion Plant, and Uranium Enrichment Plant. PP upgrades have also been completed at the All-Russian Scientific Research Institute of Technical Physics (VNIITF or C-70) Building 726, along with a completed central alarm station at Site 20. The PP hardening of the HEU storage facility (Shop 70) at Sverdlovsk-44 has been completed, as have the PP upgrades at the Building 15 shipping and receiving area of Electrochemical Plant K-45, and the design of further PP upgrades at the plant's new Fluorination Facility (Building 308), whose exterior has already been hardened.
- **Upgrades:** Access and assurance meetings for the Mayak Production Association and the Mining and Chemical Combine (K-26) sites helped clarify the physical access requirements needed for DOE to support MPC&A upgrades. MPC&A and MinAtom representatives met with site personnel to develop and sign multiple contracts for upgrades at their sites. As a result of signing several million dollars of contracts at Mayak and K-26, similar meetings have now been scheduled for several other MinAtom sites. Assurances were approved to begin upgrades at the All-Russian Research Institute of Experimental Physics (VNIIEF or A-16) and at two buildings at Mayak, and are under review for a second location at VNIIEF. In addition, access and assurance procedures for a VNIITF pilot site were approved and upgrades have begun.
- **Civilian Complex:** All comprehensive physical protection upgrades at the Institute of Physics and Power Engineering (IPPE) were completed in August 2001 and contracts were signed to begin consolidating nuclear material into the new central storage facility near the security response forces. This consolidation effort is expected to be completed by mid-FY 2002. The MPC&A Project Team for the Elektrostal Production Association resumed discussions with site officials to provide upgrades to safeguard and secure nuclear materials located at two pilot locations at the site, with the goal of expanding the scope of the upgrades to cover the entire site. The Project Team for the Bochvar All-Russian Scientific Research Institute of Inorganic Materials has contracted to develop a site-wide plan, and conduct two studies in early FY 2002 to increase security and consolidate the nuclear material now located at multiple locations across the site. The Project Team for the All-Russia Institute for Atomic Reactors (Dimitrovgrad) signed contracts to provide equipment upgrades to protective forces at the site, conducted a rapid base inventory at Building 118/119 and initiated a conceptual design study to assess constructing additional secure storage for nuclear material brought to the site under the MCC and Plutonium Disposition programs.
- **National Programs:** In FY 2001, the Federal Information System became operational under the management of the MinAtom Situation and Crisis Center. Currently, 17 facilities report their nuclear inventories to this central system. Additional contracts giving four more facilities such a reporting capability are in progress. Russia's nuclear regulatory authority, GosAtomNadzor (GAN), planned, executed, and hosted the first MC&A inspection exercise conducted in Russia at the Kurchatov Institute, thereby transitioning this training exercise work from U.S. to Russian management. This exercise incorporated and provided a field demonstration of the automated GAN Inspection Oversight System as an inspection planning and implementation tool. A new project to monitor the MPC&A installed systems and ensure continual proper use, known as the MPC&A Operations Monitor, will be tested at the Moscow State Engineering Physics Institute. The National Programs Division is also working to develop a criteria document to address long-term operations and sustainability, as well as coordinating an exit-strategy effort across all divisions to ensure program consistency through the final stages. In addition, during FY 2001, the MPC&A Program provided 27 cargo trucks and escort vehicles with remote disablement systems for use at VNIIEF and Mayak.
- **Second Line of Defense (SLD) Program:** In FY 2001, with funding from the Department of State, the SLD Program acceptance-tested equipment deployed at three sites in the Russian Caucasus and three in the Russian Far East. During the first six months of the year, the equipment at five of these sites was used to monitor over 122,000 vehicles, 11,000 railcars, and over 750,000 pedestrians. The SLD Program completed a new system concept for integrating monitoring equipment linked with local communications networks to regional and national responders. DOE also finished SLD site prioritization methodology and conducted a broad analysis of Russian border ports of entry for future equipping. Site designs were completed for Pulkovo International Airport in St. Petersburg and the Port of St. Petersburg, which also received nuclear materials detection equipment for installation in 2002.

In the wake of the September 11 events, the MPC&A Program has undertaken a self-evaluation of ways to accelerate completion of its mission goals. In FY 2002, the Civilian Complex will renegotiate work contracts, utilizing various incentives to shorten their schedule time. In response to the new access memorandum, the MinAtom Weapons Complex Division increased the frequency of its site trips and set a rigorous schedule for developing contracts and statements of work for the upcoming year. The MCC program plans to initiate negotiations on its MCC Agreement, which would allow the program to move ahead.

U.S. Department of Energy – Warhead and Fissile Material Transparency Program: Since FY 1994, funding under DOE's Warhead and Fissile Material Transparency Program has totaled \$62 million. This program promotes transparent and irreversible nuclear reductions by working with Russia to negotiate agreements that allow confirmation that Russian nuclear weapons are being dismantled and that excess fissile materials are not being used to produce new nuclear weapons. In FY 2001, the Warhead and Fissile Material Transparency Program did not fund any new projects.

U.S. Department of Energy – HEU Purchase Transparency Program: This program is responsible for the negotiation and implementation of transparency measures under the HEU Purchase Agreement, under which 500 metric tons (MT) of weapons-grade HEU is to be blended-down to reactor-grade uranium and sent to the United States for use as fuel for nuclear reactors. The Office of Nonproliferation Policy is the transparency and negotiating policy lead for DOE on negotiations with the Government of the Russian Federation. The Office of International Nuclear Safety implements negotiated transparency measures, including monitoring visits to Russian nuclear facilities and staffing permanent presence offices. An agreement was reached in summer 2001 that will result in installation of blend-down monitoring-system equipment at Russian down-blending sites. Through December 2001, 141 MT of HEU have been processed, equivalent to the destruction of about 5,600 Russian nuclear weapons. In 2001, the program conducted 21 monitoring trips to the four Russian processing plants, spending a total of 148 monitor-weeks and the permanent office was staffed by 14 monitors for a total of 139 monitor-weeks. During these visits, U.S. equipment was used to confirm the presence of HEU in approximately 3,300 containers. U.S. monitoring instrumentation also confirmed the down-blending of 15 MT of HEU into LEU. In October 2000, the U.S. Government supported a visit by Russian monitors to three U.S. facilities receiving Russian down-blended uranium. In September 2001, in accordance with the 1999 Feed Agreement, U.S. monitors inventoried natural uranium cylinders returned to Russia from the United States.

U.S. Department of Energy – Mayak Transparency: DOE participates in DoD's Mayak-related transparency negotiations through official representation and expert advice of DOE's National Laboratories. The purpose of these transparency negotiations is to develop the means to ensure that the fissile material to be stored at the Mayak Fissile Material Storage Facility is weapons-origin, is stored safely and securely, and is not used in new nuclear weapons.

U.S. Department of Energy – Plutonium Production Reactor Agreement (PPRA): PPRA is an agreement between the U.S. and Russian Governments governing cooperation regarding plutonium production reactors. DOE/NNSA is the executive agent for the monitoring activities under the Agreement. The Office of Nonproliferation Policy is the DOE/NNSA representative to the U.S.-Russian PPRA Joint Implementation and Compliance Commission (JICC). The U.S. co-chair of the JICC is a representative of the Department of State. Under the PPRA, successful monitoring of shutdown U.S. and Russian plutonium production reactors has taken place in both the United States and Russia for the last three years. In September 2001, the JICC completed a document detailing the procedures for U.S. monitoring of the Russian plutonium oxide in storage subject to the PPRA. Once alternative sources of heat and electricity are provided, the three operating production reactors (two at Seversk and one at Zheleznogorsk) are to be shut down, after which time they would be subject to the shut-down reactor monitoring regime.

U.S. Department of Energy – U.S.-Russian Warhead Safety and Security Agreement: The Agreement between the U.S. and Russian Governments on the Exchange of Technical Information in the Field of Nuclear Warhead Safety and Security (WSSX) was signed in December 1994 and entered into force in June 1995 for a five-year period. Representatives from the NNSA and DoD, MinAtom, the Russian MOD, and the U.S. and Russian National Laboratories participate in the agreement's three Joint Technical Working Groups. WSSX was extended for an additional five-year term at the June 2000 Moscow Summit. At that time, ongoing laboratory-to-laboratory initiatives involving transparency associated with the dismantlement of nuclear warheads in the Russian Federation were incorporated into the WSSX Agreement. Additional areas for expanded warhead transparency activities were agreed to at meetings with Russian representatives during 2000 and 2001. Contracts have been signed between U.S. and Russian National Laboratories for laboratory-to-laboratory warhead dismantlement transparency projects involving all three Russian nuclear weapons laboratories, and work is underway to conclude contracts at the Russian nuclear weapons dismantlement facilities. Work areas include radiation measurement technology, tags and seals, remote monitoring, and other topics related to transparency. In addition to providing insight into the Russian nuclear weapons dismantlement process, this

program has, over the years, employed as many as 1,000 Russian nuclear weapons scientists, thus contributing to nonproliferation of weapons expertise.

U.S. Department of Energy – Fissile Materials Disposition Program: In July 1998, the U.S. and Russian Governments signed an agreement on scientific and technical cooperation to govern joint U.S.-Russian activities in plutonium disposition. Since then, the NNSA and its Russian counterparts have conducted studies and pilot-scale tests and demonstrations of technologies needed to dispose of surplus weapons-grade plutonium. This work will confirm the viability of technologies that could potentially be used for the disposition of surplus Russian plutonium. In September 2000, Russian Prime Minister Kasyanov and Vice President Gore signed an agreement for disposing of 68 MT of weapons-grade plutonium (34 MT in each country). Acceptable technologies include irradiating the surplus plutonium as mixed oxide (MOX) fuel in reactors or immobilizing it with high-level radioactive waste, rendering it suitable for geologic disposal. Implementation requires construction of new industrial-scale facilities to convert and fabricate this plutonium into fuel in both countries, and to immobilize a portion of the U.S. material. The agreement sets 2007 as the target date for such facilities to begin operations, with a minimum disposition goal of two MT per year and an obligation to seek at least to double that rate. The U.S. and Russian plutonium disposition programs are designed to proceed in a roughly parallel manner. In addition, both the disposition processes and end products will be subject to bilateral monitoring, and the agreement anticipates that International Atomic Energy Agency (IAEA) verification measures will be used as soon as each party concludes appropriate agreements with the IAEA. The Agreement recognizes that, in addition to U.S. financial support, international financing and assistance will be necessary for Russia to be able to fulfill its obligations. Other G-8 countries have strongly endorsed and advanced this cooperation. At the July 2000 Okinawa G-8 Summit, the United States and Russia urged the G-8 leaders to accelerate this cooperation by directing the development of necessary multilateral arrangements and an international financing plan for assisting Russia's disposition program. FY 2001 program highlights are provided below:

- **Plutonium Conversion:** The objective of this work is to design and build a facility for converting weapons-origin plutonium metal to an oxide form suitable for use in mixed-oxide (MOX) fuel and for international inspection. The conversion facility will have an initial capacity of two MT per year of metal and be expandable, as more reactors that use MOX fuel become available. During FY 2001, the NNSA supported the development of a process to convert plutonium metal to oxide, determined the technology and site for plutonium conversion, and initiated the design of the plutonium conversion demonstration facility.
- **MOX Fuel Fabrication:** The NNSA is helping Russia to develop a MOX fuel fabrication process that is compatible with surplus weapons-grade plutonium, test the resulting fuel, and qualify it for use in a VVER-1000 water reactor. Final fabrication and use of the fuel is subject to approval by GAN, which will license the use of the MOX. During FY 2001, the NNSA supported research and development work to develop and fabricate MOX fuel for use in Russian VVER-1000 and BN-600 reactors, and developed a schedule for reactor activities to fabricate MOX fuel for VVER-1000 and BN-600 reactors.
- **VVER-1000 Reactors:** VVER-1000 reactors in Russia are currently fueled with uranium oxide fuel. Considerable work is required to ensure that they can be fueled with mixed plutonium and uranium oxide fuel. The first stage of this effort involves feasibility studies. This joint U.S.-Russian project is aimed at verifying and updating computer codes used to predict the behavior of MOX fuel in VVER-1000 reactors. Verification of codes for presentation to GAN for licensing approval is underway. Development of a licensing plan for VVER-1000 reactors (including transportation, storage, and other associated activities) with GAN is being initiated. As the ultimate user of the MOX fuel, RosEnergoAtom, the Russian utility that operates nuclear power reactors, is also involved in the effort. During FY 2001, the NNSA continued VVER-1000 reactor design modifications and safety analysis work.
- **BN-600 Reactor:** The NNSA has agreed to help Russia assess the feasibility of converting its BN-600 reactor, a fast-neutron reactor, into a reactor suitable for burning weapons-grade plutonium. The BN-600 uses uranium oxide fuel and produces some plutonium. Preliminary estimates indicate that the reactor could be modified to burn MOX fuel, perhaps even using a full MOX core. During FY 2001, the NNSA initiated a post-irradiation examination of previously irradiated BN-600 reactor MOX fuel, developed plans for BN-600 MOX insertion studies, continued hybrid core design and safety analyses, and continued BN-600 reactor design modifications.
- **Immobilization:** The NNSA is engaged in projects with Russia to explore various immobilization technologies. As part of its dual-track approach to plutonium disposition, the NNSA is studying various options, including immobilization in glass or ceramics. The NNSA is funding small-scale demonstration projects to encourage Russia to consider the technical immobilization technology. During FY 2001, the

NNSA completed technical and engineering feasibility studies for plutonium immobilization at Krasnoyarsk-26 Chemical and Mining Combine. All immobilization work will be completed in FY 2002.

- **Advanced Gas-Turbine Modular Helium Reactor (GT-MHR) Technology:** The NNSA is working with Russian institutes and private industry to develop a GT-MHR as an option to supplement Russia's existing reactor capacity for disposing of surplus plutonium. Funding provided to date by the U.S. Congress to initiate the design of gas-reactor technology is intended to serve as "seed funds" for efforts to gain financial commitments from other countries and the private sector for the full funding of this effort. During FY 2001, the NNSA continued work in Russia using prior-year funds; including the preliminary design of a GT-MHR; and initiated efforts defining the development, design, licensing and construction activities required to develop a GT-MHR in Russia. The NNSA also initiated a detailed cost schedule for the GT-MHR.
- **Licensing and Regulations/Other Program Support:** The NNSA is providing technical support and funding to GAN for the identification, development and implementation of the regulatory infrastructure required for licensing the design, construction, testing and operation of new or modified nuclear facilities to be used for the disposition of surplus weapons plutonium. This work includes support for documenting the process of conducting licensing reviews and issuing new or revised licenses, developing regulations and standards needed to license new or modified facilities, and defining roles and support requirements of other agencies in Russia. During FY 2001, the NNSA executed task orders for GAN regulatory document outlines, road mapping and Paralex licensing, and began work on GAN's regulatory and licensing process. The NNSA also continued to provide technical assistance for the Russian regulatory infrastructure.

U.S. Department of Energy – Nuclear Cities Initiative (NCI): NCI is focused on helping Russia downsize its nuclear weapons complex. NCI operates under a bilateral agreement signed by the United States and the Russian Federation on September 22, 1998. NCI works to remove functions and equipment from the weapons complex; reduce its physical footprint; and create sustainable, alternative non-weapons-related work for nuclear experts displaced by the downsizing. To achieve these goals, NCI, in partnership with MinAtom, Russian institute officials and municipal authorities, has developed strategies to promote a business environment that attracts, supports and sustains investment and economic growth. Now in its third full year of operation, NCI has moved from the planning to the implementation phase. Despite the challenges of continued economic problems and lack of infrastructure in Russia, as well as continued restrictions imposed by MinAtom on U.S. access to the nuclear cities, NCI made significant progress in FY 2001. A successful agreement on the closure of Avangard Electrochemical Plant in Sarov resulted in the release of \$10 million in additional program funds, bringing the FY 2001 total to \$27.5 million. NCI is working effectively in its three focus cities: Sarov, Snezhinsk and Zheleznogorsk. Most notably, NCI successfully orchestrated a joint venture between the Avangard Electrochemical Plant and Fresenius Medical Care, resulting in an additional 45,800 square feet being added to the Technopark's existing 500,000 square feet of space.

U.S. Department of Energy – Reduced Enrichment for Research and Test Reactors (RERTR): In FY 2001, the RERTR Program continued to support testing of LEU fuel elements, which can be used for HEU-to-LEU conversion of reactors at the St. Petersburg Nuclear Physics Institute, as well as in Ukraine, Uzbekistan, Hungary and Vietnam. Tube-type fuel tests were completed and pin-type fuel tests have been initiated. In addition, development of pin-type high-density fuels for Russian-designed research reactors continues at the Bochvar Institute. Studies and analysis of the prospects for converting a number of Russian-designed research reactors from operation with HEU fuels to LEU continued in FY 2001, as did fuel-qualification tests. Neutronic feasibility studies were initiated to assess the performance of LEU fuel for research reactors in Russia, Uzbekistan and Poland. In FY 2001, the RERTR Program spent \$700,000 of its \$900,000 in budgeted funds, all of which have been obligated.

U.S. Department of Energy – Russian Research Reactor Fuel Return Initiative (RRRFRI): The core objective of RRRFRI is to reduce nuclear proliferation risks posed by the presence of HEU fuel and materials at former Soviet-supplied research reactors and research facilities by repatriating that material to Russia. In FY 2001, RRRFRI held three tripartite meetings involving representatives of the U.S. and Russian Governments and the IAEA. In May 2001, U.S. and Russian experts met in Moscow to discuss the technical issues related to spent-fuel management. In June 2001, a joint team of U.S., Russian and IAEA experts visited research reactor sites in Ukraine, Uzbekistan and Yugoslavia on technical fact-finding missions. The RRRFRI spent \$200,000 of its \$1 million in budgeted funds, all of which have been fully obligated.

U.S.-Russian Joint Commission on POW/MIAs: Through the U.S.-Russian Joint Commission on POW/MIAs, DoD's Moscow-based POW/Missing Personnel Affairs Office continued to support the Russian side of the Commission in its efforts to account for Soviet and Russian citizens missing during and after World War II. This includes trying to account for Soviet military and civilian citizens who were missing while performing official duties abroad, in incidents at sea, in submarines, in the air and in various local wars, such as Afghanistan and Chechnya. DoD provided assistance in the form of six computer equipment units that were delivered and installed at the Central Archives of the Ministry of Defense, located in Podolsk. The computer equipment is being used to facilitate the creation of databases and computerization of archives. The computer equipment will also allow foreign and local researchers a faster method of accessing information relating to Soviet and Russian military archival documents.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, ACTTA law enforcement assistance coordinated by the Bureau of International Narcotics and Law Enforcement Affairs (INL) continued to reach a wide cross-section of Russian society and made progress in promoting legal reform. A total of 13 U.S. law enforcement agencies conducted ACTTA-funded training, including the Federal Bureau of Investigation (FBI), the U.S. Justice Department's Office of Overseas Prosecutorial Development, Assistance and Training (DOJ/OPDAT); the U.S. Drug Enforcement Administration (DEA), and the U.S. Customs Service (USCS), all of whom have resident representatives in Russia. In FY 2001, the U.S. Embassy's interagency Law Enforcement Working Group shifted its strategy from stand-alone training programs to a project-based approach, which combined expert and technical assistance, equipment and training targeted at specific law enforcement problems in specific areas. Projects helped strengthen Russian law enforcement officials' ability to combat narcotics trafficking on the Russian border with Kazakhstan, smuggling and narcotics trafficking in southern ports and in the northwestern customs region including St. Petersburg; and helped develop a U.S.-Russian task force to combat trafficking in women and children. Other ACTTA programs focused on rule-of-law reform, money laundering/financial crimes, corruption, counter-narcotics, law enforcement/police science, organized crime, border control, and intellectual property rights. ACTTA programs provided assistance to the Legislative Committee of the State Duma (lower house of parliament) and police science training to law enforcement personnel primarily in the Ministry of Internal Affairs (MVD), the Federal Security Service (FSB) and the Customs Service. ACTTA programs also helped legislators, court officials, NGOs and health professionals deal with domestic violence, trafficking in women, and drug abuse. The INL Bureau also provided technical advice on the development of policy instruments, such as the U.S.-Russian Mutual Legal Assistance Treaty. ACTTA also expanded its coverage to Russia's regions, particularly through its community policing and anti-corruption programs. Under the ACTTA Program, USCS provided Passenger Enforcement Rover Team (PERT) training to Russian Customs officers to enhance their airport-related drug-interdiction activities, and a money-laundering, cybercrime and mid-management seminar and an executive observation program are scheduled for FY 2002. In addition, USCS will provide strategic problem-solving training that targets flights from Central Asia to Russian airport law enforcement officers.

U.S. Department of Justice (DOJ) – Rule-of-Law and Criminal Justice Programs: In FY 2001, DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and its ACTTA-funded Resident Legal Advisor (RLA) achieved substantial results in promoting the rule of law. In February 2001, with ACTTA funding channeled through DOJ, the American Bar Association's Central and Eastern European Law Initiative (ABA/CEELI) placed a new Criminal Law Liaison (CLL) in Moscow. In addition to criminal procedure reform, the liaison focused on anti-corruption efforts and judicial reform. The DOJ/CEELI Program offered assistance to prosecutors and investigators on how to identify problem areas in the investigation and prosecution of corruption cases in Russia. In May 2001, the DOJ/CEELI Program conducted a three-day seminar for 64 judges from eight regions of the Urals District. The conference focused on the draft Code of Criminal Procedure. In June, the DOJ/CEELI Program conducted a roundtable to discuss the state of judicial reform after the passage of the Criminal Procedure Code and the Law on Advocacy. The RLA and CLL coordinated their efforts to provide critical support to the State Duma's Working Group on the Code of Criminal Procedure, bringing over U.S. and European experts who helped draft the new code. The project to revise the previous Soviet-era code came to fruition on December 5, when the Federation Council (upper house of parliament) approved the bill. The Council of Europe has hailed the new code as a major human-rights breakthrough for Russia. The contributions of the DOJ programs were cited on the floor of the Duma at the bill's final reading. The ACTTA Program also funded a second DOJ RLA to support legal reform, including support for revision of the Code of Criminal Procedure, jury trial projects, prosecutorial exchanges, a Mutual Legal Assistance Treaty, and anti-money laundering and anti-trafficking training. Under the new Criminal Procedure Code, all regions in Russia will conduct jury trials by January 2003. Currently, only nine out of Russia's 89 regions conduct jury trials, but these

nine regions have been doing so since 1993 and have a number of practitioners with significant jury trial experience that can be shared throughout Russia. In September, OPDAT initiated a jury trial video project, the purpose of which was to create an instructional video that demonstrates how jury trials are conducted and can help Russian legal professionals prepare for this significant change in courtroom procedures. This Russian-language video, which will include some comparative analysis between Russian and American jury trials but will be adapted to Russian courtroom procedures, will be used throughout Russia and possibly expanded to other countries as they develop jury-trial systems. In FY 2002, OPDAT and ABA/CEELI will focus on the implementation of the new Criminal Procedure Code and the expansion of jury trials in Russia.

- **Transnational Crime and Corruption Centers (TraCCC):** The American University's DOJ-funded TraCCC program continued to operate five regional research centers on Russian organized crime and corruption, which are located in Moscow, Yekaterinburg, Irkutsk, Vladivostok and St. Petersburg. Throughout the year, TraCCC centers hosted a number of conferences on issues related to anti-corruption, economic crime, organized crime and trafficking in persons. TraCCC continued to publish a quarterly journal *Organized Crime and Corruption*, which was distributed by TraCCC's centers to the governors of Russia's 89 regions, as well as State Duma deputies, local and *oblast* (regional) officials in the regions where TraCCC centers are located, lawyers, law enforcement officials, tax police and academics. Following a conference in February in Budapest for Russians, Georgians and Moldovans, TraCCC worked with its centers in the Russian Far East to develop an anti-trafficking handbook. As a result of this handbook and the work of the Vladivostok center, trafficking victims and their families have been calling the Vladivostok center to report instances of suspected trafficking.

Humanitarian Programs

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2001, USDA provided approximately 184,000 metric tons (MT) of food assistance to Russia, valued at more than \$60 million. The Vishnevskaya-Rostropovich Foundation, a private voluntary organization (PVO), received and monetized 30,000 MT of soybean meal under USDA's Section 416(b) Program, using the proceeds to fund vaccination programs for children. Another PVO, the Russian Farm Community Project, received approximately 84,000 MT of corn under USDA's Food for Progress program in support of agricultural development activities. The United Nations' World Food Program (WFP) received and distributed 20,000 MT of USDA food commodities valued at more than \$10 million to needy people in Chechnya. The remaining 50,000 MT of food commodities were distributed through direct-feeding programs throughout Russia, implemented by the following PVOs: the American Red Cross, Project Aid Siberia, Global Jewish Assistance and Relief Network, International Orthodox Christian Charities, Chamah and Action Contre la Faim. Unfortunately, the distribution of these donated commodities to needy populations in Russia was disrupted when the Russian Government failed to honor an agreement to grant duty-free entry of donated commodities for direct-feeding programs.

U.S. Department of State – Bureau of Population, Refugees and Migration (PRM): In FY 201, the PRM Bureau provided approximately \$35 million for humanitarian assistance programs in Russia, consisting of \$25 million allocated to international organizations and \$10 million allocated to U.S. NGOs on a one-time basis. PRM funding was used to provide assistance to internally displaced persons (IDPs) through the International Organization on Migration (IOM), various United Nations (UN) agencies, the International Committee of the Red Cross (ICRC), and international NGOs working in the North Caucasus region.

- **North Caucasus Humanitarian Assistance:** In FY 2001, PRM contributed more than \$11.6 million to international organizations for assistance to IDPs in the North Caucasus. In response to the UN Consolidated Inter-Agency Appeal for the North Caucasus, the PRM Bureau allocated \$2.9 million to the UN High Commissioner on Refugees (UNHCR), \$500,000 to UNICEF, \$800,000 to the WHO, \$500,000 to the WFP, and \$500,000 to the UN Office of the Coordinator for Humanitarian Affairs (OCHA). These funds were used to provide IDPs in Chechnya, Ingushetia and Dagestan with the following kinds of assistance: food aid, shelter and relief, health and nutrition, socio-psychological support, water and sanitation, education, mine awareness, protection, coordination and security. The PRM Bureau also contributed \$1.7 million to the ICRC's response to the humanitarian crisis related to the conflict in Chechnya, and \$4.73 million to NGOs working in Chechnya and Ingushetia, including \$2.3 million to Mercy Corps International for the provision of emergency non-food items and emergency shelter activities benefiting IDPs, \$1.475 million to the International Rescue Committee for its multi-sectoral activities (including non-food items, emergency shelter, water, and education programs), just under \$686,000 to World Vision for a mobile medical clinic program, and just over \$271,000 to the International Medical Corps for mobile medical clinics serving

spontaneous IDP settlements in Ingushetia. Overall, the PRM Bureau contributed more than 25 percent of the total amount appealed for by the UN and ICRC for the North Caucasus crisis.

U.S. Department of State – Operation Provide Hope: In FY 2001, at a cost to the U.S. Government of \$630,000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE) transported to Russia privately donated and U.S. Defense Department excess humanitarian commodities with a total value of \$17.77 million.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: In FY 2001, EUCOM's Humanitarian Assistance Program obligated \$25,000 to conduct disaster management training in the Russian Far East.

Partnership Programs

U.S. Department of State – University/Distance Learning Partnerships: In FY 2001, the ongoing partnership between the Maxwell School of Public Administration at Syracuse University and the Department of Public Administration at Moscow State University continued with a strong distance-learning component. Other U.S.-Russian university partnerships supported by the Bureau of Educational and Cultural Affairs (ECA) also included Internet-based distance-learning technologies in their strategic plans. In addition, a Training Grant was awarded to the International Visitors' Council/Research Triangle Park (IVC/RTP) to support the completion of a Russian distance education curriculum in business management. IVC/RTP, in collaboration with North Carolina State University and Ural State University, will also establish a Distance Education Center at Ural State University to provide support and training to other distance-learning partner universities in the region.

U.S. Department of State – Training Grants: The Training Grants Program, which is administered by the Bureau of Educational and Cultural Affairs (ECA), funds partnership activities between Russian and U.S. organizations, with the goal of supporting Russia's transition to democracy and market economics. In FY 2001, grants were awarded for training in the following areas: anti- trafficking, the role of government press secretaries, advocacy for the disabled, media, and distance learning in business management. In FY 2001, a Training Grant was awarded to the Initiative for Social Action and Renewal in Eurasia (ISAR) to develop and implement a training, exchange and partnership program for women grassroots nuclear safety activists.

USAID Partnership Programs: USAID's Sustaining Partnerships into the Next Century (SPAN) Program ended in December 2001, having financed 35 partnerships and 11 small grants for follow-up activities between U.S. and Russian communities and institutions in the areas of civil society, rule of law, social-sector reform, business development, health and the environment. Between 1998 and 2001, SPAN partnerships trained over 10,000 people. In FY 2001, SPAN supported the efforts of the Vermont/Karelia Rule of Law Project and the Union of Jurists of the Republic of Karelia to expand the student legal clinic at Petrozavodsk State University, which became the primary legal service provider for the indigent in Petrozavodsk. The partners also disseminated their experience to law schools in other Russian regions that are seeking to establish legal clinics. In addition, SPAN enabled the Volkhov International Business Incubator and the Alliance of American and Russian Women to develop a women's business exchange program that trained over 1,300 individuals, 52 percent of whom were women. In FY 2001, USAID initiated two new partnership programs—one focused on the Russian Far East and one on the Volga Federal District. The Russian Far East Partnership Program will focus on the region's economic development and integration into the Pacific Rim. The Volga Partnership Program will emphasize the replication and dissemination of lessons learned from other successful programs, particularly in the area of youth programs.

USAID Health Partnerships: In FY 2001, USAID continued to finance eight health partnerships under the auspices of the American International Health Alliance (AIHA). Program highlights are provided below:

- **Boston-St. Petersburg:** This highly successful partnership is working on problems of infection control in medical settings and is collaborating with the Russian Ministry of Health on the development of national infection-control policies.
- **Iowa-Samara:** An Iowa-Samara health partnership is focusing on models of quality management and the clinical practice guidelines being implemented by the Russian partners at a new Women's Wellness Center in Samara. The U.S. and Russian partners are also focusing on the financial aspects of managing the practices of general practitioners. Both of the participating Samara polyclinics reported that the skills and job responsibilities of nurses have significantly increased in FY 2001.

- **Appleton, Wisconsin - Kurgan Region/Shchuchye District:** A primary-health-care (PHC) center was opened in December in Shchuchye. This is the first general practice institution in Shchuchye District and Kurgan *Oblast* (Region). The Head of the Shchuchye District Administration has declared his long-term goal to be the restructuring of the administration of PHC in the Shchuchye District and wants to establish seven or eight PHC practices based on the Shchuchye model.
- **Houston-Sakhalin:** December was designated as Women's Health Month in Korsakov: every Saturday in December, gynecological exams were provided free of charge in all ambulatory clinics in Korsakov. A total of 170 women were examined during the campaign. The U.S. and Russian partners also organized 16 lectures conducted by medical professionals in schools, and 21 lectures conducted at places of work. In addition, as a part of their health promotion program, the Sakhalin partners issued *Pulse* (the first hospital newspaper of its kind), and an adolescent newspaper *Be Healthy*. Thanks to a successful breastfeeding promotion in Korsakov, the percentage of children breast-fed until age one increased from 17.5 percent to 23 percent over the course of one quarter.
- **Lexington-Khabarovsk:** This partnership focused on the opening of a youth education center in Pereyaslavka in August. The services offered at the center focus on promoting a healthy lifestyle among youth and family-based health services.
- **Little Rock-Volgograd:** This partnership focused on the opening of the Russian-American Family Medicine Clinic in Volgograd in September 2001. Disease prevention, health promotion, and primary-care services will be offered at the private clinic. Volgograd physicians who received part of their training at the University of Arkansas Medical School will staff the clinic.
- **Los Alamos-Sarov:** This partnership has focused on asthma issues. The Russian National Asthma Congress accepted a paper outlining the Los Alamos/Sarov asthma project for presentation at their conference in November. The asthma pilot project focuses on self-management of disease; 80 new patients (40 children and 40 adults) have been enrolled this quarter, and 78 patients have graduated from the six-month pilot project.

U.S. Department of Transportation – Federal Highway Administration (FHWA): In FY 2001, the FHWA continued to foster institutional partnerships between U.S. and Russian highway administrations, utilizing (at no cost to the federal government) the expertise of U.S. highway officials at the state and local levels. State and *oblast* delegations visit one another on an annual basis in order to learn firsthand about the management structures and road technologies used by their counterparts. These exchanges also benefit U.S. highway administrations, since there are a number of Russian technical developments that promise to improve U.S. practices, including vertical bridge-welding methods, tunneling for roads in railway embankments, concrete-testing procedures, maintenance management systems, and roadside design to limit the accumulation of snow on roadways. Sister-state partnerships provide Russia's regions with the technical and management information they need to carry out free-market reforms in the highway sector and to improve their highway networks. Specific benefits include the concept of technology transfer centers (discussed below), highway financing methods, bridge modeling, anti-corrosion bridge paint, highway safety, environmental mitigation, in-house training, sign placement, pavement mix design, and road construction and maintenance equipment, such as zero-velocity salt spreaders for winter road maintenance. The six states involved in Russian partnerships are Kentucky (with Perm), North Carolina (with Krasnodar), Maine (with Arkhangelsk), Pennsylvania (with Nizhniy Novgorod), Minnesota (with Kemerovo and Tomsk), and Maryland (with Leningrad). Each year, each partnership conducts an average of two exchange activities, including joint technical seminars, reciprocal visits of high-level delegations, U.S.-based internships and participation in U.S. technology transfer conferences. Each state's department of transportation shares in the cost of hosting Russian delegations and interns, Russian *oblast* (regional) highway administrations host U.S. visitors, and Russian travelers pay their own international travel costs. Program objectives for FY 2001 included familiarizing State Duma, federal and regional decision-makers with the U.S. highway financing model. A March 2001 visit by the Deputy Chairman of the State Duma's Budget and Taxation Committee and a member of the State Duma's Energy, Transportation and Communication Committee had a substantial influence on Russia's road fund debate. The goal of creating and sustaining technology transfer centers that serve as a vehicle for passing new technologies from other Russian regions and abroad to *oblast* and local officials and contractors was accomplished in all but Krasnodar and Leningrad *oblasts*. The technology transfer centers in Kemerovo, Arkhangelsk, and Nizhniy Novgorod held joint training seminars for broad Russian audiences, planned and presented in conjunction with U.S. counterparts. By exposing workers at all levels to more efficient methods and new technologies, these seminars have revolutionized the way Russian highway-sector managers approach the operational challenges of their road networks. The goal of fostering horizontal linkages was successful largely due to the efforts of the Russian Association of Regional Highway Administrations (RADOR), which has taken upon itself the responsibility of

coordinating Russian partnerships with U.S. highway administrations. The Russian partners, who are all RADOR members, have been meeting twice annually since January 2001 to share information and establish priorities. As a result of these meetings, a needs assessment database for the Russian highway sector was created, and it was determined that each Russian technology transfer center will function more effectively by focusing on a specific technological area. This new approach, which will include U.S. internships and joint U.S.-Russian seminars, will be implemented in FY 2002. Also in FY 2002, videoconferencing will be tested, and a web page will be established for exchanging background information on the Russian highway sector, technical translations, documentation of past activities and visits, plans and schedules for future activities, photos of Russian roadways with commentary, and other materials. In addition, the U.S. National Highway Institute will participate in the FHWA's Russia program. Each of the six Russian partner regions will send an intern to the United States for technical training and train-the-trainer instruction.

Cross-Sectoral Programs

The Regional Initiative (RI): In FY 2001, the U.S. Government's Regional Initiative (RI) continued its activities at three sites: Yuzhno-Sakhalinsk/Khabarovsk, Samara, and at its newest site, Tomsk, which was officially opened in June 2001. The phase-out of the Novgorod RI site was completed in early FY 2001.

- The **Russian Far East (RFE) RI** based in both Khabarovsk and Yuzhno-Sakhalinsk, achieved significant results in FY 2001, strengthening its focus on Sakhalin in the latter part of the year. In anticipation of final governmental approval of the Sakhalin Region's first two major oil and gas projects, Sakhalin I and II, numerous U.S. companies initiated or expanded operations in the region. The American Business Center (ABC) in Yuzhno-Sakhalinsk responded to a growing volume of inquiries and demand for business services, providing market and contact information as well as secretarial services and short-term rental of office space. Also in response to this surging interest in the Sakhalin Region, the U.S. Commerce Department's Business Information Service for the NIS (BISNIS) continued to reach U.S. companies with its *Search for Partners* reports and industry updates. In Khabarovsk, with funding from USAID, Counterpart International supported a number of small and medium-sized enterprises (SMEs) with micro-loans, the great majority of which were repaid on time. Similarly, Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Agriculture (ACDI/VOCA) stimulated SME development in Sakhalin by providing micro-credit lending, also with funding from USAID. Rapid membership growth and increased activity of the Sakhalin Association of Entrepreneurs, created with the assistance of the Carana Corporation, a USAID contractor, demonstrated the Association's commitment to support SMEs across many sectors and provided a mechanism for addressing the concerns of SME managers. In addition, two new USAID-funded programs were introduced: a partnership program implemented by the Foundation for Russian-American Economic Cooperation's (FRAEC) and a Russian-American Judicial Partnership, which will help strengthen the Russian legal system and offer RFE judges the opportunity to draw on the experience of their U.S. counterparts.
- **Samara RI:** Positive trends continued and new projects were initiated, making FY 2001 a very stable and productive year for the Samara RI. The Samara Regional Administration continued to be a strong supporter of the Samara RI and U.S. assistance programs, as demonstrated by its financial support of two large Voluntary Visitor Program delegations that traveled to the United States in FY 2001. As in FY 2000, two areas in which U.S. technical assistance made a significant impact were small-business financing and NGO development and strengthening. Micro- and small-enterprise financing is now offered by the USAID-funded Foundation for International Community Assistance (FINCA) in all large and medium-sized towns in the Samara Region. In the area of NGO development, two USAID-sponsored regional NGO conferences were held, and NGOs from the Samara Region won more accolades and support at Privolzhskiy Federal District NGO fairs than any other region in the district. In FY 2001, the Samara Region also saw an increase in the activity of U.S. Government-funded exchange program alumni, including seminars and mini-grant programs for alumni and the establishment of an active, registered alumni club with more than 100 members. In FY 2001, several new projects were initiated under the Samara RI, including two anti-corruption programs and a program to curb the spread of HIV/AIDS.
- **Tomsk RI:** On June 7, 2001, the U.S. Government formally opened the newest RI site in Tomsk. The goal of the Tomsk RI is to facilitate the socio-economic development of the Tomsk Region through cooperation between the U.S. Governments and the Tomsk Regional Administration. A new RI Coordinator began working in Tomsk in August 2001. In addition to encouraging existing U.S. Government-funded assistance

programs in Russia to increase their operations in the Tomsk Region (e.g., programs administered by USAID; the U.S. Embassy's Public Affairs Section; and the Departments of Agriculture, Commerce, Defense and Energy), the Tomsk RI has initiated numerous new programs, many of which build on the lessons learned in the other RI regions. Program areas include public services and education, small business development, rule of law, support for small cities and towns, and addressing other sectors such as civil-society, science, technology and the environment. Carana Corporation, a USAID contractor, continued its program to introduce International Accounting Standards (IAS), helping to establish an accountants' guild. The program identified a total of 20 enterprises that are now being assisted in their transition to IAS-based accounting. In March 2001, the Foundation for International Community Assistance (FINCA) established USAID-funded micro-credit operations in Tomsk. By the end of FY 2001, FINCA's clientele had grown to more than 400 small businesses. Several alumni associations for participants of various U.S. Government-funded exchange programs have been established and are active in Tomsk. The Tomsk NGO Resource Center continues to provide support services to NGOs and act as a leader in representing the interests of the NGO community.

Eurasia Foundation: In FY 2001, the Eurasia Foundation's field offices in Moscow, Saratov and Vladivostok awarded approximately 400 small grants totaling \$4.5 million throughout Russia. All three field offices focused on promoting private enterprise development, public administration and policy, and civil society, as well as citizen responsibility. Grantees worked to strengthen the links between the public, business and government sectors by seeking to improve citizen oversight, transparency in the policy process, and self-organization. Examples include the establishment of community-based school associations, public watchdog groups to monitor traffic police and draft boards, a credit rating bureau, and community-based planning for economic development. In addition to its "open-door" grant-making process, the Eurasia Foundation has also implemented targeted initiatives to address specific issues. The Foundation's thematic programs include the Small Business Loan Program, the Economics Education and Research Consortium, and the Media Viability Fund. In addition, all three field offices held competitions for projects to support citizen initiatives to combat corruption. Priorities of the Foundation's Moscow office for FY 2001 included support for independent media, strategic planning for municipalities and development of local philanthropy. A new initiative on policy advocacy for business associations was begun in September 2001.

Peace Corps – Small Project Assistance (SPA) Program: In FY 2001, the SPA Program awarded 64 grants totaling almost \$149,000 in support of projects implemented by Peace Corps Volunteers (PCVs) in Western Russia and the Russian Far East:

- **Western Russia:** In FY 2001, the SPA Program awarded 37 grants totaling almost \$107,000 in support of PCV-implemented projects in Western Russia in areas such as education, small-business development and municipal development. By far, the largest concentration of SPA grant activity was in the area of education, with SPA grants supporting the acquisition of resource materials, textbooks, computers and related equipment and supplies to upgrade language and resource centers, school library centers and teacher resources. One SPA-funded activity enabled residents of the *oblast* (region) to access distance-education programs through Rostov State University. Another SPA-funded activity enabled a school for blind children to obtain a Braille printer and reading machine, allowing visually impaired students to receive basic Internet and computer skills training. In the area of small-business development, SPA grants enabled local entrepreneurial groups to access the Internet and develop their own computer training programs. Another SPA-funded activity provided an orphanage with equipment that allowed the resident children to learn food services, business and management skills for future income generation activities. A SPA-funded municipal development activity supported the design, layout and production of materials for a new civic education course to broaden the understanding of local self-government and to encourage community development and involvement by all community members.
- **Russian Far East:** In FY 2001, the SPA Program awarded 27 grants totaling \$42,000 in support of PCV-implemented projects the areas of education, youth development and environment. In the education sector, SPA-funded teacher training classes helped Russian teachers enhance their skills in Teaching English as Foreign Language (TEFL) through the exchange of resource materials, dialogues and cultural exchange. Other SPA-funded activities supported classroom education by providing resource materials, supplies and equipment to enhance the learning environment, while simultaneously exposing students to Western values and culture. SPA-funded environmental education activities focused on the importance of ecology, protection of the environment and how people can integrate these activities into their daily lives. One activity provided training to camp leaders on how to set up and maintain a camp facility with the least damage to the environment. Youth activities, organized within the larger context of the Peace Corps' TEFL

program, focused not only on language skills, but also on developing leadership, public speaking, debate and conflict resolution skills to help prepare young people for becoming adults.

Preview of FY 2002 Programs

Preliminary figures indicate that the FY 2002 FREEDOM Support Act assistance budget for Russia will remain at approximately FY 2001 levels. In FY 2001, the Administration's Policy Coordinating Committee (PCC) initiated two separate reviews of all security and non-security assistance programs to Russia. U.S. Government-funded assistance programs will be revised and adjusted as necessary, based on the conclusions of these two reviews. The PCC completed its review of non-security programs in September. The report concluded that while the U.S. Government's assistance program in Russia was generally on target, it was necessary to focus on a few areas in order to better serve the interests of the U.S. Government and promote Russia's economic, political and social transformation. The review identified three focus areas for Russia's non-security-related programs: (1) support for entrepreneurs as a driving force for developing Russia's emerging middle class; (2) development of civil society, including independent media; and (3) health. U.S. Government implementing agencies are reviewing their program priorities for FY 2002 to ensure that they reflect the results of the PCC Report. In addition, the U.S. Embassy in Moscow is reviewing models for regional assistance and cooperation, as well as mechanisms for reaching out to and assisting alumni of U.S. Government-funded exchange programs. Furthermore, the review indicated that funding for FY 2003 should be based on success in achieving performance benchmarks. The U.S. Embassy is currently working with the Office of the Coordinator for Assistance to Europe and Eurasia and Washington agencies to develop performance measures.

The events of September 11 have increased Russia's willingness to cooperate with the U.S. Government on a variety of issues, specifically those linked to fighting terrorism and strengthening the rule of law in Russia. Law enforcement aspects of this effort present particular opportunities for cooperation. Additional resources for law enforcement training in the area of counter-terrorism include anti-money laundering assistance, mutual legal assistance cooperation and training, financial tracking and anti-drug trafficking assistance and training. Other areas include enhanced border controls, detection of visa and document fraud, as well as enhanced law enforcement access and information.

High-level visits, particularly the presidential summits in Washington and Crawford in November 2001, have greatly expanded the scope of U.S.-Russian cooperation. The U.S. Government will continue to work with other donors to assist the Russian Government in its bid for accession to the World Trade Organization (WTO). U.S. Government assistance to Russia will also provide support for a number of bilateral initiatives, including the Media Entrepreneurship Dialogue. Areas in which the agendas of the U.S. and Russian Governments are particularly compatible include small-business development and preventive health care. Other U.S. Government assistance priorities include support for independent media and the rule of law, particularly support for the implementation of the new Code of Criminal Procedure.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO RUSSIA**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Economic Restructuring	8.95
- Private-Sector Development	10.36
- Environmental Management	6.96
- Democratic Reform	16.10
- Social-Sector Reform	14.88
- Cross-Cutting / Special Initiatives	4.18
- Eurasia Foundation	10.00
- Enterprise Funds	20.00
TOTAL USAID	91.42
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS, BDC, CLDP	4.36
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	7.49
- Cargo Value (DoD excess and privately donated, not included in total below)	17.77
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	25.26
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	3.04
- Export Control & Related Border Security (EXBS)	3.50
- ECA Bureau - Public Diplomacy Programs	30.71
- EUR Bureau - Public Diplomacy Programs	1.05
- International Information Programs (IIP)	0.20
TOTAL U.S. DEPARTMENT OF STATE	38.50
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	0.90
ENVIRONMENTAL PROTECTION AGENCY	1.14
CIVILIAN R&D FOUNDATION (NSF/CRDF)	4.00
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	0.40
U.S. DEPT. OF AGRICULTURE (USDA) - ARS BW Redirection, Cochran, FEP	4.07
U.S. DEPT. OF THE TREASURY - Technical Advisors	1.90
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES - BTEP	5.25
TOTAL TRANSFERS TO OTHER AGENCIES	68.01
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	159.43

OTHER AGENCY FUNDS	
USAID - Child Survival	3.54
U.S. DEPARTMENT OF DEFENSE	385.71
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	60.48
U.S. DEPARTMENT OF ENERGY	335.54
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.16
- NADR / Export Control & Related Border Security (EXBS)	1.50
- NADR / Science Centers	23.00
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	
- ECA Bureau - Public Diplomacy Programs (ECE account)	13.86
- International Information Programs (IIP)	0.14
- Bureau of Population, Refugees, and Migration (PRM)	11.63
TOTAL U.S. DEPARTMENT OF STATE	50.29
LIBRARY OF CONGRESS - Open World Program	10.00
U.S. DEPARTMENT OF TRANSPORTATION	0.65
U.S. FISH AND WILDLIFE SERVICE	0.30
U.S. DEPARTMENT OF EDUCATION - Fulbright-Hays Exchange Programs	0.54
PEACE CORPS	3.50
TOTAL FY 2001 AGENCY FUNDS BUDGETED	850.55

TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	1009.97
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COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO RUSSIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	65		5.53	130.94	
1992	Surface		311	1.50	16.96	
	Heart to Heart Grant			0.02		
	CARE Grant			2.00		
	Operation Provide Hope II (Food&Med.)			2.60	29.51	
	EUR/ACE Admin & Program Support			4.52		
FY 1992 TOTAL		65	311	16.17	177.41	193.58
1993	Airlift	12		1.14	25.34	
1993	Surface		1034	4.42	45.25	
	CARE 1.81 / CRS .17Grant			1.98		
	Family to Family Grant			0.02		
	Miramed Institute Grant			0.01		
	Helping Hand & Open Curtain Grant			0.02		
	Salvation Army Grant			0.02		
	Operation Provide Hope III (MRE's, Food)			2.63	40.00	
	Two DoD Excess Hospitals (Moscow-Oct'93)			1.70	36.00	
	EUR/ACE Admin & Program Support			6.09		
FY 1993 TOTAL		12	1034	18.03	146.59	164.62
1994	Airlift	2		0.31	8.20	
1994	Surface		1176	4.39	86.44	
	CRS Grant			0.50		
	Counterpart Grant			0.28		
	EUR/ACE Admin & Program Support			1.31		
FY 1994 TOTAL		2	1176	6.79	94.64	101.43
1995	Airlift	27		1.99	9.39	
1995	Surface		890	4.93	67.75	
	Counterpart Grant			0.02		
	EUR/ACE Admin & Program Support			4.58		
FY 1995 TOTAL		27	890	11.52	77.14	88.66
1996	Airlift	13		0.46	7.84	
1996	Surface		351	1.42	34.60	
	DoD Excess Hospital (Vladivostok-Oct'95)			0.50	4.50	
	EUR/ACE Admin & Program Support			0.22		
FY 1996 TOTAL		13	351	2.60	46.94	49.54
1997	Airlift	10		0.45	12.20	
1997	Surface		76	0.56	8.69	
	EUR/ACE Admin & Program Support			0.30		
FY 1997 TOTAL		10	76	1.31	20.89	22.20
1998	Airlift	9		0.35	5.98	
1998	Surface		97	0.47	12.65	
	Heart To Heart Grant			0.30		
	EUR/ACE Admin & Program Support			0.22		
FY 1998 TOTAL		9	97	1.34	18.63	19.97
1999	Airlift	6		0.21	2.52	
1999	Surface		163	0.89	17.40	
	Heart to Heart Int'l			0.02		
	EUR/ACE Admin & Program Support			0.22		
FY 1999 TOTAL		6	163	1.34	19.92	21.26
2000	Airlift	4		0.22	7.12	
2000	Surface		170	0.86	18.93	
	COUNTERPART Small Medium			0.03		
	EUR/ACE Admin & Program Support			0.14		
FY 2000 TOTAL		4	170	1.26	26.05	27.31
2001	Airlift	2		0.21	9.08	
2001	Surface		73	0.32	8.68	
	COUNTERPART Small Medium			0.03		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.05		
FY 2001 TOTAL		2	73	0.63	17.77	18.39
CUMULATIVE TOTAL		150	4341	61.00	645.98	706.98

TAJIKISTAN

Political Overview

In FY 2001, Tajikistan continued its transition to civil order and democracy. Political and economic reforms continued, albeit at a slow pace, due in part to several unsolved assassinations of government officials (including the Deputy Minister of the Interior) throughout the year. Despite internal government tensions, however, all sides were unanimously behind the Northern Alliance and the international war on terrorism in Afghanistan, and have done their utmost to provide support to this effort. Tajikistan is the only Central Asian country in which a religiously affiliated political party is represented in parliament: the Islamic Renaissance Party holds two seats in the country's parliament. Tajikistan has a unified government that includes some who were members of the opposition during the 1992-97 civil war. In June 2001, Tajikistan's security forces conducted a major operation against former United Tajik Opposition sub-commander Sanginov, who had turned to narcotics-trafficking and hostage-taking and had alienated most of his former opposition allies in the government. The operation resulted in Sanginov's death and the widening of government control and security in areas near the capital city of Dushanbe. However, other areas of Tajikistan, particularly parts of the Karategin Valley, continued to remain largely outside of direct central government control.

In FY 2001, Tajikistan's southern neighbor, Afghanistan, continued to be a base for international terrorism, including the Islamic Movement of Uzbekistan (IMU), and a scene of civil conflict between the Taliban and their opponents. The constant flow of illegal narcotics out of Afghanistan—the world's largest opium producer—resulted in border seizures in Tajikistan surpassing those in both Pakistan and Iran. Nevertheless, narcotics trafficking through Tajikistan and the rest of Central Asia to Russian and European markets continued to leave widespread violent crime, corruption, HIV/AIDS, and economic distortions in its wake.

Economic Overview

In FY 2001, Tajikistan continued to be the poorest Eurasian country and one of the poorest in the world. Its foreign revenue precariously dependent on cotton and aluminum exports, Tajikistan's economy is highly vulnerable to external shocks and suffered due to the events of September 11. In FY 2001, international assistance remained an essential source of support for reconstruction programs that employed former combatants and for a second year of drought assistance that mitigated hunger that was threatening up to half of the country's population. It is hoped that a stable Afghanistan will allow Tajikistan to end its economic isolation by trading to the south, as Tajikistan is frequently blockaded from trading to the north by its neighbors.

Despite resistance from vested interests, the Government of Tajikistan continued to pursue macroeconomic stabilization and structural reform in FY 2001. GDP growth was 12 percent for the first nine months of 2001 and was expected to be 10 percent for all of 2001. This growth occurred despite sharp drops in world prices for aluminum (14 percent) and cotton (37 percent). Inflation slowed to seven percent through September, and was projected to be 11 percent for 2001. Since its introduction last year, Tajikistan's national currency, the somoni, has had a stable exchange rate, thanks largely to disciplined public expenditures. Despite recently increased defense spending, Tajikistan's budget deficit is only one percent of GDP. The country's biggest potential for continued economic growth is in its agricultural and light manufacturing sectors, where productivity increases are anticipated from the continued privatization of medium-sized and large state-owned enterprises and the results of land reform. Restructuring of the country's banking sector and improved governance are top priorities if Tajikistan is to create an improved environment for private-sector investment and growth.

Shortly after the end of FY 2001, the Board of the International Monetary Fund (IMF) reached agreement on a six-month Staff Monitoring Program focused on completing Tajikistan's structural reform program. The World Bank also negotiated a second structural adjustment credit for \$50 million, half of which was disbursed in July 2001.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$78.39 million in assistance to Tajikistan, including \$41.63 million in U.S. Department of Agriculture (USDA) food assistance, \$12.54 million in USAID P.L. 480, Title VII food assistance, \$16.81 million in FREEDOM Support Act (FSA) assistance (\$16.79 million in FY 2001 funds and \$20,000 in prior-year funds), \$1.13 million in other U.S. Government assistance, and U.S. Defense Department excess and privately donated humanitarian commodities valued at \$6.28 million. USAID programs, which accounted for approximately \$14.23 million of FSA-funded assistance to Tajikistan, were focused on the broad areas of democracy and governance, economic restructuring, health sector support, humanitarian assistance and energy and environment. In addition to providing FSA-funded assistance, USAID also provided \$430,000 in assistance through the Child Survival and Matching Grant Programs and \$1.19 million from its Office of Foreign Disaster Assistance (OFDA). The U.S. State Department's Public Diplomacy exchange programs accounted for approximately \$1.2 million.

Over the past several years, U.S. Government assistance to Tajikistan has focused heavily on supporting political reconciliation and the establishment of a stable, pluralistic government. This has included direct support for the now-completed peace process, for demobilizing fighters, and for political party development and election administration. The U.S. Government has also promoted the development of a more active civil society in Tajikistan in order to build public demand for democratic practices. To facilitate Tajikistan's transition to a market economy, the U.S. Government has helped the Government of Tajikistan rewrite laws and recast the public institutions needed to foster economic growth in a free market. To spur economic growth, the U.S. Government has promoted privatization, commercial law reform, micro-credit programs, agricultural-sector development, and the strengthening of local non-governmental organizations (NGOs). The U.S. Government's regional environmental and energy programs have supported Tajikistan's participation in regional water and energy management programs along with its Central Asian neighbors. U.S. Government-funded assistance in the health-care sector has supported the Ministry of Health's reform program through retraining of medical personnel and technical assistance. In FY 2001, U.S. Government-funded humanitarian assistance programs continued to target vulnerable groups throughout the country, meeting immediate human needs while at the same time promoting peace and social stability. Through extensive U.S. Government-funded training programs, thousands of Tajik citizens from a wide range of sectors have gained the skills needed to move forward with reforms in the public sector and to build a prosperous private-sector economy.

While the Government of Tajikistan has expressed some interest in joining the Partnership for Peace, it did not do so in FY 2001 and was therefore not eligible for security-related assistance under the Warsaw Initiative. As the Tajik Government has made a commitment to cooperate with the U.S. Government on countering the proliferation of weapons of mass destruction and other illicit trafficking, U.S. Government-funded security assistance has focused on these areas.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought approximately 1,000 Tajik citizens to the United States for short-term professional or long-term academic training, including some 130 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with their U.S. counterparts.

USAID Training Programs: Training programs continue to be a critical element of USAID's assistance program in Tajikistan. In FY 2001, USAID trained over 800 participants in the areas of economic and business education, primary health care, commercial law and civic education. These programs have helped participants make a positive influence on policy-making in Tajikistan by exposing them to international practices through in-country, third-country and U.S.-based training. For example, as a result of training in International Accounting Standards (IAS) for commercial banks, all commercial banks in Tajikistan had introduced new IAS-based balance sheets as of March 2001. In the area of primary health care, after participating in a USAID-funded training program, the staff of the Somoni Health Reform Project changed its focus to family medicine, opened five new family medicine centers to introduce family practices, and donated funds to create a Chair of Family Medicine at the Khojand Medical University. Using skills learned during a community outreach program in Hungary, the director of the Kyrgyz NGO Nilufar mobilized her community to reconstruct a road, clean a river, renovate a school for 240 pupils, reconstruct a former collective farm's barn into a school for 270 pupils, and rebuild 22 houses damaged by a natural disaster. Through its training programs, USAID also supported the

participation of seven Tajik professionals from various sectors in two international conferences: the Partners in Transition meeting in Sofia and the Global Summit of Women in Hong Kong. As a result of these conferences, one of the participants implemented a project to help reconcile and develop communities in ten *rayons* (counties) of the Kulyab Region, conducting seminars on identifying problems, resolving conflicts and developing social partnerships, and helping to develop action plans.

USAID Resource Network for Economics and Business Education (RNEBE): Since January 2001, RNEBE has been working with 14 public and private universities across Tajikistan to reform and strengthen business and economics curricula to better prepare students to enter a market economy. RNEBE has developed a website that fosters greater sharing of information, including curricula and course syllabi, among universities in Central Asia and their counterparts in the West. Through RNEBE, professors receive training in modern teaching methods through workshops and seminars, and are provided with access to up-to-date case studies and other essential teaching tools. The project's second component includes the translation and distribution of basic materials such as textbooks, computers and audio/visual equipment, as well as the sponsorship of a Visiting International Professors (VIP) Program. Less than a year after its inception, 14 universities had joined RNEBE, and 17 percent of their faculty had participated in summer courses in modern business practices and economics (half of the participants have been women). In addition, eight professors from Tajikistan participated in a case-study seminar held in Almaty in August.

U.S. Department of State – Public Diplomacy Exchanges: Academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA) continued to support Tajikistan's political and economic transition during FY 2001. Approximately 55 Tajik citizens traveled to the United States on the ECA Bureau's academic and professional exchange programs. The International Visitor (IV) Program sent a number of Tajik decision-makers and opinion-leaders to the United States to learn about the U.S. presidential election, legislation in a democratic government, U.S. methods of cultural and historical preservation, and HIV/AIDS awareness. In addition, approximately 30 high school, undergraduate and graduate students participated in the ECA Bureau's long-term exchange programs. The experience they gained will support Tajikistan's transition and foster long-term ties between U.S. and Tajik citizens. FY 2001 also saw Tajikistan's first five recipients of ECA Bureau-funded Teaching Excellence Awards.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: Having resumed operations in Tajikistan in FY 2000 following a two-year suspension, the SABIT Program continued to provide training and internships to Tajik entrepreneurs in FY 2001. SABIT sent eight of the country's most highly qualified entrepreneurs to the United States for short-term, specialized training in environmental technology, telecommunications, accounting, retail, tourism, hospital administration, and business association development, as well as specialized programs in standards, business management for women, and services. These programs supported Tajikistan's transition to a market-based economy by giving talented managers hands-on experience with U.S. management practices in industries of critical importance to Tajikistan's economy and infrastructure.

U.S. Department of Agriculture – Cochran Fellowship Program: Disrupted in Tajikistan after the U.S. Embassy in Dushanbe suspended normal operations in October 1998, the Cochran Program resumed operations there in FY 2001, sending five Tajiks to the United States for two-week training sessions in agricultural development.

Democracy Programs

Strengthening Tajikistan's democratic culture is not only essential to reforming the country's political institutions—it is also a cornerstone for building peace in the aftermath of the country's five-year civil war. In FY 2001, U.S. Government-funded democracy programs focused on political party-building, civic education, parliamentary strengthening, judicial training, human rights (particularly women's rights) training, and reform of the legal profession.

USAID NGO Development Programs: USAID grantees Counterpart Consortium and the International Center for Not-for-Profit Law (ICNL) continued to work with the Tajik Government to adopt and implement a new NGO law that will give Tajikistan one of the region's most advanced legal frameworks for NGO operations. A series of USAID-funded roundtables and seminars gave the public and local NGOs an opportunity to directly comment on

the proposed law. The final version of the draft law was published in July for public comment prior to submission to the Parliament. Counterpart Consortium/ICNL is also actively working with the government and NGO leaders to develop a draft law on the registration of legal entities. Following an ICNL seminar on the draft law, the Tajik Government lowered the proposed registration fees for NGOs from \$160 (a sum out of reach of most Tajik NGOs) to \$25 or \$50, depending on the type of organization. USAID-sponsored Civil Society Support Centers disseminated information on the draft registration law and provided a place where NGOs could share ideas and receive training. USAID's local implementing partners hosted approximately 200 training workshops during the year, drawing 2,500 participants from over 1,000 local NGOs, community-based groups and other organizations. Small seed grants were also provided to 29 Tajik NGOs to support efforts in a broad range of sectors. During FY 2001, USAID completed the establishment of the full complement of six Civil Society Support Centers, and accelerated its intensive efforts to develop their institutional capacity.

USAID Support for Independent Media: In FY 2001, USAID continued to promote the development of independent media in Tajikistan. Internews, USAID's media support implementing partner, helped new radio stations obtain licenses and provided technical support to both new and old stations. With support from Internews, the country's first independent radio station opened this year. In collaboration with Tajik Government officials, Internews conducted a series of six seminars for 285 people on a range of topics, including information dissemination, relations between NGOs and government, and Internet use. In addition, Internews trained the staff of two newly established media outlets. NANSMIT, a USAID-supported journalists' association, has developed into an active advocacy organization and continues to produce *Law and Practice*, a series of bulletins providing information on media law to journalists and media outlets around the country.

USAID Civic Education Programs: During FY 2001, the International Foundation for Election Systems (IFES), developed a pilot civic education course for ninth-grade students in Tajikistan and developed a draft teacher's manual. In FY 2002, a minimum of ten schools in each of four regions will be included in a pilot project using these materials. Two democracy summer camps were conducted, giving 127 students an opportunity to discuss a wide range of topics, including gender equality, tolerance and conflict resolution, ecology, electoral processes and voters' rights, and the development of civil society. The students also had an opportunity to express freely their views about the situation in their regions. USAID's civic education programs also supported the establishment of Student Action Committees (SACs), which are bringing together groups of students and a teacher-mentor from pilot schools to address problems in their communities; and Student Local-Government Days, which give students an opportunity to "shadow" local government officials for a day and experience the workings of their local government institutions. A total of 177 teachers and 15 government officials served on SACs in FY 2001.

USAID Parliamentary and Judicial Reform Programs: USAID, in conjunction with other donors, is working with progressive parliamentarians to strengthen Tajikistan's legislature. Through IFES, USAID is providing technical assistance to a wide range of political parties, and is encouraging the formation of an independent judiciary, a judicial association and a judicial code of ethics. This past year, President Rahmonov accepted recommendations put forth in a Poverty Reduction Strategy developed by parliamentarians, judges and NGOs that called for improving parliamentary and judicial professionalism and independence, including recommendations to open the parliamentary committee process and removing the judiciary from the control of the Ministry of Justice. Participation by parliamentarians, judges and NGOs in the development of the Poverty Reduction Strategy would not have occurred without the intervention of two of USAID's implementing partners: the American Bar Association's Central and East European Law Initiative (ABA/CEELI) and the Counterpart Consortium. USAID-supported open meetings and seminars also brought together parliamentarians and NGOs more frequently on specific legislation, including the family code, criminal procedure code and the law on registering legal entities.

Democracy Fund Small Grants Program: In its second year of operations, the U.S. Embassy's Democracy Commission awarded almost \$90,000 in small grants supporting the development of a healthy non-governmental sector, with an emphasis on helping newly formed NGOs that have innovative proposals for democratic development, rather than supporting established NGOs that are already skilled at winning grants from donor agencies. The Democracy Commission, which is administered by the U.S. Embassy's Public Affairs Section, awarded eight grants to NGOs working in such fields as civic education and women's issues, and made possible the establishment of two new independent newspapers.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2001, the Bureau of Educational and Cultural Affairs (ECA) continued to support a public-access Internet facility opened in Dushanbe the previous year. The facility provides Internet access and training to alumni of U.S. Government-funded exchange programs and others in order to promote the free flow of information and to encourage program alumni to network with their U.S. counterparts. Preparations were also being made for a second public-access Internet facility and alumni center in Khojand, which is expected to open in FY 2002.

Economic Development Programs

USAID Agricultural Programs: In FY 2001, USAID supported agricultural programs in a number of regions, including the Karategin Valley (including Gharm and nearby Tavildara) and the Leninskiy District near Dushanbe. These programs helped improve farming practices, increase farmers' income, and support farm privatization efforts. Results from these activities have been remarkable: wheat and potato yields increased three to four times in areas around Dushanbe, with similar increases seen in the newer Karategin Valley program. The USAID-funded rehabilitation of irrigation channels and provision of agricultural inputs put 7,050 hectares of land back into production in FY 2001 alone. In the Karategin Valley, 6,400 farmers, most of them former combatants, are participating in USAID's agricultural program, which is providing them with a source of income and thereby reducing the potential for future conflict.

USAID Accounting Reform: In FY 2001, Tajikistan continued to reform its accounting profession with the help of USAID training in International Accounting Standards (IAS) practices and principles. The Tajik Government approved a Program on Changing Economic Structures, which provides for the implementation of IAS throughout the country. Tajik accountants continued training under a four-year certification program and have established two accounting and auditing associations. In November, the General Assembly of the International Regional Federation of Accountants and Auditors - Eurasia admitted the Public Institute of Professional Accountants and Auditors of Tajikistan (PIPAAT) as an associated member. Jointly with the Central Asian Council (CAC), PIPAAT conducted Tajikistan's first-ever certification of professional accountants and auditors. Over 900 professionals were trained in managerial accounting and financial accounting, and 25 of them had further training and were certified as trainers. PIPAAT will periodically participate in professional certification activities jointly with the CAC.

USAID Small and Medium-Sized Enterprise (SME) Training and Advisory Service Project: This three-pronged activity delivers business training courses, provides business advisory services and facilitates business association development for small-business owners and accountants. The Project has helped increase knowledge and skills by providing focused training in key areas such as accounting, management, marketing and tax issues. Since its inception in 2000, the Project has provided short-term business training to 554 Tajik entrepreneurs and 283 accountants (49 percent of whom were women). The Project has also fostered the development of a local, private, market-oriented capacity for delivering business training to small businesses. In addition, with USAID support, business associations are making a serious push to develop region-wide organizations that adhere to internationally accepted professional standards.

USAID/USDA Micro-Credit Program: USAID and the U.S. Department of Agriculture (USDA) are jointly supporting a micro-credit program implemented by the U.S. private voluntary organization Mercy Corps International that had reached over 5,500 women (through groups of eight to ten women) as of the end of FY 2001. The program's loan repayment rate averaged 93 percent.

USAID Farmer-to-Farmer (FTF) Program: In FY 2001, the FTF Program placed a total of 15 volunteers in Tajikistan on assignments that directly benefited approximately 1,800 Tajiks in 22 host organizations. Due to concerns for the security of FTF volunteers, most of the assignments were in and around Khojand in northern Tajikistan and in and around Dushanbe. (The FTF Program in Tajikistan is administered from Winrock International's field office in Uzbekistan.) Due to this limitation, the FTF program focused on adult and university training in business and economics, food processing, textile design and marketing, and production agriculture. In a FTF-sponsored competition for Students in Free Enterprise, three of the winning projects were initiated with assistance from former Winrock volunteers: a student snack bar, textile production using silk graphics, and a pizzeria. Several other student projects have been supported from the profits generated by these three FTF-initiated enterprises.

Trade and Investment Programs

Overseas Private Investment Corporation (OPIC): In its first-ever operation in Tajikistan, OPIC supported a U.S.-based equity fund's investment in a water-bottling plant in the northern city of Ura-Teppa. The plant will produce bottled drinking water for local markets and for export.

U.S. Trade and Development Agency (TDA): In FY 2001, TDA supported an effort to establish a civil aviation department in Tajikistan, providing an \$180,000 grant administered by the European Bank for Reconstruction and Development (EBRD).

Energy and Environmental Programs

USAID Regional Water Management Programs: USAID assistance helped establish policy and technical working groups involving Tajikistan and the other Central Asian countries to improve the collection, analysis and exchange of hydrological data. Significant progress has been made towards establishing a regional communication system that would collect and distribute hydrological data throughout the region. Two hydro-meteorological platforms are being procured and will be installed in Tajikistan for the purpose of improving stream-flow projections in the Amu Darya River basin. Preliminary assessments have been conducted for a potential program to rehabilitate the country's collapsed irrigation infrastructure and to introduce improved flow-management practices.

Social-Sector Programs

USAID Reconstruction and Reintegration Activities: The USAID-supported Rehabilitation, Reconstruction and Development Program implemented by the United Nations' Office of Project Services (UNOPS) conducted job-creation activities that provided employment opportunities for over 1,200 ex-combatants in the Karategin Valley, a focal point of the former opposition and home to a large concentration of ex-fighters. The UNOPS program also supported the reconstruction of houses, schools, clinics, irrigation and drinking water systems, airports, and other public infrastructure in several areas that were hard-hit by the country's civil conflict. Since its inception in 1997, the project has directly benefited over 20,000 families. Notably, the project uses contracts with local firms (such as asphalt factories, small agricultural tools factories, and school furniture factories) to implement rehabilitation activities, and in some cases rehabilitate the firms themselves, thus stimulating the local economy in depressed areas. USAID has helped finance more than 55 rehabilitation and construction projects implemented by the United Nations Development Program (UNDP) and UNOPS.

USAID Primary-Health-Care Programs: USAID has initiated clinical training for 41 primary-health-care doctors in Leninskiy *Rayon* (County), and plans to expand the program to the Varzob and Dangara *Rayons* and start working with nurses as well. USAID is also collaborating with the World Bank to develop and implement new payment systems to increase the amount of funding for basic health care.

USAID Infectious Disease Programs: In collaboration with the World Health Organization (WHO) and in conjunction with a planned donation of tuberculosis drugs by the WHO Global Drug Fund, USAID conducted an assessment of the tuberculosis situation in Tajikistan. Based on this assessment, two pilot sites in Dushanbe have been selected for implementation of the WHO-recommended Directly Observed Treatment, Short Course (DOTS) Strategy. USAID's implementing partner, the U.S. private voluntary organization Project HOPE, has recruited and fielded a tuberculosis program manager in Dushanbe. A total of 31 people have been trained using this program. With USAID-funded technical assistance provided by the Centers for Disease Control and Prevention (CDC), the Tajik Government's application for funds from the Global Alliance for Vaccines and Immunization (GAVI) was accepted for universal hepatitis B immunization at birth, which will begin in 2002. In addition, USAID continued to support the Roll Back Malaria Initiative by helping to improve diagnostic efficacy, surveillance and clinical management, treatment, and public awareness of malaria prevention and control. Under the Initiative, USAID procured equipment for malaria laboratories. In addition, USAID supported a study tour for Tajik Government officials to a model drug-abuse harm-reduction site in Lithuania, a Central Asian condom social-marketing assessment and workshop, and a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections (STIs) held jointly with UNICEF and UNAIDS.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2001, the U.S. Government continued to provide limited EXBS assistance to Tajikistan, totaling \$500,000 in FREEDOM Support Act funds, focused on developing and enhancing the country's capabilities to prevent proliferation and detect, interdict and investigate illegal transfers of weapons and materials. During FY 2000, the Government of Tajikistan announced its willingness to participate in the EXBS-funded Central Asian Regional Communications Link (CACL), but installation of program equipment was disrupted by the September 11 terrorist attacks and is now expected to take place in early FY 2002. The CACL program will strengthen intra-governmental coordination on border security, and help Tajikistan and its neighbors tighten control over illicit trafficking and movement of international terrorists. Detection equipment provided under the EXBS Program by the U.S. Customs Service will help inhibit potential cross-border trafficking of weapons of mass destruction and other weapons. Tajikistan's border security officials have taken part in regional and international export control and border security workshops and conferences. In August 2001, Tajik officials received International Border Interdiction Training in Hidalgo, Texas. In September, Tajik export control officials participated in a Central Asian Nuclear Export Control Conference in Almaty, Kazakhstan, which was co-sponsored by the U.S. Department of Energy and the EXBS Program. Tajikistan also participated in the drafting of a Regional Transit Agreement for Central Asia and the Caucasus. In early 2002, the U.S. Government intends to hold discussions with Tajik officials concerning the implementation of the EXBS Program. In the wake of the September 11 attacks, Tajikistan was allocated an additional \$7.5 million from the Emergency Response Fund supplemental appropriation for enhanced border security activities under the EXBS Program. These funds are expected to be used to procure communications equipment, vehicles, interdiction tool kits with border enforcement training, pagers, ground sensors, personal gear for officers, train-the-trainer equipment and portal monitors.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, the CRDF activated a collaborative research project with Tajikistan on salt-, cold- and pathogen-resistant triticeae crops from Asia under its current Cooperative Grants Program. The CRDF is providing \$38,500 to fund this award. Tajikistan has committed to provide over \$4,200 in cost-sharing for this project.

U.S. Department of Defense (DoD) – Training Programs: In FY 2001, DoD funded the participation of 11 Tajik students in courses at DoD's Marshall Center in Germany. DoD also funded the participation of 26 Tajiks (including the Chairman of the State Border Commission) in Marshall Center conferences in Germany, working group meetings in Kazakhstan and Kyrgyzstan, and the Partnership for Peace Consortium's Fourth Annual Conference in Moscow.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: The Bureau of International Narcotics and Law Enforcement Affairs (INL) sponsored training courses, seminars and conferences for senior and working-level Tajik law enforcement officials, mainly at the International Law Enforcement Academy (ILEA) in Budapest. In addition to training at ILEA, Tajik law enforcement officials also participated in export-control forums in Tbilisi (Georgia) and Washington, D.C., sponsored by the Departments of State and Commerce, drug enforcement seminars sponsored by the U.S. Drug Enforcement Administration (DEA), and regional prosecutorial development and assistance conferences sponsored by the U.S. Department of Justice. Law enforcement training programs complement other assistance and helped prepare Tajik participants for combating terrorism, narcotics trafficking, and weapons proliferation, and conducting law enforcement activities in the context of the rule of law and human rights. In addition, the INL Bureau's projects for Tajikistan included counter-narcotics demand-reduction efforts, airport security training, and U.S. Customs Service training of a Tajik contraband enforcement team.

Humanitarian Programs

USAID Disaster Assistance:

- **Drought Relief:** In partnership with Action Against Hunger and the United Nations World Food Program (WFP), USAID funded a Therapeutic Feeding Center (TFC) in Pyanj to treat severely malnourished children under five years of age. The initiative also supported 25 supplemental feeding centers, covering a total of 54 villages hardest hit by the drought. USAID imported approximately 300 metric tons of selected varieties of Turkish wheat seed for 8,400 vulnerable households (about 55,000 people) for crop production and replication. Despite a second year of drought, the yields from these imported seed varieties were 2.5 times higher on average than for local seed. USAID also supported the distribution of second-generation

improved wheat, maize and vegetable seeds to 15,000 households in drought-affected regions of the country and financed micro-irrigation projects in the same areas to mitigate the effects of the drought on the population. In addition, USAID provided \$100,000 to the WFP to purchase vehicles, as well as 12,000 metric tons of food commodities under USAID's P.L. 480, Title II, Food for Peace Program, to support the WFP's emergency drought-relief operations, which benefited a total of 1.18 million people.

- **Post-Earthquake Reconstruction:** In FY 2001, USAID financed the construction of 155 one- to three-room houses for 169 families that lost their homes in the Farkhor earthquake in October 2000.

U.S. Department of Agriculture (USDA) – Food Assistance: In FY 2001, USDA allocated \$41.6 million for the provision of approximately 77,330 metric tons of food commodities to Tajikistan. Under USDA's Global Food for Education Initiative, the WFP distributed donated food commodities to school children. The private voluntary organizations (PVOs) CARE, the Aga Khan Foundation and the "Save the Children" Federation conducted direct-feeding and development programs funded by USDA's Food for Progress and Section 416(b) Programs. The USDA commodities provided direct nutritional support to Tajik citizens and generated local currency to finance community development projects. Over 69,300 pregnant, lactating women with second- or third-degree anemia received direct nutritional supplements, and more than 187,500 school children and 18,200 pre-school children benefited from a school lunch program that addressed nutritional needs and also encouraged families to send their children to school. The program also distributed free food to the elderly and children in orphanages and boarding schools. Cash-for-work activities provided over one million person-days of employment, providing a much-needed economic boost to hard-hit communities suffering from 33- to 40-percent unemployment rates.

U.S. Department of State – Bureau of Population, Refugees and Migration (PRM): In FY 2001, the PRM Bureau allocated \$125,000 to the United Nations' Office of the Coordinator for Humanitarian Affairs (OCHA) to support OCHA's field coordination unit in Tajikistan.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia delivered a total of \$6.28 million in U.S. Defense Department excess and privately donated humanitarian commodities to Tajikistan at a cost of \$350,000 to the U.S. Government.

- **Counterpart Humanitarian Assistance Program (CHAP):** Under Operation Provide Hope, CHAP delivered 24 forty-foot containers with humanitarian commodities valued at \$3.8 million to Tajikistan in FY 2001. This assistance was distributed to vulnerable and needy populations (including orphans, the elderly, handicapped and disaster victims) through local social-service NGOs and Tajikistan's Ministries of Health and Emergencies.

Partnership Programs

USAID Health Partnership Program: USAID's support for the long-standing partnership between Tajikistan's Ministry of Health and the Community Hospital in Boulder, Colorado, came to an end in September 2001. In FY 2001, the partnership provided 17 pieces of medical equipment and skills-based training for 649 primary-care providers in family medicine and emergency medical services. USAID's efforts to improve primary health care in Tajikistan were supported by the opening of a Republican Training Center for Family Medicine in Dushanbe under the auspices of the Ministry of Health in March 2001. This Center will serve as an institutional partner under USAID's expanded health program.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2001, the Eurasia Foundation continued to operate a small-grants program in Tajikistan, awarding 26 grants totaling approximately \$426,000 to Tajik NGOs in the areas of civil society-building, private-enterprise development, and public administration and policy. Average grant size was \$17,071, and more than two-thirds of the total grant funds were focused on strengthening small private enterprises and improving business education in Tajikistan.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting

democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

Training and exchange programs will continue to serve as a central pillar of U.S. Government assistance to Tajikistan. In early FY 2002, Tajik law enforcement officials participated in a training course in post-blast investigative techniques sponsored by the Bureau of Alcohol, Tobacco and Firearms (ATF). The U.S. Embassy's Public Affairs Section plans to organize an International Visitor (IV) program for leaders of Tajikistan's largest political parties on the role of political parties in a multi-party system. Other IV programs will address public/media relations, religion and tolerance, historical preservation, and public administration. Academic exchange participants, including Tajikistan's first Fulbright Program participants since 1997, will continue to travel to the United States for training opportunities that will help them become their country's future leaders in civil society, government and business. In addition, through an expanded slate of law enforcement training programs and security programs, the U.S. Government will continue to strengthen Tajikistan's law enforcement and export control and border security capabilities, with an emphasis on counter-terrorism and counter-proliferation. Increased support for information technology and Internet connectivity will provide better information dissemination in Tajikistan's regions.

USAID plans to expand its programming in Tajikistan in FY 2002, as several new initiatives come on-line. A new media and information initiative will further support independent media and journalists through a production fund that will promote better outreach to rural communities and greater partnerships between NGOs and independent media outlets. USAID will also provide greater legal protection to journalists, newspapers and television stations. In addition, USAID will help Asia Plus, a Tajik NGO, to establish an independent television production studio that will provide the country's independent television stations with a much-needed alternative source of news and information. USAID's civic education textbook and course materials will be finalized and tested in an intensive pilot program in selected schools across the country. USAID will continue to support other civic education programs, including student action committees, student local government days, and democracy summer camps. USAID's democracy and governance activities will also continue to strengthen the Tajik Parliament and help it gain the competence and confidence to act as a credible counterweight to the executive branch. Other efforts will include political party development, improving communication between deputies and political party representatives outside of Parliament, and development of the legal profession. USAID will work closely with NGOs and parliamentarians to push for passage of the draft NGO law and law on charities.

USAID will continue to train Tajik entrepreneurs through modern courses in accounting, strategic planning and marketing. In addition, USAID will implement a Regional Trade Network to develop stronger links between businesses in the region and Russia. Through its Resource Network for Economics and Business Education, USAID will continue to provide support to Tajik universities to strengthen their business education and economics programs. Expanded legislative drafting assistance will be provided to the parliament and presidential administration in a number of key areas affecting investment and trade. Also, USAID will help the Tajik Government with the process of applying for accession to the World Trade Organization (WTO).

USAID's health-care reform programs will continue to focus on improving primary health care, particularly on maternal and child health, and combating infectious diseases, particularly tuberculosis and malaria. In FY 2002, USAID plans to accelerate activities related to tuberculosis prevention and control, and reproductive health care, especially family planning. Working closely with the World Health Organization (WHO), USAID will establish pilot sites for tuberculosis prevention and control in Dushanbe using tuberculosis drugs donated by WHO and managed by Project HOPE. USAID will also initiate HIV/AIDS prevention activities through the Soros Foundation.

Major equipment procurements for the Ministry of Agriculture and the National Hydro-Meteorological Service will provide monitoring platforms on the Amu Darya and two modern meteorological stations, including one for the Fedchenka Glacier. In the irrigation sector, USAID will rehabilitate and improve one or more irrigation systems as a demonstration model, and operations at the district level will benefit from upgraded computer software that will allow them to plan, allocate and measure water flows more efficiently. Associated training will take place in order to improve the sustainability of these activities.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO TAJIKISTAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	2.00
- Environmental Management	2.53
- Democratic Reform	3.15
- Social-Sector Reform	1.50
- Cross-Cutting / Special Initiatives	4.55
- Eurasia Foundation	0.50
TOTAL USAID	14.23
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.08
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	0.50
- Cargo Value (DoD excess and privately donated, not included in total below)	6.28
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	6.78
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.25
- Export Control & Related Border Security (EXBS)	0.50
- ECA Bureau - Public Diplomacy Programs	1.03
- EUR Bureau - Public Diplomacy Programs	0.10
TOTAL U.S. DEPARTMENT OF STATE	1.88
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowship Program	0.10
TOTAL TRANSFERS TO OTHER AGENCIES	2.56
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	16.79
OTHER AGENCY FUNDS	
USAID - P.L. 480, Title II Food Assistance; Disaster Assistance	13.48
U.S. DEPARTMENT OF DEFENSE	0.01
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	41.63
U.S. DEPARTMENT OF STATE	
- NADR / Science Centers	
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.07
- Bureau of Population, Refugees, and Migration (PRM)	0.12
TOTAL U.S. DEPARTMENT OF STATE	0.19
TOTAL FY 2001 AGENCY FUNDS BUDGETED	55.30
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	72.09

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TAJIKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	8		0.56	11.61	
1992	Surface		4	0.02	0.21	
	Operation Provide Hope II (Food&Med.)			0.20	2.49	
	EUR/ACE Admin & Program Support			0.30		
FY 1992 TOTAL		8	4	1.08	14.31	15.39
1993	Airlift	3		0.34	1.28	
1993	Surface		7	0.05	0.05	
	Aga Khan Grant			0.28		
	EUR/ACE Admin & Program Support			0.34		
FY 1993 TOTAL		3	7	1.01	1.33	2.34
1994	Airlift	4		0.57	3.10	
1994	Surface		4	0.02	0.09	
	CARE Grant			0.04		
	EUR/ACE Admin & Program Support			0.15		
FY 1994 TOTAL		4	4	0.78	3.19	3.97
1995	Airlift	2		0.32	0.75	
1995	Surface		39	0.31	2.42	
	Aga Khan Grant			0.12		
	EUR/ACE Admin & Program Support			0.50		
FY 1995 TOTAL		2	39	1.25	3.17	4.42
1996	Airlift	0		0.00	0.00	
1996	Surface		11	0.08	1.14	
	Relief Int'l. Grant			0.02		
	EUR/ACE Admin & Program Support			0.01		
FY 1996 TOTAL		0	11	0.11	1.14	1.25
1997	Airlift	1		0.01	0.04	
1997	Surface		25	0.17	1.64	
	Counterpart Grant			0.12		
	Heart to Heart Grant			0.03		
	EUR/ACE Admin & Program Support			0.10		
FY 1997 TOTAL		1	25	0.43	1.68	2.11
1998	Airlift	1		0.11	1.19	
1998	Surface		17	0.13	1.73	
	Humanitarian Daily Rations				1.70	
	EUR/ACE Admin & Program Support			0.02		
FY 1998 TOTAL		1	17	0.26	4.62	4.88
1999	Airlift	2		0.07	1.59	
1999	Surface		10	0.08	1.89	
	Project Hope			0.01		
	EUR/ACE Admin & Program Support			0.02		
FY 1999 TOTAL		2	10	0.18	3.48	3.66
2000	Airlift					
2000	Surface		28	0.20	5.33	
	Counterpart Small Medium			0.03		
	Counterpart Grant			0.14		
	EUR/ACE Admin & Program Support			0.05		
FY 2000 TOTAL		0	28	0.42	5.33	5.76
2001	Airlift					
2001	Surface		53	0.35	6.28	
	Counterpart Small Medium			0.03		
	Counterpart Grant			0.14		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.04		
FY 2001 TOTAL		0	53	0.57	6.28	6.85
CUMULATIVE TOTAL		21	198	6.09	44.53	50.63

TURKMENISTAN

Political and Economic Overview

Although the world's attention has focused on Central Asia following the tragic events of September 11, the war on terrorism seems to have had little noticeable effect on the domestic political scene in Turkmenistan. President Niyazov maintains a monopoly on political power. There is no visible political dissent within Turkmenistan, although opposition outside the country grew when former Foreign Minister Boris Shikhmuradov began a vocal campaign against the President. Neither the Mejlis (the Turkmen Parliament) nor the judicial branch exercise any independent authority, serving only to rubber-stamp President Niyazov's policies. Much of the country's legal framework is a holdover from Soviet times and offers Turkmen citizens little relief from the arbitrary actions of the government, such as the razing of residential neighborhoods with almost no advance warning and little or no compensation. Turkmenistan's foreign policy of "permanent neutrality" precludes Turkmenistan's participation in security organizations, but it is a member of NATO's Partnership for Peace, the United Nations, and the Organization for Security and Cooperation in Europe (OSCE). President Niyazov continues to expand his cult of personality, most recently with the release in October 2001 of his spiritual-social tome *Rukhname*, which is expected to be mandatory reading for all Turkmen citizens.

Turkmenistan has made little progress on economic reform, as the state still controls the vast majority of all economic activity. Official statistics proclaim strong growth in the national economy. For example, the Government claimed that GDP grew by approximately 20 percent in 2001. Such statistics, however, are not credible and the Government does not share basic data. The absence of credible economic information makes an exact determination of Turkmenistan's macroeconomic position almost impossible, but the U.S. Embassy in Ashgabat is confident that these claims are inflated. In fact, GDP may not have grown at all in 2001 and if it did, it was certainly by less than 10 percent. Among the policies contributing to Turkmenistan's economic problems are import substitution, the maintaining of an artificial exchange rate, and large public spending on projects that do not improve the country's economic infrastructure. The agricultural sector, in particular, is unreformed and, according to unofficial estimates, has remained static or declined over the past few years, despite government-mandated increases in production of the country's two principal crops—cotton and wheat. The main factors limiting the potential of agriculture in Turkmenistan are the scarcity of water resources and the inefficient management of what little water is available for irrigation, as well as of other agricultural inputs. Turkmenistan continues to rely on natural gas and oil sales to finance its budget—a strategy limited by the country's dependence on Russian pipelines to export natural gas and by its aging energy infrastructure.

Turkmenistan's overall debt situation remains worrisome: the U.S. Embassy estimates the country's external debt at more than \$3 billion, and the Central Bank has virtually no official reserves. Some international financial institutions cite the approximately \$2 billion held in international banks as the Foreign Export Reserve Fund (FERF), but there is little reason to believe the Government is prepared to use these funds to meet external debt obligations. The size of Turkmenistan's fiscal deficit is less clear. The Government admitted to running a deficit last year, but with a large proportion of public-sector transactions taking place off-budget, the U.S. Embassy cannot make an accurate determination of the country's deficit. Government ministries are required to cover a significant amount of their own expenditures.

Meanwhile, with the exception of the country's oil and gas sector, foreign investment is small and is probably declining. Convertibility problems top the list of problems faced by foreign investors. The official exchange rate, to which foreign firms are forced to adhere, is roughly a fourth of the black-market rate. Foreign firms are unable to convert Turkmenistan's national currency, the manat, back into hard currency without substantial losses. The dual exchange rates also fuel official corruption, as individuals with access to foreign currency at the official exchange rate are able to profit through arbitrage. Official corruption is another principal obstacle to foreign investment. All in all, Turkmenistan's near-term political and economic outlook offers few prospects for serious reforms that would build the necessary foundation for long-term economic growth and democracy. If these policies were corrected, however, the country could begin to realize its great potential fairly quickly.

Overview of U.S. Government Assistance

In FY 2001 as in previous years, the mixed results of U.S. Government-funded assistance programs in Turkmenistan once again reflected President Niyazov's refusal to permit broad-based economic or political reform. To adapt to this challenging environment, U.S. Government-funded assistance to Turkmenistan continues to be directed toward people-to-people programs such as training and exchanges focused on the next generation of Turkmen leaders. In FY 2001, the U.S. Government provided an estimated \$16.44 million in assistance to Turkmenistan, including \$6.39 million in FREEDOM Support Act (FSA) assistance, \$3.73 million in U.S. Department of Agriculture (USDA) food assistance, \$700,000 in Foreign Military Financing (FMF), \$2.06 million in other U.S. Government assistance, and U.S. Defense Department (DoD) excess and privately donated humanitarian commodities valued at \$3.56 million. In addition, DoD provided an 82-foot patrol boat to Turkmenistan as part of the Excess Defense Articles (EDA) Program. While Turkmenistan has been slow to take advantage of offers of U.S. security-related assistance, the Turkmen Government is increasingly demonstrating a commitment to address nonproliferation and other security concerns.

In FY 2001, USAID sought to expand Turkmenistan's private sector and strengthen the entrepreneurial skills of Turkmen citizens. USAID's private-sector development programs, which provide technical expertise and training, continued to target small and medium-sized enterprises. The objectives of USAID's modest-sized democracy programs in Turkmenistan were to encourage citizen participation, foster democratic concepts, and facilitate access to information. USAID pursued these objectives by supporting the efforts of non-governmental organizations (NGOs) in the areas of civic and legal education, as well as community development and self-help activities encouraging social partnerships and advocacy among citizens. U.S. Government-funded humanitarian assistance was targeted at vulnerable groups such as the elderly, the disabled and disaster victims.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 1,100 Turkmen citizens to the United States for short-term professional or long-term academic training, including some 126 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with their U.S. counterparts.

USAID Training Programs: In FY 2001, USAID's Global Training for Development (GTD) Project, in collaboration with other USAID contractors, trained over 1,000 Turkmen citizens in the areas of economic and business education, NGO-sector development and primary health care. USAID-funded training continued to expose Turkmen participants to neighboring countries' approaches to solving issues of mutual interest. As a result of a U.S. study tour on irrigation practices, a local water users' association dramatically reduced its water consumption, thus enabling farmers to use the increased amount of available water to expand cultivation by adding 200 hectares of farmland. Using skills learned during a training program on social partnerships, the Turkmen NGO Cheshme paired up with Turkmenistan's Ministry of Education to conduct the country's first-ever train-the-trainer seminar on ecological issues for secondary school teachers. As a result, a pilot ecological education curriculum is being tried out in five schools. USAID also made special efforts to ensure that reform-oriented Turkmen citizens were well represented at international conferences such as the "Partners in Transition" Conference in Sofia.

USAID Resource Network for Economics and Business Education (RNEBE): Since January 2001, RNEBE has assisted and reinforced the efforts of public and private institutions already moving toward market-related instruction and research in Turkmenistan. The first component of RNEBE included the development of a website that is fostering greater sharing of information, including curricula and course syllabi, among universities in Central Asia and their Western counterparts. Under RNEBE, professors also receive training, participate in workshops and seminars on modernized teaching methods and are provided access to up-to-date case studies and other essential teaching tools. The second component of RNEBE includes the translation and distribution of basic materials such as textbooks, computers, and audio/visual equipment, as well as the sponsorship of the Visiting International Professors (VIP) Program. Although no VIP professors have been placed in Turkmenistan yet, nine Turkmen universities have joined RNEBE, and eleven Turkmen professors (82 percent of whom were women) have taken summer courses in modern business practices and economics.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, approximately 105 Turkmen citizens participated in academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA), including 44 high-school students, seven undergraduates and 15 graduate students/researchers. The Future Leaders' Exchange (FLEX) Program for secondary-school students continued to be one of the most popular U.S. Government-funded programs in Turkmenistan, with over 1,000 applicants for only 38 available slots. President Niyazov publicly praised the FLEX Program in August 2001. Five Turkmen teachers and two U.S. teachers participated in the Teaching Excellence Awards (TEA) Program, which has also received wide publicity and has been welcomed by the Turkmen Government. Under the TEA Program, 26 Turkmen schools received much-needed computer equipment and materials. Through the Junior Faculty Development Program introduced in Turkmenistan this year, three young faculty members from Turkmen State University received training at U.S. universities. Also in FY 2001, the Fulbright Program was reintroduced to Turkmenistan, enabling two Turkmen scholars to conduct research in the United States in medicine and linguistics, respectively. In addition, the Humphrey Program sent Turkmen professionals in electric power, television production, and ecology to the United States for a one-year professional development program, and 24 Turkmen citizens participated in International Visitor (IV) programs focusing on topics ranging from private health care to NGO management.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, USDA's Cochran Program planned to provide two-week training for eight Turkmen agricultural specialists (five private farmers and three government officials) in the areas of agricultural education, poultry, cereal, fruit and potato production; and dairy production and processing. The agricultural education and dairy production and processing programs were postponed due to the September 11 terrorist attacks and will be rescheduled for FY 2002. One of the Turkmen Government participants in the fruit production program was unable to travel to the United States because the Turkmen Government refused to issue an exit visa. As a result of the postponements and the exit visa denial, only four Turkmen participated in the FY 2001 Cochran program.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, SABIT provided training to one person from Turkmenistan in the area of telecommunications. The participant also took part in a specialized program in the area of standards.

Democracy Programs

U.S. Department of State – Internet Access and Training Program (IATP): IATP, which is implemented by the International Research and Exchanges Board (IREX) and administered by the Bureau of Educational and Cultural Affairs, continued to advance the free flow of information in Turkmenistan by providing access to and training in the use of the Internet, primarily to alumni of U.S. Government-funded exchange programs. IATP is preparing to open a new, public-access Internet facility at the National Library in Ashgabat, and is exploring the possibility of expanding to other regions of Turkmenistan as well.

Democracy Fund Small Grants Program: During its second year of operations, the U.S. Embassy's Democracy Commission awarded 22 small grants totaling approximately \$100,000 in support of NGO projects in areas such as civic education, the free flow of information, women's issues, community self-help, democratic institution-building, and education in free-market concepts. Examples of projects supported by Democracy Commission grants included an Internet cafe run by a youth group, a resource center for disabled citizens, a series of seminars on legal rights for pensioners, a legal counseling center for women, and a youth camp teaching civic responsibility and leadership skills.

USAID NGO Development Programs: In FY 2001, the Turkmen Government continued to be extremely suspicious of NGOs in general, and this attitude extended to USAID-supported civil society support programs implemented by the Counterpart Consortium and the International Center for Not-For-Profit Law (ICNL) as well. The Counterpart Consortium's assistance strategy for Turkmenistan takes into account the country's poor enabling environment for NGO development by keeping the Turkmen Government apprised of planned activities and encouraging NGO partners to seek areas of common agreement and interest with the Turkmen Government. Counterpart's programs focus on the following areas: (1) regional outreach, including a program that is building the institutional capacity of a local water users' association to manage the delivery system of clean water to rural communities served by a USAID-built reverse osmosis water plant in Turkmenbashi Etrap in Dashoguz Province; (2) educating the public and government about the role of NGOs, in conjunction with ICNL; (3) promoting social partnership through activities designed to establish dialogue between local governments

and NGOs; (4) hosting an NGO donor subgroup to encourage partnerships and channel international donor resources to deserving NGOs; and (5) assuming a lower profile in NGO development, thus encouraging Turkmen NGOs to take the lead in this process. In FY 2001, over 500 members of some 190 Turkmen NGOs and civic groups participated in 94 training workshops organized by Counterpart, bringing the cumulative number of participants in these programs to over 3,000. Counterpart's community-based activities promoted citizen participation in local decision-making—an infrequent occurrence in highly centralized Turkmenistan. In order to encourage citizen involvement, community participation and social partnerships, Counterpart distributed over \$131,000 in grant funds to indigenous NGOs in FY 2001 in support of 36 community-level projects. Notably, Counterpart's fundraising efforts on behalf of Turkmen NGOs led Exxon-Mobil to provide \$8,000 for two grants to local NGOs assisting blind and disabled children. In all, Counterpart leveraged over \$135,000 in outside support for Turkmen NGOs in FY 2001.

USAID Rule-of-Law Programs: In FY 2001, the American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) prepared to open a new legal information center and law library at Turkmen State University. The center will provide open access to high-quality legal materials for law students, practicing lawyers, and other interested citizens at no charge. This is an important step in improving the quality of Turkmenistan's legal environment, as a lack of consistent, high-quality information on domestic law and international norms is a major impediment to the daily activities of law students, practicing lawyers and even government officials. ABA/CEELI also supports Turkmenistan's only Law Students' Association, which is based at Turkmen State University and now represents approximately half of the country's law students. Despite interference from university and government officials, the Association continues to function successfully, helping to increase the sense of corporate identity and civic responsibility among Turkmenistan's future lawyers. In addition, ABA/CEELI has helped Turkmen law students conduct "street law" workshops in high schools in Ashgabat and the surrounding areas, thus bringing legal education and civic education to thousands of Turkmen secondary school students.

Economic Development Programs

Central Asian - American Enterprise Fund (CAAEF): In FY 2001, the CAAEF discontinued its financing to private Turkmen businesses and its training of bank and borrower-institution personnel in financial analysis and forecasting. From 1996 through the end of FY 2000, the CAAEF had approved approximately \$8.4 million in loans and investments. The lack of effective currency conversion was a significant problem for the Fund and its Turkmen borrowers, many of whom have fallen into arrears or delinquency as a result. The CAAEF spent FY 2001 servicing existing loans and preparing to liquidate its operations—it is expected to close its doors in Turkmenistan by September 2002.

USAID Micro-Credit Program: Under a cooperative agreement with the CAAEF, Mercy Corps International (MCI) previously implemented a micro-credit program that targeted small businesses with a high growth potential and had approved \$290,000 in loans of up to \$25,000. However, because of high average loan rates and excessive repayment delays, the program was discontinued in August 2000. In August 2001, MCI was granted a one-year, no-cost extension to collect as much as possible on its outstanding loans.

USAID Farmer-to-Farmer (FTF) Program: In FY 2001, FTF's implementing partner Winrock International fielded 30 U.S. volunteers for 18 assignments in Turkmenistan with entrepreneurs, agricultural producers and self-governing associations. FTF also provided continuing support to four farmers' and water users' associations, and four information services, and focused on improving extension services. FTF's efforts resulted in the creation of a private agricultural consulting firm that now has 500 clients and a farmers' learning center that is promoting soybean production, use and processing; and seminars and briefing booklets on legal issues for agribusinesses. Jointly with the Peace Corps, FTF is implementing a program for improved greenhouse construction and management that is increasing the production of citrus fruits and vegetables. With FTF assistance, three more agricultural consulting services have been licensed and begun operations. In addition, FTF volunteers have begun an integrated pest control program that has resulted in the rearing of sufficient predators to control insects on 22,000 hectares of cropland. While many FTF assignments assisted private entrepreneurs, Winrock also sought to enhance linkages between the finance, production, processing and marketing sectors for the dairy, soybean, potato, honey and fruit/vegetable industries, including greenhouse production.

USAID Budget Reform Programs: The Turkmen Government had demonstrated a certain degree of commitment to budget reform in FY 2000; however, in FY 2001, reorganization in the Ministry of Economy and Finance (MOEF) and the Turkmen Government's lack of commitment to budget reform led USAID not to replace its resident budget advisor. Consequently, USAID did not provide any technical assistance to the Government of Turkmenistan in this area in FY 2001, although the World Bank and United Nations Development Program (UNDP) are supporting programs that complemented the U.S. Government's previous efforts in this area. USAID is currently considering partnering with UNDP to deliver assistance to the MOEF and student interns in the area of economic forecasting.

Energy and Environmental Programs

USAID Energy-Sector Programs: In FY 2001, USAID-financed energy-sector activities were significantly cut back and switched their focus to training rather than technical assistance. A resource center and student chapter of the Society of Petroleum Engineers (SPE) was established at the Turkmen Polytechnic Institute. The student chapter has Internet access to the resources of the SPE. In addition, a videotape promoting a package of demonstration models for oil and gas field clean-up being developed by USAID was previewed at the Turkmenistan International Oil and Gas Exhibition in Ashgabat.

USAID Regional Water Management Programs: USAID assistance helped establish policy and technical working groups including participants from Turkmenistan and other Central Asian countries on improving the collection, analysis and exchange of hydrological data. Significant progress has been made towards establishing a communication system that would collect and distribute hydrological data throughout the region. USAID has worked with a World Bank-financed project to provide training related to the installation and operation of stream-monitoring stations in Turkmenistan. Officials from Turkmenistan's hydro-meteorological agency have participated in a number of regional training courses promoting a cooperative approach to data management within Central Asia.

Social-Sector Programs

USAID Primary-Health-Care Programs: USAID is beginning work in primary health care in two pilot sites in Turkmenistan by collaborating with the World Health Organization (WHO) to introduce the WHO's Integrated Management of Childhood Illness Program, a comprehensive approach to screening children for the key illnesses that are a threat to child survival. Such interventions are essential because Turkmenistan has the second highest mortality rate in Central Asia for children under five years of age.

USAID Infectious Disease Programs: USAID is providing technical assistance to Turkmenistan's Ministry of Health and Medical Industry in implementing the WHO-recommended Directly Observed Treatment, Short-Course (DOTS) strategy for tuberculosis control in Ashgabat. The activity focuses on conducting clinical and laboratory DOTS training in the Central Tuberculosis Hospital and "houses of health," with follow-up monitoring and evaluation. In addition, USAID has provided laboratory equipment and tuberculosis drugs. A second pilot site was opened in Turkmenbashi in August 2001. USAID-funded assistance provided by the Centers for Disease Control and Prevention (CDC) led the Turkmen Government to issue a comprehensive decree on viral hepatitis, the implementation of which abolished mandatory hospitalization for this disease. CDC also provided technical assistance to the Ministry of Health and other donors to successfully develop Turkmenistan's application for funding from the Global Alliance for Vaccines and Immunization (GAVI). As a result, starting in October 2001, all newborns are being provided with hepatitis B vaccine over the next five years. USAID also supported a study tour for Turkmen Government officials to a model drug-abuse harm-reduction site in Lithuania, a Central Asian condom social-marketing assessment and workshop; and a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections (STIs) held jointly with UNICEF and UNAIDS.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2001, with \$500,000 in FREEDOM Support Act funds, the EXBS Program helped Turkmenistan develop its export control and border security capabilities, particularly to prevent the transit of weapons of mass destruction, proliferation-related technology and other illicit weapons trafficking. FY 2001 EXBS assistance included maritime assistance, surveillance and detection equipment, border control training and the U.S. Government-proposed Central Asian Regional Communications Link (CACL), which will strengthen intra-governmental coordination on border security and will assist the Turkmen and their neighbors in tightening control over illegal narcotics trafficking and the movement of international terrorists. To date, only a small portion of the EXBS funds allocated for Turkmenistan have been spent, mainly to cover administrative costs. Although the U.S. Government is working with the Turkmen Government to develop a list of priorities in border security, the Turkmen Government has been slow in approving proposed EXBS activities for implementation.

U.S. Department of State – International Military Education and Training (IMET) Program: In FY 2001, the Government of Turkmenistan continued to maintain a consistent, but low-profile relationship with the U.S. Department of Defense (DoD). Turkmenistan received an estimated \$258,000 in FY 2001 assistance under the IMET Program. IMET training has focused on professional officer development for junior to mid-level officers from all branches of services, as well as courses in English language instruction. The goal of this training is to further the professionalization of Turkmenistan's military and enhance the ability of Turkmen forces to participate in PFP activities and future coalition contingencies.

U.S. Department of State – Foreign Military Financing (FMF) Program: Turkmenistan was allocated \$699,000 in Foreign Military Financing (FMF) assistance in FY 2001. Under the Excess Defense Articles (EDA) Program, Turkmenistan received an 82-foot decommissioned U.S. Coast Guard patrol boat that will enable its maritime border guard to improve its nonproliferation and export control capabilities. Except for the FMF funds used for the preparation and shipping of the EDA-provided patrol boat, the remainder of the FMF funds allocated for Turkmenistan have not been used, resulting in a total accumulation of approximately \$2 million in unused FMF funding. In addition, the U.S. Central Command (CENTCOM) FY 2001 Military-to-Military Engagement Program provided chemical, radiological and biological detection, decontamination and destruction, explosive ordnance disposal, and counter-narcotics training to Turkmenistan's armed forces and border guards.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): Under its Cooperative Grants Program (CGP), the CRDF has committed \$65,600 to a collaborative research project with Turkmenistan on endangered sturgeon. Turkmenistan has agreed to provide \$16,400 in cost-sharing for this project, which is still pending confirmation of tax and customs exemptions before the CRDF can begin direct payments to grantees.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: Turkmenistan continues to be a popular transit country for drug trafficking. On September 21, 2001, the U.S. and Turkmen Governments signed a bilateral agreement for the provision of law enforcement training and forensic laboratory equipment to Turkmenistan, with the goal of increasing the country's counter-narcotics capabilities. The signing of this agreement marks an important step towards expanding U.S.-Turkmen law enforcement cooperation. The agreement provides for a three-year program designed to improve Turkmen law enforcement agencies' efforts to combat narcotics trafficking and organized crime, specifically focusing on improving criminal investigations through the scientific and forensic analysis of evidence. The assistance provided under the program will include a series of counter-narcotics and law enforcement courses taught by U.S. law enforcement personnel in Turkmenistan and forensics laboratory equipment for Turkmenistan's National Forensic Laboratory. In FY 2001, the Bureau of International Narcotics and Law Enforcement Affairs (INL) supported in-country training for Turkmen border guards in interviewing vehicle passengers and searching vehicles. In addition, nine Turkmen law enforcement officers attended the International Law Enforcement Academy (ILEA) in Budapest, Hungary, from mid-March to mid-May 2001. Targeted at mid-level managers in the police services, ILEA's eight-week core management program has played an important role in enhancing the ability of Turkmen law enforcement units to counter and deter various types of crime in the region.

Humanitarian Programs

USAID Humanitarian Assistance: In FY 2001, the Counterpart Humanitarian Assistance Program (CHAP) delivered humanitarian commodities directly to the *velayat* (village) departments of the Ministries of Health and Social Welfare and successfully distributed 120 adult and 120 child wheelchairs to the handicapped of Ashgabat and Akhal *Velayat*. Most of CHAP's assistance is being distributed in the *velayats* outside of Ashgabat. CHAP focuses on serving Turkmenistan's most vulnerable groups: children, orphans, the elderly, the disabled, single mothers and families with many children, and victims of natural disasters. CHAP also delivered six 40-foot containers of clothing, footwear, and household items donated by the Church of Jesus Christ of Latter-Day Saints. The shipments were distributed by CHAP's distribution partners: the National Red Crescent Society of Turkmenistan, the Center of Industrial Unions and Organizations of the Disabled of Turkmenistan, and the Turkmen NGO Umyt.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2001, USDA allocated \$820,000 for the provision of approximately 1,500 metric tons of food commodities to Turkmenistan. As part of the American Red Cross's Aral Sea Regional Program, Turkmenistan received food aid under USDA's Food for Progress program for support of direct-feeding initiatives in the Aral Sea region. The program's beneficiaries included tuberculosis (TB) patients and their families, as well as institutions that provide services to TB patients such as TB hospitals, psychiatric hospitals and TB children's kindergartens in Dashoguz *Velayat* and three *etraps* in Lebap *Velayat*.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia delivered \$6.28 million in U.S. Defense Department excess and privately donated humanitarian commodities to Turkmenistan at a cost of \$570,000 to the U.S. Government. This assistance consisted primarily of U.S. Defense Department excess property distributed by Counterpart International.

Partnership Programs

USAID Health Partnership Program: Under a USAID-funded partnership program administered by the American International Health Alliance (AIHA), the University of North Dakota and Turkmenistan's Ministry of Health and Medical Industry are working together on strengthening Turkmenistan's primary-health-care system by developing skills-based primary-care retraining programs for physicians, nurses and feldshers (medical practitioners). The U.S. and Turkmen partners have identified training needs and developed a training curriculum that meets those needs. In May 2001, a Family Medicine Training Center was officially opened in Ashgabat. Through this partnership, the Ashgabat Emergency Services Training Center continued to upgrade the skills of the country's emergency service staff and to serve as a model for similar health partnerships elsewhere in Central Asia. The AIHA Program has been extended through September 30, 2003.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2001, the USAID-funded Eurasia Foundation continued to operate a small-grants program in Turkmenistan, awarding approximately \$237,000 in grants to Turkmenistan NGOs in the areas of civil society-building and public administration and policy. The average grant size was nearly \$17,000.

Peace Corps: In late FY 2001, the Peace Corps program in Turkmenistan was suspended, as volunteers (PCVs) were evacuated from Turkmenistan shortly after the September 11 events as a precautionary measure. Prior to their evacuation, 66 PCVs were working in all five *velayats*. In the area of education, 23 PCVs taught English as a foreign language, and nine PCVs introduced new teaching methodologies. In addition, nine PCVs were assigned to business education projects. An additional 34 PCVs worked on community health projects, working with clinics and "houses of health." PCVs worked with local health professionals to teach community members about healthy living practices, including good nutrition, reproductive health, and prevention of diarrhea and HIV/AIDS. In FY 2001, the Peace Corps' Small Project Assistance (SPA) Program awarded nine grants totaling almost \$9,000 in support of PCV-implemented projects in the areas of education, health and agriculture. One SPA-funded activity involved the construction of a community greenhouse and followed up with training on vegetable garden cultivation and nutrition, as well as ecology and easily achievable environmental protection measures. SPA-funded health-sector activities included local community training exercises related to basic maternal health, nutrition and HIV/AIDS awareness issues. PCVs also conducted an intensive train-the-trainer session for local nursing staff on these issues, allowing them to conduct future activities on their own.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

In light of the war on terrorism taking place on Turkmenistan's border, USAID expects to implement a regional program including Turkmenistan that is intended to prevent sources of conflict by strengthening democratic processes at the community level, improving community services, and creating sustainable short-term jobs. As long as the Turkmen Government continues to refuse to implement broad-based economic and political reform, the U.S. Government will place an even greater emphasis on existing assistance programs targeting Turkmenistan's next generation of leaders. To this end, the U.S. Government intends to expand its exchange programs and training activities, on the premise that, dollar for dollar, these programs offer the greatest return on the U.S. Government's investment, in terms of promoting Turkmenistan's long-term development. USAID-funded assistance will continue to support the improved delivery of health care services, the development of civil society and the rule of law, and private-sector growth. At the request of the Government of Turkmenistan, USAID will seek to expand its tuberculosis prevention and control program to a new pilot site in Mary. Similarly, USAID will expand its child health activities by training professionals and conducting a study on infant mortality. The USAID-supported Family Medicine Training Center will begin to operate a model inpatient facility.

U.S. Government-funded assistance in the area of democracy-building will focus on illustrating that civic organizations can work in partnership with government services for the benefit of the communities they serve. USAID will significantly expand community-level projects between NGOs and local communities, with the participation of local governments in regions outside of Ashgabat in 2002, in particular in Lebap. Proposed rule-of-law activities will include assistance in strengthening the professionalism and ethical practices of lawyers and providing increased access for citizens and officials to Turkmen and international legislation.

USAID's private-sector support programs will focus on smaller-scale enterprises and activities promoting entrepreneurial development. USAID anticipates supporting business training and building university faculties in coordination with the U.S. Embassy's Public Affairs Section, the Peace Corps and international donors.

In addition, the Bureau of Diplomatic Security of the U.S. Department of State is looking into the possibility of Turkmen Government interest in participating in the Anti-Terrorism Assistance (ATA) Program, and the U.S. Embassy is looking into the possibility of providing Turkmenistan's Ministry of Defense and State Border Guard Service with modern communications, emergency disaster response, and border control equipment.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO TURKMENISTAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	0.75
- Environmental Management	0.40
- Democratic Reform	0.65
- Social-Sector Reform	0.90
- Cross-Cutting / Special Initiatives	0.32
TOTAL USAID	3.02
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.13
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	0.50
- Cargo Value (DoD excess and privately donated, not included in total below)	3.56
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	4.06
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.24
- Export Control & Related Border Security (EXBS)	0.50
- ECA Bureau - Public Diplomacy Programs	1.80
- EUR Bureau - Public Diplomacy Programs	0.10
TOTAL U.S. DEPARTMENT OF STATE	2.64
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowship Program	0.10
TOTAL TRANSFERS TO OTHER AGENCIES	3.37
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	6.39
OTHER AGENCY FUNDS	
U.S. DEPARTMENT OF DEFENSE	0.21
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	3.73
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.26
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	0.70
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.32
- International Information Programs (IIP)	0.01
TOTAL U.S. DEPARTMENT OF STATE	1.29
PEACE CORPS	1.26
TOTAL FY 2001 AGENCY FUNDS BUDGETED	6.49
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	12.88

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TURKMENISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANT</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.77	12.53	
1992	Surface		2	0.02	0.30	
	Operation Provide Hope II (Food&Med.)			0.10	1.44	
	EUR/ACE Admin & Program Support			0.35		
FY 1992 TOTAL		9	2	1.24	14.27	15.51
1993	Airlift	3		0.20	1.44	
1993	Surface		0			
	EUR/ACE Admin & Program Support			0.10		
FY 1993 TOTAL		3	0	0.30	1.44	1.74
1994	Airlift	5		0.33	2.04	
1994	Surface		1	0.01	0.18	
	EUR/ACE Admin & Program Support			0.08		
FY 1994 TOTAL		5	1	0.42	2.22	2.64
1995	Airlift	1		0.18	3.20	
1995	Surface		8	0.05	0.58	
	EUR/ACE Admin & Program Support			0.15		
FY 1995 TOTAL		1	8	0.38	3.78	4.16
1996	Airlift	0		0.00	0.00	
1996	Surface		1	0.01	0.07	
	EUR/ACE Admin & Program Support			0.00		
FY 1996 TOTAL		0	1	0.01	0.07	0.08
1997	Airlift	0		0.00	0.00	
1997	Surface		0	0.00	0.00	
	EUR/ACE Admin & Program Support			0.00		
FY 1997 TOTAL		0	0	0.00	0.00	0.00
1998	Airlift	1		0.09	4.16	
1998	Surface		4	0.03	0.79	
	CitiHope Grant			0.09		
	Counterpart Grant			0.09		
	Project Hope			0.09		
	EUR/ACE Admin & Program Support			0.07		
FY 1998 TOTAL		1	4	0.46	4.95	5.41
1999	Airlift	2		0.10	2.04	
1999	Surface		41	0.28	5.51	
	Counterpart Grant			0.18		
	EUR/ACE Admin & Program Support			0.12		
FY 1999 TOTAL		2	41	0.68	7.55	8.23
2000	Airlift	1		0.07	1.37	
2000	Surface		25	0.14	4.29	
	Counterpart Grant			0.11		
	Counterpart Small Medium			0.03		
	EUR/ACE Admin & Program Support			0.05		
FY 2000 TOTAL		1	25	0.40	5.66	6.05
2001	Airlift					
2001	Surface		30	0.18	3.56	
	Counterpart Grant			0.11		
	Counterpart Small Medium			0.03		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.03		
FY 2001 TOTAL		0	30	0.37	3.56	3.93
CUMULATIVE TOTAL		22	112	4.25	43.50	47.75

UKRAINE

Political and Economic Overview

Politically, 2001 began as a year of uncertainty and upheaval. The convergence of multiple political crises—the unsolved murder of outspoken journalist Heorhiy Gongadze, sharp political battles and political protests—brought about a period of virtual deadlock from January through May. While political drama was high during this period, both political and economic reform ground to a halt and even reversed in some areas. In the winter and early spring, political debate within Ukraine became increasingly focused on politics rather than policies, as various political groupings used the charged political climate to settle old scores. The Ukrainian Parliament's April 2001 no-confidence vote against reform-minded Prime Minister Yushchenko led some observers to worry that Ukraine was turning its back on reform. However, the appointment of Prime Minister Kinakh as his successor in May seemed to bring some degree of normalcy back to the political process. Despite early worries that it would be little more than a caretaker government until the March 2002 parliamentary elections, the Kinakh government scored an impressive string of legislative victories, including the passage of major legislative codes that had been stuck in the parliament. Nevertheless, fallout from these multiple political scandals continued to play a role in political decision-making throughout the rest of FY 2001. The political scandals that precipitated this crisis point to the need for continued democratic reform in Ukraine, particularly in areas such as free speech and governmental transparency.

One area of reform that was particularly hard-hit by the political intrigue was the energy sector. After the successful privatization of six regional energy companies in April, further privatization—as well as the fulfillment of commitments made to the buyers of the first six companies—was abruptly halted. Measures to bring electricity tariffs in line with the cost of production and to address the sector's tangled web of indebtedness were also put on hold. In November, however, the government appointed a new Minister of Fuel and Energy and appeared to renew its commitment to resume energy reforms, including the privatization of local electric utilities. Even amid these positive developments, however, Ukraine experienced a serious setback. In November, President Kuchma rejected a European Bank for Reconstruction and Development (EBRD) loan package for completing the construction of nuclear power plants at Khmelnytsky and Rivne. The reasons for the cancellation, which included an unwillingness to charge tariffs necessary to ensure loan repayment and an unwillingness to set up reactor decommissioning funds, have broader negative implications for overall energy-sector reform in Ukraine.

Problems with energy-sector reform contrast with remarkable progress in agricultural-sector reform. Ukraine's Deputy Prime Minister for Agriculture, Leonid Kozachenko, has ushered in an array of fundamental reforms aimed at completing the process of freeing the agricultural sector from direct government interference. Recent reforms ended the ability of governors and other local officials to limit arbitrarily or direct the sale of agricultural commodities, freed the country's grain markets, liberalized exports, and provided farmers with legal protections against the loss of produce stored in grain elevators. Land titles have already been issued to approximately one fourth of all Ukrainian farmers. The recent signing of an agreement with USAID will further accelerate the issuance of land titles and ensure the independence and professionalism of land surveyors. Late in the year, Ukraine finally passed a Land Code that codified private land ownership, though many restrictions still apply, including a five-year moratorium on the sale of agricultural land. Nevertheless, passage of the code was a major step forward that should eventually lead to the development of markets for land and mortgages in Ukraine. As a result of these reforms (especially the almost total removal of the state's role in assigning production quotas and inputs) and favorable weather conditions, Ukraine's agricultural sector, which had been stagnating or declining since independence, became revived in 2001 and recorded record harvests.

While structural economic reform in Ukraine has been rather slow since independence, over the past year, the passage of a number of key pieces of legislation has helped lay the groundwork for more fundamental change. As mentioned above, the new Land Code enshrines private property rights and will allow millions of Ukrainian farmers clear title to their land. The new Criminal Code, which entered into force on September 1, 2001, represents a sharp break from the past, mandating criminal sanctions for economic crimes such as financial crimes and violations of intellectual property rights. As they phase-in over the next two years, the new laws on banks and banking activities and on non-bank financial activities should help bring some order to Ukraine's notoriously inefficient financial sector. If passed, the draft Civil Code will establish a basis for commercial relations and contract law. While much legislative work remains to be done in areas ranging from mortgage law to taxes to intellectual property rights, the single most important legal reform that Ukraine must face in the

coming year is the complete reform of the judicial system. The lack of an independent judiciary is widely viewed as a serious roadblock to political and economic reform, as even good laws are ineffective without the backing of an independent, professional court system that is not susceptible to political or other outside pressure. This past summer, the Verkhovna Rada (parliament) failed to pass a new Law on the Judiciary, instead passing a fairly positive but limited set of amendments to existing laws. However a new Law on the Judiciary was finally passed in early February 2002. A second major priority needs to be tax reform. Multiple attempts to pass a comprehensive new tax code failed amid pre-election maneuvering in 2001. While cuts in nominal tax rates are needed and justified, these must be accompanied by a commensurate broadening of the tax base in order to avoid revenue shortfalls that could cripple the government or even precipitate a return to the unwise monetary policies that have fueled hyperinflation in the past.

Overall, Ukraine's economy is experiencing its first prolonged period of economic growth since independence. Preliminary figures indicate that real GDP grew by over nine percent in 2001, with inflation near six percent. Early in 2001, the International Monetary Fund (IMF) suspended its programs in Ukraine because of the Ukrainian Government's inability to deliver on reform commitments in energy-sector and agricultural reform, as well as its failure to meet fiscal targets. Starting in the late spring, however, the Ukrainian Government dramatically improved its fiscal performance, began meeting current wage and pension obligations, and paid off pension arrears. By achieving structural reform targets and developing a sound draft budget for 2002, the government laid the groundwork for the resumption of the IMF program in September 2001. Similarly, progress on structural reform facilitated the disbursement of a World Bank Programmatic Adjustment Loan in September. With the resumption of its IMF and World Bank programs, Ukraine also reached a deal with the Paris Club nations on restructuring its bilateral sovereign debts. As of the end of FY 2001, Ukraine's Ministry of Finance was finalizing bilateral implementing agreements under the umbrella of the Paris Club. Ukraine resolved a long-standing bilateral irritant with Russia this past fall, when the two sides reached agreement on natural gas. As part of the deal, Russia agreed to restructure Ukraine's \$1.4 billion debt for past gas deliveries through an arrangement similar to the Paris Club restructuring. For the first time, Ukraine's gas-transit deal with Russia includes partial payment in cash rather than solely in barter. In general, Ukraine's reliance on barter and offsets has decreased dramatically, as it is increasingly using cash to settle budget obligations. Unfortunately, however, the level of foreign direct investment in Ukraine continues to be one of the lowest in Europe, reflecting a high level of corruption, poor enforcement of legal decisions, political pressure on a poorly functioning judiciary, and a confusing and burdensome array of taxes.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$276.40 million in assistance to Ukraine, including \$173.15 million in FREEDOM Support Act assistance (\$171.75 million in FY 2001 and \$1.40 million in prior-year funds), \$36.09 million in U.S. Defense Department assistance, \$25.30 million in other U.S. Government assistance and privately donated and U.S. Defense Department excess humanitarian commodities valued at \$41.86 million. Of the roughly \$172 million in FY 2001 FREEDOM Support Act assistance, USAID programs accounted for approximately \$83 million and U.S. State Department Public Diplomacy programs accounted for approximately \$28 million.

U.S. Government-funded exchange programs, which were expanded significantly in Ukraine in FY 2000 under the Next Generation Initiative, expanded slightly in FY 2001 as well. The U.S. Government continued to support exchange programs for students and young leaders, with the goal of exposing these young people to the principles of democracy, the rule of law and market economics. In addition, the U.S. Government also announced new programs to increase Internet access at public libraries and to assist independent media. The U.S. Embassy established a Media Support Fund to encourage the growth of new independent media outlets in Ukraine. The U.S. Government also enhanced its activities in the health sector with a new HIV/AIDS initiative, and continued programs to promote small and medium-sized enterprise development, agricultural market development, nuclear safety, and civil society development, as well as programs to help the Ukrainian Government make progress on structural reform. U.S. Government-funded security assistance continued to facilitate Ukraine's involvement in international peacekeeping.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought approximately 16,000 Ukrainian citizens to the United States for long-term study or short-term professional training, including some 2,300 in FY 2001 alone. As a result of these programs, there is a growing cadre of Ukrainian citizens in leadership positions with an understanding of the basic elements of a democratic, free-market system.

U.S. Department of State – Public Diplomacy Exchanges: The significant increase in the number of Ukrainian participants in Public Diplomacy exchange programs in FY 2000 was followed by another, albeit smaller increase in FY 2001, to an all-time high of approximately 1,700. These academic and professional exchange programs are administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA), and implemented in Ukraine by several U.S. partner organizations, including the American Councils for International Education (ACIE/ACCELS), the International Research and Exchanges Board (IREX), and Project Harmony. Even with the continuing expansion of these programs, competition for exchange program slots remained intense, and applicant quality remained high, thanks to effective publicity and recruiting campaigns and the continued growth of English-language competence in Ukraine. The International Visitor (IV) Program sent over 100 Ukrainians to the United States on programs in the fields of media, local governance, intellectual property rights, information science, trade, education, adoption and anti-corruption. Notably, more than 30 deputies and staff of the Verkhovna Rada (Parliament) participated in IV programs focusing on the U.S. Congress. Other program highlights are provided below:

- Upon returning home to Kherson, Ukraine, a participant in a leadership program organized by Magee Womancare International published two newspaper articles and produced a program for local television on women's oncological health. She also designed and distributed informational brochures on breast health and introduced obligatory mammograms for employees of the Kherson *Oblast* (Regional) Hospital.
- A group of Ukrainian Government officials from the State Committee on Entrepreneurship who participated in an April 2001 IV program on business registration and licensing incorporated ideas gathered during their U.S. program into a draft law on business licensing.
- After participating in an IV program on the Internet and regulation of the communications sector, the editor-in-chief of the magazine *Internet UA* published a series of articles focusing on transparency and access to local government institutions through the Internet.

U.S. Department of State – English-Language Training: Recognizing the important role of English-language competence in facilitating Ukraine's integration into Western structures, the ECA Bureau recruited and placed four English Language Fellows at institutions of higher learning in three Ukrainian cities. These specialists traveled all over the country, training thousands of Ukrainian English-language teachers.

USAID Training Programs: USAID training programs provide Ukrainian leaders and professionals with the practical knowledge and technical skills needed to create policies, programs and institutions that support Ukraine's transition to democratic governance and a free-market economy. In FY 2000-2001 USAID provided short-term training to over 2,980 Ukrainians: some 1,131 in U.S.-based programs, 188 in third-country programs and 1661 in Ukraine-based programs. Approximately 40 percent of USAID's training programs focused on economic restructuring, 35 percent on democratic reform, and the remaining 25 percent on social stabilization and cross-sectoral issues. One of the most impressive outcomes of a USAID-funded youth leadership/anti-trafficking program was the creation of the School for Equal Opportunities, which has established regional affiliates in seventeen *oblasts* of Ukraine and has developed specialized training manuals to work with handicapped children, orphans and young entrepreneurs. Approximately 10,000 young people from various regions of Ukraine have received information on ways to prevent trafficking and domestic violence, human rights, and gender education.

Peace Corps English-Teaching Volunteers: In FY 2001, the Peace Corps' Teaching English as a Foreign Language (TEFL) Project placed a total of 100 volunteers (PCVs) in more than 60 communities throughout Ukraine. In addition to teaching English at the secondary and university level, the PCVs familiarized their Ukrainian colleagues with Western-style teaching techniques and classroom activities. PCVs also helped Ukrainian teachers address the country's acute shortage of teaching materials by producing English-language materials for schools and by working to acquire textbooks and other language materials from U.S. publishers, organizations and institutes. PCVs were also involved in a wide range of community projects, including HIV/AIDS awareness education, information technology training and youth leadership development.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2001, the Cochran Fellowship Program provided short-term U.S.-based training to 10 Ukrainian participants: five seed traders and five government officials from Ukraine's World Trade Organization (WTO) negotiation team. Since beginning operations in Ukraine in 1992, the Cochran Program has trained a total of 267 Ukrainian participants.

U.S. Department of Agriculture (USDA) – Faculty Exchange Program (FEP): The FEP Program has been working in Ukraine since 1995, providing six-month training to educators from Ukrainian agricultural institutions in agribusiness financial planning, government policy, business planning, agricultural economics and management, personnel management, business planning/administration, and agricultural equipment marketing. In FY 2001, six Ukrainians from agrarian universities in Vinnitsa, Sumy, Kharkiv, Uman and Zhytomyr studied at U.S. agricultural universities under the FEP Program. Since its inception in 1995, FEP has trained 42 Ukrainian participants from 19 different universities, institutes and agricultural training institutions.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, a total of 74 Ukrainians traveled to the United States under the SABIT Program for one- to six-month internships in the areas of environmental technologies (air pollution, wastewater treatment, pulp and paper, oil and gas), banking, education, information technology standards and telecommunications standards, quality management in manufacturing, chemical engineering, construction materials, medical equipment, accounting, retail, tourism, hotel management, hospital administration, and small and medium-sized enterprise development. A total of 11 Ukrainians took part in the regular SABIT Program, and 63 took part in specialized programs in areas including environmental technology, standards, business management for women, services, quality in manufacturing management, and business association development.

Democracy Programs

Media Development Fund: The U.S. Embassy's Media Development Fund (MDF), established in March 2001, is a small-grants program that promotes free and independent media in Ukraine. Priority areas of activity include the following: improving the legal, administrative and tax environment for Ukrainian media; expanding the use of the Internet as a news and information tool; improving professional standards of Ukrainian journalists; and increasing the capacity of Ukrainian media to operate freely and independently. As of March 2002, the Fund had awarded 31 grants totaling \$329,486 to non-state newspapers, radio and television stations, to individual journalists, and to NGOs that promote the development of independent media. The Fund is currently completing a nationwide grants competition (with \$200,000 to be awarded through approximately 10 grants) in conjunction with the USAID-funded Pro-Media Program implemented by the International Research and Exchanges Board (IREX), to support Internet access for regional print media. MDF grants are helping media to provide independent information about the parliamentary and local elections and helping NGOs to monitor media fairness. The Fund has helped independent media and individual journalists get access to the Internet and learn how to use it as an effective source of information and means of communicating with their audience. It has also supported innovative projects, such as "Telekrytika" (TeleCritic), a website that provides independent information and analysis of Ukrainian television programming and coverage of legal and legislative developments concerning broadcasting. "Telekrytika" has become a "must-see" site for Ukrainian television professionals, the National Broadcast Council (Ukraine's equivalent of the U.S. Federal Communications Commission), and the interested public. MDF grants have enabled a number of newspapers and radio stations outside of Kiev to increase their capacity to serve their audiences by improving their technical base and staff professionalism.

USAID Independent Media Programs: In FY 2001, Ukraine's non-state media continued to face increasing difficulties as they attempted to provide unbiased information to the Ukrainian public. The Verkhovna Rada (Parliament) continued to avoid proposals introducing limits on liability claims against journalistic libel, which would have helped protect journalists from lawsuits by prominent and powerful figures. USAID's independent media programs continued to help defend freedom of the press through education, media monitoring, strengthening professional skills, and business management programs designed to increase the independence of media outlets.

- **IREX ProMedia Program:** Through the ProMedia Program implemented by the International Research and Exchanges Board (IREX), USAID supported the Media Legal Defense and Education Program (LDEP), which provides training for journalists, lawyers and judges in Ukrainian and European laws that affect the media. The LDEP provides informal legal advice and consultations to journalists and media outlets and can

pay some or all of the legal costs of defending a journalist or media outlet facing legal action. Ukrainian lawyers trained and/or supported by LDEP have successfully defended media organizations and journalists, using the arguments and tactics developed by the LDEP. IREX also facilitated the creation in July 2001 of the Ukrainian Association of Newspaper Publishers, which unites nearly 50 newspapers throughout Ukraine that advocate for changing the newspaper distribution monopoly of UkrPoshta (Ukraine's state postal distribution system) by introducing alternative distribution systems and eliminating government subsidies to select media outlets.

- **Internews Support for Broadcast Media:** Through its grantee Internews, USAID is supporting the development of broadcast media in Ukraine, including television, radio and the Internet. Internews seeks to increase the professionalism and financial viability of Ukraine's broadcast media. Throughout FY 2001, Internews provided assistance to media outlets, mostly based outside of Kiev, offering six- to eight-week practical news-production courses that resulted in the creation of actual broadcast news products. Ukrainian broadcast journalism professionals received training on all aspects of news production, including anchoring programs, operating cameras, editing, and producing. Internews also continued to support the National Association of Broadcasters (NAB), which provides legal assistance to regional television and radio stations (particularly in the area of licensing), offers recommendations on draft regulations and legislation, conducts legal seminars for broadcast media, and organizes seminars on legal issues of interest to broadcasters. In part due to NAB's advocacy efforts in 2001, President Kuchma vetoed a media law that would have required mayoral approval of broadcast licenses; a second version of the law was passed and signed without this provision. Working with European experts, NAB helped to remove an anti-democratic version of the Law on Political Advertisement from the Verkhovna Rada's agenda that would have included restrictions on journalists during the pre-election period. In FY 2002, NAB will continue its advocacy and legal defense activities.
- **Internews Election-Related Media Assistance:** In preparation for the March 31, 2002, parliamentary elections, Internews initiated a news archive of all national news and analytical programming, and will continue to build this archive in 2002 and make it freely available to the general public. Internews is also working with local media and the Committee of Voters of Ukraine (CVU) to produce public-service announcements related to the elections. Internews is training media outlets on how to produce candidate debates and in partnership with four regional television stations, Internews is producing pre-election candidate fora. In addition, Internews' hired a lawyer to work with IREX and NAB to defend media outlets harassed during the pre-election period.

USAID Support for Civic Activism and NGO Development: In FY 2001, USAID contributed to the growth of civic activism in Ukraine by supporting civic watchdog groups such as the Committee of Voters of Ukraine (CVU), which is now the country's largest NGO and whose national network of local chapters has had a tremendous impact on democracy-building at the community level. USAID seeks to foster increased civic activism through three primary programs:

- **Counterpart Alliance for Partnership (CAP):** The largest of USAID's NGO development programs in Ukraine, CAP provides financial and technical assistance to NGOs through small-grants competitions. To date, CAP has awarded 361 grants totaling over \$3.3 million to 207 NGOs, with over \$2.2 million in matching contributions having been provided by CAP's local partner organizations. CAP is working to encourage NGO coalition-building and promote improved legislation, public policy and advocacy (including lobbying, public awareness campaigns, etc.). CAP is also working to enhance youth participation in public and political processes and is seeking to foster increased cooperation between NGOs, corporate sponsors and government structures. In fall 2001, CAP awarded over a dozen election-related grants in support of NGO programs to mobilize voters and increase citizen engagement in the electoral process.
- **Freedom House – Partnership for Reform in Ukraine (PRU):** PRU, which is implemented by Freedom House, is working to enlarge the sphere of public debate in Ukraine by stimulating the healthy development of NGOs, think tanks and public-policy think tanks. PRU has sought to foster receptivity to market reforms by supporting research and public discussions on the privatization of small and medium-sized enterprises, and through support for seminars on the new administrative reforms. Over the past two years, PRU has responded to the emergence of a pro-reform parliamentary majority and reformist prime minister by facilitating several conferences and collaborative research that outlined priorities and focused public attention on much-needed reforms, including electoral law reform and the passage of more NGO-friendly laws. Through seven short-term exchanges with public-policy think tanks in Central and East European countries, PRU directly facilitated collaboration among think tanks, and provided a stimulus for more expanded cooperation with crossborder counterparts.

- **National Democratic Institute for International Affairs (NDI):** With USAID support, NDI is providing technical and financial assistance to the Committee of Voters of Ukraine (CVU). As part of a new initiative, CVU set up resource centers to support the advisory Citizen Community Boards that were recently created in four major cities. CVU's 45 major branch offices are sponsoring "public hours" to hear and review citizen complaints. Some cases have gone to court, and many have been resolved. CVU has also begun to provide guidance in four pilot locations to territorial community boards (which advise local government officials). In addition, USAID assistance helped CVU initiate a long-term pre-election monitoring program that led up to election-day monitoring of the March 31 parliamentary elections. This long-term monitoring was complemented by activities to mobilize voters and increase voter awareness. (See below for additional details on election-related assistance.)

USAID Political Process and Party-Building Programs:

- **International Republican Institute (IRI):** IRI leadership and organizational training helped democratically oriented regional party activists—especially youth and women—to acquire political skills and encouraged them to seek leadership roles in public service. IRI also sought to make the government more responsive to citizens and more open to NGOs by providing training to locally elected officials on constituency services and the incorporation of citizen participation in local government decision-making. In addition, IRI trained more than 100 democratically oriented party staff outside of Kiev on citizen-oriented campaign techniques in preparation for the 2002 parliamentary and local elections. Under IRI's multi-year program targeting women political activists in select *oblasts* (regions), more than 200 women received guidance on election and campaign techniques. In fall 2001, IRI completed the training of over 100 regional and local deputies on constituent services, the rights and responsibilities of local elected officials and how increased effectiveness in office can increase the probability of being re-elected. As a result of this training, one young local official galvanized his board to not only review the budget produced by the regional government, but to use the authority of the council to block the entire budget until particular changes were made—an important example of local governments pressing for greater intra-governmental accountability.
- **National Democratic Institute for International Affairs (NDI):** In FY 2001, NDI sought to spread and deepen Ukrainians' understanding of the role of political parties in sustaining democracy, and to deepen the mastery of basic democratic political skills among Ukrainian party activists, staff and candidates. One measure of NDI's contribution is the ever-increasing number of former NDI training program alumni who are now working full-time with democratically oriented parties and/or candidates. NDI's training-for-trainers program also continues to show results, as former program participants are subsequently delivering their own training seminars at national party congresses. Other participants continue to provide small-scale training sessions for their local or regional organizations. Initial feedback suggests that in some cases, party membership increased as a result of strategic improvements following NDI training. In 2002, NDI will also provide election-related and post-election assistance to democratically oriented political parties.

USAID Electoral Process Assistance: In fall 2000, USAID initiated the Elections and Political Processes Project (EP3), which is implemented by Development Associates and is designed to promote free, fair and transparent elections in Ukraine, with particular attention to the March 2002 parliamentary and local elections. To improve the legal framework for elections, EP3 conducted seminars and workshops for members of the Verkhovna Rada (Parliament), the Central Election Commission (CEC) and executive branch officials. These seminars sought to foster a dialogue on the electoral law and achieve a consensus on the content of the new law (which was passed in late October 2001) between the Rada and the executive branch, particularly the President. To increase the professionalism, competence and independence of election officials, EP3 is providing training to members of political parties nominated to be members of local election commissions and poll station workers. EP3 is also seeking to strengthen the competence of Ukrainian civic organizations to monitor elections, advance adherence to international standards for free and fair elections, and increase public access to the information necessary for an informed electoral choice. EP3 is providing training for election observers together with polling station workers. In addition, EP3 is supporting training provided by the American Bar Association's Central and East European Law Initiative (ABA/CEELI) for lawyers, journalists and judges to recognize, respond to and publicize election law violations. EP3 is also working to increase the ability of election-focused NGOs to conduct research on the electoral process and possible improvements. Following the March 2002 elections, EP3 will assist election administrators, civil society and newly elected Rada deputies to review how Ukraine might further improve its electoral system, based on the results of the election.

USAID Rule-of-Law, Parliamentary Development Programs: In FY 2001, USAID continued to support judicial and legislative strengthening and reform, as well as advocacy, with the goal of increasing citizens' awareness of their ability to protect their rights. ABA/CEELI expanded its advocacy program by sponsoring *pro bono* human-rights and environmental centers throughout Ukraine, conducting substantive training for legal practitioners and judges, and developing an electronic information-sharing network. The Expert Consultation Center on Human Rights supported two environmental advocacy centers, two human rights centers and 14 student legal clinics, with four additional human rights centers opening in 2002. In anticipation of the March 2002 elections, ABA/CEELI developed a cadre of advocates (lawyers) specially trained on the new election code. In addition, ABA/CEELI promotes judicial independence by fostering the development of judicial associations, facilitating seminars, and providing legal resources to judges. ABA/CEELI is working with the Supreme Court to improve judicial administration by developing a case management system, making informational resources available online, and computerizing one appellate district. USAID also supports legislative reform and strengthening through assistance to the Verkhovna Rada. With the goal of increasing the professionalism of the Rada staff, the Indiana University Parliamentary Development Project (PDP) provides policy analysis training to committee secretariats and assistants to parliamentary deputies to help them focus on public-policy problems, the formulation of policy alternatives, and the development of legislative solutions. PDP administers a parliamentary internship program and coordinates and facilitates technical assistance to the Verkhovna Rada on key reform legislation, such as the new election law, law on the judiciary, the draft tax code and civil code, as well as on local government and administrative reform.

U.S. Department of Justice – Judicial Reform Programs: The U.S. Department of Justice conducted roundtables with senior Ukrainian policymakers on judicial reform issues, contributing to the Rada's July 2001 enactment of judicial reform measures that somewhat enhanced the independence of the judiciary. (See also Security, Regional Stability and Law Enforcement Programs section below.)

USAID Anti-Corruption Program: In September 2001, USAID launched a new civil society-building program to combat corruption and promote increased transparency and accountability. The program will establish at least ten public-private partnerships with local governments demonstrating fair and transparent processes. Each partnership will organize a community action program that aims to make citizens' anti-corruption campaigns more effective by developing tailored strategies against corruption based on a survey of citizen concerns. The local partnerships will hold open meetings, establish public-private working groups, monitor and evaluate anti-corruption efforts, and establish a citizen advocacy office that can advise and actively represent people that have been victims of corruption. Public awareness campaigns will emphasize the importance of building a civil society and public-private partnerships. At the national level, an advisory board with representatives from the local partnerships and national organizations will design achievable national-level anti-corruption activities that address issues raised by the local partnerships. The project will work with other USAID and U.S. Government-funded activities to maximize the impact of U.S. anti-corruption efforts in Ukraine.

USAID Local Government and Municipal Development Programs: In FY 2001, a USAID-funded computerized budget model helped 79 Ukrainian cities improve their financial management and transparency. Over 60 of these cities are now actively using citizen task forces and advisory boards. The advisory boards are focusing on such issues as economic development, communal services, strategic planning and tourism. With the help of USAID assistance, 26 cities have increased the transparency of government operations by using competitive bidding for services and assets. In addition, 19 cities worked on improving their management of municipal services and assets, resulting in improvements in public transportation, water and other communal services; tariff collection rates; and reduction of energy consumption. During FY 2001, 14 U.S.-Ukrainian municipal partnerships worked together to achieve results in the areas of economic development, budget, housing/communal services, transportation, and citizen participation through a program implemented by the U.S.-Ukraine Foundation (USUF). (See Partnership Programs section below for additional details.) The successful Lviv Vodokanal Technical Assistance Program has now been replicated and "rolled out" to an additional eight cities, providing these cities with the skills required to effectively and efficiently manage their city water systems. USAID also continued to support the Association of Ukrainian Cities (AUC), whose membership has grown to 354 municipalities and represents 75 percent of all Ukrainian cities. In FY 2001, the AUC successfully lobbied for the passage of a new Budget Code that provides local governments with more revenue stability and fiscal autonomy. The AUC increased its training capacity, improved its communications network through the establishment of regional offices in 18 *oblasts*, and collected and disseminated over 50 "best practices" among Ukrainian local governments through its website and five publications. In addition, 49 mayors, deputy mayors and department heads have now participated in U.S.- and Polish-based courses and study tours.

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 39 grants totaling \$410,000 to local NGOs. The grants funded projects in a number of areas, including legal training, environmental awareness, volunteerism, election monitoring, civic education, and independent media. The Democracy Commission awards small grants directly to democracy-building organizations in Ukraine, enabling these institutions to develop their own programs and become self-sustaining over the long term.

U.S. Department of State – Support for the National Endowment for Democracy (NED): In FY 2001, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia provided supplemental funding to NED to support its grant-making activities in Ukraine. A total of \$400,000 in FY 2001 FREEDOM Support Act funding supported projects primarily focused on the March 2002 elections, including support for voter education and media monitoring. Support was also provided to think tanks, an information center for the Crimean Tatars, and youth programs.

Economic Development Programs

USAID Support for Small and Medium-Sized Enterprises (SMEs): In FY 2001, USAID continued its efforts to develop Ukraine's SME sector through programs focusing on policy reform, business advocacy and association development, provision of micro-credit, and management education and training. For example, USAID's support for the MicroFinance Bank is enabling it to grow and provide much-needed credit to SMEs. BizPro, USAID's centerpiece SME program, has reached thousands of Ukrainian entrepreneurs through its informational hotlines, business training opportunities, and programs to strengthen business associations and coalitions. As a result, the ability of entrepreneurs to effectively manage their businesses has improved, as has their ability to advocate for policy changes. In addition, with USAID support, the Consortium for Enhancement of Ukrainian Management Education (CEUME) has trained over 3,500 faculty and administrators in Western methodologies of teaching management and effective administration of management-education institutions. CEUME-trained professors have taught nearly 200,000 students and have developed 150 case studies for use in interactive teaching sessions. Also with USAID support, Junior Achievement (JA) is providing economics education to Ukrainian students at 231 secondary schools, and nearly 12,000 high school students are studying the JA applied economics course and receiving hands-on experience in business management through computer-simulated training exercises. In addition, the Alliance, a consortium of the International Executive Service Corps (IESC), Citizens' Democracy Corps (CDC), Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) and the MBA Service Corps, continues to provide direct business consulting to hundreds of Ukrainian businesses each year through its network of U.S. business volunteers.

USAID Macro-Economic and Fiscal Reform Programs: In FY 2001, USAID continued to provide advice and technical assistance to the Government of Ukraine on macro-economic and fiscal reform. USAID-funded assistance to the Ministry of Economy contributed to the implementation of the Ukrainian Government's "Reforms for Prosperity" Program and improvement of its macroeconomic forecasting and analysis. Assistance to the Ministry of Finance resulted in the adoption of a Budget Code that will greatly improve the budget process and empower local governments. USAID also helped establish a tax policy unit at the Ministry and helped revise the draft tax code so that it does not create a disincentive for entrepreneurs. In addition, USAID-funded advisors at the State Tax Administration contributed to increased interest in voluntary compliance, improved tax audit procedures, and the establishment of six regional units to work with large taxpaying entities. The program also helped members of the Ukrainian Parliament increase their understanding of the economic, tax, and budget implications of government policies.

USAID Banking Reform Programs: In January 2001, Ukraine enacted a new Law on Banks and Banking that is based on input provided by USAID-funded advisors and greatly strengthens the oversight and enforcement authority of the National Bank of Ukraine (NBU). USAID-funded advisors also continued to work alongside NBU staff in "problem bank" units, assisting with on-site examinations, providing intensive on-the-job training and developing new regulations to implement the NBU's functions under the new banking law. Since 1998, at the suggestion of the International Monetary Fund (IMF) and in cooperation with the European Union's technical assistance program for Eurasia (TACIS) and other donors, USAID has provided technical assistance in restructuring Ukraine's seven largest banks. In FY 2001, USAID completed its assistance to Aval Bank to meet the required capital, asset quality, management, earnings and liquidity ratios stipulated in the NBU commitment letters signed by Aval Bank. During this period, Aval Bank grew from the seventh- to the second-largest bank in

Ukraine and greatly expanded its lending program. USAID also continued its assistance to the MBA-Finance degree program at Kiev's International Management Institute (IMI).

USAID Commercial Law Programs: A new USAID-funded Commercial Law Center began full operations in 2001, providing assistance to the Parliament and government ministries in improving commercial legislation. USAID continued to sponsor efforts by Ukrainian experts to prepare a new Civil Code that is expected to be enacted during the current session of parliament. This market-oriented code will govern or affect virtually all commercial activity in Ukraine. The new Civil Code will assure the enforcement of contracts, which will have a dramatic impact on transactions throughout society, and will provide the basis for personal freedoms, ownership of land and other property, intellectual property rights, debtor-creditor relations, wills and inheritance, and the principles of corporate governance and entrepreneurial activity. The Commercial Law Center is also providing training to commercial law professionals, as well as public outreach and advocacy on commercial law reform. In addition, USAID's Financial Restructuring Project provided assistance in drafting the Bankruptcy Law enacted in January 2000, which created a framework for restructuring insolvent enterprises. Ukrainian practitioners trained by the Project have already helped restructure 41 enterprises that employ a total of over 200,000 workers. USAID's Regulatory Reform Initiative sought to improve the business environment in Ukraine by increasing transparency and reducing the number of business-related regulations. In FY 2001, the Initiative shifted its emphasis to the municipal level, developing regulatory reforms related to the sale, rental and other use of municipal property. In addition to increasing municipal revenues, these reforms have dramatically increased the availability of business sites to the private sector.

USAID Agricultural Reform Programs: The pace of Ukraine's agricultural reform increased in FY 2001 as a result of significant policy initiatives, including measures to liquidate all collective farms, implement a national agricultural land privatization initiative, and cease the Ukrainian Government's administrative interference in the supply of production inputs. All three of these important policy initiatives were facilitated by USAID's agricultural policy reform program. By the end of FY 2001, all grain elevators slated for privatization were fully privatized, 1.5 million land titles out of 6.5 million had been issued, and farm associations and advocacy groups were playing an effective role in policy development. As a result of improved policy, significant restructuring and good weather, Ukraine's agricultural sector increased overall production by 25 percent in 2001. USAID plans to continue its program of support for structural reforms by providing expanded assistance for land titling and policy reform. In addition, USAID is strengthening its post-privatization support to private farmers through a roll out of its agricultural extension project to additional *oblasts* (regions), and through the launching of an agricultural credit and farm marketing program in FY 2002.

USAID Farmer-to-Farmer (FTF) Program: In FY 2001, USAID's FTF Program helped establish a national dairy union whose membership grew from eight to 20 dairies. The union advocates for market reform and provides technical and marketing assistance. FTF volunteers also helped draft improved legislation on cooperatives, as a result of which members of cooperatives are now registering a 50-percent increase in income. The FTF Program is also working on developing farmers' associations in order to extend improved production and farm management practices. As a result of these services, farm association membership increased by 700 percent. A partial survey of farm association beneficiaries documented 500 members who said their situation had improved as a result of association services.

U.S. Department of Treasury – Technical Advisors:

- **Budget Policy and Management:** A Treasury Department resident advisor placed at Ukraine's Ministry of Finance reviewed the Ministry's budget preparation guidance for 2002, which for the first time solicited program budgeting data from spending ministries. The advisor provided recommendations for 2002 budget instructions and forms, as well as sample forms for the Ministry of Health to illustrate what a program budget submission would look like. He also developed a draft program and activity structure for each of the 86 key spending units in the Government of Ukraine. This structure is the key to implementing full-scale program budgeting in 2002. Following the elimination of the macroeconomic advisor's position in the Ministry of Economy, the advisor at the Ministry of Finance provided specific consulting assistance aimed at improving coordination between the two ministries on macroeconomic and fiscal issues.
- **Government Debt Issuance and Management:** Between 1995 and 2001, the Treasury Department placed three resident government debt advisors in Ukraine: two at the National Bank of Ukraine (NBU) and one at the Ministry of Finance. During that period, significant progress was achieved in the development of Ukraine's domestic and external government securities markets. In FY 2001, the Department's technical assistance efforts were largely focused on restoring confidence in Ukraine's domestic market. In February

2001, the Ministry saw the first real demand for domestic securities in two years. In June 2001, a Treasury Department team of experts conducted a seminar and individual meetings in Kiev to educate them on the framework for sub-sovereign borrowing and intergovernmental fiscal relationships between Ukraine's central and sub-sovereign governments. In July 2001, the Ukrainian Security Service forced Treasury Department advisors to vacate their offices, which were located near their Ukrainian counterparts' offices in the Ministry of Finance—the proximity of the advisors' offices was a key condition of the Department's engagement. The Ukrainian Government has requested further technical assistance in the debt area, but this assistance is on hold, pending resolution of this issue.

- **Financial Institutions:** In mid-2000, the Treasury Department received a request to place a resident banking advisor with the NBU to assist in the resolution of problem-bank issues, with a particular emphasis on the liquidation of Bank Ukraina (BU). In response to this request, an advisor arrived in November 2000. However, due to the politicization of the BU resolution process and lack of progress on the issue, the advisor was transferred from his post in March 2001, after which point the Department's provided bank restructuring assistance only on an intermittent basis.
- **Tax Administration:** The principal focus of Treasury Department tax administration assistance in Ukraine continues to be the development of a modern tax administration. The Department currently has two resident tax advisors in Ukraine, one of whom is providing tax administration assistance to the Ukrainian State Tax Authority (STA) to facilitate the STA's tax modernization and reorganization efforts. The Department ended a tax policy advisory project in FY 2001, replacing this advisor with a second tax administration specialist.

Peace Corps Business Development Programs: Peace Corps volunteers (PCVs) continued to provide training in business skills and market-based know-how to individuals in public and private institutions and businesses who are committed to economic and social transformation. The 40 PCVs working on the education component of the project were assigned to schools and universities in 25 cities around Ukraine to teach management, finance, applied economics and business English. The remaining 42 PCVs served at business centers and associations, NGOs and city and *oblast* administration offices in 22 cities, providing consultations and training to a wide range of clients.

U.S. Department of Labor (DOL): During FY 2001, DOL provided technical assistance to Ukraine's Ministry of Labor and Social Policy (MOLSP) in three areas: dislocated worker services, employment services and mine safety. The goal of the dislocated worker program is to help the MOLSP mitigate the negative impacts of economic reform and enterprise restructuring on workers, communities and the remaining enterprises in Ukraine, and to facilitate the creation of a well-functioning labor market in targeted communities. The goal of the employment services program is to help the MOLSP strengthen the capacity of the National Employment Service to provide services to the unemployed, job-seekers, and communities impacted by mass layoffs due to economic restructuring. The goal of the mine safety program is to reduce the number and severity of methane and coal dust explosions in Ukraine's coal mines. Assistance provided in FY 2001 included the following:

- Procurement and installation of furnishings and equipment;
- Technical assistance needs-assessments in the areas of employee relations, targeted services, vocational counseling and testing, and public relations;
- Pilot projects to promote local economic development in two communities;
- A pilot project in the area of rapid response in one community; and
- Rock-dusting and general mine-safety training for MOLSP staff, mine-safety inspectors in two regions, and workers and management from six mines.

Trade and Investment Programs

Export-Import (Ex-Im) Bank: Although Ukraine's macro-economic situation improved in FY 2001, the occurrence of several defaults by the Government of Ukraine precluded the availability of Ex-Im Bank financing for the support for exports to Ukraine in FY 2001. Claims made by guaranteed lenders to Ex-Im Bank in such defaulted transactions amounted to \$206.85 million in FY 2001. Ex-Im Bank looks forward to the resolution of these outstanding claims, so that it can resume supporting U.S. exports to Ukraine in the near future.

U.S. Trade and Development Agency (TDA): TDA activities in Ukraine in FY 2001 included a \$535,000 grant to the Kharkiv *Oblast* Administration in support of its efforts to reorganize and modernize the city's district heating system.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): In FY 2001, the BISNIS "Search for Partners" Program processed 138 lead applications and published 14 leads for Ukraine. BISNIS also published ten trade-opportunity leads and held presentations on the commercial climate in Ukraine, as well as on doing business with U.S. companies, which were attended by 35 U.S. companies and approximately 250 Ukrainian companies, respectively. In addition, BISNIS counseled and helped identify partners for a U.S. client introducing personal HIV test kits into the Ukrainian market.

U.S. Department of Commerce – Commercial Law Development Program (CLDP): In FY 2001, a CLDP resident advisor worked in Kiev to facilitate Ukraine's efforts to accede to the World Trade Organization (WTO). The resident advisor helped the Ukrainian Government improve its laws on the protection of intellectual property rights—a key obstacle to Ukraine's WTO accession. He also helped the Ministry of Economy bring other laws, regulations, and practices into compliance with WTO standards.

Western NIS Enterprise Fund (WNISEF): Since its establishment in 1992, the WNISEF has committed \$74 million to 21 portfolio companies in Ukraine that employ a total of 12,000 workers. The WNISEF provides portfolio companies with capital and the necessary management tools to evolve from entrepreneurial ventures to professionally managed companies. Proceeds from the WNISEF's equity investments, which range from \$1 million to \$7.5 million, are used primarily for restructuring and expansion. The WNISEF's investments cover a broad range of sectors, including food processing, agriculture, construction materials, packaging, distribution, light manufacturing, services, Internet and technology, and various financial institutions. In FY 2001, the WNISEF decided to invest in the MicroFinance Bank (MFB), a banking institution that lends to entrepreneurs in Ukraine.

Overseas Private Investment Corporation (OPIC): In FY 2001, OPIC committed to provide \$2.5 million in financing to a vehicle distribution, sales and service project run by Winner Group Ukraine, Incorporated.

Energy and Environmental Programs

U.S. Department of Energy (DOE) – International Nuclear Safety Program: The last operating reactor at the Chernobyl nuclear power plant (Unit 3) closed on December 15, 2000. With U.S. support, Ukrainian specialists at the Chernobyl Center and Slavutych Laboratory are working to address technical and socio-economic issues related to the plant's closure. In FY 2001, a heat plant was completed to supply replacement heat to the Chernobyl site and to decommissioning facilities. In addition, a series of projects were completed or are underway to improve the safety of Ukraine's remaining operating nuclear power plants. Safety parameter display systems have been installed at all eleven VVER-1000 reactors; work was completed on five of them in FY 2001. These systems provide key parameters to operators to control the plant if an accident were to occur. Full-scope simulators were installed in FY 2001 at two plants to train control room operators, bringing the total to five to date. A fully equipped training center has been established at the Khmelnytsky nuclear power plant, including the implementation of operator and maintenance-personnel training programs. Regulatory standards for simulators and training have also been established, and U.S. training methodology has been transferred to all other plant sites in Ukraine. Work also continued on in-depth safety assessments at the Rivne, South Ukraine, Zaporizhzhya and Khmelnytsky plants. These assessments will identify the plants' weaknesses, and are necessary for assessing plant modifications and obtaining operating licenses from the regulatory authority. Several safety deficiencies were identified and corrected by Ukrainian experts in FY 2001. In addition, continued progress was made on a DOE-funded nuclear fuel qualification project, including training for the staff of Ukraine's Center for Reactor Core Design and assistance to the Ukraine's regulatory authority in the area of licensing. The fuel-qualification project supports Ukraine's ability to qualify nuclear fuel for its VVER-1000 reactors from an alternate vendor, with the long-range goal of achieving a secure fuel supply. With DOE support, Ukrainian specialists developed a national plan for managing spent fuel from the country's five nuclear power plants. Three concrete casks have been constructed for a spent-fuel dry-cask storage system, which became operational in FY 2001. In the area of emergency management, DOE provided support for training programs and upgrades to plans and procedures, and work continued on developing Ukraine's emergency management program.

USAID Energy-Sector Programs: In FY 2001, USAID's energy-sector programs continued to focus primarily on the privatization of Ukraine's regional electricity distribution companies (*ObiEnergos*) and related reforms in the country's energy-sector regulations, tariffs and market structures. After the development of a new tariff structure for the *ObiEnergos*, and with the help of clear and transparent bidding procedures, the Ukrainian

Government successfully sold six *ObiEnergos* to qualified foreign strategic investors in April 2001. USAID-funded advisors are working to facilitate the planned sale of the remaining twelve *ObiEnergos* and the restructuring of \$15 billion in debts resulting from past non-payment for power, which are a major impediment to further privatization. In parallel with these efforts, USAID legal and energy-market advisors are helping the Parliament overhaul the operation of Ukraine's existing electricity market. FY 2001 witnessed several other notable successes resulting from USAID-funded activities in the energy sector that are now being reduced or completed, including the following:

- The transition from a USAID-funded partnership between KrimEnergo and Ottertail Power to a new agreement on self-financed collaborative activities that will not need U.S. Government funding;
- An energy MBA program that has provided 170 energy professionals with essential skills in financial management and accounting;
- Assistance to develop a legislative framework to allow for the commercial development of coal-bed methane and reduce Ukraine's high import-dependence on energy; and
- Energy-efficiency projects, including U.S. Energy Department feasibility studies and business strategies for investments at six major industrial plants, and municipal demonstration projects at 12 schools, co-financed by Ukrainian local governments.

U.S. Nuclear Regulatory Commission (NRC): In FY 2001, the NRC provided training to Ukrainian nuclear regulatory authority personnel in such areas as nuclear power plant licensing, emergency planning and preparedness, inspection techniques for operational nuclear power plants, radioactive waste and spent-fuel management, and the decommissioning of nuclear power plants.

USAID/U.S. Department of Energy (DOE)/U.S. Environmental Protection Agency (EPA) – Environmental Programs: In FY 2001, U.S. Government-funded environmental activities in Ukraine continued to address important environmental problems of mutual concern (such as global climate change), promote investment in environmental technology and sound environmental management, and empower citizen participation in environmental decision-making. USAID has helped Ukraine meet its commitments under the United Nations Framework Convention on Climate Change and develop investment projects for the mitigation of greenhouse-gas emissions. The USAID Climate Change Initiative has provided training, organized seminars and workshops, supported the formation of an industry council and NGO network, developed recommendations for administrative structures, conducted an inventory on greenhouse-gas emissions in the energy sector, and developed business plans for potential investments in greenhouse-gas mitigation. The U.S. Government-supported Environmental Impact Assessment (EIA) Working Group submitted for parliamentary review several proposals to incorporate internationally recognized EIA procedures into Ukrainian law. The EPA has helped Ukraine develop a complete inventory of methane emissions from coal mines and identify viable mines for investment in methane recovery. USAID and DOE have increased municipal and industrial energy efficiency and investment through the efforts of the Alliance to Save Energy and DOE's Pacific Northwest National Laboratory. EPA successfully opened a Regional Environmental Center (REC) in Kiev, and is continuing to help Ukraine improve its policies and procedures for environmental assessment. USAID continued to support the activities of the Ukrainian Land and Resources Management Center (ULRMC), which applies remote sensing and geographic information system (GIS) technologies to help Ukraine manage problems such as flooding and fires near the Chernobyl exclusion zone and the Pervomaik ecological disaster zone. During FY 2000, USAID, the EPA and the Centers for Disease Control and Prevention (CDC) responded to the Ukrainian Government's request for assistance in assessing the environmental health emergency that occurred in Pervomaik; in November 2000, the Ukrainian Government accepted the findings of the U.S. experts. USAID and the EPA have also been working at the local level to reduce environmental risks to human health and to involve citizens, industry and local authorities in a public process to develop local environmental action programs; the EPA has focused on developing such programs in Mariupol. With USAID support, the Initiative for Social Action and Renewal in Eurasia (ISAR) awarded ten small grants to grassroots environmental NGOs, and the USAID EcoLinks Program awarded 11 challenge grants and seven quick-response awards totaling over \$500,000 to municipalities and businesses. EcoLinks promotes market-based solutions to environmental problems and partnerships with U.S. and Central European counterparts. In cooperation with the Academy for Educational Development (AED), USAID sponsored environmental management training and study tours for over 150 Ukrainian industrial and municipal enterprises, and training in sustainable development for members of the National Commission on Sustainable Development and Ukraine's NGO community. In addition, USAID launched a new activity that will support demonstration projects in at least six communities, developing guidelines, trainers and training materials, and centers of excellence.

Peace Corps Environmental Activities: In 2001, 28 Peace Corps volunteers (PCVs) worked on the Environmental Protection Project, assisting Ukrainian NGOs in their efforts to address environmental problems in Ukraine. PCVs were assigned to educational institutions, NGOs and governmental organizations in 19 communities throughout the country. One component of their work has been to develop linkages between Ukrainian and international environmental education programs, such as GLOBE and Green Schools.

Social-Sector Programs

USAID Health Programs: In FY 2001, USAID developed and funded two important new health activities: a pilot tuberculosis program to implement the World Health Organization's (WHO) Directly Observed Treatment, Short Course (DOTS) approach to case identification and treatment; and jointly with the European Union, a sexually transmitted infection (STI) and HIV/AIDS program. USAID's HIV-related programs are focusing on developing the capacity of Ukrainian NGOs to help prevent the contraction and spread of STIs and HIV/AIDS in high-risk populations (homosexuals, intravenous drug users and sex workers). USAID has established a national STI/HIV/AIDS information clearinghouse. In addition to its heightened emphasis on infectious diseases, USAID continued its primary-health-care assistance. In FY 2001, USAID made a major contribution to the successful formulation of the national 2001-2005 Reproductive Health Program for Ukraine. USAID is also continuing to support reproductive health training for physicians, nurses and midwives and post-partum/post-abortion counseling.

- **Chernobyl Childhood Illness Program:** USAID has opened five U.S.-Ukrainian medical centers that are screening adolescents for thyroid tumors and psycho-social illnesses. Each clinic also has a mobile field team for expanded coverage in rural areas. The USAID-supported Birth Defects Surveillance and Prevention Program has made great strides in the diagnosis of genetic diseases and in the establishment of a birth-defect registry, using international standards to capture this data. USAID also facilitated the formation of an NGO that is focused on strengthening preventive health interventions in the region.
- **Breast Cancer Awareness:** A breast cancer survivors' network created with the help of USAID's now-concluded Breast Cancer Screening Program has successfully established patient support services and community awareness programs. To date, the program has screened 70,000 women and advised many of these women to seek follow-up treatment.

USAID Pension Reform Programs: In FY 2001, USAID helped the Ukrainian Government complete two draft pension reform laws—the Law on Mandatory State Pension Reform Insurance and the Law on the Provision of Non-State Pensions, which were approved by the Parliament in November 2001. USAID also provided technical assistance to the Pension Fund of Ukraine (PFU) to help determine its financial soundness, expand elements of the PFU system nationwide, develop software to assure the system's effective automation, and establish a PFU website. With USAID assistance, several seminars were conducted for key policy-makers and journalists on constructing an appropriate pension system for Ukraine, how to create a viable and efficient three-pillared pension system, and how to maximize benefits for pensioners. USAID also conducted study tours for key Ukrainian officials responsible for pension reform. USAID also helped the Ukrainian Government develop a public education campaign for parliamentarians, journalists and the general public, producing brochures, booklets, statistical bulletins and a special magazine issue devoted to all aspects of pension reform. USAID's other social-sector reform efforts included helping the Ministry of Labor and Social Policy conduct seminars for regional officials on the Mykolaiv social safety net model, and working with the State Statistical Committee of Ukraine to implement new systems for collecting, processing and reporting social and economic statistics.

Security, Regional Stability and Law Enforcement Programs

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2001, the State Department allocated a total of \$2.77 million in FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds for EXBS assistance to Ukraine. However, the U.S. Government could only provide limited EXBS technical assistance to Ukraine in FY 2001 due to the lack of a completed Cooperative Threat Reduction (CTR) Program implementing agreement covering export control. While some training programs did continue and an in-country EXBS program advisor was in place in February 2001, customs and taxation issues resulting from the expiration of the previous CTR agreement at the end of 1999 disrupted the provision of EXBS equipment. Full cooperation resumed after the Implementing Agreement was signed in Kiev on October 22, 2001. Although no specific equipment assistance has been provided recently, participating Ukrainian agencies have shown an eagerness to receive EXBS assistance and address nonproliferation issues. The lack of a CTR implementing agreement did not impact efforts by the U.S.

Departments of Commerce (DOC) and Energy (DOE) to work with Ukraine's State Service for Export Control (SSEC) and the Ukrainian business sector to strengthen Ukraine's export control capabilities. DOC and DOE provided a number of internal-control programs and government-industry outreach programs and hosted a parliamentary exchange to encourage Ukrainian Rada members to pass the draft law on export control. A negotiated country plan for EXBS assistance will be completed in FY 2002, as will the delivery of technical equipment and additional training.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF):

In FY 2001, the State Department allocated \$1.5 million to support CRDF activities in Ukraine. The CRDF activated 31 new Competitive Grants awards to Ukraine, totaling \$1.5 million. Twenty-three of these grants include former defense scientists, and the Ukrainian Government is providing \$200,000 towards expenses of the Ukrainian institutions involved in these projects. In FY 2001, the CRDF received 326 proposals from Ukraine for the current CGP competition, a 40-percent increase over the previous round. In addition, in FY 2001, the CRDF received \$225,000 from the National Science Foundation (NSF) to support two special initiatives in Ukraine. Under the first initiative, the CRDF provided nearly \$60,000 to allow ten promising young Ukrainian scientists to train in a U.S. partner laboratory. Under the second initiative, the CRDF funded grants for six scientific workshops held in Ukraine in FY 2001 to develop proposals to future CRDF Competitive Grants Program competitions. In addition, Ukrainian scientists continued to take full advantage of the CRDF's commercialization programs. In FY 2001, there were 42 Travel Grant awardees from Ukraine in fields ranging from gas turbine engineering to improved software applications in the energy industry. The CRDF made four "Next Steps to the Market" awards in Ukraine, including a project involving the Ukrainian Institute for Single Crystals and eMagin Corporation aimed at development of photo-patternable crystal materials and color organic light-emitting diode (OLED) displays for the digital video disc (DVD), micro-display and other visual graphics industries. A joint applied research and development project funded by the CRDF's fifth and final Ukraine Small Business award was completed, assisting in the creation and growth of high-technology business; participating U.S. companies matched the CRDF's \$250,000 investment with over \$100,000 of their own funding.

U.S. Department of State – International Military Education and Training (IMET) Program: In FY 2001, the U.S. Government allocated \$1.44 million in IMET assistance for Ukraine. Training received under IMET and other military assistance programs supports an ongoing effort that is focused on strengthening civilian control of Ukraine's military. These courses also support Ukraine's commitment to military reform and restructuring. In addition, IMET training enables Ukrainian officials to develop NATO interoperability capability and participate in Partnership for Peace (PFP) activities.

U.S. Department of State – Foreign Military Financing (FMF) Program: In FY 2001, Ukraine was allocated \$3.99 million in FMF assistance to continue to advance the objectives of NATO's PFP program and enhance Ukraine's capabilities to operate jointly with NATO forces in peacekeeping, search and rescue operations, and other humanitarian exercises. Ukraine used its FMF funds to purchase language laboratories; additional HUM-Vs with tactical radios; four-wheel-drive vehicles; night-vision goggles; training for non-commissioned officers, medical officers, military health-resource managers and drivers; maintenance training for the HUM-Vs; development of an Emergency Situation/Crisis Action Center at the General Staff, a simulation center to support peacekeeping training, and a multinational staff officer's course at the National Defense Academy.

U.S. Department of State – Support for Ukrainian Involvement in Kosovo Peacekeeping Forces (KFOR):

The Department of State re-programmed \$1.2 million in Peacekeeping Operations (PKO) funds in 2001 for Ukrainian participation in the Ukrainian-Polish Battalion (UKRPOLBAT). The UKRPOLBAT conducts peacekeeping support operations in the U.S. sector of responsibility in Southern Kosovo. Ukrainian contingents are making significant contributions to KFOR operations and, in doing so, are gaining valuable experience in multinational peacekeeping operations. The current rotation of the Ukrainian contingent to the UKRPOLBAT, which is deployed from the First Independent Separate Peacekeeping Battalion stationed in Yavoriv, arrived in Kosovo in August 2001 and is scheduled to remain there until July 2002. The authorization for U.S. Government funds to support Ukrainian KFOR participation in FY 2002 was initially valid only for the purchase of food and fuel; however, the authorization was extended to include lodging. Other costs were to be paid from Foreign Military Sales (FMS) and other sources; coordination regarding the funding for other costs is ongoing. (The Department of State will not be able to fund any further Ukrainian participation in the UKRPOLBAT.) The next rotation is scheduled to arrive in August 2002.

U.S. Department of Defense – Warsaw Initiative / Partnership for Peace (PFP): In FY 2001, Ukraine received approximately \$1.2 million in assistance under the Warsaw Initiative to facilitate Ukraine's participation in PFP events. These funds helped Ukraine host two "In the Spirit of PFP" exercises—Peace Shield 2001 and Sea Breeze 2001—as well as the planning conferences for those exercises. Warsaw Initiative funds also supported Ukrainian participation in the exercises Combined Endeavor 2001, Cooperative Partner 2001, Cooperative Determination 2001, Rescuer 2001, and Cooperative Best Effort 2001. In addition to participation in exercises, Warsaw Initiative funds enabled Ukraine's Ministries of Defense and Emergencies to participate in numerous small-scale NATO-sponsored events.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR) Program: The U.S. Department of Defense continued cooperative efforts with Ukraine to eliminate the SS-24 missile system and eliminate several Bear H and Blackjack heavy bombers and their associated air-launched cruise missiles (ALCMs), and initiated two additional projects in 2001. DoD issued contracts for dismantling an initial set of seven TU-22 bombers and for dismantling a former nuclear weapons storage depot near Raduga. FY 2001 funding for CTR assistance in Ukraine was approximately \$36 million. Additional CTR projects and further funding requests are expected to continue through FY 2002. FY 2001 program highlights are provided below:

- **Strategic Nuclear Arms Elimination:** This project helps Ukraine implement START I requirements and facilitate the destruction of weapons-of-mass-destruction (WMD) delivery systems and associated infrastructure, and prevent the potential proliferation of WMD materials, equipment and technologies. In FY 2001 the project accomplished the following:
 - Completed the elimination of START-accountable nuclear delivery system launchers;
 - Removed remaining 11 SS-24 missiles from silos and completed restoration at 11 sites;
 - Disassembled 38 SS-24 missiles;
 - Received 26 SS-24 missiles for disassembly and eventual elimination;
 - Provided storage of 163 missile motors pending elimination;
 - Eliminated remaining 20 sets of START I-accountable SS-24 missile components (except motor cases);
 - Removed two SS-24 Launch Control Center canisters and dismantled one;
 - Eliminated 50 SS-19 first- and second-stage rocket engines;
 - Dismantled six remaining SS-19 non-deployed ICBMs;
 - Completed elimination of remaining 16 Tu-95 bombers, four Tu-160s, and 326 Kh-55 air-launched cruise missiles;
 - Eliminated Tu-95 and Tu-160 bomber ALCM internal rotary launchers and external pylon launchers;
 - Initiated elimination of Tu-95 and Tu-160 engines;
 - Began elimination of Tu-22M bombers by completing elimination of first aircraft; and
 - Eliminated Tu-134UBL bomber trainers.
- **WMD Infrastructure Elimination:** This project assists in destroying infrastructure associated with former Soviet WMD in Ukraine and preventing the proliferation of WMD-related materials, equipment and technologies. In FY 2001, this project achieved the following:
 - Completed work related to the elimination of the Unified Fill Facility and the National Nuclear Weapons Storage Area;
 - Continued modification and certification of two Andersen 2000 incinerators used to eliminate wash waters generated in the neutralization of liquid-propellant storage and handling facilities at Pervomaisk;
 - Completed environmental and physical characterization of six of eight liquid-missile-propellant storage and elimination facilities required for potential elimination projects;
 - Repaired rail facilities necessary to support the transport of propellants to a central storage facility at Shevchenkovo; and
 - Completed surveys of numerous facilities identified in a revised Ukrainian request for elimination assistance.

U.S. Department of Defense – CTR Defense and Military Contacts: More than 90 CTR Defense and Military Contacts with Ukraine took place in FY 2001. These included meetings of the Bilateral Working Group with Ukraine and Joint Staff Talks with the Ukrainian General Staff, exchanges on NCO corps development and military education reform, exchanges with the California and Kansas National Guards, defense reform exchanges, and a conference entitled "Building a Vital U.S.-Ukraine Partnership."

U.S. Department of Energy (DOE) – Material Protection Control and Accounting (MPC&A): Under the Second Line of Defense component of the MPC&A Program, DOE's National Nuclear Security Administration (NNSA) completed the prioritization of Ukraine's border ports of entry, which will allow for project start-up in FY 2002.

U.S. Department of Energy – Reduced Enrichment for Research and Test Reactors (RERTR): In FY 2001, the RERTR Program continued to support testing of low-enriched uranium (LEU) fuel elements, which can be used for the highly-enriched-uranium (HEU)-to-LEU conversion of Ukrainian reactors, as well as those at the St. Petersburg Nuclear Physics Institute in Russia and in Uzbekistan, Hungary and Vietnam. Tube-type fuel tests were completed and pin-type fuel tests have been initiated. In addition, development of pin-type high-density fuels for Russian-designed research reactors continues at the Bochvar Institute. Studies and analysis of the prospects for converting a number of Russian-designed research reactors from operation with HEU fuels to LEU continued in FY 2001, as did fuel-qualification tests. Neutronic feasibility studies were initiated to assess the performance of LEU fuel for research reactors in Russia, Uzbekistan and Poland. In FY 2001, the RERTR Program spent \$700,000 of its \$900,000 in budgeted funds, all of which have been obligated.

U.S. Department of Energy – Russian Research Reactor Fuel Return Initiative (RRRFRI): The core objective of RRRFRI is to reduce nuclear proliferation risks posed by the presence of HEU fuel and materials at former Soviet-supplied research reactors and research facilities by repatriating that material to Russia. In FY 2001, RRRFRI held three tripartite meetings involving representatives of the U.S. and Russian Governments and the International Atomic Energy Agency (IAEA). In May 2001, U.S. and Russian experts met in Moscow to discuss the technical issues related to spent-fuel management. In June 2001, a joint team of U.S., Russian and IAEA experts visited research reactor sites in Ukraine, Uzbekistan and Yugoslavia on technical fact-finding missions. The RRRFRI spent \$200,000 of its \$1 million in budgeted funds, all of which have been fully obligated.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, the U.S. and Ukrainian Governments identified four priority areas for the “U.S.-Ukraine Program for Bilateral Cooperation for Combating Corruption and Organized Crime, 2000-2005,” which was signed in June 2000: money laundering, intellectual property rights, trafficking in persons and border security. Long-term strategies and comprehensive programs were developed to support these four priorities. A letter of agreement between the U.S. and Ukrainian Governments on law enforcement assistance, which outlines law enforcement assistance projects corresponding to the priority areas has been presented to the Ukrainian Government for its consideration. The U.S. Embassy in Kiev, along with U.S. Justice and Treasury Department experts, has been working closely with senior Ukrainian Government officials to develop an anti-money-laundering law and regulatory framework that meets international standards. Although the Verkhovna Rada (Parliament) favorably considered the draft money laundering law in its first reading in November 2001, the draft law was not accepted in its second reading in January 2002. Under a presidential decree signed in December 2001 and a Cabinet of Ministers resolution adopted in January 2002, a financial intelligence unit is being established within the Ministry of Finance, and a mandatory system for reporting suspicious financial transactions is being implemented. The Ukrainian Government has also criminalized money laundering in the newly adopted Criminal Code, which went into effect September 1, 2001. Ukrainian officials also participated in regional training at the International Law Enforcement Academy (ILEA) in Budapest, Hungary, on combating money laundering and other transnational crimes. In addition, Winrock International received funding to support an anti-trafficking program in Ukraine, and programs designed to prevent domestic violence in Ukraine's regions were implemented by Winrock International, Project Harmony and Sister Cities International.

U.S. Department of Justice (DOJ) – Criminal Justice Assistance: In FY 2001, DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) provided a grant to the American Bar Association's Central and East European Law Initiative (ABA/CEELI) to support activities focused on anti-corruption, anti-trafficking legislation, prosecutor training, judicial reform and criminal procedure reform. Between January and June 2001, the DOJ/CEELI Program worked with the Organization for Security and Cooperation in Europe (OSCE) to hold a number of anti-corruption conferences for regional prosecutors, members of anti-corruption and organized crime units and border guards. ABA/CEELI also worked closely with Transparency International throughout the year to begin working with the Ukrainians on a draft anti-corruption law and a public procurement law. The DOJ/CEELI Program worked extensively with the International Organization on Migration (IOM) and OSCE throughout the year to advance anti-trafficking objectives, including

the development of a questionnaire for law enforcement officials to use when questioning trafficking victims. ABA/CEELI worked on developing a non-traditional witness protection service for trafficking victims, and worked with judges on the draft law on the judiciary and on implementing new criminal procedure code amendments. A new DOJ/CEELI Criminal Law Liaison arrived in Ukraine in May 2001. In addition, the American University's DOJ-funded Transnational Crime and Corruption Centers (TraCCC) were active in Ukraine throughout FY 2001. In cooperation with its Ukrainian partner, the Kharkiv Center for the Study of Organized Crime, TraCCC focused on issues related to economic crime and organized crime. In FY 2002, OPDAT and ABA/CEELI will continue to focus on combating trafficking and organized crime and promoting criminal procedure reform.

Humanitarian Programs

USAID Humanitarian Assistance: In FY 2001, the USAID-supported Counterpart Humanitarian Assistance Program (CHAP) continued to respond to natural and manmade disasters, as well as to support NGOs and governmental social-service institutions whose constituents are the most vulnerable and needy groups in Ukraine. CHAP has delivered over \$100 million in humanitarian assistance to Ukraine since the end of 1994, including \$11.4 million in FY 2001. USAID's humanitarian assistance program also supports U.S. private voluntary organizations (PVOs) that are experiencing problems bringing humanitarian assistance into Ukraine due to a lack of local infrastructure and/or experience.

U.S. Department of State – Operation Provide Hope: In FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia delivered \$30.30 million in U.S. Defense Department excess and privately donated humanitarian commodities to Ukraine at a cost to the U.S. Government of \$1.55 million. This assistance included a medical airlift in cooperation with the Children of Chernobyl Relief Fund and medical and relief supplies delivered by a number of U.S. PVOs, including World Emergency Relief, Feed the Children, and Food for the Hungry.

U.S. Department of Defense – U.S. European Command (EUCOM) Humanitarian Assistance: In FY 2001, EUCOM's Humanitarian Assistance Program delivered \$149,000 in hospital equipment, supplies and two generators to support a burn clinic. Transport costs for this project were \$4,400. In addition, EUCOM expended \$260,000 on construction upgrades to the burn clinic.

Partnership Programs

USAID Health Care Partnerships: USAID's Health Partnership Program has established ten primary-care/family-medicine clinics in six regions: Lviv, Donetsk, Odesa, Kiev, Uzhgorod and Kharkiv. Each of the ten clinics has a health promotion program oriented towards raising community awareness about healthy lifestyles, and has a particular outreach focus: comprehensive community-based health promotion in Lviv; miner's health services in Donetsk; family medicine outreach to seaport employees in Odesa; mental health interventions in Kiev; and health education and disease prevention programs in Uzhgorod. Each clinic is developing innovative strategies to add preventive clinical services to its basic ambulatory health services.

USAID Municipal Partnerships: During FY 2001, under the U.S.-Ukraine Community Partnerships Project implemented by the U.S.-Ukraine Foundation (USUF), 14 U.S.-Ukrainian municipal partnerships worked to achieve results in the areas of economic development, budgeting, housing/communal services, public transportation and citizen participation. Under the USUF program, a total of 99 Ukrainian interns have spent two weeks in their U.S. sister city, and U.S. municipal officials continue to provide ongoing training in their Ukrainian sister cities. The Regional Training Centers operated by USUF have conducted training for almost 6,000 local government officials, members of NGOs, and entrepreneurs.

U.S. Department of State – University Partnerships: The Bureau of Educational and Cultural Affairs (ECA) awarded five grants for university partnerships in FY 2001: three grants for new projects and two to continue successful ongoing partnerships between U.S. and Ukrainian universities. Under these partnerships, approximately 70 Ukrainian university professors and administrators traveled to the United States to work on development of new programs, courses and methods in such fields as educational administration, business management, law, government and American studies.

Cross-Sectoral Programs

Poland-America-Ukraine Cooperative Initiative (PAUCI): In FY 2001, PAUCI, a trilateral initiative administered by Freedom House, awarded 48 grants totaling approximately \$1.6 million to Ukrainian and Polish NGOs. With its strong focus on small and medium-sized enterprise (SME) development, PAUCI facilitated Polish-Ukrainian collaboration in helping Ukrainian SMEs more successfully market products for export to Europe and creating cross-border business associations to stimulate trade, investment and management capacity, and generate local income. A second PAUCI priority continued to be local governance: Ukrainian and Polish NGOs organized internships and training materials for Ukrainian local government officials who worked in Polish local government institutions. Topics ranged from improving municipal management to increasing the involvement of local businesses and constituencies in local government decision-making. After participating in PAUCI, five large Ukrainian cities allocated funds from their municipal budgets to continue Polish exchange programs. In PAUCI's third priority area, macro-economic reform, public officials and think tanks created independent fora in which to debate and review Polish public administration, budgetary and banking reform. PAUCI-funded radio and television programs broadcast information on Poland's reform experience to a broad segment of the population in eastern Ukraine, including case studies in regional development and macroeconomic policy. PAUCI grants also enabled Polish and Ukrainian NGOs to translate into the Ukrainian language over 30 post-1991 Polish laws and analyses on self-government, SME legislation, and European integration. In 2001, PAUCI Council members reviewed PAUCI's long-term goals, approving new areas for future cooperation, including media development and integration into the European Union.

Kharkiv Partnership: The Kharkiv Partnership, which is designed to promote economic growth and business development in the Kharkiv *Oblast* (Region), continued to be a U.S. Government assistance priority in FY 2001, expanding its activities from supporting strategic planning for potential U.S.-Kharkiv business partnerships to the creation of an environment that is business-friendly for foreign investment and Ukrainian small and medium-sized enterprises. In addition to formulating developmental plans for three industrial sectors, the second phase of the Strategic Planning Activity worked directly with four small city governments within the *oblast*, helping them set up economic development offices and define work objectives for the offices. Also, many local government officials who participated in a USAID-sponsored investment workshop last year continued to work with the Partnership, learning new techniques for promoting economic development in the *oblast* and promoting U.S.-Kharkiv business relationships. USAID is sponsoring two study tours for the *oblast's* economic development officers. In December 2001, Kharkiv *Oblast* officials studied the experience of Eastern European countries that have succeeded in creating growing economies. On a second study tour, scheduled for January 2002, Kharkiv *Oblast* Governor Kushanariov and a delegation of *oblast* administration, small-city public officials and Kharkiv business representatives will visit Ohio Governor Taft and other Ohio State and city officials. USAID is actively helping the participating Kharkiv businesses prepare presentations to increase their prospects for successful business partnering discussions. While in the United States, the participants will also learn more about public officials' responsibilities and opportunities for promoting economic development.

USAID Anti-Trafficking Programs: The USAID-funded Trafficking Prevention Program (TPP) works with Ukrainian women's NGOs to provide job-skills training, legal consulting services, and a public education campaign through Trafficking Prevention Centers (TPCs). There are currently seven such centers in Ukraine, located in Lviv, Dnepropetrovsk, Donetsk, Kherson, Rivne, Chernivtsy and Zhytomyr. Additional activities include support for a hotline for returned trafficking victims, a victim assistance fund, and a joint project with the Ministry of Education on the development of a school curriculum on the trafficking issue. USAID worked with a local Ukrainian production company to develop an anti-trafficking docudrama, which was broadcast on Ukrainian television in November 2001. This three-part series is educating those at risk—especially 12- to 15-year-old girls—about the dangers of trafficking, in an accessible and widely viewed format. USAID's Women's Economic Empowerment (WEE) Program, which helps women establish and run businesses and business associations, also supports the anti-trafficking effort, since women who start their own businesses tend to hire other women, who in turn are not as vulnerable to trafficking. In Donetsk, where the Trafficking Prevention Program and WEE Program share a facility, the women that seek training or consultations also find out about the dangers of trafficking and how to avoid becoming involved in such activities. USAID-sponsored youth leadership camps held in summer 2001 educated over 150 girls and boys on the dangers of trafficking. Participants learned about women's and children's rights and the activities of the Crisis Centers, defined the problem of trafficking in women, identified key organizations in Ukraine responsible for combating trafficking, and increased their leadership and conflict resolution skills.

Eurasia Foundation: At the end of FY 2001, USAID's Office of the Inspector General issued its final report on the fraudulent actions of an employee of the Eurasia Foundation's Kiev regional office, which administers the Foundation's grant-making activities in Belarus, Moldova and Ukraine. Upon discovering evidence in FY 1999 that fraud had taken place, the Foundation referred the case to Ukrainian authorities. The USAID Inspector General's report reached conclusions regarding the total amount misappropriated and made a series of recommendations to ensure improved program management. The Eurasia Foundation has taken the control actions recommended by the USAID Inspector General, who subsequently closed the case, enabling USAID to negotiate a new grant with the Foundation. The Foundation's insurance company has fully reimbursed USAID for the misappropriated funds. The Foundation plans to resume grant-making in Ukraine during the first half of 2002. During FY 2001, the Foundation continued to manage three special initiatives that provide assistance to Ukraine: 1) the Small Business Loan Program (SBLP), under which loans of up to \$100,000 are made for terms of up to two years at competitive market rates to Ukrainian production, manufacturing and services companies in cooperation with local commercial banks; 2) the Economics Education and Research Consortium (EERC), Ukraine's first Western-standard graduate economics program, located at the National University of Kiev-Mohyla Academy; and 3) the Media Viability Fund, which provides low-cost loans, grants, and technical assistance to support independent media.

Peace Corps – Small Project Assistance (SPA) Program: In FY 2001, the SPA Program awarded 71 grants totaling \$110,000 in support of projects implemented by Peace Corps volunteers in the areas of education, environment, business development, health and youth/orphans. Support for resource centers, as either elements of formal schools or as community centers, continued in FY 2001, with SPA assistance being provided to developing civics education materials and teacher training. An environmental seminar for disadvantaged youth, carried out in conjunction with Youth Center for Social Services, strengthened the organizational and leadership skills of those working with at-risk youth. The SPA Program also supported an environmental workshop of 25 NGOs and ecological tourism stakeholders resulting in the development of an association and website and laid the basis for improved cooperation in environmentally responsible eco-tourism. Another SPA grant helped the Sevastopol Chamber of Commerce address the effects of globalization on the local business community and society and identify what needs to be done to facilitate Ukraine's further transition into the world economic and political system. In the area of health, a SPA-funded activity developed a community-based support service for HIV-positive individuals. SPA-funded training was provided to community health promoters who serve as counselors and provide peer support to those living with HIV/AIDS.

Preview of FY 2002 Programs

In FY 2002, U.S. Government-funded assistance to Ukraine will continue to seek to strengthen Ukraine's economic and political reform efforts, primarily through the non-governmental sector. Pending the Ukrainian Government's continued commitment to reform, U.S. Government assistance programs will continue to support critical structural reforms, such as energy- and agricultural-sector restructuring. Other key areas will continue to be small and medium-sized enterprise development, NGO development, rule of law/anti-corruption, media development, tax and budget reform, parliamentary development, and special initiatives. This is also a critical election year for the Ukrainian Parliament, and the U.S. Government will support pre- and post-election activities that include building the institutional capacity of political parties, election officials, and watchdog NGOs and citizen groups that can help determine whether the campaign and election process are free and fair.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO UKRAINE**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Economic Restructuring	7.81
- Private-Sector Development	23.47
- Energy-Sector Reform	3.98
- Environmental Management	1.76
- Democratic Reform	13.88
- Social-Sector Reform	8.73
- Cross-Cutting / Special Initiatives	23.15
- Eurasia Foundation	2.70
- Enterprise Funds	10.00
TOTAL USAID	95.49
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, CLDP, BISNIS, BDC	1.92
U.S. DEPARTMENT OF ENERGY - Nuclear Reactor Safety	33.21
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	2.00
- Cargo Value (DoD excess and privately donated, not included in total below)	30.30
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	32.30
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	1.13
- Export Control & Related Border Security (EXBS)	2.00
- ECA Bureau - Public Diplomacy Programs	26.09
- EUR Bureau - Public Diplomacy Programs	2.41
TOTAL U.S. DEPARTMENT OF STATE	31.63
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	0.50
ENVIRONMENTAL PROTECTION AGENCY	1.50
CIVILIAN R&D FOUNDATION (NSF/CRDF)	1.50
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	1.10
U.S. DEPT. OF AGRICULTURE (USDA) - Cochran Fellowships, FEP	0.40
U.S. DEPT. OF THE TREASURY - Technical Advisors	2.50
TOTAL TRANSFERS TO OTHER AGENCIES	76.26
PERFORMANCE FUNDS	0.14
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	171.89

OTHER AGENCY FUNDS	
USAID - Child Survival, Disaster Assistance	1.05
U.S. DEPARTMENT OF DEFENSE	36.35
U.S. DEPARTMENT OF ENERGY	5.32
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	1.44
- NADR / Export Control & Related Border Security (EXBS)	0.77
- NADR / Science Centers	5.00
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	3.99
- ECA Bureau - Public Diplomacy Programs (ECE account)	3.10
- International Information Programs (IIP)	0.04
TOTAL U.S. DEPARTMENT OF STATE	14.34
U.S. DEPARTMENT OF LABOR	1.94
U.S. DEPARTMENT OF EDUCATION - Fulbright-Hays Exchange Programs	0.02
PEACE CORPS	2.37
TOTAL FY 2001 AGENCY FUNDS BUDGETED	61.39

TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	233.27
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COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UKRAINE

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.70	19.30	
1992	Surface		54	0.24	2.20	
	Operation Provide Hope II (Food&Med.)			0.10	1.30	
	EUR/ACE Admin & Program Support			0.40		
FY 1992 TOTAL		9	54	1.44	22.80	24.24
1993	Airlift	5		0.39	3.60	
1993	Surface		255	1.83	19.50	
	Helping Hand & Open Curtain Grant			0.02		
	Counterpart Grant			0.01		
	EUR/ACE Admin & Program Support			1.15		
FY 1993 TOTAL		5	255	3.40	23.10	26.50
1994	Airlift	4		0.53	12.30	
1994	Surface		550	1.20	29.60	
	Counterpart Grant			0.35		
	EUR/ACE Admin & Program Support			0.50		
FY 1994 TOTAL		4	550	2.58	41.90	44.48
1995	Airlift	13		1.17	9.86	
1995	Surface		975	4.78	49.17	
	DoD Excess Hospital (Dontesk-Apr'96)			0.41	18.09	
	Counterpart Grant			0.08		
	EUR/ACE Admin & Program Support			4.25		
FY 1995 TOTAL		13	975	10.69	77.12	87.81
1996	Airlift	15		0.79	19.63	
1996	Surface		730	3.78	66.51	
	EUR/ACE Admin & Program Support			0.43		
FY 1996 TOTAL		15	730	5.00	86.14	91.14
1997	Airlift	6		0.28	8.08	
1997	Surface		372	1.96	41.36	
	Counterpart Grant			0.25		
	EUR/ACE Admin & Program Support			0.74		
FY 1997 TOTAL		6	372	3.23	49.44	52.67
1998	Airlift	8		0.35	5.67	
1998	Surface		224	0.93	33.85	
	Counterpart Grant			0.06		
	EUR/ACE Admin & Program Support			0.26		
FY 1998 TOTAL		8	224	1.60	39.52	41.12
1999	Airlift	6		0.58	13.39	
1999	Surface		544	1.84	63.17	
	Counterpart Grant			0.04		
	Project Hope (Kharkiv Hosp)			0.06		
	IMC (Kharkiv Hosp)			0.12		
	Heart to Heart Int'l			0.04		
	EUR/ACE Admin & Program Support			0.58		
FY 1999 TOTAL		6	544	3.27	76.56	79.83
2000	Airlift	5		0.05	1.19	
2000	Surface		280	1.17	45.61	
	Counterpart Grant			0.09		
	Hellenic/Counterpart			0.52		
	Counterpart Small Medium			0.03		
	IMC			0.16		
	EUR/ACE Admin & Program Support			0.26		
FY 2000 TOTAL		5	280	2.28	46.80	49.07
2001	Airlift	1		0.06	3.00	
2001	Surface		257	0.94	27.30	
	Counterpart Grant			0.06		
	Counterpart Small Medium			0.03		
	World Council of Hellenes			0.35		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.09		
FY 2001 TOTAL		1	257	1.55	30.30	31.85
CUMULATIVE TOTAL		72	4241	35.03	493.68	528.71

UZBEKISTAN

Political and Economic Overview

- Uzbekistan, which became an independent country in 1991, is structured as a parliamentary democracy, and President Karimov consistently voices support for market-based economic reform and the development of civil society. The government intends to change the parliament (Oliy Majlis) to a bicameral system, and has undertaken some legal and judicial reforms to foster judicial independence and the rule of law. However, the Government of Uzbekistan has been reluctant to undertake serious economic reform and has made little progress in promoting democracy and human rights. The official approach of gradual, incremental reform has been ineffective in overcoming an unwillingness to relinquish control to market forces. This has led to a series of unsuccessful policies over the past several years, the worst of which was the 1996 suspension of free convertibility of the national currency, the soum. In FY 2001, the government's failure to restore currency convertibility and to create attractive conditions for investors crippled Uzbekistan's economy and drove off international donors such as the International Monetary Fund (IMF) and the World Bank. In December 2001, however, the Government of Uzbekistan initiated an agreement with the IMF that will lead to increased market liberalization, if implemented successfully.

Although Uzbekistan is—in principle—open to foreign investment, the country's overall investment climate remains very unfavorable, as the government has yet to create the necessary conditions to attract foreign investment. Although the Uzbek Government is actively courting foreign investment in the country's productive capacity and is providing significant tax benefits for projects that promote import substitution, increased exports or create employment, the country's restrictive foreign-exchange regime, deficiencies in the legislative framework, cumbersome banking procedures, distinctions between cash and non-cash transactions, and other bureaucratic problems are discouraging foreign investors. As a result, Uzbekistan has so far attracted less foreign direct investment per capita than other transition countries, despite its strategic location and considerable economic potential. Bureaucratic obstacles to business development abound; for example, registering a business requires the approval of the Ministry of Justice, the State Tax Committee, the Ministry of Foreign Economic Relations (MFER) and the state organization for macroeconomics and statistics. To make matters worse, this cumbersome process is not transparent, and an investor's application can be deferred indefinitely. All import contracts must be approved and registered by the MFER, unless the company uses its own hard currency, in which case—at least in theory, if not in practice—MFER approval is not needed, although many investors continue to seek MFER approval "just in case." Customs procedures can take as long as four months, thereby imposing storage fees on the importer. No priority is given to perishable goods.

For most foreign investors, the single greatest obstacle to doing business in Uzbekistan is the country's highly restrictive foreign-exchange regime. The soum is not convertible, even for current international transactions. Uzbekistan maintains a segmented foreign-exchange market and multiple exchange rates. There are three legal exchange rates for the soum: the official rate, the "commercial" rate, and the "exchange-booth" rate. Although the official rate is nearly identical to the commercial rate at present, all three rates are overvalued, and access to foreign exchange at these rates is severely restricted. The Uzbek Government has an elaborate and non-transparent set of administrative procedures to ration available foreign exchange among those who need access to it. Almost all foreign investors report difficulties getting authorization to convert soum to dollars legally in the amounts they require for their operations. There is also a so-called "curb-market" (black-market) exchange rate, which is freely determined and widely used by individuals and businesses, although transactions at the curb-market rate are illegal.

In June 2001, the Uzbek Government eliminated the 50-percent surrender requirement for foreign investment for small and medium-sized enterprises and moved most transactions to the "commercial" exchange rate. In November 2001, the government brought the official exchange rate up to a level virtually identical to the commercial rate (approximately 690 soum to the dollar), and eliminated the remaining category of transactions conducted at the official rate of 431 soum to the dollar, including sovereign-guaranteed debt service contracted prior to July 1, 2001, and mandatory sales of hard-currency proceeds from so-called "centralized exports" (e.g., cotton and gold). The November decree represented a small but important step towards streamlining and increasing the transparency of Uzbekistan's foreign-exchange system.

While some progress was made in the area economic reform in FY 2001, little progress was made in the area of democratization. The Government of Uzbekistan has not taken effective steps to build democracy. Despite a constitutional guarantee of freedom of speech, political opposition to the government is not permitted in practice. The most recent parliamentary elections were not democratic, and the January 2000 presidential elections were not democratic (no opposition candidates were allowed to participate.) As part of a broad package of governmental reforms, the Parliament voted in December 2001 to hold a referendum on extending the term of the presidency from the current five years to seven years. Newspapers are censored, and the country's 30 to 40 television stations practice self-censorship or risk losing their licenses. Civil society is nevertheless slowly developing in Uzbekistan, albeit within the limits set by the government. The existence of more than 300 grassroots non-governmental organizations (NGOs) such as artisans', lawyers' and judges' associations, reflects the government's tolerance for citizen activism in non-controversial areas. President Karimov granted amnesty to 25,000 prisoners in September 2001, including at least 800 political prisoners. However, abuses of human rights are not uncommon in Uzbekistan. As of the end of FY 2001, the Uzbek Government was holding an unknown number of political prisoners and nearly 7,000 individuals suspected of religious extremism. Police routinely beat and torture detainees to obtain confessions, and there have been numerous deaths in custody due to beatings and mistreatment. However, in January 2002, four police officers were convicted and sentenced to 20 years each for beating a prisoner to death. Prison conditions remain poor but are improving, according to human-rights monitors. In FY 2000, the Uzbek Government promised to permit access to its prisons by the International Committee of the Red Cross (ICRC), and visits began; however, the ICRC suspended its visits in May 2001 because it could not obtain access to pre-trial facilities. In January 2002, President Karimov granted the ICRC access to pre-trial facilities, paving the way for the resumption of ICRC visits.

Given its common border with Afghanistan, Uzbekistan has been a critical ally in the fight against terrorism. The Islamic Movement of Uzbekistan (IMU), whose aim is to overthrow the Uzbek Government by violent means in order to establish an Islamic state, was designated a foreign terrorist organization by the U.S. Secretary of State in FY 2000. IMU fighters, who are based in Tajikistan and Afghanistan and fought Kyrgyzstani armed forces in an attempt to cross over into Uzbek territory in late 1999, appeared in Southern Kyrgyzstan again in 2000 and 2001. Incursions onto Uzbek territory also occurred, but Uzbek Government forces drove them out. Since the launching of Operation Provide Freedom in Afghanistan, many IMU fighters aligned with al Qaeda forces and fighting in Afghanistan have been killed or taken prisoner. Uzbekistan has also been a cooperative partner in preventing proliferation of weapons-related materials and expertise. Using U.S.-provided equipment, Uzbek Customs officials intercepted three shipments of radioactive material bound for third countries.

Overview of U.S. Government Assistance

In FY 2001, the U.S. Government provided an estimated \$84.66 million in assistance to Uzbekistan, including \$20.00 million in U.S. Department of Agriculture (USDA) food aid, \$25.84 million in FREEDOM Support Act (FSA) assistance (\$25.31 million in FY 2001 funding and \$530,000 in prior-year funding), \$13.37 million in other U.S. Government assistance, and U.S. Defense Department excess and privately donated humanitarian commodities valued at \$25.45 million. The U.S. Government continued to provide assistance to Uzbekistan in the areas of economic reform, energy and environment, health-care reform, counter-terrorism, counter-narcotics, non-proliferation of weapons of mass destruction, and democratic transition. Assistance was shifted towards areas in which success was deemed more likely, emphasizing exchanges rather than technical assistance, civil-society development rather than more direct efforts with the Uzbek Government on democratization, and increased counter-terrorism and counter-narcotics cooperation. U.S. Government-funded democratic and economic reform programs continued to achieve mixed results in Uzbekistan in FY 2001, primarily due to the Uzbek Government's lack of political will.

As a result of the Uzbek Government's lack of cooperation with USAID and failure to embrace reform wholeheartedly, USAID has significantly reduced its market transition activities and redirected its focus towards education and training. USAID focused its remaining market-transition assistance on small and medium-sized enterprise (SME) development, seeking to improve access to business education and training, and supporting business advocacy associations. In addition, USAID initiated a pilot micro-credit program. USAID continued to expand its NGO development activities and to promote civic education for youth, in close collaboration with the U.S. Embassy's Public Affairs Section and the Peace Corps (although Peace Corps volunteers were evacuated from Uzbekistan in October 2001 as a security precaution). USAID's democracy programs promoted linkages between NGOs and *mahallas* (neighborhood committees) and supported an extensive women's legal rights

initiative. Despite its own staffing constraints and the Uzbek Government's reluctance to implement health-care reform, USAID nevertheless continued to expand its assistance in the health sector: USAID facilitated increased acceptance of the primary-health-care-practice model, enhanced its anti-tuberculosis program, and initiated two new health partnerships. However, because the issue of currency convertibility was not resolved, pharmaceuticals continued to be in short supply, jeopardizing the future of health-care reform in Uzbekistan.

Training, Exchange, and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 2,100 Uzbek citizens to the United States for short-term professional or long-term academic training, including some 276 in FY 2001 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with their U.S. counterparts. The goal of these programs is to train highly talented individuals who can make both an immediate and long-term impact on their country's economic, political, social and/or environmental situation. However, it is difficult for program alumni from Uzbekistan to make a difference after returning home, because few employment opportunities are generated there for individuals with Western training. In addition, U.S. Government educational exchange programs face difficulties in advertising exchange opportunities to a broad audience in Uzbekistan's regions, as the standard recruitment cycle coincides with cotton-picking season, when many potential candidates are in the cotton fields. Meanwhile, the single biggest challenge for the U.S. Government's business education programs is the poor economic environment in Uzbekistan. Nevertheless, people-to-people training and exchange programs continue to be an effective mechanism for reaching out to the next generation of leaders and increasing the likelihood of future reform in Uzbekistan.

USAID Training Programs: In FY 2001, USAID training programs targeted a wide range of sectors. Over 1,100 Uzbek citizens participated in USAID-sponsored training programs in economic and business education, democratic reform and primary health care. Some 50 Uzbek citizens received USAID-funded training in the United States. USAID-funded training for *oblast* (regional) judges helped facilitate the creation of a Committee of Women Lawyers and the adoption of a new Law on Courts and a Law on Civil and Criminal Law that went into effect on January 1, 2001. Training on the establishment of drug-free schools programs provided the impetus for the creation of a government-sponsored national effort to prevent drug abuse among Uzbekistani youth and instructed educators and physicians in practical and effective strategies to counsel and support youth in making healthy lifestyle choices. Over 9,000 students and military servicemen have participated in the drug education campaign. In FY 2001, USAID-funded study tours and conferences enabled 17 health officials to compare experiences with their Eurasian and Western European counterparts and find better ways to redesign primary-health-care services and implement changes. For example, after a four-week study tour to London, several of the participating Uzbek doctors used their newly acquired knowledge to improve their practices and are working to expand the role of nurses in the provision of health care. Similarly, a seminar on retraining general practitioners (GPs) provided a forum for exchanging experiences and lessons learned, giving Uzbekistan's GP trainers the reassurance that other countries have faced similar challenges and have identified innovative ways to make progress despite significant obstacles. The seminar's recommendations were subsequently presented to the Tashkent Institute for Advanced Medical Education and Uzbekistan's Ministry of Health.

USAID Resource Network for Economics and Business Education (RNEBE): RNEBE is supporting the efforts of those public and private institutions that are already moving toward market-related instruction and research. The first component includes the development of a website that fosters greater sharing of information, including curricula and course syllabi, among universities in Central Asia and the West. Professors also receive training, workshops and seminars on modernized teaching methods and gain access to up-to-date case studies and other essential teaching tools. The second component includes the translation and distribution of basic materials such as textbooks, computers and audio/visual equipment, as well as a Visiting International Professors (VIP) program. After less than a year since the program's inception, participation in RNEBE has been quite broad, with 32 universities having joined and 22 professors (48 percent of whom are women) having received summer courses in modern business practices and economics.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2001, over 200 Uzbek citizens traveled to the United States on academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). A total of 93 Uzbek citizens participated in one- to two-year academic exchanges through the Muskie/FREEDOM Support Act (FSA) Graduate Fellowship Program, Humphrey Program, Junior Faculty Development Program, FSA

Undergraduate Program, and Future Leaders' Exchange (FLEX) Program. A total of 21 scholars traveled to the United States under Fulbright, Regional Scholar and Contemporary Issues Fellowships. Some 20 high school teachers and administrators traveled to the United States under the Partners in Education (PiE) and Teaching Excellence Awards (TEA) Programs. In addition, 33 of Uzbekistan's leading professionals traveled to the United States under the International Visitor (IV) Program. These IV visits focused on a range of issues, including defense and security, economic development, human rights and freedom of the press. An illustrative program highlight is provided below:

- **Partners in Education (PiE):** At a conference in Tashkent for PiE alumni, Uzbek teachers described civic education projects they had implemented with limited resources. For example, one PiE teacher from the Ferghana Valley who had an opportunity to observe student governments at schools in Chico, California, is now working with teachers in local schools in the Ferghana Valley to develop student governments. Another PiE teacher from the Ferghana Valley who also visited Chico saw firsthand the ability of U.S. students and teachers to express their views freely, and has now incorporated this practice in his own classroom.

U.S. Department of State – Regional English Language Program: In order to improve the quality of English teaching in Uzbekistan, the Regional English Language Officer (RELO) based at the Public Affairs Section of the U.S. Embassy in Tashkent is working with Uzbekistan's Ministry of Education to create and introduce a new English-teacher education curriculum at the University of World Languages. To prepare Uzbek faculty to implement the pilot curriculum, the RELO Office organized a range of English-language teacher training opportunities, including U.S.-based programs on teaching English as a foreign language, as well as training courses at highly regarded English-language teacher education programs.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2001, 14 Uzbek entrepreneurs participated in SABIT programs in the areas of automotive, aviation and environmental technologies; laboratory accreditation; tourism; hospital administration and small and medium-sized enterprise association development. Five took part in the regular SABIT program and nine took part in the following specialized programs: environmental technologies, standards, business management for women, services, and business association development. While in the United States, a SABIT participant and hotel owner secured funding for a new hotel in Bukhara, Uzbekistan, and met with a travel wholesaler who agreed to start booking tours to Central Asia. The Commerce Department plans to increase Uzbek participation in SABIT in FY 2002.

U.S. Department of Agriculture – Cochran Fellowship Program: In FY 2001, the Cochran Program provided training for seven Uzbek participants in cooperative development, seed production and processing, poultry processing, and biotechnology and intellectual property rights. Five additional participants received training in early FY 2002.

Democracy Programs

Democracy Fund Small Grants Program: In FY 2001, the U.S. Embassy's Democracy Commission awarded 35 small grants totaling approximately \$170,000 to local NGOs working in such areas as human rights, women's rights, and business development.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2001, the IATP Program opened three new public-access Internet facilities, bringing to four the total number of IATP sites in Uzbekistan. In addition to an existing IATP site in Tashkent, an additional site was opened in Tashkent, and new sites were opened in Nukus and Samarkand. A fifth site is slated to open in Ferghana in February 2001.

USAID Democracy Programs: In FY 2001, USAID provided increased support for the development of an active civil society in Uzbekistan—a process that was hindered by restrictions imposed by the Uzbek Government, ostensibly to counteract the threat of Islamic extremism. In particular, USAID has increasingly focused on youth and civic education programs and has initiated, through Freedom House, a new program to increase the professional capacity of Uzbek human rights defenders. In FY 2001, the U.S. Government continued its policy of not providing election-related assistance to the Government of Uzbekistan, a policy adopted in FY 1999 due to the Uzbek Government's lack of commitment to electoral reform or to genuinely competitive elections. In addition, USAID discontinued its assistance to the Uzbek Parliament, which was having only a limited impact. Since the 1999 parliamentary elections were neither free nor fair and the

Government appoints most members of parliament, the Parliament has little incentive to become more responsive to the public. Therefore, assistance is neither appropriate nor likely to succeed. Instead, USAID is concentrating in the following areas:

- **USAID Independent Media Programs:** As part of its efforts to help Uzbekistan's independent media survive and function under difficult working conditions, USAID supported broadcasts by independent television stations about issues of interest to local communities. A number of these broadcasts prompted local government officials to respond to issues addressed by the broadcasts. The number of stations working with USAID implementing partner Internews has increased. Internews cooperates closely with 12 independent television stations in Uzbekistan, and works in a more limited way with another four stations. Many stations in smaller towns outside provincial capitals have benefited from technical assistance and increased their weekly output of news broadcasts. As a result of Internews' assistance and cooperation with these stations, an informational program jointly produced by the participating stations is now providing an alternative to state-sponsored news. The program reaches a potential of 15 million viewers or 63 percent of the population. However, in early FY 2000, two independent television stations were closed as a result of broadcasts that were critical of the government, and only one of them was subsequently allowed to reopen. In FY 2001, the founder of the other closed station was compelled to flee Uzbekistan due to fears for his physical safety.
- **USAID NGO Development Programs:** The overall health of Uzbekistan's NGO sector, including its sustainability, level of development, and capacity to implement programs, improved in FY 2001. Implementation of Uzbekistan's NGO law, which was adopted in 1999, has increased noticeably in the *oblasts* (regions). The law, while quite progressive, has been weakly implemented, if at all, in many regions, due to a lack of knowledge and/or interest on the part of local officials, who generally prefer to enforce the old Law on Public Associations, which dates back to 1992. Over the past year, the International Center for Not-for-Profit Law (ICNL), a USAID grantee, has conducted a series of seminars throughout Uzbekistan to familiarize local officials with the NGO law and its appropriate implementation. Although it is hard to quantify concretely, anecdotal evidence strongly suggests that implementation of the NGO law has increased noticeably throughout the country. USAID's NGO development program, which includes support for local initiatives, has increasingly focused on youth, women and community-oriented projects. USAID has made progress in supporting the development of Uzbekistan's NGO sector, especially in areas outside the capital. Uzbek NGOs became stronger and more assertive in FY 2001. Many of them embraced local advocacy as part of their agenda and interfaced more with local government officials. In FY 2001, USAID continued to encourage Uzbek NGOs to work with *mahallas* (neighborhood committees) to involve the community in the resolution of neighborhood problems. A USAID-funded women's rights initiative has encouraged the development of a women's NGO movement in Uzbekistan, with a particular emphasis on rural areas. The Women's Integrated Legal Literacy Program supports girls' clubs, and their trainers are working in schools to promote tolerance, non-violence and gender equality. USAID has also worked to promote the Uzbek Government's understanding and support of NGOs, assisting with social partnership ventures at the local level and promoting NGO-oriented legislative reform at the national level.
- **USAID Rule-of-Law Programs:** The American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) continues to promote legal reform by working with the Union of Judges of Uzbekistan. In August and September, a number of judicial reforms were enacted, including the creation of an appellate system, a new Law on the Procuracy and the issuance of a decree by the Cabinet of Ministers. Together, these removed two of Uzbekistan's largest obstacles to judicial independence, namely the prosecutorial right to suspend judicial judgments and the authority of the Ministry of Justice to appoint and remove judges. USAID's judicial reform program is also working with law students and law student associations. As mentioned above, with support from USAID, the International Center for Not-for-Profit Law (ICNL) has provided input on the development of key legislation that could potentially ease the registration process for Uzbekistan's NGO community.

U.S. Department of Justice (DOJ) – Rule-of-Law Programs: Under a grant from DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), the American Bar Association's Central and East European Law Initiative (ABA/CEELI) implemented activities focused on judicial reform, court reporting and customs and taxation issues. ABA/CEELI worked with the Association of Judges of Uzbekistan in a series of conferences focusing on newly adopted appellate procedures. The first such conference was conducted in March 2001. ABA/CEELI also worked with the Association of Judges throughout the year to develop and

implement a pilot project for the operation of an electronic court-reporting system in selected courts in Uzbekistan. This system is intended to improve transparency of court proceedings and to facilitate the appellate process. In April 2001, ABA/CEELI held two roundtable meetings focused on issues in customs and taxation. The Uzbeks identified a number of inconsistencies in their tax code and complained of excessive taxes. In addition to the above programs, ABA/CEELI also conducted a number of adversarial skills training programs and a continuing legal education program for prosecutors and defense attorneys. (See also Security, Regional Stability and Law Enforcement Programs section below.)

Business and Economic Development, Trade and Investment Programs

USAID Accounting Reform Programs: Throughout FY 2001, Uzbekistan continued to be a leader in accounting reform in the Eurasian region. USAID delivered business short-course training to 791 Uzbek accountants (53 percent of whom were women) and seven regional accounting associations united as a single, national organization with a charter that complies with International Accounting Standards (IAS). The Uzbek Government decreed that the new IAS-compliant chart of accounts would go into effect in January 2002, thus increasing the demand for accounting courses offered by the USAID project, particularly on the part of tax authorities. The new chart will substantially increase transparency and reliability of accounting at enterprises.

USAID Banking-Sector Reform Programs: In FY 2001, USAID continued to provide assistance to the Central Bank of Uzbekistan (CBU). This work included improving the CBU's supervisory process and improving the accounting standards in the country's banking sector. This assistance complemented the World Bank-funded privatization program that Uzbekistan is currently undertaking. Due to a lack of substantial progress in implementing reforms in the bank supervision process and major macro-economic reforms, USAID ended its assistance to the CBU in December 2001.

USAID Farmer-to-Farmer (FTF) Program: A total of 44 Uzbek host institutions have benefitted from the current round of FTF volunteer assistance, which has directly affected almost 3,900 women and over 4,600 men. The FTF Program collaborated with other organizations to create a non-governmental extension service for the region of Karshi. In addition, FTF advocacy assistance to credit unions resulted in the Government of Uzbekistan changing its policy to allow a limited number of non-bank financial institutions to operate. One FTF volunteer invested in two joint ventures (an Uzbek nursery and an agricultural consulting firm) and linked the Andijan Business Incubator with Ohio State University's Internship Program, as a result of which 12 Uzbeks will intern with U.S. businesses (and will be paid a total of \$360,000 for their work). The FTF volunteer also obtained \$25,000 in USDA funding to help resource-poor farmers in Missouri grow high-value Uzbek melons, for which Uzbek farmers donated \$2,500 in melon seeds. Another FTF volunteer worked with two women's business associations to help their members identify new business opportunities, develop business plans and prepare loan applications, as a result of which Mercy Corps International provided loans to 10 of the women under a USAID-funded micro-lending program.

Central Asian - American Enterprise Fund (CAAEF): In FY 2001, Uzbekistan's overarching economic constraints stunted the CAAEF's in-country operations, the principal obstacles being the lack of client access to foreign exchange and the difficult regulatory environment for businesses. The CAAEF moved its headquarters from Tashkent to Almaty, Kazakhstan.

U.S. Export-Import (Ex-Im) Bank: Ex-Im Bank approved two long-term transactions and one medium-term transaction involving Uzbekistan in FY 2001. The first was a \$102.9 million long-term guarantee for the export of turbine compressors by Bateman Engineering to UzbekNefteGas. The second transaction was a \$30.4 million medium-term guarantee for the export of combines by Case Corporation. Both transactions approved in 2001 were approved under a sovereign guarantee. One other medium-term transaction approved in FY 2001 was under a guarantee for \$4.4 million for the sale of computer controlled radio-therapy equipment with a guarantee from the National Bank of Uzbekistan.

U.S. Trade and Development Agency (TDA): TDA's activities in Uzbekistan in FY 2001 included a \$485,000 grant for a route assessment study for Uzbekistan Airways and a \$500,000 grant to the Ministry of the Chemical Industry for a study on upgrading the fertilizer plant at Almalyk.

Energy and Environmental Programs

USAID Energy-Sector Programs: In FY 2001, USAID-funded training provided to energy-sector officials resulted in a better-informed and more skilled group of Uzbek officials who can make policy decisions on issues related to energy payment systems, environmental protection and energy conservation.

USAID Water Management Programs: USAID assistance helped establish a technical working group with participation from Uzbekistan and the other Central Asian countries for improving the collection, analysis and exchange of hydrological data. Significant progress has been made towards establishing a regional communication system that would collect and distribute hydrological data throughout the region. USAID provided the hydro-meteorological agency in Tashkent with a high-resolution terminal for receiving meteorological imagery from the National Oceanic and Atmospheric Administration (NOAA) satellite. The equipment is proving useful in monitoring snow-cover in the mountains of Kyrgyzstan and Tajikistan for the purpose of projecting stream flows based on snowmelt. The Pakhtaabad Irrigation Canal demonstration model financed by USAID is introducing new flow-management concepts in Uzbekistan that are promoting a dialogue with the Government of Uzbekistan on reform in the agricultural sector. At the farm level, USAID is supporting the transfer of irrigation management from the national level to individuals and/or water-user groups. The skills and knowledge of Uzbek water officials have improved as a result of their having participated in several USAID-assisted training activities in the water sector on both the national and regional levels. A pilot demonstration project at a water-diversion facility near Tashkent is sharing improved water-monitoring and control techniques for use with the Chirchik Canal, which carries water for both agricultural and municipal use. These activities will continue over the next two years. Three additional projects are in the process of being implemented: a potable water project in the Karakalpakstan region; the development of improved trans-boundary water cooperation through international agreements; and the rehabilitation of at least two irrigation systems, including the important Surkandarya system located near the border with Afghanistan.

Other USAID Environmental Programs: USAID provided technical assistance to help the Government of Uzbekistan assess the potential for developing a mechanism by which Uzbekistan and other transitional economies could participate more fully in the United Nations Convention on Climate Change. Uzbekistan has since become a leader in the movement toward greater participation by developing countries. Using the training and skills they acquired from USAID, Uzbek officials presented their national strategy for combating climate change at the Sixth Conference of the Parties.

Social-Sector Programs

USAID Primary-Health-Care Programs: USAID is developing models of primary health care in seven pilot sites, including the Ferghana Valley, with an emphasis on promoting community involvement and higher-quality care that is better financed. Community-based organizations in the Ferghana Valley area of Uzbekistan have implemented clean-water projects reaching almost 25,000 people. Families are learning to take an active role in their own health care by getting practical information from mass media campaigns and from their family doctors and nurses. For example, the first-ever media campaign on anemia prevention and treatment was launched in the form of a television soap opera that was developed and aired; and as a result of a childhood diarrhea prevention campaign, 21 percent more women now know that during diarrheal illnesses they should give more liquid and 42 percent more women learned they should continue to feed their children when they have diarrhea. Such knowledge in the hands of mothers can save children's lives. USAID has also been successful in presenting reproductive health information to more traditional communities in culturally acceptable formats. Standing-room-only crowds of adolescents, women and men have participated in family events held at theaters, focusing on sex education, HIV/AIDS, sexually transmitted infections and family planning. The popularity of these events required that the number of planned productions be increased four-fold. The funding for primary health care has also nearly doubled in pilot sites, as more cost-effective payment systems have been developed and implemented.

USAID Infectious Disease Programs: USAID provided technical assistance in implementation of the World Health Organization (WHO)-recommended Directly Observed Treatment, Short-Course (DOTS) strategy for tuberculosis control in five initial pilot sites. In 2001, in response to the Uzbek Government's request, USAID agreed to support a DOTS implementation program throughout the Ferghana Valley (whose population is 6.6 million). The Government of Uzbekistan purchased \$1 million worth of anti-tuberculosis drugs to support the DOTS implementation program in the Ferghana Valley. USAID and the Centers for Disease Control and

Prevention (CDC) helped the Uzbek Ministry of Health develop a successful application for funding from the Global Alliance for Vaccines and Immunization (GAVI). As a result, beginning in October 2001, all newborns are being provided with hepatitis B vaccine over the next five years. With USAID assistance, a comprehensive government decree on viral hepatitis was issued that abolishes the unnecessary practice of mandatory hospitalization. In addition, USAID sponsored a study tour for Uzbek Government officials to a model drug-abuse harm-reduction site in Lithuania; a Central Asian condom social marketing assessment and workshop; and, jointly with UNICEF and UNAIDS, a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections.

USAID Conflict-Mitigation Activities: USAID's Conflict-Mitigation Initiative in the Ferghana Valley, which is implemented by Mercy Corps International (MCI), was launched in FY 2001 to help prevent conflict and encourage citizen dialogue and participation across all ethnic lines. Through MCI's partnership with the Foundation for Tolerance International and other Tajik and Uzbek NGOs, twenty communities have been targeted throughout the valley for activities and projects to promote institutional capacity and infrastructure development and to address issues of ethnic tension, poverty, resource scarcity and transit across what are now international borders.

Security, Regional Stability and Law Enforcement Programs

The primary objectives of the U.S. Government's security-related assistance programs in Uzbekistan include the following: promoting stability; strengthening and expanding regional security cooperation; preventing nuclear, chemical, biological and other weapons proliferation; promoting effective cooperation of the Uzbeks in the war against terrorism; enhancing civilian control of the military; and promoting democracy, the rule of law and human rights. U.S. security assistance has been provided through a range of cooperative programs.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2001, the State Department allocated \$2.83 million in both FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds for EXBS assistance to Uzbekistan. EXBS assistance is one of the largest of the six assistance programs under the Central Asian Border Security Initiative established in April 2000. In FY 2001, EXBS assistance included equipment, training and infrastructure support to develop and strengthen the detection, interdiction and enforcement capabilities of Uzbekistan's Customs Service, Border Guards and other border security and law enforcement organizations. The assignment of a long-term advisor in January 2001 significantly increased the U.S. Government's ability to provide EXBS-related assistance. In February 2001, extensive discussions were held between U.S. and Uzbek security and law enforcement agencies to identify and agree on assistance priorities for the EXBS Program. Communications equipment remained the highest Uzbek priority, followed by surveillance and detection equipment, maritime border guard assistance, border control and export control training, protective and medical equipment and transportation/patrol assets. The first significant shipment of EXBS equipment began in January 2001 with the delivery of high-frequency radios and related equipment. Other equipment delivered in FY 2001 included communications equipment (including encrypted radios), detection equipment, protective gear, patrol vehicles and aviation assets, spare parts, repairs and critical consumables for air patrols and transport, body armor and basic surveillance equipment, including night-vision goggles, binoculars, global positioning systems (GPS), sensors, protective equipment and mountaineering gear. In March 2001, U.S. technicians installed the Uzbek node of the Central Asia Regional Communications Link (CACL), enhancing regional communications capabilities. Other equipment assistance included hand-held radios, vehicle-mounted mobile radios, and marine radios. Radiation detection equipment provided to Uzbekistan has been particularly useful. During the past year, Uzbek Customs was able to intercept three shipments of radioactive material bound for third countries. In September, 16 Uzbek Border Guards and Customs officials took part in International Border Interdiction Training in Hidalgo, Texas. The U.S. Coast Guard has also provided boat engines and spare parts for the Uzbekistan Border Guard's Marine division. On the regulatory front, Uzbekistani officials are drafting export control legislation in close consultation with their U.S. counterparts and have participated in legal/regulatory technical training and enforcement workshops and conferences sponsored by the U.S. Department of Commerce. Uzbekistan has also participated in the drafting of a Regional Transit Agreement for Central Asia and the Caucasus.

- In the aftermath of the September 11 terrorist attacks, an additional \$18 million was provided under the Emergency Response Fund supplemental appropriation to enhance Uzbekistan's border security: \$4 million in Nonproliferation, Anti-terrorism, Demining and Related Activities (NADR) funds and \$14 million in FREEDOM Support Act (FSA) funds. The \$4 million in supplemental NADR funds will be used for traditional

EXBS assistance activities, and the \$14 million in supplemental FSA funds will be used to enhance the air-patrol and aviation-interdiction capabilities of Uzbekistan's Ministry of Defense and Border Guards in order to prevent weapons proliferation and complement counter-terrorism assistance. In FY 2002, the EXBS Program will continue to focus on providing much-needed equipment, but will deliver substantially more and varied training than in FY 2001 and will turn its attention to Uzbekistan's Customs Service to increase detection and interdiction of all prohibited materials and persons.

U.S. Department of State – Anti-Terrorism Assistance (ATA) Program: Since its inclusion in the ATA program, Uzbekistan has actively participated in the annual Regional Counter-terrorism Conference hosted in Washington, D.C. During FY 2001, with an estimated \$1.25 million in ATA funding, the U.S. Government provided Uzbek officials from the Ministry of Internal Affairs, National Security Service, Committee for State Border Protection and other law enforcement agencies with training in post-blast investigation, officer safety and survival, and rural border patrol operations. The ATA Program's bomb-sniffing dog program provided four Uzbek officials with an opportunity to visit an ATA training site with the goal of familiarizing themselves with the program and assessing its applicability to Uzbekistan. Another initiative planned under ATA was a senior crisis-management seminar held in Washington, D.C. As a result of the skills acquired through ATA training in explosive-incident counter-measures, the Uzbek Government's Explosive Ordinance Device (EOD) team was very well-prepared when it was responded to a bomb threat at the U.S. Embassy. The Embassy's Regional Security Officer characterized the EOD team's response as comparable to that of the EOD's U.S. counterparts.

U.S. Department of State – Science Centers Program: In FY 2001, the U.S. Government allocated \$1 million for projects and activities at Uzbek institutes undertaken by the Science and Technology Center in Ukraine (STCU). For its part, the Uzbek Government agreed to open an STCU branch office in Tashkent in September 2001.

U.S. Department of State – Support for the Civilian Research and Development Foundation (CRDF): In FY 2001, the State Department allocated an estimated \$1 million for CRDF assistance to Uzbekistan. Under its Cooperative Grants Program (CGP), the CRDF activated four awards totaling \$200,000, including a joint project with the U.S. Department of Agriculture to improve local irrigation techniques. The CRDF activated six projects totaling \$300,000 with former biological weapons researchers who had participated in a special competition. A CRDF joint project with DuPont is supporting the development of an organically based pesticide. In FY 2001, the CRDF received 38 new CGP proposals from Uzbekistan, a three-fold increase over the previous round. The CRDF made 29 Travel Grants to Uzbek scientists—twice the number awarded in FY 2000. These CRDF grants facilitated meetings between Uzbek scientists and representatives of U.S. companies and universities, including the Ford Motor Company, Bristol-Myers Squibb, the Rochester Institute of Technology, the University of Mississippi, Oregon State University, the University of California-Davis and the University of California-San Francisco. Along with his U.S. partner, MB Technologies, one of the Uzbek grantees subsequently submitted a successful proposal to the CRDF's "Next Steps to the Market" Program to develop a new welding process for alloys. The CRDF concluded its first Regional Experimental Support Center (RESC) competition for Uzbekistan and issued a RESC award to AkademPribor to enable the center to develop modern laser technologies (including cutting, welding, surface-hardening and reconditioning of machine parts) and provide training to laser technology specialists. Uzbekistan's State Committee for Science and Technology is contributing cost-sharing to this project.

U.S. Department of State – Redirection of Biological Weapons (BW) Expertise:

- **U.S. Department of Agriculture (USDA) – Agricultural Research Service (ARS) – Collaborative Research:** In January 2001, ARS was approved as a partner to the Science and Technology Center in Ukraine (STCU) so that ARS could initiate a research program with Uzbekistan. ARS budgeted just over \$1 million for assistance activities in Uzbekistan in FY 2001. In January and May 2001, ARS hosted visits from scientists from the Uzbek Institute of Zoology and the Institute of Genetics and Experimental Biology of Plants. In August 2001, an ARS team traveled to Uzbekistan to identify institutes and assess their capabilities and scientific expertise for participation in the Collaborative Research Program. The ARS team visited the Samarkand Veterinary Institute, the Institute of Genetics and Experimental Biology of Plants, the Institute of Bio-Organic Chemistry and the Institute of Zoology and other institutes that fall under the Uzbek National Academy of Sciences. As a result of these visits, ARS is developing proposals with Uzbek counterparts in areas of animal and plant disease.

U.S. Department of State – Partnership for Peace/Foreign Military Financing (FMF): In FY 2001, Uzbekistan was initially allocated \$2.5 million in Foreign Military Financing (FMF), and an additional \$25 million in FMF assistance was allocated under the Emergency Response Fund supplemental appropriation. FMF assistance is enabling Uzbekistan to acquire defense articles and services that will facilitate interaction with U.S. and Coalition forces in the region, as well as with NATO, particularly in conducting peacekeeping activities. FY 2001 FMF assistance is being used to support additional communications equipment, utility vehicles, infrastructure upgrades, aviation transport assets, individual protection and other support equipment and specialized training. The \$25 million in supplemental FMF funding will be used primarily to buy communications equipment to integrate Uzbekistan's national command, control and communications capabilities.

U.S. Department of State – International Military Education and Training (IMET) Program: Under the International Military Education and Training (IMET) Program, Uzbekistan was allocated \$456,250, of which \$437,000 was spent. IMET training assistance focused on English-language, international staff officer and defense-management capabilities, as well as operational subjects that foster interoperability in both operations and tactics. In addition, Uzbek personnel participated in activities at the U.S. Defense Department's Marshall Center in Germany designed to foster greater respect for the principle of effective civilian control of the military.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR) Program: The CTR Program has been one of the primary sources of U.S. security-related assistance to Uzbekistan. In FY 2001, the CTR Program increased the amount of funding available to continue the demilitarization of the former chemical weapons (CW) facility in Nukus from \$6 million to \$8.5 million (see below for additional details). DoD will also help clean up the biological weapons (BW) facility on Vozrozhdeniye Island, eliminate the infrastructure of the test facility on the island, and improve the security of dangerous pathogen collections stored at scientific institutes throughout Uzbekistan. The implementing agreement for these projects was signed in October. Uzbek cooperation in this program has been excellent. FY 2001 program highlights are provided below:

- **Dismantlement of CW Research Institute:** This project assists in the demilitarization of the former Soviet CW research, development and testing capabilities at Nukus. In FY 2001, the project achieved the following:
 - Dismantled, decontaminated and removed all pilot plant reactors, vessels and piping; and
 - Decontaminated, and removed to a sanitary landfill, laboratory equipment, filtration systems, ducting from 70 laboratories/rooms and 9,360 linear feet of ventilation ductwork.
- **BW Proliferation Prevention:** This project consolidates and secures or eliminates dangerous pathogen collections; dismantles former Soviet BW research and production facilities; and targets research to enhance U.S. bio-defense capabilities against dangerous pathogens. In FY 2001, the project achieved the following:
 - Completed an assessment of the former BW test facility at Vozrozhdeniye Island for future dismantlement and pathogen elimination efforts; and
 - Continued two existing projects to enhance security of pathogen repositories at former BW institutes.

U.S. Department of Energy – Reduced Enrichment for Research and Test Reactors (RERTR): In FY 2001, the RERTR Program continued to support testing of low-enriched uranium (LEU) fuel elements, which can be used for the highly-enriched-uranium (HEU)-to-LEU conversion of reactors in Uzbekistan, as well as at the St. Petersburg Nuclear Physics Institute in Russia, and in Ukraine, Hungary and Vietnam. Tube-type fuel tests were completed and pin-type fuel tests have been initiated. In addition, development of pin-type high-density fuels for Russian-designed research reactors continues at the Bochvar Institute. Studies and analysis of the prospects for converting a number of Russian-designed research reactors from operation with HEU fuels to LEU continued in FY 2001, as did fuel-qualification tests. Neutronic feasibility studies were initiated to assess the performance of LEU fuel for research reactors in Russia, Uzbekistan and Poland. In FY 2001, the RERTR Program spent \$700,000 of its \$900,000 in budgeted funds, all of which have been obligated.

- **U.S. Department of Energy – Russian Research Reactor Fuel Return Initiative (RRRFRI):** The core objective of RRRFRI is to reduce nuclear proliferation risks posed by the presence of HEU fuel and materials at former Soviet-supplied research reactors and research facilities by repatriating that material to Russia. In FY 2001, RRRFRI held three tripartite meetings involving representatives of the U.S. and Russian Governments and the International Atomic Energy Agency (IAEA). In May 2001, U.S. and Russian experts met in Moscow to discuss the technical issues related to spent-fuel management. In June 2001, a

joint team of U.S., Russian and IAEA experts visited research reactor sites in Ukraine, Uzbekistan and Yugoslavia on technical fact-finding missions. The RRRFRI spent \$200,000 of its \$1 million in budgeted funds, all of which have been fully obligated.

U.S. Department of Defense (DoD) – Counter-Proliferation Programs: In FY 2001, with an estimated \$410,000 in funding, the DoD/FBI and DoD/U.S. Customs Service (USCS) Counterproliferation Programs continued to provide training and technical assistance to Uzbekistan's border guards and customs officials. During two evaluation visits conducted within the last year, U.S. officials had an opportunity to inspect the equipment previously donated under this program (including a mobile x-ray van, fiber-optic scopes, density meters, radiation pagers, etc.). Training in large port-module operation, followed by the donation of appropriate equipment, was provided to the State Customs Committee and Committee for State Border Protection. In FY 2001, the DoD/FBI Counter-Proliferation Program funded two consultation sessions in export control legislation and enforcement that were conducted by the U.S. Department of Commerce, FBI, DoD, and USCS for the Uzbek Ministry of Foreign Economic Relations, State Customs Committee, National Security Service, and other agencies. These consultations included further discussions on Uzbekistan's new export-control legislation.

U.S. Department of Defense (DoD) – Warsaw Initiative: In FY 2001, DoD allocated a total of \$456,250 in Warsaw Initiative funding for Uzbekistan, of which \$220,000 was used to support Uzbekistan's participation in NATO Partnership for Peace (PFP) exercises (80 percent of related costs were funded by NATO and 20 percent by the U.S. Government). Uzbekistan was a full participant in Combined Endeavor 2001, and Uzbek representatives participated as observers in several other PFP exercises.

U.S. Department of Defense (DoD) – CTR Defense and Military Contacts: In 2001, 174 CTR Defense and Military Contact events were conducted in response to DoD's goal to expand contacts between defense establishments to promote counterproliferation, demilitarization and democratic reform in Eurasia.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2001, in addition to counter-narcotics training provided by the U.S. military, the U.S. Government provided training and technical assistance to Uzbekistan's law enforcement agencies through the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL). The objectives of this training and technical assistance were to enhance the capabilities of Uzbek law enforcement agencies to combat narcotics trafficking and organized crime, while also promoting the rule of law and human rights. This assistance has helped the Uzbek Government more effectively to stem the flow of narcotics from Afghanistan. During FY 2001, over 400 officers from Uzbekistan's Ministry of Internal Affairs, National Security Service, State Customs Committee, Committee for State Border Protection, and Procuracy attended training courses given by instructors from the U.S. Department of Justice (DOJ) International Criminal Investigative Training and Assistance Program (ICITAP) and Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), the Federal Bureau of Investigation (FBI), U.S. Drug Enforcement Administration (DEA) and other U.S. federal law enforcement agencies. In addition, yet another group of Uzbek officers graduated from the International Law Enforcement Academy (ILEA) in Budapest, Hungary, and Uzbekistan participated in the ILEA Curriculum Committee and Retrainer Conference. The highlight of ACTTA's assistance was the donation of nine four-wheel-drive vehicles to the State Customs Committee to enhance its border patrol capabilities. Several assessment visits conducted by the Bureau of Alcohol, Tobacco and Firearms (ATF), U.S. Customs Service (USCS) and the State Department's INL Bureau revealed that some of the specialized practical training courses should be repeated at an advanced level of instruction and in a train-the-trainer format.

U.S. Department of Justice (DOJ) – Criminal Justice Programs: In June 2001, under a grant from DOJ's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), the American Bar Association's Central and East European Law Initiative (ABA/CEELI) conducted a working meeting with 57 participants on judicial supervision over investigative practices, addressing issues of arrest, search, detention and law enforcement interviews of suspects and witnesses. In addition, a DOJ/CEELI criminal law liaison continued working with Uzbek prosecutors and judicial officials on judicial issues promoting reform of the existing criminal legislation and incorporation of positive international experience in this area.

Humanitarian Programs

U.S. Department of Agriculture (USDA) – Food Assistance: In, FY 2001, USDA allocated \$22 million for the provision of approximately 100,000 metric tons of food commodities to Uzbekistan, including \$20 million under USDA's P.L. 480, Title I Program. In addition, under USDA's GSM-102 concessional loan program, the Government of Uzbekistan purchased and imported 54,000 metric tons of soybeans and 41,500 metric tons of rice. As part of the American Red Cross's Aral Sea Region Program, Uzbekistan received food aid under USDA's Food for Progress Program for support of direct-feeding initiatives in the Aral Sea region.

U.S. Department of State – Operation Provide Hope: Since 1992, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia has transported almost \$140 million in humanitarian assistance to Uzbekistan. In FY 2001, Operation Provide Hope delivered approximately \$25.5 million in humanitarian commodities to Uzbekistan at a cost to the U.S. Government of approximately \$1.26 million. This assistance, which consisted of privately donated high-value pharmaceuticals, other donated commodities and U.S. Defense Department excess property, was provided primarily through the U.S. private voluntary organizations (PVOs) Heart-to-Heart, the Association of American Family Physicians, AmeriCares and Counterpart International.

Partnership Programs

USAID Health Partnership Program: In FY 2001, the USAID-funded health partnership between Grady Health System and the Republican Center for Emergency Medicine in Tashkent and in Ferghana continued to focus on developing an efficient emergency care system. Under this partnership, these emergency care-training centers train mid-level health care and primary health care personnel. The partnership in nursing education was initiated this year with MASHAV. Fifty-one nurses were trained in Israel, and nursing trainers worked in Ferghana. A total of 820 nurses have been trained through the AIHA program, which was extended through September 30, 2003.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2001, the USAID-supported Eurasia Foundation awarded 27 grants totaling \$474,000 to Uzbek NGOs in the areas of civil society, private enterprise development, and public administration and policy.

- **Peace Corps:** In FY 2001, the number of Peace Corps volunteers (PCVs) serving in Uzbekistan reached an all-time high of 153. However, following the September 11 events, all PCVs were evacuated from Uzbekistan as a precautionary measure. Prior to their evacuation, PCVs carried out projects in the areas of teaching English as a foreign language, business education and health. Project highlights are provided below:
- **Teaching English as a Foreign Language:** PCVs taught students in the classroom and interacted with them informally in English-language centers and clubs. PCVs worked with teachers to organize group activities requiring students to speak English, work together to solve problems and think critically. PCVs also worked with their Uzbekistani counterparts to develop resource centers, lesson plans, conduct team-teaching, and organize teacher workshops focusing on communicative methodology, curriculum development and student motivation. PCVs were involved in numerous community activities, including sports clubs/teams and working at orphanages. In FY 2001, PCVs taught English language, American culture and critical-thinking skills to over 6,200 elementary and secondary school students, and university students. PCVs trained over 575 Uzbek teachers in English language skills, teaching methods and ways to access professional development opportunities and information. PCVs' secondary projects included continuing little league baseball in the Ferghana Valley, opening some 15 new resource centers throughout the country, and holding over 13 summer camps for children throughout Uzbekistan, including seven Girls Leading Our World (GLOW) camps held in conservative regions of Uzbekistan (including Namangan, Khorezm and Bukhara) with the goal of developing girls' skills and building their self-confidence, so that they can become future leaders and decision-makers in their communities. More than 500 girls from throughout Uzbekistan participated in the GLOW camps. In FY 2000, Peace Corps-Uzbekistan senior management and PCVs worked closely with Uzbekistani teachers and Uzbekistan's Ministry of Education to develop curricula for English-language education in grades one through four, as well as corresponding activities. In

FY 2001, the newly developed curriculum was piloted in 37 schools, in fulfillment of a decree issued by the Ministry of Public Education.

- **Business Education and Development:** PCVs are increasing the knowledge and skills of students, teachers, NGO leaders and small entrepreneurs by focusing on the transfer of basic business skills. In FY 2001, the business education and development PCVs trained teachers, conducted seminars, worked with local and international NGOs, and taught at retraining institutes, business centers, business schools and universities, reaching approximately 1,500 students, 120 teachers, and over 400 entrepreneurs and community members. PCVs provided students and entrepreneurs with skills, concepts and information in a wide range of areas, including marketing, management, finance, human resources management, economics, law and legal institutions, writing grant proposals and business letters, conversational English, business English and teaching methodologies. The Peace Corps collaborated successfully with the U.S.-based National Council for Economic Education (NCEE) to conduct a workshop on participatory teaching methodology for economics teachers in Tashkent. The PCVs also organized three workshops in Tashkent, Karshi and Ferghana for PCVs and their counterparts, as well as a small-business-development summer camp for nearly 40 youth from across the country. Participants went through the entire process of developing a new business. PCVs also provided business education textbooks to organizations throughout Uzbekistan.
- **Health:** The Peace Corps began working in the health field in 1998, signing a memorandum of understanding with the Uzbek Government in June 1998. In March 1999, the first group of health PCVs arrived to help strengthen the Ministry of Health's program to provide primary-health-care services to Uzbekistan's rural population and thereby reduce morbidity and mortality, particularly due to easily preventable or treatable illnesses. In FY 2001, the Health Project gained strong footholds in the Bukhara, Samarkand, Karakalpakstan, Khorezm and Syr Darya regions of the country. The health project has two main objectives: (1) to increase the availability and quality of health information and education aimed at improving the health behavior in communities; and (2) to increase the capacity of local health-care institutions to conduct health promotion and education activities and improve their management practices. In collaboration with Abt Associates, a USAID contractor, PCVs developed a policy and procedural manual for use by rural clinics in implementing new management and financial procedures. Health PCVs also obtained a SPA grant for the purchase and creation of educational materials and the establishment of health education resource centers in five rural clinics in the Ferghana Valley (see below for additional details on the SPA Program). PCVs also promoted good health habits and supported the resource centers through health fairs designed to advertise each clinic and its services and teach community members about diarrhea, anemia and other health issues. An estimated 3,680 women and children increased their knowledge of prevention techniques for basic illnesses through educational activities, materials and outreach projects. PCVs and Peace Corps staff trained 27 local health professionals in the use of the Uzbek-language version of the *Healthy Communities Handbook*. Over 200 Uzbek health professionals have benefited from PCV activities, and some 50 have developed the ability to conduct their own health seminars and fairs. In addition, a Peace Corps computer specialist designed databases for tracking health information and trained some 26 individuals in database use and development at the Ferghana computer center. Health PCVs worked out of rural primary health care facilities and local NGOs, focusing on building organizational capacity for providing health education.
- **Small Project Assistance (SPA) Program:** In FY 2001, the SPA Program awarded 24 grants totaling over \$27,000 in support of PCV-implemented projects in the areas of education, health and youth development. In the area of education, SPA-funded activities focused on the classroom repair and the acquisition of supplies and resource equipment and materials. One SPA-funded activity provided instruction for classroom teachers on how to better integrate disabled and handicapped children into mainstream classroom activities. Youth-related activities included building leadership and self-confidence skills. In the health sector, one SPA-funded activity provided support for community health training at a Women's Wellness Center for women and teenagers. Another SPA-funded activity provided training for local nurses in recognizing symptoms and treating the primary ailments with which they come into contact every day.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2001, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA: promoting reconciliation and recovery from regional conflicts; fostering economic growth and

development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2002 Programs

In FY 2002, the U.S. Government will continue to provide assistance to Uzbekistan in the areas of economic reform, energy and environment, health-care reform, counter-terrorism, counter-narcotics, counter-proliferation, and democratic transition. U.S. Government cooperation with the Uzbek Government in the vital areas of counter-terrorism, counter-narcotics and counter-proliferation will continue to expand. However, the U.S. Government's economic and political reform programs will continue to be shifted away from the Uzbek Government and towards the country's non-governmental sector, with an emphasis on training and exchange programs. Economic reform efforts will be focused on the development of small and medium-sized enterprises (SMEs) by improving access to business education and training. Training will be provided to SMEs to improve their business skills in marketing, management, accounting, and other areas. USAID will support university-level business and economics education, promote business advocacy associations and implement a large new micro-credit program. Should the Uzbek Government begin to implement the broad economic reforms necessary to foster a better investment climate, the U.S. Government may reconsider the level and nature of its economic reform assistance.

USAID, the U.S. Embassy's Public Affairs Section and the Peace Corps will continue to expand NGO development activities and to promote civic education for youth. Specific programs will focus on developing a women's NGO coalition, promoting NGO coordination with *mahallas* (neighborhood committees), and protecting independent media outlets from government pressure. Increased efforts will be made to expand implementation of the country's new NGO law, which, while commendable on paper, has not been adequately implemented in areas outside of the capital.

USAID will expand the breadth and depth of its health sector activities in Uzbekistan in FY 2002. An epidemiologist from the Centers for Disease Control and Prevention (CDC) will be posted to Tashkent to advise the Uzbek Government on combating infectious diseases. USAID's tuberculosis prevention and control program will expand throughout the Ferghana Valley. USAID will begin new activities in urban primary health care, health education and sports. USAID will continue its close collaboration with the World Bank, notably on the design of a follow-on health-sector loan. USAID will also initiate HIV/AIDS prevention activities through the Soros Foundation.

USAID will increase its activities in water management in Uzbekistan, providing additional training on technology and policy issues. As part of a broader regional effort, the U.S. National Oceanic and Atmospheric Administration (NOAA) will help improve Uzbekistan's ability to forecast water runoff and plan water allocations. In addition, USAID will sponsor pilot demonstrations on water district management that is integrated with on-farm water use. USAID will demonstrate agro-forestry as a means of bio-drainage in waterlogged soils and to build a more viable lumber industry. USAID-funded work on the development of trans-boundary agreements for shared water systems will also continue, with the goal of reducing regional tensions over water resources.

**FY 2001 FUNDS BUDGETED FOR
U.S. GOVERNMENT ASSISTANCE TO UZBEKISTAN**
(millions of dollars, rounded to the nearest \$10,000, as of 12/31/01)

FREEDOM SUPPORT ACT (FSA) FUNDS	
USAID / E&E - BUREAU FOR EUROPE & EURASIA	
- Private-Sector Development	2.10
- Environmental Management	1.75
- Democratic Reform	2.95
- Social-Sector Reform	5.50
- Cross-Cutting / Special Initiatives	1.35
- Eurasia Foundation	1.25
TOTAL USAID	14.90
TRANSFERS TO OTHER AGENCIES	
U.S. DEPARTMENT OF COMMERCE - SABIT, BISNIS	0.57
U.S. DEPARTMENT OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE	
- Transportation Costs and Grants	1.00
- Cargo Value (DoD excess and privately donated, not included in total below)	25.45
TOTAL COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE	26.45
U.S. DEPARTMENT OF STATE	
- INL Bureau - Anti-Crime Training & Technical Assistance (ACTTA)	0.29
- Export Control & Related Border Security (EXBS)	2.50
- ECA Bureau - Public Diplomacy Programs	3.46
- EUR Bureau - Public Diplomacy Programs	0.15
TOTAL U.S. DEPARTMENT OF STATE	6.40
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	0.20
CIVILIAN R&D FOUNDATION (NSF/CRDF)	1.00
U.S. DEPT. OF AGRICULTURE (USDA) - ARS BW Redirection, Cochran	1.24
TOTAL TRANSFERS TO OTHER AGENCIES	10.41
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	25.31
OTHER AGENCY FUNDS	
USAID - Child Survival	0.70
U.S. DEPARTMENT OF DEFENSE	4.50
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	20.00
U.S. DEPARTMENT OF ENERGY	0.80
U.S. DEPARTMENT OF STATE	
- International Military Exchanges and Training (IMET)	0.49
- NADR / Export Control & Related Border Security (EXBS)	0.33
- NADR / Science Centers	1.00
- Nonproliferation/Disarmament Fund (NDF)	
- Warsaw Initiative / Foreign Military Financing (FMF)	2.45
- ECA Bureau - Public Diplomacy Programs (ECE account)	0.43
- International Information Programs (IIP)	0.02
- NADR / Anti-Terrorism Assistance (ATA)	1.26
TOTAL U.S. DEPARTMENT OF STATE	5.98
U.S. DEPARTMENT OF EDUCATION - Fulbright-Hays Exchange Programs	0.04
PEACE CORPS	1.36
TOTAL FY 2001 AGENCY FUNDS BUDGETED	33.37
TOTAL FY 2001 U.S. GOVERNMENT (FSA + OTHER AGENCY) FUNDS BUDGETED	58.68

For additional details, please see charts in Appendix of this report.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UZBEKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	12		1.12	9.58	
1992	Surface		0			
	Operation Provide Hope II (Food&Med.)			0.10	1.85	
	EUR/ACE Admin & Program Support			0.47		
FY 1992 TOTAL		12	0	1.69	11.43	13.12
1993	Airlift	4		0.31	4.68	
1993	Surface		3	0.03	0.16	
	EUR/ACE Admin & Program Support			0.17		
FY 1993 TOTAL		4	3	0.51	4.84	5.35
1994	Airlift	1		0.14	1.29	
1994	Surface		33	0.21	1.81	
	EUR/ACE Admin & Program Support			0.08		
FY 1994 TOTAL		1	33	0.43	3.10	3.53
1995	Airlift	0				
1995	Surface		49	0.37	2.36	
	EUR/ACE Admin & Program Support			0.24		
FY 1995 TOTAL		0	49	0.61	2.36	2.97
1996	Airlift	2		0.10	5.60	
1996	Surface		45	0.36	3.25	
	EUR/ACE Admin & Program Support			0.04		
FY 1996 TOTAL		2	45	0.50	8.85	9.35
1997	Airlift	5		0.36	7.60	
1997	Surface		234	0.32	2.10	
	Counterpart Grant			0.04		
	DoD Excess Hospital (Tashkent-Sep'97)			1.05	13.03	
	EUR/ACE Admin & Program Support			0.53		
FY 1997 TOTAL		5	234	2.30	22.73	25.03
1998	Airlift	2		0.05	0.15	
1998	Surface		18	0.13	4.44	
	Counterpart Grant			0.09		
	EUR/ACE Admin & Program Support			0.06		
FY 1998 TOTAL		2	18	0.33	4.59	4.92
1999	Airlift	8		0.36	15.85	
1999	Surface		75	0.50	13.16	
	Counterpart Grant			0.15		
	Heart to Heart Int'l			0.25		
	EUR/ACE Admin & Program Support			0.20		
FY 1999 TOTAL		8	75	1.46	29.01	30.47
2000	Airlift	3		0.19	10.32	
2000	Surface		68	0.50	17.23	
	Counterpart Grant			0.14		
	Counterpart Small Medium			0.03		
	EUR/ACE Admin & Program Support			0.11		
FY 2000 TOTAL		3	68	0.97	27.55	28.52
2001	Airlift	4		0.33	13.27	
2001	Surface		91	0.52	12.18	
	Counterpart Grant			0.14		
	Counterpart Small Medium			0.03		
	HEART TO HEART			0.15		
	Global Transitions			0.02		
	EUR/ACE Admin & Program Support			0.07		
FY 2001 TOTAL		4	91	1.26	25.45	26.71
CUMULATIVE TOTAL		41	616	10.07	139.91	149.98

For additional details, please see charts in Appendix of this report.

III. AGENCY OVERVIEWS, REGIONAL PROGRAM ASSESSMENTS

The following section provides a brief overview of the program objectives of each of the major implementing agencies and summarizes regional programs that brought together participants from more than one Eurasian country.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) – BUREAU FOR EUROPE AND EURASIA (E&E)

In FY 2001, USAID continued to assist the people of the Eurasian countries in the transition to market economics, democratic politics, and development of new social protection systems. USAID's economic restructuring, democratic reform, and social sector transition programs are helping the Eurasian societies build institutional capacity and establish alliances with their U.S. counterparts. USAID helps the Eurasian countries improve their capacity to manage their economic systems, facilitate private enterprise development, increase employment opportunities, and reduce poverty. USAID promotes democratic governance and citizen participation, and the development of democratic institutions. USAID-funded assistance focuses on building the rule of law, fighting corruption, strengthening independent media, promoting democratic elections, and increasing the involvement of non-governmental organizations (NGOs), communities and local governments in political and economic decision-making. USAID also supports the restructuring of the social sector, which is particularly important because the transition to market economics has placed heavy burdens on many of the region's inhabitants. While building robust market-based economies remains the best long-term strategy for improving living standards in the region, improved education, health care and social protection systems help sustain economic restructuring and democratic reform in the medium term. Social transition programs also directly serve U.S. foreign policy objectives by promoting regional stability and reducing transnational health risks. In FY 2001, as in previous years, the overwhelming majority of USAID-funded assistance activities were conducted bilaterally, and are described in the 12 country assessments in Part II of this report. However, some activities were conducted across two or more Eurasian countries. Illustrative results from these regional programs are provided below, organized according to the E&E Bureau's strategic framework:

STRATEGIC ASSISTANCE AREA 1: ECONOMIC RESTRUCTURING

Goal: To foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed

STRATEGIC OBJECTIVE 1.1: The increased transfer of state-owned enterprises to the private sector

This objective supports the transfer of state-owned enterprises, land, housing, financial institutions and utilities to private ownership and management. USAID has sought to accomplish these privatization-related objectives almost exclusively through bilateral assistance programs; however, USAID has also provided post-privatization assistance by advancing corporate governance through a regional partnership with the Organization for Economic Cooperation and Development (OECD) and linkages with the World Bank that target publicly listed firms in Eurasia.

STRATEGIC OBJECTIVE 1.2: Increased soundness of fiscal policies and fiscal management practices

This objective supports the development of fiscal policies and management practices conducive to macro-economic stability, increased private-sector investment, sustained economic growth, and sustainable social programs. Principal fiscal reform areas include tax policy, tax administration, budget formulation and execution, intergovernmental fiscal relations and pension reform. Improvements in these areas should lead to macro-economic improvements such as growth in GDP, low inflation, reduced deficits, and manageable debt. USAID has sought to accomplish these objectives through bilateral assistance programs.

STRATEGIC OBJECTIVE 1.3: Accelerated development and growth of private enterprises

This objective supports the policy reforms, legislation and regulatory actions necessary to create an enabling environment for private enterprise to flourish, assists individual private enterprises to improve their productivity and competitiveness, and supports the development of business service institutions that will continue to support

the growth of private firms. Firm-level assistance is directed at broad-based improvement of business practices in planning, management, production, marketing, accounting and resource mobilization. Through a cooperative agreement with the OECD, USAID is supporting the development of the International Regional Federation of Accountants and Auditors - Eurasia (Eurasia Federation), an international regional federation of accountants and auditors. The purposes of this activity are as follows: (1) to provide an intermediate and mutually supportive platform for accessing and assimilating global accounting and audit trends and developments; (2) to bypass the barriers to reform in each country; and (3) to provide a forum for ongoing sharing of materials, strategies and concerns common to the region. A total of 17 associations from nine Eurasian countries are members of the Eurasia Federation.

In FY 2001, USAID's Regional Mission for Central Asia supported the formation of the Central Asian Council of Auditors and Accountants (CACAA). In October 2001, eight national-level associations from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan signed an official protocol to work toward the successful implementation of a Regional Examination and Certification Center that will be located in Almaty, Kazakhstan.

USAID is also supporting the Resource Network for Economics and Business Education (RNEBE), whose goal is to increase information-sharing among universities in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and with their counterparts in the West. Under RNEBE, a website has been developed, and professors have received training, workshops, and seminars on modernized teaching methods and access to up-to-date case studies and other essential teaching tools. Materials have been translated and a Visiting International Professors program has been initiated with member institutions. (For additional details, please see country assessments in Part II of this report.)

STRATEGIC OBJECTIVE 1.4: A more competitive and market-responsive private financial sector

This objective is targeted at improving the private sector's access to capital through development of the financial system. By improving the soundness and stability of the financial system, public confidence can grow and foster a more important role for the financial system in mobilizing savings and financing the most productive investments according to market-pricing criteria. A USAID-funded regional program implemented by the U.S. Securities and Exchange Commission (SEC) is enabling regulators and policy-makers from the Eurasian countries to attend annual training workshops. The SEC's regional workshops address international securities markets, corporate governance and disclosure on a regional basis and help regulators and market policy-makers to network with their regional and international counterparts. (For additional details please see SEC section below.) In addition, in FY 2001, USAID sponsored the first-ever Eurasian Policy Forum on Micro-Finance Law and Regulation, which brought together policymakers and leaders in micro-finance from Armenia, Georgia, Kyrgyzstan, Moldova, Russia, Ukraine and Uzbekistan to discuss how to improve the environment for and practice of micro-finance.

STRATEGIC OBJECTIVE 1.5: A more economically sound and environmentally sustainable energy sector

USAID's regional energy-sector reform programs support the development of sound national energy policies and pricing systems; improving energy efficiency in industry, building, residential and power/heat systems and reducing environmental emissions; restructuring, regulatory reform and the privatization of energy systems, particularly the electric power system; increasing safety at Soviet-designed nuclear power plants and developing economic alternatives to continued operation of high-risk plants; and expanding the energy trade and integration of Eurasian energy systems with those of Western Europe and international energy markets. USAID support for regional networking of energy regulatory bodies in Eurasia resulted in the successful establishment of the Energy Regulators' Regional Association (ERRA), which promotes the exchange of information and experience among regulators, and supports their professional development. The ERRA's founding members include Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia and Ukraine, as well as several Central European countries. The 15 member countries work collaboratively through technical committees, a website and newsletter to foster exchange of information and experience. In FY 2001, USAID initiated the Municipal Energy Efficiency Network (MUNEE) to help exchange information about successful energy-efficiency projects within and between the Central/Eastern European and Eurasian countries. MUNEE supports the exchange of experience among the participating municipalities through activities such as workshops for the identification and development of common municipal energy monitoring and related energy-efficiency activities.

STRATEGIC OBJECTIVE 1.6: Increased environmental management capacity to support sustainable economic growth

This objective is focused on creating the building blocks for sound environmental management as a crucial component and precursor of sustainable economic development, by increasing both public- and private-sector capacity. The environment and natural resource sector contributes to economic restructuring and the emergence of a competitive, market-oriented economy in the Eurasian countries. This objective also supports pollution prevention and management, industrial waste management, the reduction of greenhouse gas emissions, and the reduction of deforestation and other threats to biodiversity. To achieve these objectives, USAID has developed sustainable partnerships between Eurasian and U.S. businesses. These partnerships allow businesses to meet the demands of local environmental regulators as well as the demands of a global market place that increasingly insists on cleaner products and processes. USAID's EcoLinks Program provides a practical means for U.S. partners to gain experience working in the region and to showcase their technologies and experience. Examples include a partnership between the Hach Chemical Company and KazEcology, who have distributed water-testing equipment to Coca-Cola, Pepsi-Cola and TengizChevroil. USAID has also helped strengthen local environmental NGOs working in the Caspian Sea region, an ecologically sensitive area that is the focus of major oil and gas exploration and development.

The USAID Mission in Armenia and the USAID Regional Mission for the Caucasus have begun a regional program on strengthening regional sustainable water management in the South Caucasus, which is being implemented primarily at the technical level to increase dialogue among the countries of the region on sustainable water management. In FY 2001, program participants from Armenia, Azerbaijan and Georgia identified specific activities that could increase cooperation in managing the two trans-boundary river systems that form the Kura-Aras Basin, and began to enhance and coordinate data collection and monitoring, develop geographic information system capacity, exchange data, build capacity for sub-basin management, and support national-level capacity building on regional aspects of the legal framework for water management. In addition, under the USAID-funded Caspian Partnership Program, the Initiative for Social Action and Renewal in Eurasia (ISAR) has been working with NGOs in the Caspian region to protect the unique ecosystem of the Caspian Sea. Program priorities include support for independent environmental monitoring, NGOs' efforts to preserve, rehabilitate and promote rational use of the Caspian Basin ecosystem (with a focus on preserving biodiversity), and the promotion of alternative paths of economic development for the region (e.g., through the increased use of renewable natural resources as alternatives to oil and gas extraction, and the development of sustainable agriculture.

USAID's Regional Mission for Central Asia helped establish policy and technical working groups to link experts from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan to help them improve the collection, analysis and exchange of hydrological data. Significant progress has been made towards establishing a regional communication system that would collect and distribute hydrological data throughout the region, with a base station (meteor-burst system) for collecting such data to be established in Almaty *Oblast* (Region), Kazakhstan.

STRATEGIC ASSISTANCE AREA 2: DEMOCRATIC TRANSITION

Goal: To support the transition to transparent and accountable governance in political and economic decision-making.

STRATEGIC OBJECTIVE 2.1: Increased, better informed citizen participation in political and economic decision-making

This objective is focused on strengthening systems of democratic representation, free media, an informed citizenry, and citizen participation through effective non-governmental organizations (NGOs) and community groups. Programs under this objective seek to increase citizens' influence on public policy decisions, and improve government oversight through free and fair elections; political party development; independent, responsible media; civic associations and NGOs; and independent, representative labor unions.

In FY 2001, USAID supported the writing and publication of the first edition of a *Media Sustainability Index* for Central/Eastern Europe and Eurasia developed by the International Research and Exchanges Board (IREX), and *Nations in Transit*, Freedom House's annual progress report on political and economic reforms in the countries of Central/Eastern Europe and Eurasia.

In addition, USAID grantee Internews continued television "spacebridge" programming designed to promote mutual understanding and tolerance between the citizens of Armenia, Azerbaijan and Georgia. In FY 2001, 44 episodes of the Caucasus-wide program "Crossroads" and 24 episodes of "Frontline" covered issues such as refugees, the peace process, children and war, environmental issues, transportation questions, issues of trade and conflict, and others. These programs are popular and highly rated, and draw large audiences.

STRATEGIC OBJECTIVE 2.2: Legal systems that better support democratic processes and market reforms

This objective supports the establishment of the rule of law; the protection of civil, political and property rights; and the limiting of arbitrary government action. The rule of law requires an impartial judiciary, professional and honest prosecutors, effective legal representation, and well-defined legal procedures that help ensure uniform and timely enforcement of laws. USAID-funded activities support legislative drafting, strengthening the independence of the judiciary, more transparent and efficient administration of cases, judicial training, and association-building. USAID's regional rule-of-law activities achieved substantial results during FY 2001. Regional institution-building advisors fielded by the American Bar Association's Central and Eastern European Law Initiative (ABA/CEELI) continued to provide comprehensive assistance on organizational development issues to key legal reform NGOs, primarily in Armenia, Belarus, Moldova and Ukraine. As a result of ABA/CEELI's efforts, several of its key local partners—and in particular, the Environmental Public Advocacy Centers (EPACs) supported by ABA/CEELI in Ukraine—have been able to secure non-USAID funds through improved proposal writing skills and very effective public outreach efforts.

STRATEGIC OBJECTIVE 2.3: More effective, responsible and accountable local government

The development of effective, responsible and accountable government at the local level is pivotal to the consolidation of free-market democracy in the Eurasian countries. Improved local governance requires the rationalization of intergovernmental roles and responsibilities, the decentralization of authority (including financial authority) to the local level, improved capacity of local government, and improved channels for citizen participation in local government affairs. USAID has sought to achieve these objectives through bilateral assistance programs.

STRATEGIC ASSISTANCE AREA 3: SOCIAL TRANSITION

GOAL: To respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to market-based democracy

STRATEGIC OBJECTIVE 3.1: Strengthened humanitarian response to crises

This objective addresses critical humanitarian needs and strengthens the capabilities of organizations in the Eurasian countries to anticipate, prevent and manage future crises. Activities under this objective help provide emergency food distribution, safety nets for vulnerable populations, and improved emergency response capabilities. USAID has sought to accomplish these objectives through bilateral assistance programs.

In FY 2001, USAID obligated \$4.0 million for humanitarian assistance in Nagorno Karabakh. To improve access to primary and maternal health care, USAID funded Family Care to provide training to staff and to rehabilitate four auxiliary facilities at Central Maternity Hospital and three village health facilities, as well as the American Red Cross to complete the rehabilitation of six village health clinics. With USAID support, Catholic Relief Services repaired and built 114 houses and repaired water systems in five villages. Also in FY 2001, USAID began new humanitarian activities in Nagorno Karabakh implemented by the United Methodists' Committee on Relief (UMCOR) and the HALO Trust.

STRATEGIC OBJECTIVE 3.2: Increased health promotion and access to quality health care

This objective supports the transition of health-care systems in the Eurasian countries. Reform of health care emphasizes prevention and access, equity, quality, efficiency and sustainability. It also emphasizes the roles of individuals, families and communities, and national and regional governments in health care. Improved health is seen in the form of higher contraceptive prevalence rates, lower abortion rates and lower maternal mortality rates. USAID's efforts focused on infectious diseases, such as tuberculosis, are improving the treatment cure rate, and USAID is initiating activities intended to control the region's HIV/AIDS epidemic. USAID-funded activities under this objective support policy reform, with an increased focus on community-based primary health care; improved mobilization, allocation and use of health-care resources; and the quality of health care.

USAID's region-wide health partnership program promotes cross-border activities and communications to improve the quality of medical care throughout Eurasia. USAID is supporting an active network of 90 learning resource centers (50 of which represent completed USAID-funded health partnerships) with computers and Internet access, with the goal of providing access to international sources of updated clinical practices. The network serves over 46,000 health professionals each year across Eurasia, including 20,000 physicians and nurses, and 17,000 other health professionals, nurses, community members and patients.

USAID is providing technical assistance to the Central Asian governments to help them implement the Directly Observed Treatment Short-Course (DOTS) tuberculosis strategy recommended by the World Health Organization (WHO). USAID also sponsored a study tour by government officials from the Central Asian countries to a model drug-abuse harm-reduction site in Lithuania, a Central Asian condom social-marketing assessment and workshop, and (jointly with UNICEF and UNAIDS) a Central Asian Initiative conference on the prevention of HIV/AIDS and sexually transmitted infections (STIs). For the first time, the conference brought together governmental, non-governmental, and multilateral and bilateral donors to discuss how to prevent an epidemic in the region. USAID's Regional Mission for Central Asia is establishing an integrated regional HIV/AIDS prevention program. Interventions are being designed for vulnerable youth aged 15 to 25 and for individuals engaging in high-risk behaviors, such as intravenous drug users and sex workers.

STRATEGIC OBJECTIVE 3.4: Mitigation of adverse social impacts of the transition to market-based democracies

This objective is focused on mitigating the negative impacts of transition on citizens in the region. The social conditions that have accompanied the transition are constraining and threatening efforts to develop productive, growing, democratic free-market economies, as insecure and marginalized citizens are less likely to support reform, even when the long-term objectives of such endeavors are to raise living standards. This objective helps strengthen national and local government systems to reduce the incidence and severity of poverty and make social insurance programs more broadly available, better funded and more transparently administered. USAID is pursuing these objectives through bilateral assistance programs, and is helping its field missions review and refocus their programs to respond to the hardships faced by many citizens in the Eurasian countries.

TRAINING, EXCHANGE AND EDUCATIONAL REFORM PROGRAMS

Since 1993, the U.S. Government has brought approximately 90,000 people, including over 9,500 in FY 2001 alone, from the Eurasian countries to the United States on training and exchange programs in fields ranging from management to social service provision to NGO development. These programs have proven to be our most effective tool in reaching out to the next generation of Eurasian leaders to give them first-hand experience with the day-to-day functioning of a market-based, democratic system.

U.S. DEPARTMENT OF STATE - BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS (ECA) (FORMERLY THE U.S. INFORMATION AGENCY)

In FY 2001, the Bureau of Educational and Cultural Affairs (ECA) brought approximately 7,000 Eurasian citizens to the United States and sent 1,994 U.S. citizens to the Eurasian countries on short- and long-term professional and academic exchange programs addressing a wide range of topics related to democratic and free-market reform. The ECA Bureau's FY 2001 Eurasian assistance programs were funded through the FREEDOM Support Act (FSA) as well as through a significant percentage of the ECA Bureau's own base appropriation under the Educational and Cultural Exchanges (ECE) Account. Each of the programs described below is noted as FSA-funded, ECA base-funded, or jointly funded.

INTERNATIONAL VISITOR/FSA GRANT PROGRAMS (FSA- and ECA base-funded)

The ECA Bureau's base-funded International Visitor (IV) program gives Eurasian participants an opportunity to familiarize themselves with American society, government and culture; study U.S. approaches to their professional fields; and establish professional contacts with their U.S. counterparts. The FREEDOM Support Act (FSA) Grant Program, the FSA-funded counterpart of the IV Program, brings mid- to senior-level regional and local government officials and key professionals in selected fields to the United States to meet with their professional counterparts and examine issues related to democratic and economic reform. Program participants are nominated by U.S. embassies. They spend several days meeting and developing working relationships with experts in their professional fields in Washington, D.C. and throughout the United States. In FY 2001, the ECA Bureau's Office of International Visitors organized group and individual FSA Grant exchange programs for a total of 685 Eurasian participants. The IV office also organized base-funded group and individual International Visitor programs for a total of 216 Eurasian citizens in FY 2001.

The IV/FSA Grant Program is designed to be flexible and responsive to specific embassy requests for short-term exchange programs for influential public- and private-sector decision-makers. Participants develop working relationships with their U.S. counterparts, from whom they can gather information on an ongoing basis. The programs, which are typically two to three weeks in length, have included government officials, members of federal and local legislatures, leading economists, journalists and government spokespeople, regional leaders, judges and prosecutors, and representatives of NGOs. FSA Grant topics addressed in FY 2001 included elections, the U.S. system of government and politics, intergovernmental relations, foreign policy decision making, economic development and regional investment, entrepreneurship, small-business development, HIV/AIDS, rights of the disabled, religious freedom, immigration and consular issues, judicial reform, and journalism. IV Program topics in FY 2001 included civic education, media relations, rule of law, trade, state and local government, American studies, taxation and budgeting, social welfare, health, media relations and NGO management. Highlights of regional programs are provided below:

- **The Role of Media in a Democracy (Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan):** The post-September 11 timing of this program gave participants a unique opportunity to exercise their journalistic skills and respond to queries from their U.S. interlocutors. An unexpected highlight was an on-the-record interview with Secretary of State Powell that was reported to their respective papers and broadcast outlets. Additional media coverage as a result of the trip continued following the journalists' return home. For example, the Tajik participant, a journalist for Tajikistan's Islamic Revival Party newspaper, was particularly struck by his encounters with Islamic clerics and faithful in the United States and is writing a book on his experience.
- **Environmental and Ecological Issues in the United States (Armenia, Azerbaijan and Georgia):** After participating in a program on environmental and ecological issues, Armenian, Azerbaijani and Georgian

participants have been collaborating on several projects including one on ecological policy in the Transcaucasus, an upcoming conference entitled "The Planet is Our Common House," and a Kura River monitoring project. An endangered species specialist in Azerbaijan has been consulting with a Georgian member of the Noah's Ark Center on biodiversity issues. Another Georgian participant has created a new curriculum based on materials obtained during the IV program.

CITIZEN EXCHANGES (FSA- and ECA base-funded)

The ECA Bureau's Office of Citizen Exchanges encourages the growth of democratic institutions in Eurasia by supporting exchanges and training programs conducted by U.S. non-governmental organizations and universities and their Eurasian partner institutions. These programs not only expand and enhance partnerships between U.S. and Eurasian institutions; they also enable Eurasian citizens to develop knowledge and skills essential to their professional responsibilities. Program activities supported by the Office of Citizen Exchanges in FY 2001 included internships, study tours, training, consultations, and extended, intensive workshops promoting two-way exchanges. Many of the programs were designed to accommodate non-English speakers and take into account the need for ongoing information sharing, training and plans for self-sustainability following the program activity. Programs typically offer support for the establishment of training centers, professional networks, Internet communication, and train-the-trainer programs. In FY 2001, the Office of Citizen Exchanges awarded approximately 17 grants to support international exchange programs for 1,349 Eurasian citizens and 72 U.S. citizens. These grants also touch the lives of several hundred participants in regionally based training programs led by former grantees.

Thematic priorities for FY 2001 included leadership training for women, public awareness campaigns to prevent trafficking of women and girls, media internships, business management training through distance learning, and public advocacy training for NGOs. In FY 2002, the Office of Citizen Exchanges will support single-country projects focusing on media training for journalists, media managers and press spokespersons in Central Asia, the Caucasus and Russia; tourism and economic development in Armenia and Ukraine; business development in Azerbaijan; civil rights in Kazakhstan; public health and youth issues in Russia; and library exchanges in Georgia and Ukraine. A separate open competition was held at the end of FY 2001, with a grant to be awarded in early 2002, for a project that will create and foster long-term relationships between selected American and Ukrainian media outlets.

Productivity Enhancement Program (FSA-funded)

Since 1996, the ECA Bureau has supported the San Francisco-based Center for Citizen Initiatives' (CCI) Productivity Enhancement Program (PEP), which provides month-long management training internships for non-English-speaking Russian entrepreneurs, managers, private farmers, bankers, accountants, and other business people. Participants are grouped by industry sector. CCI maintains offices in seven Russian cities—Dubna, Voronezh, Vladivostok, Volgograd, St. Petersburg, Yekaterinburg and Rostov—and works very closely with U.S. volunteers to facilitate and coordinate PEP programs in communities across the United States. In FY 2001, 675 participants were funded for travel to the United States under the PEP Program. Russian participants are required to cover a portion of their program expenses. One hundred Russian regional business owners (selected from over 3,000 graduates of CCI programs) traveled to Washington, D.C. (at their own expense) from March 3-10, 2001 to speak with key Congressional members, the National Security Council, USAID officers, representatives of several Washington-based think tanks, and the national media. They were also hosted by Secretary of State Powell at the U.S. Department of State.

Community Connections (FSA-funded)

The Community Connections Program offers community-based, three- to five-week practical training opportunities with home-stays in the United States for entrepreneurs, local government officials, legal professionals, NGO leaders and other professionals from Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia and Ukraine. In FY 2001, Community Connections arranged programs for approximately 1,620 Eurasian participants.

The objectives of the Community Connections Program are to provide participants with exposure to the day-to-day functioning of a democratic, free market system, encourage public-private partnerships in Eurasia by including private-sector and government participants in the same programs, and create links between U.S. and

Eurasian regions and communities. Under the Community Connections Program, English-speaking Eurasian entrepreneurs are offered individual internships in analogous U.S. businesses, including seminars, consultations and site visits. Programs for professionals who do not speak English are group-focused and are implemented with the assistance of U.S.-based locally hired interpreters. Recruitment is carried out in targeted regions in the participating Eurasian countries each year by U.S. organizations with resident representatives in those countries, and takes the form of an open, merit-based competition. Candidates must successfully complete a three-stage selection process that includes a review of applications by a committee of experts in the given field, and an in-person interview conducted by members of the relevant professional community. Finalists are then placed by U.S. community-based organizations, which arrange hands-on internships for them with volunteer host companies or organizations and provide housing with volunteer American families. In FY 2001, 53 local host organizations were part of the Community Connections U.S. host organization network.

ACADEMIC EXCHANGES

J. William Fulbright Program (ECA base-funded)

The Eurasian component of the State Department's Fulbright Program provides opportunities for U.S. faculty to teach in Eurasia and research awards for Eurasian scholars to study in the United States. It is administered through Fulbright Offices in Moscow and Kiev and by Public Affairs Sections at U.S. Embassies elsewhere in Eurasia. Although the program emphasizes the humanities and social sciences, scholarships also are awarded in biology, chemistry, mathematics, medicine, and related fields. In addition to funding 76 U.S. scholars, 107 Eurasian scholars, 36 U.S. students, and 18 Eurasian students in FY 2001, the program also provided textbooks for use by U.S. grantees at their Eurasian host institutions. An additional 23 Eurasian faculty participated in Fulbright's Study of the U.S. program. The Fulbright Program offers Eurasian scholars experience with diversity, perspectives on the American liberal arts curriculum, and a global network of personal and professional contacts.

U.S.-Russian Young Leadership Fellows for Public Service (FSA-funded)

The U.S.-Russian Young Leadership Fellows for Public Service Program began in FY 1999 as an initiative to provide practical experience in developing personal leadership skills and promoting the importance of community responsibility for young Russian and American students. The program, which is administered by the International Research and Exchanges Board (IREX), enriches the experience and education of young people who show the promise of contributing to the betterment of their own countries and to increased mutual understanding between the two countries. The program combines academic course-work with complementary community service and an internship, and targets Russian and American college graduates who have demonstrated leadership skills and an interest in public service. The program provides full scholarships for one year of non-degree study in the United States or Russia at qualified universities and colleges. The Russian and American students have different but complementary program designs. Russian students select a concentration in Community Affairs, Governmental Affairs, or Corporate Affairs. American students focus on Russian Studies. In FY 2001, 37 Russians and 15 Americans began their year-long program.

FSA Undergraduate Exchange Program (FSA-funded)

The ECA Bureau's FSA Undergraduate Program provides grants to Eurasian citizens for one year of non-degree undergraduate study in the United States in a number of areas, including agricultural and environmental management, American studies, business, computer science, economics, education methodology, journalism/mass communications, political science, and sociology. Second-year students receive scholarships to study at community colleges, while third and fourth-year students compete for scholarships at four-year college and universities. Academic studies are enhanced through community service activities, a practical internship, and an end-of-year workshop. Recruitment for the 2001-02 cycle of the FSA Undergraduate Program yielded 8,415 applications from students across Eurasia—an increase of 15 percent over FY 2000. In FY 2001, the program funded 329 participants. The FSA Undergraduate Program is administered by the American Councils for International Education (ACTR/ACCELS) and Youth for Understanding.

Edmund S. Muskie / FSA Graduate Fellowship Program (FSA- and ECA base-funded)

The Edmund S. Muskie/FSA Graduate Fellowship Program provides highly qualified young citizens from Eurasia with opportunities to undertake graduate-level study leading to a Master's degree or professional certificate in U.S. institutions of higher education. Fellows matriculate in one or two year graduate programs in the fields of business administration, economics, education, environmental management, international affairs, journalism and mass communications, law, library and information science, public administration, public health and public policy. In addition, fellows are eligible to participate in professional internships and may be approved for limited practical training after the completion of their Master's program if the training will lead to a permanent job with the same company back in their home country. A variety of activities are available to alumni of the Muskie/FSA Program, including a small grants competition (the Local Initiative Grants Program) and SCOUT (Support for Community Outreach and University Teaching), which provides stipends to teach in institutions of higher education on a full- or part-time basis.

Candidates are recruited through an open, merit-based competition administered by the American Councils for International Education: ACTR/ACCELS and the Open Society Institute. U.S. host colleges and universities are also selected through an open competition and provide waivers of tuition and fees averaging fifty percent. The application process for the Muskie/FSA Program is highly competitive. Approximately 5.5 percent of applicants were successful finalists in the FY 2001 competition. A total of 347 fellowships were awarded out of an applicant pool of 6,278.

Edmund S. Muskie Ph.D. Fellowship Program (ECA base-funded)

The Edmund S. Muskie Ph.D. Fellowship Program selects outstanding citizens from Georgia, Russia and Ukraine to receive scholarships for doctoral study in the United States in the fields of business administration, economics, public administration, and public policy. The program was made possible through legislation proposed by Senator Daniel Patrick Moynihan of New York and other members of Congress and incorporated into the Foreign Relations Authorization Act of 2000. Supported through the Fulbright-Hays Act, the Muskie Ph.D. Program is designed to allow future university professors, government officials, and leaders in the business and non-profit communities of the participating countries to receive the Ph.D. degree and return to their home countries to teach at the university level or otherwise contribute on an expert level in the public or private sector.

Fellows are selected through an open, merit-based competition based on their academic record, professional contributions, and commitment to further the development of democratic and free market principals in their home countries. As a condition of participation in the Muskie Ph.D. Program, fellows must perform one year of service in their home countries for every year their study is supported by the program. The Muskie Ph.D. Program is administered on behalf of the ECA Bureau by the American Councils for International Education (ACTR/ACCELS). U.S. host universities provide waivers of tuition and fees averaging fifty percent. Current host universities are the State University of New York (SUNY)-Binghamton, Brandeis University, Florida State University, Georgetown University, Indiana University, Temple University, University of Delaware, and University of Georgia. In FY 2001 eight fellows began their Ph.D. programs. Twenty-two fellowships will be awarded in total and all fellows will be resident in their host institutions by the fall semester of 2002.

Junior Faculty Development Program (FSA- and ECA base-funded)

The Junior Faculty Development Program (JFDP) offers fellowships to university instructors from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan. Fellows are selected through an open, merit-based competition and attend U.S. universities for one academic year to work with faculty mentors and audit courses in order to develop new curricula and approaches to teaching in their fields of study. Throughout their stay in the United States, JFDP Fellows attend conferences and seminars, and many take advantage of the opportunity to teach a course or give a lecture to American students and faculty. Upon completion of the academic component of the program, JFDP Fellows participate in a two-month practical internship at institutions and organizations across the United States. The American Councils for International Education (ACTR/ACCELS) receives a grant from the ECA Bureau to administer the JFDP for the Department of State. In FY 2001 there were a total of 94 JFDP finalists (of whom 91 received grants) from the Eurasian region.

The Junior Faculty Development Program promotes the exchange of ideas on curriculum design and teaching between U.S. scholars and scholars from the participating countries, while encouraging collaboration and cooperation between universities in the United States and in Eurasia. Fellows are encouraged to forge professional relationships between their colleagues at home and the American academic community and to share their experience and knowledge with American students and professors. Only university instructors in the following fields of study may participate in the JFDP: American studies, arts management, architecture and urban planning, business administration, cultural anthropology, economics, education administration, environmental studies, history, journalism, law, library science, linguistics, literature, philosophy, political science, psychology, public administration, public policy and sociology.

In its seven-year history, the JFDP has produced a large number of active and highly motivated alumni. Statistics gathered on JFDP alumni 1998-2000 show that 98 percent of program alumni have developed at least one new course at their home institutions since their return from the United States. Some 90 percent of 1998-2000 alumni revised existing courses at their home universities. Between 1994 and 2001, instructors from more

than 450 universities across Eurasia participated in the JFDP and participants were placed at 99 U.S. universities.

Contemporary Issues Fellowship Program (FSA-funded)

The ECA Bureau's Contemporary Issues Fellowship Program provides participants with an opportunity to conduct research and participate in professional conferences and public fora on a range of topics, including sustainable growth and economic development; democratization, human rights and the rule of law; political, military, security and public-policy issues; strengthening civil society; the Internet; new media; and intellectual property rights. The program, which is administered by the International Research and Exchanges Board (IREX), provides support to Eurasian government officials, NGO leaders and private-sector professionals who are engaged in the political, economic, social or educational transformation of their countries. Fellows are selected through an open, merit-based competition and placed in four-month-long programs at U.S. universities, think tanks, NGOs, and government offices. They are matched with U.S. host advisors, who guide their research and professional development. A total of 932 applications were received for the 119 fellowships awarded in FY 2001.

Regional Scholar Exchange Program (ECA base-funded)

The Regional Scholar Exchange Program (RSEP) is an open, merit-based competition that selects Eurasian and U.S. junior and mid-level university faculty, researchers, and scholars in the social sciences and humanities for four- to six-month fellowships at U.S. and Eurasian institutions, respectively. Eurasian Regional Scholars are placed at U.S. universities, while U.S. Regional Scholars are placed at universities and research institutes in Eurasia. Regional Scholars are matched with host advisors who guide their research and professional development. RSEP fellows conduct research on specific topics in the social sciences and humanities, write academic papers, articles and books, and deliver lectures, with the goal of contributing to the further development of higher education and scholarship in their home countries. RSEP awarded 65 fellowships to Eurasian scholars and 11 fellowships to U.S. scholars in FY 2001. RSEP is administered by the American Councils for International Education (ACTR/ACCELS) and the Kennan Institute for Advanced Russian Studies.

GLOBAL EDUCATION INITIATIVES

Eurasia College and University Partnership Program (FSA-funded)

The Eurasia College and University Partnership Program (CUPP) is designed to support mutually beneficial linkages between U.S. and Eurasian colleges and universities in the following areas: law, business, economics, trade, education, continuing education, educational reform, civic education, public administration, public policy, government, journalism and communications. CUPP partnerships develop innovative new curricula that benefit students in both countries. By promoting curriculum reform and applied research, CUPP helps Eurasian academic institutions contribute to the furtherance of democratic institutions, the rule of law, and an environment hospitable to foreign investment in their countries. CUPP provides grants of up to \$300,000 for U.S. and Eurasian institutions to exchange faculty and staff for the purpose of teaching, lecturing, faculty and curriculum development, collaborative research and outreach. Cost sharing by the U.S. partner institutions and other sources covers approximately 45 percent of all program costs. In FY 2001, CUPP awarded 20 new grants for U.S.-Eurasian partnerships that will provide exchange opportunities to a total of 276 Eurasian and 264 U.S. citizens. Two of these grants were awarded to community colleges.

Hubert H. Humphrey Fellowship Program (ECA base-funded)

The Hubert H. Humphrey Fellowship Program provides one-year grants to mid-career professionals from selected countries in Eurasia as part of a worldwide program of graduate level study and practical professional experience in the U.S. to develop leadership and management skills. Applications are submitted to U.S. Embassies or Fulbright Commissions. The program is administered by the Bureau of Educational and Cultural Affairs through a grant to the Institute of International Education (IIE). In FY 2001, 12 Eurasian professionals were awarded Humphrey Fellowships.

Eurasian Educational Advising Centers (FSA- and ECA base-funded)

The ECA Bureau supports a network of 63 educational advising centers throughout Eurasia which promote the participation of Eurasian students and scholars in U.S. academic programs. The ECA Bureau provides books, materials, equipment and training to all of these centers, 15 of which also receive direct financial support through cooperative agreements with American Councils, IREX, and the Soros-funded Open Society Institute. Advising centers provide students with services including group and individual advising on educational opportunities in the U.S., pre-departure orientations, lectures on special-interest topics, educational fairs, alumni activities, and computer-based testing. The centers, which are open to the general public, also provide information about a wide range of U.S. Government-sponsored exchange programs. Advisers conduct outreach into their communities to encourage diverse populations to visit the center and explore educational opportunities in the U.S.

The ECA Bureau also works to strengthen the administration of educational exchanges between the United States and Eurasia, and facilitates cooperation between Eurasian educational advisers and their U.S. counterparts. In FY 2001, Eurasian educational advisers participated in the annual NAFSA Association of International Educators conference and U.S.-based training program, the Regional Linkage program, a training conference for advisers from throughout Europe and Eurasia, and individual training programs organized by the Regional Educational Advising Coordinator (REAC) for Eurasia. These programs offer new advisers the opportunity to become familiar with the U.S. system of higher education while allowing experienced advisers to pursue contacts with U.S. university and educational organization representatives. Mid-level advisers have the opportunity to do internships at U.S. educational institutions.

Monthly statistics sent by advising centers showed increases in the numbers of visits by students and scholars interested in studying in the United States, and *Open Doors* reports that every Eurasian country indicated an increase in the numbers of students actually studying in the United States: the numbers of students from Armenia, Turkmenistan, Belarus, Georgia and Moldova increased by over 25 percent.

Civic Education Curriculum Development Programs (FSA-funded)

An estimated 77 U.S. and Eurasian participants will undertake exchange activities under the ECA Bureau's civic education grants made in FY 2001, with 568 additional citizens of countries in Eurasia taking part locally based training seminars. (For additional details, please see the country assessments in Part II of this report.)

Partners in Education (FSA-funded)

The Partners in Education (PiE) Program seeks to improve the content and methodology of citizenship education in schools in Kyrgyzstan, Russia, Ukraine and Uzbekistan. The PiE Program familiarizes English-speaking civic education and social science teachers, administrators and teacher-trainers with U.S. approaches to civics. PiE participants are selected through an open, merit-based competition, and travel to the United States for a six-week program consisting of an intensive school-based internship and a series of professional development workshops. PiE participants stay with American families and are hosted by U.S. universities, secondary schools, private organizations and U.S.-Eurasian school and university partnerships. In FY 2001, 101 Eurasian educators participated. A total of 79 Eurasian secondary school teachers or teacher trainers in nine regional groups successfully completed their internships in spring or fall 2001. The groups, which were placed in Arizona, Illinois, Iowa, New Hampshire, North Carolina, Ohio, Oregon, Vermont and Washington, each produced curricula or lessons for their home institutions.

In exchange for hosting the Eurasian educators, 20 U.S. host-school educators are eligible to participate in two-week follow-up programs in Eurasia to be designed in collaboration with the Eurasian educators. In fall 2001, five U.S. educators declined to travel due to security concerns; however, three educators from Vermont paid their own way to travel to Vologda, in addition to the two paid for by the program. In FY 2001, the PiE Program funded a total of 191 participants, who will participate in the 2002-03 program cycle.

SECONDARY SCHOOL EXCHANGE AND PARTNERSHIP PROGRAMS

The Eurasian Secondary School Initiative supports exchanges of high school students and educators between the United States and Eurasia through three major programs: the Future Leaders Exchange (FLEX) Program,

School Partnership Program, and Teaching Excellence Awards (TEA). The long-term objectives of these programs are as follows: (1) foster interaction between U.S. and Eurasian secondary school students to promote mutual understanding; (2) integrate Eurasian citizens into the world community by helping them build open societies and promote democratic values and institutions in their home countries; (3) build sustainable partnerships between U.S. and Eurasian school systems and private organizations; and (4) promote Eurasian educational reform and citizen empowerment.

Future Leaders Exchange (FLEX) Program (FSA- and ECA base-funded)

Under the ECA Bureau's highly popular FLEX Program, also known as the Bradley Program, students from all 12 Eurasian countries live with U.S. host families and attend U.S. high schools for one academic year. FLEX participants are placed in all 50 states and take part in local civic education and community service activities. In FY 2001, the number of initial applicants for the program increased by five percent to a record 51,583 for the 1,211 slots in the 2001-2002 program cycle. Also in FY 2001, a group of 109 FLEX participants in the 2000-2001 program cycle were selected, on the basis of an essay contest, to take part in a week-long civic education workshop in Washington, D.C., in February, that was organized by the Close-Up Foundation. While in Washington, the FLEX participants met individually with representatives of more than 160 Congressional offices from their respective host states, including 64 Members of the U.S. Congress. In FY 2001, the FLEX Program also continued to recruit students with physical disabilities.

The focus on alumni remains a major objective of the FLEX Program. Several FLEX initiatives targeting alumni were introduced this year. These included a FLEX Small-Grants Competition, for which 85 proposals were submitted and 45 grants awarded to alumni from all 12 countries for projects in their home communities on civic education, professional development, and community service.

The FLEX Program generated an estimated \$9.5 million in cost-sharing and in-kind contributions in FY 2001, mostly by host families and schools. FLEX students performed more than 19,000 hours of community service during the 2000-2001 school year.

Teaching Excellence Awards (FSA-funded)

The ECA Bureau's Teaching Excellence Awards (TEA) Program recognizes and rewards talented secondary school teachers in the fields of English language and American studies in Eurasian countries. Nine countries participated this year: Armenia, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Nominations are elicited in all oblasts (regions) of the participating countries, and nominees are screened by local committees. Regional winners receive educational equipment and materials for their schools, and those chosen as national finalists travel to the U.S. for a seven-week professional enrichment program. In FY 2001, a total of 1,274 teachers were recognized in the first round of competition, of whom 500 received regional awards in the second round. Of the 500 regional finalists, 90 became national finalists, winning the chance to take part in the professional program in the United States in summer 2001. All 90 Eurasian national winners participated in the U.S. program, during which they interacted with 29 winners of independent U.S. competitions for excellence in teaching. Fourteen U.S. teachers then traveled to Russia, Ukraine, Kazakhstan and Armenia on two-week professional programs in fall 2001. Due to security concerns after September 11, teachers destined for Georgia, Uzbekistan and Turkmenistan had to postpone their travel.

In addition to contributing to the development and reform of educational systems in the participating countries and promoting mutual understanding, the TEA Program provides moral, material and professional support to an important but under-recognized profession. TEA Program alumni remain active in sharing what they have learned with colleagues, students and community members by giving presentations, organizing seminars, publishing articles, and taking leadership roles in professional organizations. The TEA Program's active alumni-support mechanisms help teachers maintain contact with each other and undertake linkage projects between their schools.

Secondary School Partnerships (FSA-funded)

The ECA Bureau's secondary school partnership programs support the establishment and expansion of linkages between U.S. and Eurasian secondary schools through substantive collaborative projects and student and educator exchanges. These exchange programs are generally reciprocal three- to four-week group visits.

The collaborative projects have a thematic focus and tangible outcomes, such as the production of new educational materials. In FY 2001, secondary school partnership projects focused on leadership development, applied economics, community service, civic education, arts education, clean communities, journalism, health education, and environmental education. In FY 2001, the ECA Bureau awarded a total of 12 partnership grants under its two secondary school partnership programs. The ECA Bureau's Secondary School Partnership Program (SSPP) is competed openly, while the Secondary School Excellence Program (SSEP) promotes new and continuing linkages with the home institutions of the TEA Program's national winners and their U.S. counterparts. In the Secondary School Excellence Program, the schools of Teaching Excellence Award program winners are matched for the reciprocal exchange of students. These partner schools work on joint projects, many of which illustrate citizen involvement in their own governance. A total of 583 Eurasian and 550 U.S. students and teachers took part in exchanges under the ECA Bureau's secondary school partnership programs in FY 2001.

Please see the relevant country assessments in Part II of this report for details on the following country-specific ECA Bureau projects: the Armenia School Connectivity Program, the Azerbaijan School Connectivity Program, and the American Academy in Tbilisi (Georgia).

ENGLISH LANGUAGE PROGRAMS (FSA- and ECA base-funded)

The ECA Bureau's English Language Programs complement the full range of U.S. Government-funded exchange programs by improving English-teaching capabilities in Eurasia. In FY 2001, 21 English Language Fellows taught English as a Foreign Language and English for Specific Purposes courses at selected host institutions, bi-national centers, ministries, and universities in Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Ukraine. In addition, they carried out special projects in teacher training, curriculum development, and methodology. Fellowships are for a 10-month period and coincide with the academic year; beginning in September and ending in June. To qualify for positions, applicants undergo a rigorous, multi-step selection process. Selected participants then serve as either junior or senior fellows, depending on teaching experience, with the minimum requirement being a master's degree. Expansion is planned for FY 2002, with two additional fellows in Uzbekistan and Ukraine.

The English Language Specialist/Speaker Program is designed to provide posts with professionally trained Americans in the fields of teaching English as a foreign/second language or applied linguistics. These specialists work on short-term projects in curriculum design, material development, English for specific purposes, program evaluation, and teacher training. In FY 2001, the ECA Bureau sent a total of 61 specialists to the Eurasian countries.

An overview of participant numbers in the ECA Bureau's exchange programs is provided below:

PROFESSIONAL EXCHANGES

FREEDOM SUPPORT (FSA) GRANT / INTERNATIONAL VISITOR (IV) PROGRAM

COUNTRY	NUMBER OF EURASIAN PARTICIPANTS - FSA GRANTS	NUMBER OF EURASIAN PARTICIPANTS - IV GRANTS	TOTAL NUMBER OF PARTICIPANTS
Armenia	50	8	58
Azerbaijan	38	4	42
Belarus	43	13	56
Georgia	38	14	52
Kazakhstan	37	32	69
Kyrgyzstan	32	9	41
Moldova	30	9	39
Russia	290	75	365
Tajikistan	9	7	16
Turkmenistan	6	5	11
Ukraine	94	25	119
Uzbekistan	18	15	33
TOTAL	685	216	901

CENTER FOR CITIZEN INITIATIVES (CCI) – PRODUCTIVITY ENHANCEMENT PROGRAM (PEP)

COUNTRY	RUSSIAN PARTICIPANTS (FSA-funded)	RUSSIAN PARTICIPANTS (Base-funded)	Total Participants
Russia	675		675
TOTAL	675	0	675

CITIZEN EXCHANGES

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	6		6	24	4	28	34
Azerbaijan	1		1	24	4	28	29
Belarus			0		50	50	50
Georgia	6		6	24	4	28	34
Kazakhstan	5	2	7	24	4	28	35
Kyrgyzstan			0		3	3	3
Moldova			0			0	0
Russia	26	6	32	48	46	94	126
Tajikistan	3		3			0	3
Turkmenistan	1		1	12		12	13
Ukraine	9		9	48		48	57
Uzbekistan	1	2	3	12	3	15	18
TOTAL	58	10	68	216	118	334	406

COMMUNITY CONNECTIONS PROGRAM

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS
Armenia	60		60
Azerbaijan	40		40
Belarus	90		90
Georgia	70		70
Kazakhstan	70		70
Kyrgyzstan			0
Moldova	140		140
Russia	650		650
Tajikistan			0
Turkmenistan			0
Ukraine	500		500
Uzbekistan			0
TOTAL	1,620	0	1,620

ACADEMIC EXCHANGES

FULBRIGHT PROGRAM

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia		4	4		3	3	7
Azerbaijan		1	1		3	3	4
Belarus		3	3		4	4	7
Georgia		2	2		2	2	4
Kazakhstan		3	3		8	8	11
Kyrgyzstan		4	4		3	3	7
Moldova		3	3		6	6	9
Russia		35	35		49	49	84
Tajikistan			0		2	2	2
Turkmenistan			0		2	2	2
Ukraine		18	18		21	21	39
Uzbekistan		3	3		4	4	7
TOTAL	0	76	76	0	107	107	183

FULBRIGHT STUDENTS

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia		1	1			0	1
Azerbaijan		1	1			0	1
Belarus		1	1			0	1
Georgia		1	1			0	1
Kazakhstan		3	3			0	3
Kyrgyzstan		1	1			0	1
Moldova		1	1			0	1
Russia		19	19		4	4	23
Tajikistan			0			0	0
Turkmenistan			0			0	0
Ukraine		8	8		14	14	22
Uzbekistan			0			0	0
TOTAL	0	36	36	0	18	18	54

FULBRIGHT STUDY OF THE U.S.

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia			0		2	2	2
Azerbaijan			0		4	4	4
Belarus			0		4	4	4
Georgia			0	4	2	6	6
Kazakhstan			0		1	1	1
Kyrgyzstan			0			0	0
Moldova			0		2	2	2
Russia			0		6	6	6
Tajikistan			0			0	0
Turkmenistan			0			0	0
Ukraine			0		2	2	2
Uzbekistan			0	4		4	4
TOTAL	0	0	0	8	23	31	31

U.S. - RUSSIAN YOUNG LEADERSHIP FELLOWS FOR PUBLIC SERVICE

U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	RUSSIAN PARTICIPANTS (FSA-funded)	RUSSIAN PARTICIPANTS (Base-funded)	TOTAL RUSSIAN PARTICIPANTS	TOTAL PARTICIPANTS
15	0	15	37	0	37	52

EDMUND S. MUSKIE/FREEDOM SUPPORT ACT GRADUATE FELLOWSHIP PROGRAM

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia	40		40
Azerbaijan	30		30
Belarus	10		10
Georgia	24		24
Kazakhstan	16		16
Kyrgyzstan	11		11
Moldova	9		9
Russia	55	16	71
Tajikistan	5		5
Turkmenistan	7		7
Ukraine	105		105
Uzbekistan	19		19
TOTAL	331	16	347

JUNIOR FACULTY DEVELOPMENT PROGRAM (JFDP)

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia	6		6
Azerbaijan	4		4
Belarus			0
Georgia	4		4
Kazakhstan	5		5
Kyrgyzstan	4		4
Moldova	5		5
Russia		33	33
Tajikistan			0
Turkmenistan	3		3
Ukraine	13	13	26
Uzbekistan	4		4
TOTAL	48	46	94

EDMUND S. MUSKIE PH.D. FELLOWSHIP PROGRAM

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Georgia		4	4
Russia		12	12
Ukraine		6	6
TOTAL		22	22

FSA UNDERGRADUATE EXCHANGE PROGRAM

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia	22		22
Azerbaijan	15		15
Belarus	8		8
Georgia	20		20
Kazakhstan	19		19
Kyrgyzstan	14		14
Moldova	9		9
Russia	64		64
Tajikistan	5		5
Turkmenistan	7		7
Ukraine	128		128
Uzbekistan	18		18
TOTAL	329	0	329

CONTEMPORARY ISSUES FELLOWSHIP PROGRAM

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia	8		8
Azerbaijan	7		7
Belarus	7		7
Georgia	3		3
Kazakhstan	11		11
Kyrgyzstan	5		5
Moldova	10		10
Russia	29		29
Tajikistan	3		3
Turkmenistan	3		3
Ukraine	20		20
Uzbekistan	13		13
TOTAL	119	0	119

REGIONAL SCHOLAR EXCHANGE PROGRAM

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia			0		4	4	4
Azerbaijan			0		4	4	4
Belarus			0		3	3	3
Georgia			0		4	4	4
Kazakhstan		1	1		6	6	7
Kyrgyzstan			0		4	4	4
Moldova			0		3	3	3
Russia		8	8		15	15	23
Tajikistan			0		2	2	2
Turkmenistan		1	1		3	3	4
Ukraine			0		13	13	13
Uzbekistan		1	1		4	4	5
TOTAL	0	11	11	0	65	65	76

GLOBAL EDUCATION INITIATIVES
COLLEGE AND UNIVERSITY PARTNERSHIPS

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	14		14	11		11	25
Azerbaijan	11		11	8		8	19
Belarus			0			0	0
Georgia			0			0	0
Kazakhstan	10		10	15		15	25
Kyrgyzstan	10		10	8		8	18
Moldova			0			0	0
Russia	174		174	174		174	348
Tajikistan			0			0	0
Turkmenistan			0			0	0
Ukraine	45		45	60		60	105
Uzbekistan			0			0	0
TOTAL	264	0	264	276	0	276	540

CIVIC EDUCATION PROGRAMS

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	11		11	20		20	31
Azerbaijan	3		3	6		6	9
Belarus						0	0
Georgia	3		3	6		6	9
Kazakhstan						0	0
Kyrgyzstan	4		4	6		6	10
Moldova	3		3	6		6	9
Russia	3		3	5		5	8
Tajikistan			0			0	0
Turkmenistan			0			0	0
Ukraine			0			0	0
Uzbekistan			0			0	0
TOTAL	27	0	27	49	0	49	76

HUMPHREY FELLOWSHIPS

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia			0
Azerbaijan			0
Belarus			0
Georgia			0
Kazakhstan		2	2
Kyrgyzstan		1	1
Moldova		1	1
Russia		2	2
Tajikistan			0
Turkmenistan		3	3
Ukraine		2	2
Uzbekistan		1	1
TOTAL	0	12	12

PARTNERS IN EDUCATION

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	4		4	14		14	18
Azerbaijan	4		4	14		14	18
Belarus			0			0	0
Georgia	4		4	14		14	18
Kazakhstan			0			0	0
Kyrgyzstan	2		2	12		12	14
Moldova			0			0	0
Russia	8		8	48		48	56
Tajikistan			0			0	0
Turkmenistan			0			0	0
Ukraine	8		8	47		47	55
Uzbekistan	2		2	10		10	12
TOTAL	32	0	32	159	0	159	191

SECONDARY SCHOOL EXCHANGE AND PARTNERSHIP PROGRAMS

FUTURE LEADERS' EXCHANGE PROGRAM (FLEX)

COUNTRY	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL PARTICIPANTS
Armenia	50		50
Azerbaijan	45	10	55
Belarus	40	10	50
Georgia	50		50
Kazakhstan	45	15	60
Kyrgyzstan	38	6	44
Moldova	29	6	35
Russia	237	118	355
Tajikistan	17		17
Turkmenistan	38	6	44
Ukraine	390	10	400
Uzbekistan	51		51
TOTAL	1030	181	1211

SCHOOL PARTNERSHIPS

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	EURASIAN PARTICIPANTS (FSA-funded)	EURASIAN PARTICIPANTS (Base-funded)	TOTAL EURASIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	35		35	35		35	70
Azerbaijan	44		44	44		44	88
Belarus	10		10	12		12	22
Georgia	12		12	13		13	25
Kazakhstan	33		33	33		33	66
Kyrgyzstan			0			0	0
Moldova			0			0	0
Russia	231		231	248		248	479
Tajikistan			0			0	0
Turkmenistan	11		11	11		11	22
Ukraine	152		152	165		165	317
Uzbekistan	22		22	22		22	44
TOTAL	550	0	550	583	0	583	1133

ARMENIA CONNECTIVITY

COUNTRY	U.S. PARTICIPANTS (FSA-funded)	U.S. PARTICIPANTS (Base-funded)	TOTAL U.S. PARTICIPANTS	ARMENIAN PARTICIPANTS (FSA-funded)	ARMENIAN PARTICIPANTS (Base-funded)	TOTAL ARMENIAN PARTICIPANTS	TOTAL PARTICIPANTS
Armenia	10		10	11	0	11	21

TEACHING EXCELLENCE AWARDS (TEA)

COUNTRY	APPLICANTS	SEMI-FINALISTS	FINALISTS
Armenia	79	35	5
Azerbaijan			
Belarus			
Georgia	49	35	5
Kazakhstan	115	45	10
Kyrgyzstan	48	30	5
Moldova			
Russia	502	180	30
Tajikistan	30	25	5
Turkmenistan	73	25	5
Ukraine	250	75	15
Uzbekistan	128	50	10
TOTAL	1274	500	90

U.S. DEPARTMENT OF EDUCATION – FULBRIGHT-HAYS PROGRAMS

Under its Fulbright-Hays programs, the U.S. Department of Education provides a variety of opportunities for Americans to participate in training and research abroad. These programs are designed to improve U.S. education in modern foreign language and area studies. Historically, because funding support was more available for Americans to study in Western Europe, the Fulbright-Hays programs were targeted at non-West-European areas of the world. This emphasis has continued over the decades-long existence of these programs. The Fulbright-Hays programs provide an overseas compliment to the foreign language and area studies activities supported under Title VI of the Higher Education Act.

Since the break-up of the Soviet Union, most training and research activities under the Education Department's Fulbright-Hays programs have focused on Russia, with a few activities in the Ukraine and Uzbekistan. However, the Department expects these numbers to increase as more American students, researchers and educators begin to establish stronger academic linkages in these countries. Recent increases in the Fulbright-Hays appropriations, targeted at language training and area studies in Russia and the other Eurasian countries will assist in enhancing these academic exchanges. FY 2001 program highlights are provided below:

In FY 2001, the **Fulbright-Hays Faculty Research Abroad Program** supported two U.S. faculty members in Russia for three and 11 months, respectively, to conduct research in Russian language/literature and history at a cost of \$77,625.

The **Fulbright-Hays Doctoral Dissertation Research Abroad (DDRA) Program** supported the following research activities in FY 2001:

- The DDRA Program supported 2 American graduate students in Kyrgyzstan for 11 months each to conduct research in history and social policy at a cost of \$43,108. The DDRA Program also supported 11 American graduate students in Russia for 11 months each to conduct research in the fields anthropology, history, literature, political science, and sociology at a cost of \$315,222.
- The DDRA program supported one American graduate student in Ukraine for 11 months to conduct research in history at a cost of \$20,592.
- The DDRA program supported one American graduate student in Uzbekistan for 11 months to conduct research in history of religions at a cost of \$36,816.

The **Fulbright-Hays Group Projects Abroad** supported American undergraduates and graduate students, teachers and faculty for a summer, semester or academic year to participate in language training at a cost of \$148,000.

U.S. DEPARTMENT OF EDUCATION – FULBRIGHT-HAYS PROGRAMS

Program Name	Country	U.S. Participants	Amount
Group Projects Abroad	Russia	34	\$148,000
Faculty Research Abroad	Russia	2	\$77,625
Doctoral Dissertation Research Abroad	Kyrgyzstan	2	\$43,108
	Russia	11	\$315,222
	Ukraine	1	\$20,592
	Uzbekistan	1	\$36,816
TOTAL		51	\$641,363

USAID GLOBAL TRAINING FOR DEVELOPMENT (GTD)

From 1993 to 1997, USAID-funded training programs were conducted in the Eurasian countries under the NIS Exchanges and Training (NET) Project, and from 1997 to the present under the GTD Project. Both projects have been implemented by the Academy for Educational Development (AED). GTD provides U.S.-based, in-country and third-country training programs to equip Eurasian leaders and professionals with the skills and tools needed to guide their nations' transition to free market economies and democratic governance. All USAID-funded training programs support E&E Bureau and USAID field-mission strategic assistance areas.

During FY 2001, GTD supported 582 programs that provided training to 12,156 participants: 513 from Russia; 4,583 from Central Asia, 1,498 from Western Eurasia (Belarus, Moldova, Ukraine); and 5,562 from the Caucasus (Armenia, Azerbaijan, Georgia). Of these individuals, 48 percent were female. Approximately 84 percent (10,230 participants) were trained in-country; 11 percent in a third country, and four percent in the United States. The attached table provides numbers of participants trained under GTD during FY 2001. Approximately 43 percent were trained in the areas of economic restructuring; 16 percent in support of democratic transition; 35 percent in areas of social stabilization; and four percent under special initiatives and cross-cutting activities. From March 1993 to September 2001, the E&E Bureau's regional training program had trained a total of 51,034 individuals from the Eurasian countries, including some 20,000 who were trained in the United States. The achievements of former GTD participants contributed to the economic, democratic and social advances in their respective countries during FY 2001. Training prepared them to identify areas that needed to be addressed and provided them with the skills and resources to implement creative mechanisms to bring about sustainable changes. The following results illustrate the benefits gained from the professional relationships established with colleagues either in the United States or in third countries through GTD regional training programs:

Central Asia: Following a program on power pooling, the Electricity Working Group, which is made up of high-level engineers, developed a conceptual model for the creation of a regional wholesale electricity market in Central Asia. This model was approved by the Presidents of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, who agreed to develop a regional electricity market in Central Asia. The relevant decision-makers include the Electricity Working Group, the energy ministries of the respective countries; the Interstate Council's Executive Committee, and the United Dispatch Center Energia, a regional energy organization.

Caucasus: The Women's NGO Leadership Conference developed joint projects, lobbied governments on common interests, promoted information exchange, and fostered peace-building efforts. For example: as a result of collaboration between two participants from Armenia and Azerbaijan, members of the NGO sector from both countries initiated a process by which ten prisoners held in Armenia and Azerbaijan were released.

A breakdown of GTD participants by country is provided on the following page:

LIBRARY OF CONGRESS – OPEN WORLD PROGRAM (FORMERLY KNOWN AS THE RUSSIAN LEADERSHIP PROGRAM)

For details on this program, please see the Russia country assessment in Part II of this report.

U.S. DEPARTMENT OF COMMERCE - SPECIAL AMERICAN BUSINESS INTERNSHIP TRAINING (SABIT) PROGRAM

The SABIT Program exposes managers and scientists from the Eurasian countries to practical training in American methods of innovation and management by placing them with U.S. companies for hands-on training for four weeks to six months. Since 1992, more than 2,500 managers and scientists have been provided with the skills to implement positive change in their companies and countries. Moreover, SABIT has facilitated hundreds of partnerships between U.S. and Eurasian businesses.

In FY 2001, the objectives of the program were met by training 425 managers and scientists bringing the cumulative total trained by SABIT to 2,504. FY 2001 participants were from the following countries: 18 from Armenia, 4 from Azerbaijan, 5 from Belarus, 10 from Georgia, 25 from Kazakhstan, 5 from Kyrgyzstan, 23 from Moldova, 238 from Russia, 8 from Tajikistan, 74 from Ukraine, and 14 from Uzbekistan.

With over 800 U.S. companies donating technical and business training to SABIT participants, the following training programs were completed this fiscal year:

Individual Internships: A total of 101 individual internships with U.S. companies were completed and an additional \$384,800 in funding was awarded to U.S. companies for training Eurasian participants.

Standards and Metrology: SABIT's Standards and Metrology Program, which is implemented in partnership with the National Institute of Standards and Technology (NIST), trained 49 standards experts in FY 2001. The three sectors represented were Laboratory Accreditation, Telecommunications and Medical Equipment.

Association Development: Four sessions in association development trained 71 company and association managers from the fields of leasing, packaging and labeling, small business, and scientific commercialization. The programs focused on developing and managing independent business associations.

Environmental Technologies: The Environmental Technologies Program trained 30 environmental specialists. The Water Quality and Wastewater Treatment Technologies program trained 17 participants from Georgia, Moldova, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine and Uzbekistan. The second program, Oil Spill Cleanup, with 14 participants, was earmarked for the Russian Far East and focused on advanced technologies and command and control mechanisms.

Services: The Services Program provided a three-session program for professionals in three different service industries. Eighteen hotel administrators, 18 in-bound tourism professionals, and 17 hospital administrators from 11 of the 12 Eurasian states were provided with management training in order to improve their individual businesses as well as the services infrastructure in their countries.

Quality Management in Manufacturing: The Quality Management in Manufacturing Program trained 30 Ukrainian production managers in U.S- Polish joint ventures in a unique three-way partnership.

Business Management for Women (BMW): This program trained 36 professionals from the accounting, apparel retailing and tourism industries. This program's aim was to improve the service infrastructure of the Eurasian countries in industries that typically employ women.

Alumni Activities: A total of 27 alumni events including follow-on training, conferences, and seminars were implemented in the following cities: Tbilisi, Georgia; Cherkassy, Chernivtsi, Odesa and Kiev, Ukraine; two functions in Baku, Azerbaijan; one function each in Dushanbe, Tajikistan and Cholpon Ata, Kyrgyzstan and four functions in Almaty, Kazakhstan; Ufa, Irkutsk, Novosibirsk, Kazan, Vladivostok, St. Petersburg, Tomsk and Moscow, Russia. In July, 2001, 30 SABIT Alumni met with Secretary of Commerce Evans at a breakfast hosted by the U.S. Chamber of Commerce in Moscow. During his speech, Secretary Evans highlighted the SABIT Program as one of the most successful U.S. Government-funded training programs.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – COCHRAN FELLOWSHIP PROGRAM

USDA's Cochran Fellowship Program has provided short-term agricultural training programs for Eurasian agriculturalists and policy makers since 1993. Training programs are conducted in the United States for selected mid- and senior-level specialists and administrators in areas that: (1) help the country develop its own agricultural food system; and (2) strengthen agricultural trade linkages with U.S. agribusinesses. Training is implemented in conjunction with USDA agencies, agricultural trade and market development associations, universities, and private agribusiness.

In FY 2001, the Cochran Program provided training to 75 Eurasian participants from 10 countries. Training activities for over 20 participants were canceled at the end of the fiscal year due to the terrorist attacks of September 11, 2001. These activities will be rescheduled in FY 2002. Over 60 Eurasian participants received training during the first quarter of FY 2002.

In FY 2001, the Cochran Fellowship Program provided training for 57 Fellows from 10 countries of Eurasia using FREEDOM Support Act (FSA) funding, bringing the cumulative number of FSA-funded Cochran Fellows since 1993 to 1,165. In addition, 18 Cochran Fellows received training funded by USDA's Emerging Markets Program (EMP), bringing the cumulative number of EMP-funded Cochran Fellows since 1993 to 648. EMP funding is targeted toward trade-related activities focusing mostly on food wholesale and retail training. The table below provides statistics on the number of Cochran Fellows, by funding source, from each country in FY 2001, as well as since the start of the program in 1993.

The Cochran Program developed several regional training activities in FY 2001, specifically for the Central Asia region. Examples of regional courses included seed production and processing (included participants from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), poultry processing (Kyrgyzstan, Turkmenistan, and Uzbekistan), agricultural cooperative development (Tajikistan, Uzbekistan, and Kyrgyzstan), and biotechnology and intellectual property rights (participants from Uzbekistan and Kazakhstan as well as from Pakistan, India, Sri Lanka, and Bangladesh). These programs dealt with common agricultural issues in all countries and will contribute to increased technical skills as well as help to develop relationships across countries in the region.

Country	FSA Funding		USDA Funding		TOTAL PARTICIPANTS	
	FY 2001	Total 1993-2001	FY 2001	Total 1993-2001	Total FY 2001	Grand Total 1993-2001
Armenia	4	69	12	37	16	106
Azerbaijan		42		0	0	42
Belarus		20		22	0	42
Georgia	9	68		18	9	86
Kazakhstan	8	116	5	65	13	181
Kyrgyzstan	4	91		24	4	115
Moldova	4	108		11	4	119
Russia	7	285	1	314	8	599
Tajikistan	2	48		2	2	50
Turkmenistan	2	65		15	2	80
Ukraine	10	149		117	10	266
Uzbekistan	7	104		23	7	127
TOTAL	57	1,165	18	648	75	1,813

U.S. DEPARTMENT OF AGRICULTURE (USDA) – FACULTY EXCHANGE PROGRAM (FEP)

The Faculty Exchange Program (FEP) provides six months of practical training to university educators from progressive Eurasian agricultural institutions to increase their capacity to develop academic and adult education programs and curricula in agricultural economics and marketing, agribusiness, and agrarian law. The FEP is designed and managed by the Professional Development Program (PDP) of the Food Industries Division (FID), International Cooperation and Development, Foreign Agricultural Service. In FY 2001, 17 participants from Russia, Ukraine, and Kazakhstan completed a six-month program in December, 2000. An additional 17 participants participated in a six-month program from July to December 2001. The total number of participants in the FEP since its inception in 1995 is 102: 50 from Russia, 42 from Ukraine and 10 from Kazakhstan. They represent 49 different universities, institutes and training institutions: 19 in Ukraine, 26 in Russia, and four in Kazakhstan.

The FEP has the following objectives: (1) to increase the number of adults in the participating countries who understand market economics by improving the quantity and quality of academic and adult education programs in agricultural economics and marketing, agribusiness, and agrarian law; (2) to develop the ability and confidence of participating faculty to evaluate and revise curricula and courses through the application of basic principles of learning and curriculum development; and, (3) to establish enduring U.S.-Eurasian institutional relationships that will catalyze and support curriculum development, course revision, faculty development, and joint research in the areas of agricultural economics and marketing, agribusiness and agrarian law. The FEP plays a critical role in building the human and institutional capacity necessary for the Eurasian countries' transition to a market-based economy. Increasing the number of adults who understand the workings of a market economy, who can teach and create educational materials on market economics, and possess the mind set to adapt to a market economy is critical to the formulation and implementation of sound agricultural policies and the promotion of agricultural development in the Eurasian countries.

An individualized program is designed for each participant. U.S. university staff work one-on-one or in small groups with participants at each host university. Participants observe classes in their subject areas and learn new methods of teaching. In addition they learn how to revise existing curricula, develop new curricula, choose and develop class materials, and assess student progress. Through visits to and internships with agribusinesses, extension and adult education programs, FEP participants gain practical first hand experience in the day-to-day functioning of the U.S. agricultural research and education systems, as well as U.S. agribusinesses. During their program, each participant develops a minimum of three new or revised course outlines and materials for introduction at their home universities upon returning to their home countries. For the second time this year, all participants received in-depth training in how to develop Internet based courses for use in distance education programs. The program also provides follow-on support visits by U.S. faculty to each participant's home institution 4-8 months after the end of the program. Activities conducted during these visits include reviewing newly developed course outlines and materials; meeting and discussing curricula revision with heads of department, deans and rectors; giving lectures and seminars on market economic and agribusiness related topics to faculty and students; visiting and meeting with farmers; reviewing and suggesting improvements in extension and adult education programs; and discussing future joint research and exchange programs.

In FY 2002, the FEP will focus on selecting participants from Russian, Kazakhstani and Ukrainian universities that have not yet participated in the FEP or similar programs, selecting additional participants from progressive universities to build a core of U.S.-trained staff at each institution, supporting U.S.-Eurasian university partnerships and encouraging networking and information exchange among former FEP participants and with their U.S. host universities. In FY 2002, FEP plans to bring together all 85 program graduates and participating U.S. faculty for a third program workshop in Moscow, Russia. A third formal evaluation of the program, funded by USDA, will take place early in FY 2002.

Country	Ended Training in FY 2001	Began Training in FY 2001	TOTAL PARTICIPANTS 1993-2001
Kazakhstan	2	2	10
Russia	9	9	50
Ukraine	6	6	42
TOTAL	17	17	102

Regional Program Developments

All FEP participants report that they have been able to introduce new material into their academic courses immediately upon return from the program.

Six participants from the 2000 group have been offered promotions to positions of higher authority where they can more easily effect change at their institutions. Three others have been selected to participate in TACIS programs at their universities intended to revise curricula and improve teaching effectiveness.

Twelve U.S. faculty members from the Universities of Minnesota and Nebraska, Pennsylvania State University (PSU) and Colorado State University provided follow-on support visits to a total of 39 participants in Russia, Kazakhstan and Ukraine.

As in past years, FY 2001 participants wrote articles on selected aspects of the U.S. agricultural system that will be of interest to others in the Eurasian countries. These articles were compiled, published in the Russian language, and distributed to all agricultural universities in Russia, Kazakhstan and Ukraine.

In early FY 2001, the Assistant to the Dean for International Agricultural Programs, the Dean of International Affairs and the Dean of Graduate students from the University of Nebraska-Lincoln traveled to FEP universities in Kharkiv and Zhytomyr in Ukraine, and Omsk, Tyumen and Khanty Mansisk in Russia, to explore the possibility of establishing student/faculty exchanges and joint research programs. This visit resulted in a student exchange agreement between the University of Nebraska and Tyumen Agricultural Academy. A group of University of Nebraska agricultural students traveled to Tyumen and Khanty Mansisk on a two-week study tour in FY 2001. Another group of students from Nebraska will travel to these universities in FY 2002 and a group of Russian students from these institutions will travel to Nebraska in late FY 2002 on a similar agriculture study tour.

In May, 2001, an agricultural extension workshop was organized by PSU, Voronezh State Agricultural University, and the Polish Government and held in Voronezh, Russia. Nine Russian and 3 Ukrainian FEP graduates and colleagues participated in this event. All costs associated with the FEP graduates' attendance were paid by two Pennsylvania agribusinesses, PSU, the participants' university, and the Polish Extension Service. This annual workshop was traditionally held in Poland, but moved to Ukraine last year as a direct result of PSU's involvement in the FEP. This year the workshop was held in Voronezh, Russia where PSU is working with FEP participants to further develop their extension activities.

FEP participants in Ukraine and Russia participated in Cochran Alumni meetings held in Kiev, Ukraine and in Saratov and Novosibirsk, Russia. Wherever possible, we are attempting to involve members of both the Cochran Fellowship Program and the FEP in alumni meetings and training opportunities.

**USAID GLOBAL TRAINING FOR DEVELOPMENT
NUMBERS OF PARTICIPANTS IN FY 2001 BY STRATEGIC ASSISTANCE AREA (SAA)**

		SAA 1			SAA 2			SAA 3			SAA 4			Regular GTD	Fee-For- Services	GRAND TOTAL
		Economic Restructuring			Democratic Transition			Social Stabilization			Cross-Sectoral					
		Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total			
ARMENIA	In-Country	900	1169	2069				114	53	167	59		59	2295	448	2743
	Third-Country	5	18	23	14	44	58	3	5	8	6	13	19	108	36	144
	U.S.-Based	15	60	75	5	4	9	2	4	6				90	136	226
	Subtotal	920	1247	2167	19	48	67	119	62	181	65	13	78	2493	620	3113
AZERBAIJAN	In-Country	47	186	233				8	12	20				253	637	890
	Third-Country		10	10	1	3	4							14	10	24
	U.S.-Based	1	11	12		1	1							13	76	89
	Subtotal	48	207	255	1	4	5	8	12	20				280	723	1003
GEORGIA	In-Country	198	217	415	30	53	83	948	888	1836				2334		2334
	Third-Country							221	160	381	4	10	14	395	11	406
	U.S.-Based	4	4	8	4	20	24	14	14	28				60	124	184
	Subtotal	202	221	423	34	73	107	1183	1062	2245	4	10	14	2789	135	2924
CAUCASUS TOTAL		1170	1675	2845	54	125	179	1310	1136	2446	69	23	92	5562	1478	7040
BELARUS	In-Country										2		2			2
	Third-Country															
	U.S.-Based														14	14
	Subtotal										2		2	2	14	16
MOLDOVA	In-Country										1		1	1		1
	Third-Country															
	U.S.-Based														26	26
	Subtotal										1		1	1	26	27
UKRAINE	In-Country	66	104	170	9	23	32	765	180	945	58	24	82	1229		1229
	Third-Country	11	9	20	28	56	84	15	7	22	9	5	14	140	9	149
	U.S.-Based	12	21	33	13	15	28	16	35	51	9	5	14	126	403	529
	Subtotal	89	134	223	50	94	144	796	222	1018	76	34	110	1495	412	1907
WEST EURASIA TOTAL		89	134	223	50	94	144	796	222	1018	79	34	113	1498	452	1950
KAZAKHSTAN	In-Country	69	65	134	144	86	230	29	29	58				422	1983	2405
	Third-Country	35	59	94	21	24	45	11	9	20				159	41	200
	U.S.-Based	6	10	16	1	2	3							19	67	86
	Subtotal	110	134	244	166	112	278	40	38	78				600	2091	2691
KYRGYZSTAN	In-Country	205	330	535	68	47	115	14	20	34				684	1069	1753
	Third-Country	15	30	45	26	15	41	31	26	57				143	40	183
	U.S.-Based	2	3	5	1		1							6	30	36
	Subtotal	222	363	585	95	62	157	45	46	91				833	1139	1972
TAJIKISTAN	In-Country	3	12	15	66	157	223	26	30	56	80	59	139	433	33	466
	Third-Country	33	96	129	38	46	84	25	14	39				252	29	281
	U.S.-Based	7	14	21										21	44	65
	Subtotal	43	122	165	104	203	307	51	44	95	80	59	139	706	106	812
TURKMENISTAN	In-Country	140	543	683	90	39	129	71	30	101				913	102	1015
	Third-Country	14	5	19	16	8	24	5	4	9				52	1	53
	U.S.-Based		4	4										4	14	18
	Subtotal	154	552	706	106	47	153	76	34	110				969	117	1086
UZBEKISTAN	In-Country	147	167	314	413	298	711	129	188	317				1342	791	2133
	Third-Country	10	18	28	15	22	37	29	30	59				124	49	173
	U.S.-Based		9	9										9	42	51
	Subtotal	157	194	351	428	320	748	158	218	376				1475	882	2357
CENTRAL ASIA TOTAL		686	1365	2051	899	744	1643	370	380	750	80	59	139	4583	4335	8918
RUSSIA	In-Country	68	54	122				14		14	100	89	189	325	14	339
	Third-Country															
	U.S.-Based	50	51	101	6	5	11	29	9	38	21	17	38	188	275	463
	Subtotal	118	105	223	6	5	11	43	9	52	121	106	227	513	289	802
SUBTOTALS	In-Country	1,843	2,847	4,690	820	703	1,523	2,118	1,430	3,548	297	172	469	10,230	5,077	15,307
	Third-Country	123	245	368	159	218	377	340	255	595	22	28	50	1,390	226	1,616
	U.S.-Based	97	187	284	30	47	77	61	62	123	30	22	52	536	1,251	1,787
GRAND TOTAL		2,063	3,279	5,342	1,009	968	1,977	2,519	1,747	4,266	349	222	571	12,156	6,554	18,710

DEMOCRACY PROGRAMS

U.S. DEPARTMENT OF STATE – INTERNET ACCESS AND TRAINING PROGRAM (IATP)

The Bureau of Educational and Cultural Affairs (ECA) established the Internet Access and Training Program (IATP) in 1995 to support alumni of US Government academic and training programs. Since then, IATP has grown significantly and now provides access to a much broader audience. The IATP supports public-access Internet facilities throughout Eurasia, and offers Internet training, web design courses, and small grants for on-line projects. The ECA Bureau awarded grants to the International Research and Exchanges Board (IREX) to administer IATP in Belarus, Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan; and to Project Harmony to administer the IATP in Russia. The main goals of IATP are as follows:

- To provide Internet access to alumni of U.S. Government-funded training and exchange programs, and targeted members of the general public;
- To train alumni and other targeted audiences in the effective use of the Internet and the resources of the World Wide Web;
- To establish and maintain contact through the Internet between U.S. Government training and exchange program alumni, their U.S. host institutions, their sponsoring organizations and the ECA Bureau;
- To sponsor and encourage the development of local-language websites, distance learning courses, message boards and online journals; and
- To develop and encourage practical and meaningful Internet-based activities for exchange program alumni, their colleagues and their communities.

There are 144 IATP sites currently operating, and plans for an additional 65 sites are in development with FY 2001 funding. For more information on the IATP in Russia, please visit the following website: <http://iatp.projectharmony.ru>. For more information on the IATP in the Caucasus, Central Asia and Western Eurasia, please visit the following website: <http://www.irex.org/programs/iatp/index.htm>

The Central Asian component of IATP in was featured in an online news story filed by the British Broadcasting Company (BBC). The BBC described the IATP program's "important [contribution] to the Internet's growth in Central Asia." The article goes on to credit the IATP for helping to lower the cost of Internet connectivity in the region, as the program continues to expand to more provincial cities. As IATP centers open in smaller cities, the wait for free access has almost always spurred the creation of Internet cafes and led to a fall in the cost of getting online.

U.S. DEPARTMENT OF STATE – PROGRAM FOR INTERNET COMMUNITY DEVELOPMENT IN THE CAUCASUS

In FY 2001, the U.S.-based NGO Project Harmony successfully completed a State Department-funded Program for Internet Community Development in the Caucasus. This three-country program covering Armenia, Azerbaijan and Georgia was designed to prepare professionals working in the business and NGO communities to use Internet tools for more effective networking and cooperation. The centerpiece of the program was a March 2001 conference, which brought 10 participants from each of the three countries to a series of workshops facilitated by three U.S. trainers specializing in Internet community development for professionals. As a result of the conference, several online events were convened with the goal of promoting crossborder communication and information-sharing. Between April and August 2001, a South Caucasus journalists' conference, a conference for young lawyers' associations in the Caucasus, and a conference for migration professionals in Armenia and Azerbaijan were also held with support from Project Harmony.

U.S. DEPARTMENT OF STATE – BUREAU OF EUROPEAN AFFAIRS – U.S. EMBASSY PUBLIC AFFAIRS SECTIONS

The Public Affairs Sections of the U.S. Embassies in the Eurasian countries administer the Democracy Funds Small-Grants Program and other programs that provide support for democracy-building activities by local organizations and institutions. Program highlights are provided below:

Democracy Funds Small-Grants Program

FY 2001 marked the seventh year of this high-impact small-grants program, under which embassy-based Democracy Commissions in each Eurasian country award grants of up to \$24,000 to indigenous non-governmental organizations (NGOs) or individuals in support of democracy-building activities, independent media and the free flow of information. In FY 2001, the Democracy Funds Small-Grants Program awarded 395 grants with a total value of approximately \$4.1 million. A breakdown by country is provided below:

COUNTRY	NUMBER OF GRANTS	TOTAL VALUE
Armenia	20	\$0.18m
Azerbaijan	23	\$0.21m
Belarus	136	\$2.00m
Georgia	18	\$0.25m
Kazakhstan	13	\$0.10m
Kyrgyzstan	22	\$0.19m
Moldova	42	\$0.19m
Russia	17	\$0.19m
Tajikistan	8	\$0.10m
Turkmenistan	22	\$0.10m
Ukraine	39	\$0.41m
Uzbekistan	35	\$0.17m
TOTAL	395	\$4.09m

Since FY 1995, approximately 1,300 grants have been awarded among the participating countries, including 108 in Armenia, 76 in Azerbaijan, 357 in Belarus, 93 in Georgia, 62 in Kazakhstan, 82 in Kyrgyzstan, 148 in Moldova, 114 in Russia, 21 in Tajikistan, 40 in Turkmenistan, 105 in Ukraine, and 88 in Uzbekistan. Examples of FY 2001 Democracy Commission grants are provided in the country assessments in Part II of this report.

Book Translations and Library Development

Book Translation and Library Development programs in Azerbaijan, Russia and Ukraine provided much-needed materials in business, civics, English teaching, and related fields. These programs help increase citizens' local access to information.

National Endowment for Democracy (NED)

In FY 2001 the U.S. Department of State provided supplemental funding to NED to support its grant-making activities for Belarus and Ukraine. NED conducts competitive small-grants programs that help promote and strengthen the non-governmental sector and independent media in Belarus and Ukraine. In Belarus, NED support was directed towards grants for direct support of independent media, support for NGO and civil society activities, and election related programming. In Ukraine, grants were awarded to support voter education, media monitoring, youth activities, and minority issues. (For additional details, please see the country assessments in Part II of this report.)

Global Internet Policy Initiative (GIPI)

U.S. Government support for GIPI's work in Russia and Ukraine is enabling U.S. partners to work with local partners to establish ongoing working groups with key stakeholders—including Internet service providers (ISPs), content providers, foreign investors, telecommunications and wireless service providers, NGOs, government officials, and foreign experts—to develop and promote an agenda for policy reform in order to support affordable and unfettered internet access. GIPI is implemented by Internews and the Center for Democracy and Technology. In FY 2001, GIPI conducted meetings and seminars to promote the development of policy that would create an open and accessible Internet, and to develop associations of regional authorities, NGO and business representatives, and cooperation with legislators at the national level. The project has also published numerous articles on Internet issues in the local press.

Institutional Support Projects

Continuing support for the Georgian Institute of Public Affairs (GIPA) assists in training public officials for effective public administration in a democratic and market-oriented environment. In FY 2001, GIPA's activity was expanded to include a year-long journalism training program. Similar support for the Georgian Foundation for Strategic and International Studies (GFSIS) supports the development of local capacity to produce high quality policy research and strategic analysis. Local grants for institutional support through the Bureau of European Affairs are coordinated with grants through the Bureau of Educational and Cultural Affairs that bring U.S. specialists to Georgia. In Belarus, the Bureau of European and Eurasian affairs is providing support for the independent European Humanities University (EHU) through a program of means-tested scholarships for talented Belarusian students.

Media Development Fund (Ukraine)

The Media Development Fund in Ukraine supports the development of free and independent media in Ukraine and provides support to Ukrainian journalists, media and other non-governmental groups. The Public Affairs Section of the U.S. Embassy in Kiev awarded 19 grants in FY 2001 to provide travel grants for journalist training, expansion of web-based journalism projects, and upgrading existing newspaper facilities and broadcast programming.

Library Electronic Access Project (Ukraine)

Under the LEAP Program, the Public Affairs Section of the U.S. Embassy in Kiev awarded 34 grants ranging from \$14,000 to \$24,000 to 34 regional libraries throughout Ukraine to create Internet access centers in each library which are to be open to library patrons at no charge for at least two years. This project promotes free access to information in Ukraine, and assists regional libraries in making the leap to the modern world of information science in order to promote democratic development at the community level.

Eisenhower Fellowships Program (Russia)

In FY 2001, the Eisenhower Fellowships Program provided individualized two-month professional fellowships for mid-career leaders in Russian business, government, education, media, and the non-governmental sector, including leaders from the key regions of Krasnodar Kray, Tatarstan, Sverdlovsk, Rostov-on-Don, Pskov, Mari El, and Kaliningrad. Eisenhower Fellows were nominated, based on their potential for increasing leadership regionally and nationally, by a blue-ribbon committee chaired by former Prime Minister Yegor Gaidar. Given the Eisenhower Fellowships' mission of developing leaders in critical fields internationally and promoting peace and

progress through dialogue and collaboration, the Russia component of the program was successful on two critical measures. As individuals, the Fellows' professional contacts with their U.S. counterparts increased their capacity for well-informed, broad-visioned leadership in their fields, and similarly enriched the perspectives of their U.S. contacts. As a group, the Fellows reached across their own geographic, political, and professional divides to form a strong alumni group—an essential starting point in Eisenhower Fellowships' efforts to make Russia a long-term partner in the program's global network. The Fellows are planning their first alumni meeting in Kaliningrad in February 2002, and many will attend the Eisenhower Fellowships international conference in Berlin in June.

U.S. DEPARTMENT OF STATE – OFFICE OF INTERNATIONAL INFORMATION PROGRAMS

The Office of International Information Programs (IIP) is the principal international strategic communications service for the United States foreign affairs community. IIP designs, develops and implements a wide variety of strategic public diplomacy initiatives and strategic communications programs, using Internet and print publications, traveling and electronically transmitted speaker programs, and information resource services. Using cutting-edge technology, IIP's programs and services are specifically designed to articulate U.S. Government policies and actions and to present their context in U.S. society and values. Authorized under the Smith-Mundt Act, these programs and services are created strictly for international audiences, such as the media, government officials, opinion leaders, and the general public in more than 140 countries around the world. IIP's products and services – including web sites and other Internet services, electronic journals, U.S. Speaker programs, print publications, and CD-ROMs – are uniquely designed to support vital U.S. foreign policy interests to increase international support for U.S. policies, and to promote understanding of the political, intellectual and social context for these policies. IIP also manages Information Resource Centers overseas and offers Washington-based reference specialists to answer specialized information queries from abroad.

Under its U.S. Speaker/Specialist Program, IIP recruits speakers and specialists from both the public and private sectors to speak and consult on such matters as international security, trade policy, democracy, issues of civil society, education, free and fair elections, ethics in government, the environment, narcotics, the rule of law, and a free and responsible press. Individuals who travel abroad under the U.S. Speakers/Specialist program serve from two days to two weeks. The program also includes Professionals-in-Residence (PIRs), who serve for periods of three weeks to ten months, to act as consultants to media outlets, government ministries, parliaments, and other organizations promoting the development of democratic institutions. These programs and services are intended to be a vital component of our missions' public diplomacy activities. They help U.S. Embassies gain improved access to host government institutions and local media organizations, and provide practical assistance to the people responsible for fostering and building democratic institutions throughout Eurasia. American experts under the U.S. Speakers/Specialist Program have gone out to Eurasia in small and large groups; stayed for periods of two weeks to eighteen months; participated in seminars, conducted hands-on workshops, and served as resident advisors for public and private institutions. For example, journalists and media experts help build newspapers and TV media outlets that will form independent sources of news and reflect the ideal of freedom of the press. Speakers and Specialists were most often NGO professionals, university professors, national, state and local government representatives, attorneys, media and communication experts, and researchers. The speaker/specialist program contributes to the democratic reform process in these countries. Speakers/Specialists often make an impact almost immediately, nurturing valuable public diplomacy contacts. Speakers/Specialist alumni have been eager to share their experiences with the American people through articles and lectures. Their experiences and insights have also created whole new bodies of valuable knowledge Eurasia that have been made available to media organizations, public policy institutions and universities.

In FY 2001, IIP sent a total of 109 Speakers/Specialists and Professionals-in-Residence (PIRs) to Eurasia, including 32 Speakers/Specialists and PIRs with FREEDOM Support Act funding, and 77 Speakers/Specialists through IIP's own base appropriation.

Country	FSA-Funded	IIP Base-Funded	TOTAL
Armenia	2	4	6
Azerbaijan	1	5	6
Belarus		6	6
Georgia	4	7	11

Kazakhstan	1	9	10
Kyrgyzstan		1	1
Moldova	3	6	9
Russia	20	29	49
Tajikistan		1	1
Turkmenistan		2	2
Ukraine		4	4
Uzbekistan	1	3	4
Total	32	77	109

U.S. DEPARTMENT OF STATE – BUREAU OF DEMOCRACY, HUMAN RIGHTS AND LABOR (DRL) – HUMAN RIGHTS AND DEMOCRACY FUND (HRDF)

For details on HRDF-funded activity in Eurasia in FY 2001, please see the Belarus country assessment in Part II of this report.

U.S. DEPARTMENT OF STATE – ANTI-CRIME TRAINING AND TECHNICAL ASSISTANCE (ACTTA) PROGRAM

For details on this program, please see Security, Regional Stability and Law Enforcement Programs section below.

U.S. DEPARTMENT OF JUSTICE (DOJ) – OFFICE OF OVERSEAS PROSECUTORIAL DEVELOPMENT, ASSISTANCE AND TRAINING (OPDAT)

For details on this program, please see Security, Regional Stability and Law Enforcement Programs section below.

BUSINESS DEVELOPMENT AND ECONOMIC REFORM PROGRAMS

U.S. DEPARTMENT OF COMMERCE – BUSINESS INFORMATION SERVICE FOR THE NIS (BISNIS)

In FY 2001, BISNIS vigorously supported U.S.-Eurasian commercial development through: industry, country, and other practical market reporting; lead identification and distribution; counseling and referrals for both U.S. and Eurasian individuals; round-tables and individual meetings; and collaboration with and support to a range of U.S. and Eurasian government, private organizations, and training groups. Activities conducted in FY 2001 include the following:

- Mailing the *BISNIS Bulletin* to more than 31,000 recipients each month;
- Regularly e-mailing nearly 10,000 clients with leads and market updates;
- Counseling thousands of individuals in the United States and Eurasia by phone, e-mail, and at meetings and events;
- Holding, planning, or contributing to more than 100 events throughout the U.S. and Eurasia that shared market guidance and introduced U.S. and Eurasian counterparts to each other for the exchange of ideas;
- Translating and posting the BISNIS Russian-language web page information to foster development-oriented relationships with U.S. states.
- Introducing web-based automation for Trades & Tender leads, which enables BISNIS to process leads more efficiently and allows U.S. and Eurasian clients to more quickly access opportunities;
- Utilizing videoconferencing for BISNIS training and other uses, which has decreased overseas travel costs and expanded exposure to useful knowledge.

In FY 2001, BISNIS focused on key client interests and needs, including nascent industries, cultural barriers to U.S.-Eurasian trade and investment, and the emerging consumer/middle class. For example, Horse Breeding-BISNIS uniquely helped to establish ties and support a trade mission by the State of Maryland to Russia, as well as a visit to the United States. Do-it-yourself-market-BISNIS also provided in-depth analysis and contacts for the emerging do-it-yourself construction market, which is tied to the emergence of a middle class.

BISNIS has vigorously promoted other U.S. Government-funded business development programs and resources—especially the Commerce Department's SABIT Program, the U.S. Commercial Service, USAID's Ecolinks Program, and trade missions—to U.S. and Eurasian clients. BISNIS support and input have also fostered new relationships, activities and projects for various other U.S. Government agencies (including the Department of the Treasury, the Trade and Development Agency and the Export-Import Bank).

U.S. DEPARTMENT OF COMMERCE – COMMERCIAL LAW DEVELOPMENT PROGRAM (CLDP)

Throughout FY 2001, CLDP provided technical assistance to the Governments of Moldova, Russia and Ukraine to support each country's accession to the World Trade Organization (WTO) and improve the legal climate for conducting business in each of the three countries. The WTO accession process generally requires each country to bring its laws, regulations, and procedures into compliance with WTO requirements and international norms. As a result of the steps each country is taking to adopt and implement the wide-ranging reforms required for WTO membership, Moldova, Russia and Ukraine are making their economies more transparent and are providing new commercial opportunities to both domestic and foreign entrepreneurs. A notable accomplishment was Moldova's accession to the WTO in July 2001. CLDP activities played a vital role in the support of the accession process, including a program that placed a resident advisor in the Ministry of Economy. The advisor worked with the Moldovan Government on a wide range of WTO compliance and implementation issues. CLDP is also assisting Russia in its reinvigorated efforts to join the WTO through the support of various programs designed to inform the public and private sectors of the benefits of WTO membership. As Russia advances through the accession process, it is critical to broaden the understanding of the WTO legislative commitments and CLDP programs are playing an important role in this process in Moscow and in the regions of Russia. In Ukraine, CLDP has helped the government improve its laws on the protection of intellectual property rights, a key obstacle to WTO accession. CLDP's resident advisor in Ukraine also assists the Ministry of Economy with the important process of bringing its other laws, regulations, and practices into WTO compliance. (For additional details, please see the country assessments in Part II of this report.)

U.S. SECURITIES AND EXCHANGE COMMISSION (SEC)

The principal objectives of the SEC's technical assistance program for the Eurasian countries are to assist securities regulatory authorities and self-regulatory organizations in these countries with the development of transparent, well-regulated securities markets in which both domestic and foreign investors will have confidence. There are many rule of law and other infrastructure issues, as well as macroeconomic conditions, beyond the control of the SEC and its Eurasian counterparts, which affect the realization of these objectives. Nevertheless, the SEC believes that its program objectives are being substantially achieved, specifically by providing US and overseas training for senior personnel of the Eurasian regulatory and self-regulatory organizations, and providing specific technical assistance with respect to laws and regulations when requested to do so.

During FY 2001, the SEC provided training for 25 participants from four Eurasian countries, bringing the cumulative totals of participants trained since the inception of the Eurasian program in 1994 to more than 675 from 12 Eurasian countries.

SEC International Institute on Enforcement and Market Oversight: The SEC offers this one-week program annually at its headquarters for securities regulators from developed and the more advanced developing markets. The FY 2001 program was held during November 6-9, 2000 at the SEC's Washington headquarters and included one Russian representative.

International Institute for Securities Market Development: During April 23-May 4, 2001, the SEC presented its 2001 International Institute for Securities Market Development at its Washington headquarters. The costs of Russian translation and travel expenses of 13 delegates to the Institute from five Eurasian countries were funded with FREEDOM Support Act funds.

Eurasia/CEE Enforcement and Market Oversight Training Program: During June 18-22, 2001, the SEC offered its annual Eurasia/Central and Eastern Europe (CEE) Enforcement and Market Oversight Training Program in Warsaw, Poland under co-sponsorship with the Polish Securities And Exchange Commission and the Financial Services Volunteer Corps (FSVC). The costs of delivering the program, including Russian translation costs and travel expenses of 11 delegates from four Eurasian countries were funded with FREEDOM Support Act funds.

U.S. DEPARTMENT OF THE TREASURY – TECHNICAL ASSISTANCE

The Treasury Department's Office of Technical Assistance (OTA) conducts advisory assignments in five functional areas of Treasury Department expertise that are appropriate for the government-to-government/ministry-to-ministry context of the Department's programs: budget formulation and management, tax administration and policy, regulation of financial institutions, government debt issuance and management, and financial-crime law enforcement.

In FY 2001, OTA moved forward with a series of initiatives that improved the cost-effectiveness of its programs in an environment of shrinking resources. The most significant of these was a rebuilding of the Regional Office in Budapest, Hungary, including the placement of senior or regional advisors from each of the five functional teams in Budapest. OTA found that its Budapest-based advisors could respond to assistance requests more rapidly and at a lower cost than using advisors traveling from the United States. Such advisors also have been very useful in doing the follow-on work related to recently concluded assignments. This kind of follow-on work is crucial to ensure successful implementation of project work plans in a declining resource environment. Moreover, by having advisors representing each of the functional teams resident in Budapest, OTA has been able to tackle complex assignments that cut across functional lines.

The Treasury Department's work in the financial crimes area already was being emphasized prior to the events of September 11. Using FREEDOM Support Act funds provided both directly and through the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), OTA managed projects to combat corruption, money laundering, and the financing of terrorist activities in Armenia, Georgia, Kazakhstan, Moldova and Russia. These projects provided an excellent foundation for expanding work in these areas after the September 11 events.

In FY 2001, Treasury Department technical assistance achieved substantial results in the Eurasian countries. In Ukraine, based on the work of the OTA budget advisors, the Ministry of Finance completed preparatory work for conversion to a complete program-based budgetary system for the 2002 budget year. In addition, the 2001 budget was presented to the Verkhovna Rada (Parliament) and to the Ukrainian people through a television appearance by the Budget Director and a widely circulated pamphlet entitled *The Budget in Brief*. This is a level of budgetary transparency has never before been achieved within Ukraine. The Treasury Department's Government Debt Team completed work in Armenia, leaving in place a well-functioning government securities market. At the same time, government debt advisors also re-engaged in Kazakhstan and in Moldova.

USAID FARMER TO FARMER (FTF) PROGRAM

USAID's congressionally mandated Farmer-to-Farmer (FTF) Program is funded through the Farm Bill, with P.L. 480 funds transferred to USAID for program implementation. The Eurasian component of the Program is operational in all 12 countries of the region. FTF provides short-term agricultural technical assistance through U.S. volunteers to facilitate the transition to a free-market economy. FTF focuses on agribusiness development, including production, credit, processing, marketing, development of associations and cooperatives, and agricultural/business training.

The FTF Program, which is administered by the Office of Private Voluntary Cooperation of USAID's Bureau for Humanitarian Response (BHR/PVC), is implemented by a consortium of private voluntary organizations (PVOs) and cooperative development organizations including Agricultural Cooperative Development International / Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), the Citizens' Network for Foreign Affairs (CNFA), Land O'Lakes, Winrock International and Mercy Corps International. In many of the Eurasian countries, FTF carries out activities in collaboration with other USAID and USDA grantees and the Peace Corps.

The current phase of the FTF Program in Eurasia began in October 1999 and will continue through September 2003. The total number of volunteer assignments scheduled for this phase of the project is 1,891. To date, a total of 830 volunteer assignments have been completed. Due to the grantee's shortage of recruiting staff, only 68 assignments out of a planned total of 121 for Ukraine, Moldova and Belarus were completed. A breakdown by country is provided below.

LEAD GRANTEE/ COUNTRY	FY 2000 Volunteers	FY 2001 Volunteers	Four-Year Target	Funds Obligated in FY 2001	Funds Expended in FY 2001	Cumulative Funds Expended, FY 1999-FY 2001
Agricultural Cooperative Development International / Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)						
Armenia	24	20	118	\$1,275,000	\$717,229	\$2,685,529
Azerbaijan	26	27	109			
Georgia	26	24	112			
Russia	150	152	592	\$2,225,000	\$1,119,252	\$4,296,765
Citizens' Network for Foreign Affairs (CNFA)						
Belarus	2	8	40	\$1,475,000	\$1,342,959	\$2,541,642
Moldova	17	26	140			
Ukraine	36	34	215			
Winrock International						
Kazakhstan	32	31	133	\$2,305,000	\$2,539,151	\$4,731,246
Kyrgyzstan	32	31	132			
Tajikistan	16	12	90			
Turkmenistan	16	30	96			
Uzbekistan	43	15	114			
FTF TOTAL	420	410	1,891	\$7,280,000	\$5,718,591	\$14,255,182

The FTF Program has the following region-wide objectives for Eurasia:

- promoting best practices for volunteer-provided technical assistance;
- promoting sustainability of private agricultural enterprises;
- helping farmers' associations and cooperatives, and business support organizations increase their institutional capacity;
- helping commercial banks and rural finance systems increase their capacity to provide services to agricultural enterprises (such as credit and finance); and
- improving environmental and natural resource management.

Building on its successes in providing assistance to individual enterprises, the FTF Program is now working on developing sectoral strengths in an array of commodities by developing associations and key enterprises that can provide leadership in promoting specific commodities and services.

The value of FTF volunteers' professional time is estimated at \$12.0 million annually in the twelve countries of the Eurasian region. In addition, FTF grantees, volunteers and cooperating organizations annually leverage additional resources valued at approximately \$2.0 million. FTF maintains long-term relationships with more than 1,200 private agribusinesses and agricultural organizations. Since the program began in 1991, more than 40,000 people in Eurasia have received training directly from FTF volunteers. FTF volunteers also continue to participate in public outreach activities in their U.S. home communities.

In addition, a large part of the FTF program in the Eurasian region is devoted to assisting women entrepreneurs and women farm-owners/managers. FTF volunteers have been instrumental in providing training and advice in management and accounting skills, technical and handicraft skills for rural women, and skills in dealing with the social needs of rural women.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – EMERGING MARKETS PROGRAM (EMP)

USDA's Emerging Markets Program (EMP) funds projects that increase U.S. agricultural exports to emerging markets around the world. In FY 2001, EMP provided \$100,000 for continued USDA technical assistance and training to improve the capability of Kazakhstan's National Statistical Agency to furnish timely, adequate and relevant statistical data on agriculture. EMP also provided \$200,000 for continued USDA technical assistance and training to improve the ability of Russia's State Committee on Statistics (GosKomStat) to furnish sufficient and timely statistical information on Russian agriculture. (For additional details, please see the Kazakhstan and Russia country assessments in Part II of this report.)

U.S. DEPARTMENT OF TRANSPORTATION – FEDERAL AVIATION ADMINISTRATION (FAA)

Please see the Georgia and Russia country assessments in Part II of this report.

U.S. DEPARTMENT OF TRANSPORTATION – FEDERAL HIGHWAY ADMINISTRATION (FHWA)

Please see the Russia country assessment in Part II of this report.

TRADE AND INVESTMENT PROGRAMS

U.S. EXPORT-IMPORT (EX-IM) BANK

In FY 2001, Ex-Im Bank worked to expand the scope of its financing of U.S. exports to the Eurasian countries. In most cases, the countries of the region recovered from the financial crises of 1997 and 1998. There was increasing demand for U.S. goods and services increased, although the figures were not substantially greater than FY 2000. In FY 2001, Ex-Im Bank authorized a total of \$ 302.3 million, covering insurance transactions, as well as medium- and long-term guarantees and loans. This represented a modest increase of 3.0 percent from FY 2000, when the aggregate total was \$293.0 million. The breakdown for FY 2000 authorizations within Eurasia was as follows:

Russia	50.8 percent
Uzbekistan	46.7 percent
Kazakhstan	2.5 percent

Caspian Initiative: Beginning in June 1999 and throughout most of FY 2000, Ex-Im Bank stationed a senior representative at the interagency Caspian Finance Center in Ankara, Turkey. Ex-Im Bank coordinated efforts with the Overseas Private Investment Corporation (OPIC) and the Trade and Development Agency (TDA) to spur U.S. exports and investment in the Caspian region. Although Ex-Im Bank's representative was no longer posted in Ankara after June 2000, Ex-Im Bank remained fully committed to identifying and supporting creditworthy projects in the region, including the proposed Baku-Ceyhan pipeline from Azerbaijan through Georgia to the southern coast of Turkey. To this end, Ex-Im Bank and TDA agreed to conclude a Memorandum of Understanding in FY 2001, whereby TDA, using FREEDOM Support Act funds, would agree to partially underwrite Ex-Im Bank's activities in the Caspian region.

U.S. OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures in developing countries and emerging markets that involve significant equity and/or management participation by U.S. businesses. OPIC provides political risk insurance to U.S. investors to mitigate the risks of overseas business ventures in these areas. OPIC's insurance and financing programs continue to be in demand throughout Europe and Eurasia. While historically the demand has been greatest from U.S. companies investing in the telecommunications, energy, financial services, and manufacturing sectors, there has more recently been interest in the agribusiness, services, and technology sectors. Russia continues to dominate OPIC's business in this part of the world both in terms of aggregate insurance issued and number of projects. OPIC clients continue to struggle with the difficult operating environment in some countries in Europe and Eurasia. Highlights of OPIC's FY 2001 projects are provided below:

- OPIC committed to provide \$29.5 million in financing to a API Glass Partners, L.P. glass-bottle manufacturing expansion project in Russia;
- OPIC committed to provide \$15.3 million in insurance to a Marriott International, Incorporated hotel project in Armenia; and
- OPIC committed to provide \$2.5 million in financing to a Winner Group Ukraine, Incorporated vehicle distribution, sales and service project in Ukraine.

Prospective Activity: OPIC has two projects in an advanced stage of development in the OPIC Finance pipeline for Eurasia, for \$30.5 million in potential investment in the energy and water sectors. OPIC has one project in an advanced stage of development in the OPIC Insurance pipeline for Eurasia, for \$200,000 of coverage in the manufacturing sector. OPIC's Investment Development and Economic Growth Department continues to track a large number of inquiries involving potential projects in Eurasia.

U.S. TRADE AND DEVELOPMENT AGENCY (TDA)

The U.S. Trade and Development Agency (TDA) is a small, independent federal agency that moved quickly to establish its program in the Eurasian region after the breakup of the Soviet Union, and provided its first feasibility study grant in 1992. Since that time, TDA's Eurasia program has continued to grow. In the early years, much of TDA's activity in Eurasia was concentrated in Russia, but its regional team has made a continuing effort to increase TDA's program in Central Asia, the Caucasus, and Ukraine. Activity in Russia began to flag after the financial crisis of 1998. However, in the last year, the recovery of the Russian economy and political stability led to an increase in demand for TDA assistance in Russia. The Agency was also particularly active in the Caspian region, supporting several projects in the oil and gas sector.

In the few short years since opening for business in Eurasia, TDA has funded studies on over 225 major infrastructure and industrial projects. These projects present export opportunities of more than \$6 billion for U.S. companies. Exports of U.S. goods and services related to those projects already total over \$800 million. In FY 2001, program funds obligated for Eurasia totaled \$5,789,646 from transfer funds and \$386,765 from TDA's program budget, for a total of \$6,176,411, most of which was for feasibility studies on projects in the areas of oil

and gas, agribusiness, and transportation. TDA also sponsored a conference on information and communication technology, which highlighted key projects in the Eurasia region.

For FY 2002, TDA will continue its business development programs, with additional emphasis on identifying projects in the Central Asian countries that may be affected by the war in Afghanistan. TDA will hold a conference in Istanbul on tourism infrastructure opportunities in the Eurasia region. TDA is also considering some policy-oriented assistance to help improve the business climate in this region.

Eurasia Regional Activities: TDA's Eurasian regional activities in FY 2001 included sponsoring a Definitional Mission to look at oil and gas projects in Armenia, Azerbaijan, and Georgia, as well as an orientation visit to the United States for representatives of the printing, publishing, and converting sector in Russia, Ukraine, and Uzbekistan. TDA also sponsored the NIS Information and Communication Technology Conference in Brussels, where delegates presented over 30 project opportunities from the region to U.S. companies. Most of the ambassadors from the region also participated in the conference.

ENTERPRISE FUNDS

The U.S. Government-funded Enterprise Funds are designed to promote private-sector development, including small businesses, joint ventures and the agricultural sector, as well as policies and practices conducive to private-sector development. The Funds are authorized to provide loans, grants and equity investments, and to support feasibility studies, technical assistance, training, insurance, guarantees and other mechanisms to achieve the above-mentioned objectives. The Enterprise Funds have provided venture capital in situations where financial markets are still evolving and the business environment is so fragile that foreign investors are reluctant to commit funds to emerging small and medium-sized enterprises. The programs offered by the funds range from venture capital to lending for micro-enterprises. The Funds have also assisted enterprises by providing limited technical assistance and training. Private boards of directors set policy and oversee the management of the Funds, with almost complete independence from the U.S. Government. Some boards have performed extremely well, while others have had mixed results. The following table shows the basic financial status of the Enterprise Funds and other equity capital funds operating in the Eurasian region as of the end of FY 2001:

FINANCIAL STATUS OF U.S. GOVERNMENT-BACKED FUNDS AS OF SEPTEMBER 30, 2001			
	FUNDS AUTHORIZED	FUNDS OBLIGATED	FUNDS EXPENDED
ENTERPRISE FUNDS			
The U.S.-Russia Investment Fund (TUSRIF)	\$440m	\$269m	\$236m
Western NIS Enterprise Fund (WNISEF)	\$150m	\$129m	\$106m
Central Asian - American Enterprise Fund (CAAEF)	\$150m	\$111m	\$106m
SUBTOTAL	\$740m	\$509m	\$448m
EBRD SMALL BUSINESS FUNDS			
Russia Small Business Fund	\$35m	\$35m	\$28m
Lower Volga Regional Venture Fund	\$20m	\$20m	\$12m
TRANS-CAUCASUS ENTERPRISE FUND	\$25m	\$20m	\$20m
TOTAL	\$820m	\$584m	\$508m

Western NIS Enterprise Fund (WNISEF)

The WNISEF was established in 1994 to accelerate private sector development in Ukraine, Moldova and Belarus by providing technical assistance and capital to small and medium-sized enterprises. Most of the Fund's investments have been in Ukraine, although it also has an office in Moldova, where it has made five investments. The Fund's Belarus office closed in FY 2001, due to the Belarusian Government's efforts to tax the Fund and the country's hostile business environment. USAID has authorized \$150

million to be granted to the Fund, of which \$129 million has been obligated. As of September 30, 2001, the Fund had committed approximately \$77 million to 24 medium-sized companies through its direct investment program. Among the Fund's 19 direct investments three financial institutions: the Micro-Enterprise Bank of Ukraine, Micro-Enterprise Bank of Moldova, and Moldova AgroIndBank. As of March 31, 2001, the two micro-enterprise banks had 425 outstanding loans valued at \$2.9 million. These financial investments extend the Fund's impact to the hundreds of other businesses that access credit through the financial institutions that the Fund supports with its capital and technical expertise. The Fund's main goal in the coming months is to successfully exit some investments, and raise a \$100 million private equity fund for Ukraine. This will require a commitment of approximately \$20 million from the Fund. Other potential investors in such a fund would be expected to make similar commitments. Significant results in FY 2001 include the following.

- 8,600 people directly employed by companies in which the WNISEF has invested;
- Almost \$2 million in taxes have been paid by the SBK Brick Company within two years of its rebirth as a WNISEF investment;
- Almost 10 percent of Moldova's GNP is generated by companies supported by the Fund;
- A total of 259 loans outstanding worth \$1.3 million for the Micro-Enterprise Bank of Moldova as of March 31, 2001;
- A total of 166 loans outstanding worth \$1.6 million for the Micro-Enterprise Bank of Ukraine as of April 30, 2001;
- Successful reorganization of the Troyanda Ice Cream Company with the help of Ukraine's bankruptcy courts;
- A total of \$4.5 million in new capital attracted by Euromart from a Greek venture capital fund in 2000; (This was a successful "third-party validation", in which the new investor paid more per share than the WNISEF did when it first invested in the project.)
- A total of \$160 million in parallel financing and co-investment mobilized along with Fund's capital; and
- Annual sales in WNISEF companies grew from \$105 million in 1999 to \$180 million in FY 2001.

In addition to the activities above, the WNISEF's president was instrumental in establishing the Finance and Investment Committee of the American Chamber of Commerce (ACC), which promotes reforms related to the development of capital markets and the flow of investment capital in Ukraine. The Fund has begun to organize a Legal Policy Committee under the ACC to identify legal issues that constrain business and to bring them to the attention of Ukrainian policymakers.

The WNISEF has found it difficult to sell Ukrainian companies, because the poor business environment and weak corporate governance in Ukraine discourages investors. These problems are exemplified by the Fund's experience with a sunflower oil company in which it invested approximately \$5 million. Although the Fund won an arbitration judgment in New York, it is unable to collect on its \$700,000 loan. The Fund, despite ample financial and legal resources and support from the U.S. Government, is still unable to protect its interest in the company, despite 12 ongoing court cases.

Central Asian - American Enterprise Fund (CAAEF)

The Central Asian - American Enterprise Fund (CAAEF) was created in 1994 to promote creation of small and medium-sized businesses in Central Asia. The CAAEF has a total authorized capitalization of \$150 million with \$111 million obligated to date. Business conditions in most of Central Asia are extremely difficult especially for equity investments, which make up the majority of the Fund's portfolio. FY 2001 was a particularly difficult year for the CAAEF. By the end of year, especially after September 11, 2001, investor interest in Central Asia and business conditions deteriorated dramatically. The Fund is in the process of winding down its loan programs and will exit its equity investments as soon as feasible.

The U.S. Russia Investment Fund (TUSRIF)

The U.S.-Russia Investment Fund (TUSRIF) was created in April 1995 as the result of the consolidation of the Russian American Enterprise Fund (RAEF) and the Fund for Large Enterprises in Russia (FLER). The planned capitalization for TUSRIF is \$440 million. TUSRIF has offices in New York, Moscow, Yekaterinburg (Urals), Khabarovsk, Yuzhno-Sakhalin, Vladivostok (Russian Far East), Rostov-on-Don (Southeast Russia), and St. Petersburg (Northwest Russia). In 1999, TUSRIF established a private management company, Delta Capital Management, to raise funding from private sources and from

international financial institutions (IFIs). TUSRIF provides financial services to small and medium-sized Russian firms through five subsidiaries: a wholly owned bank and four financial services. As of September 30, 2001, TUSRIF, its partner banks and Delta financial subsidiaries has funded \$76 million in loans to 3,600 small businesses. Direct financing of \$145 million has been provided to 38 firms that employ approximately 17,500 people in agribusiness; financial services, broadcasting/publication, consumer products, manufacturing, natural resources, retailing, telecommunications, leisure, health care and pharmaceuticals.

To date, TUSRIF has made \$22 million in equity investments in Delta Bank, Delta Leasing, Delta Leasing Far East, Delta Auto Lease and Delta Credit. The Delta subsidiaries have disbursed \$38.3 million for business loans, equipment leases, auto and truck leases, residential mortgages and other financial services. Since 1995, TUSRIF's Bank Partner Program (BPP) has generated over \$53 million for small business lending, micro enterprises loans, and auto and mortgage lending. BPP activities will be consolidated into the Delta financial subsidiaries. The European Bank for Reconstruction and Development (EBRD) has tentatively committed to \$30 million in financing, and discussions are under way with the International Finance Corporation (IFC) and the U.S. Overseas Private Investment Corporation (OPIC) for additional lines of credit. Beyond providing capital to its portfolio companies, Delta Capital is adding value by funding technical assistance in management training, information system development, and advisory services. TUSRIF has also attracted about \$270 million in joint-venture investments for 28 investments.

Milestones for TUSRIF in FY 2001 included the sale of three investments for \$28 million, which yielded \$18 million in profits and demonstrated the improving liquidity of the Russian market and potential profitability of the Fund's investments. Another milestone was the Fund's successful court fight to defend shareholders' rights in the Lomonosov Porcelain Factory. As a result, the Fund was able to replace the management and transform the factory into a profitable enterprise.

Lower Volga Regional Venture Fund (LVRVF)

The LVRVF is one of 12 EBRD Russian regional venture funds. The LVRVF is part of an initiative agreed upon by the G-7 governments and the European Union at the Tokyo Summit in July 1993 to support small and medium-sized enterprise development in Russia. The LVRVF opened for business in May 1995 with a \$30 million capital commitment from the EBRD, a \$3 million commitment from the fund manager, and a pledge of \$20 million from USAID to cover technical assistance and operating costs during the ten-year life of the fund. The LVRVF has adapted an early-stage venture capital investment strategy that actively participates in corporate governance and invests in above-average-growth companies in the Volgograd, Samara and Saratov regions. As of September 30, 2001, the LVRVF's cumulative investment commitments were \$18.3 million in eight investments, with \$12.5 million of the USAID grant utilized for operating expenses and technical assistance to firms. Seven investment opportunities are in the project pipeline—the Fund's management expects to be fully invested by the end of 2002.

Trans-Caucasus Enterprise Fund

In FY 1996, the U.S. Congress earmarked \$15 million for the creation of a Trans-Caucasus Enterprise Fund to promote regional cooperation and private-sector development in Armenia, Azerbaijan and Georgia. An additional \$10 million was earmarked in FY 1997, along with the authority to invest through other institutions. In September 1997, USAID provided Shorebank Advisory Services (SAS) a \$20 million grant to implement a five-year Trans-Caucasus SME Finance Program, and provided the Foundation for International Community Assistance (FINCA) a \$5 million grant to implement micro-enterprise programs. The SAS and FINCA efforts are collectively known as the Caucasus SME Finance Program (CSFP). The CSFP creates and promotes financial products and institutions that meet the needs of small businesses and entrepreneurs, with training and networking to complement financing. The CSFP used its now fully developed range of financial products to decisively expand lending to qualified SME borrowers throughout the region in FY 2001.

Caucasus SME Finance Program (CSFP): Together, SAS and FINCA disbursed over \$13.95 million during FY 2001, more than the total amount disbursed in the program's first three years. Cumulative lending for the CSFP rose to \$27.7 million by the end of September 2001, plus another \$1.55 million approved and awaiting disbursal. SAS has also mobilized \$9.4 million in complementary funding from the IFC and expects to attract further funding from the IFC, local savers, financial intermediaries and other investors. Both SAS and FINCA have given priority to maintaining healthy portfolios. After three years of activity, relatively few loans have been written off, and the percent of outstanding arrears is low.

- In FY 2001, the cumulative number SAS loans increased from 506 to 1,064 and FINCA's active clients increased from 8,462 to 12,680.
- The CSFP's outstanding balance as of the end of September 2001 had grown to \$7.25 million, up from \$5.07 million the previous year.
- The CSFP broke productivity records for each of the final two quarters of FY 2001. In July-September, for the first time, the CSFP went over the \$4 million mark (\$4.25 million) for a quarter.
- Armenia programs exceeded their 2001 productivity targets by 50 percent, Georgia by 28 percent, while Azerbaijan was virtually even with its targets.

CSFP DISBURSALS - ALL PORTFOLIOS		
	NEW ACTIVITY FY 2001	CUMULATIVE TOTAL
Georgia	\$7,850,950	\$17,651,055
Armenia	\$4,087,901	\$5,286,542
Azerbaijan	\$2,020,552	\$4,726,011
Total	\$13,959,403	\$27,663,608

FY 2001 proved the validity of several recent CSFP innovations.

- FINCA accounted for over half of all CSFP lending during the year, testifying not only to the appeal of the village banking system, but also to FINCA's flexibility in designing new products that are larger than their usual micro-enterprise loans.
- The SAS/Bank of Georgia specialized real estate lending program, which provides long-term loans (up to 5 years) for purchase and renovation of real estate, has enjoyed tremendous popularity and has opened a whole new line of business for other banks.
- SAS's independent direct lending operations in Armenia and especially Azerbaijan counteract inadequate local-bank lending to deliver financing directly to qualified businesses.

EBRD Russia Small Business Fund

At the Tokyo G-7 Summit in 1993, the G-7 and Russian Governments asked the EBRD to establish and manage a Russia Small Business Fund (RSBF) through contributions from the EBRD, G-7 members and Switzerland. The RSBF provides loans to small and micro-enterprises through selected Russian commercial banks to provide small business with finance and strengthen the capacity of the Russian banking sector to lend to small businesses. The RSBF makes available loans of up to \$150,000 with maturities of up to three years. In some cases, a loan amount can go up to \$500,000 to finance production equipment or the acquisition of real estate. Such financing has not been previously available to small firms from local banks. The U.S. Government pledged \$30 million to the RSBF at the Tokyo Summit, which primarily financed technical assistance to the banks implementing the program. In 1998, the U.S. Government agreed to contribute an additional \$5 million in loan capital, with at least 50 percent of these funds to go to the Regional Initiative (RI) sites of Samara, Novgorod, and the Russian Far East.

As of October 1, 2001, USAID's \$35 million has leveraged a \$650 million RSBF, which has disbursed a total of 61,000 loans to Russian enterprises through partner banks. In August 2001 alone, the RSBF disbursed over 2,643 loans totaling \$22.7 million in micro- and small loans—the highest number of loans disbursed in a single month since the RSBF began operations in 1994. As of September 1, 2001, the total dollar amount of loans in the RSBF's small loan portfolio is up 48 percent since January 2001, and the micro-loan portfolio is up 66 percent. Given this accelerated rate of lending, the RSBF is on course to reach its target of over \$250 million in disbursements for 2001, with over 3,000 loans monthly. Repayment rates on both micro- and small loans remain excellent, with only 0.51 percent of outstanding loans in arrears. The RSBF has also invested in small-enterprise equity funds that lend or invest up to \$700,000 in Nizhniy Novgorod and St. Petersburg, managed on behalf of the EBRD by Small Enterprise Assistance Funds (SEAF). In 2000, the EBRD completed the process

of establishing and recapitalizing a new financial institution, Small Business Credit Bank (KMB Bank), for funding micro and small enterprises through the RSBF. As of the end of August 2001, KMB Bank had already disbursed over 12,000 loans totaling \$153.1 million to SMEs.

Defense Enterprise Fund

In FY 1995, the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program shifted the focus of its defense conversion efforts from the direct creation of joint ventures to support for joint projects through the Defense Enterprise Fund (DEF). The U.S. Congress established the DEF to assist Russia, Ukraine, Kazakhstan and Belarus in privatizing their defense industries and converting their military technologies and capabilities to civilian activities. In practice, the DEF provides loans and grants and makes equity investments in joint defense conversion projects involving U.S. companies and Eurasian enterprises formerly involved in producing WMD. These activities support U.S. national security objectives of eliminating weapons production capability and promoting development of democratic, market-based systems in the Eurasian countries.

In FY 1997, funding responsibility for the DEF was transferred from the U.S. Department of Defense to the U.S. Department of State under the FREEDOM Support Act. The DEF received a total of \$66.7 million from the Departments of Defense and State. While no Defense Department funding has been appropriated for the DEF since FY 1995, and no State Department funding since FY 1997, the DEF's investments have contributed to transformation efforts in the former Soviet military industrial complex. The DEF has invested in a total of 10 projects in Russia, two in Kazakhstan, and one in Ukraine. Several DEF investment projects have been successfully harvested and, despite the August 1998 Russian financial crisis and its spill-over effects throughout Eurasia, most remaining projects continue to perform adequately. Due to difficulties related to privatization laws and human-rights abuses in Belarus, the DEF has been unable to invest in projects in that country. Under new management in 1999, the DEF has invested almost all of the U.S. Government funds provided.

DISTRIBUTION OF DEF ACTIVITY BY COUNTRY AS OF DECEMBER 30, 2001

<u>COUNTRY</u>	<u>PROJECTS</u>	<u>APPROVED COMMITMENTS</u>	<u>AMOUNTS FUNDED</u>
Ukraine	1	\$2.50m	\$0.81m
Kazakhstan	2	\$6.05m	\$6.05m
Russia	9*	\$34.84m	\$36.50m
TOTAL	12	\$43.39m	\$43.36m

(*Excludes a \$2.8 million project with Caterpillar and NevaMash that the DEF has already harvested.)

Russia: The DEF has continued and expanded defense conversion efforts begun in Russia by the U.S. Department of Defense by providing financial support through loans, grants and equity investments for the demilitarization of industries and conversion of military technologies and capabilities into civilian activities. The DEF selects enterprises qualified for funding—such as privatized enterprises or spin-offs, defense enterprises or laboratories, with a priority placed on those enterprises previously engaged in WMD-related activities—that have partnerships with U.S. or other Western companies. The DEF has funded several successful conversion projects in Russia and has also helped the Russian Government and Russia's defense industry understand the requirements that conversion projects must meet in order to attract private-sector venture capital. As a direct result of DEF investments in Russia, a former manufacturer of nuclear submarine components is now building excavation equipment, and satellite tracking technology is now employed in private telecommunications applications.

Kazakhstan: The U.S. Department of Defense provided a total of \$7.0 million to the DEF for equity investments, grants and loans in joint ventures with Kazakhstani former WMD enterprises. The DEF has invested \$3.0 million in a Lucent project to create a second national telecommunications carrier using satellite communications and \$3.0 million in a KRAS Group venture to manufacture and market printed circuit boards and consumer electronics.

Ukraine: Although the DEF had committed to invest up to \$2.5 million in Liform, a venture that is already reclaiming a large, low-cost supply of scrap aluminum, brass and other metals from military hardware for resale on the world market, this investment is currently on hold.

U.S. DEPARTMENT OF COMMERCE – BUSINESS DEVELOPMENT COMMITTEE INITIATIVES (BDCI)

In FY 2001, the Commerce Department's Business Development Cooperative Initiatives helped selected countries in the Caucasus and Central Asia connect to the global economy through good governance and standards programs adapted from models and experience originally developed in Russia. The BDCI Program also added new components to the CLEAR-PAC customs clearance project in Russia, which cleared U.S. goods into Russia on a pilot basis during the year, and organized discussion of measures to develop commercial cooperation between the U.S. West Coast and the Russian Far East. The Program also exploited opportunities to encourage improvements in the business environment in Russia for commercial cooperation in railroads and information technology as well as industry standards in general. (For additional details, please see country assessments in Part II of this report.)

Caucasus Regional Programs (Armenia, Azerbaijan, Georgia)

Regional Standards Seminar: A BDCI-supported Commerce Department regional conference on standards in Tbilisi in November 2001 for officials from Armenia, Georgia, and Azerbaijan provided the countries with key know-how and contacts for bringing their standards regime in line with the global economy. The seminar helped spur interest in the WTO, especially by Azerbaijan, which subsequently energized its accession efforts.

Business Ethics Program: BDCI-supported activities launched a Commerce Department business ethics program in cooperation with the Special American Business Internship Training Program (SABIT) in Armenia, Georgia and Azerbaijan with a seminar in Baku in July attended by over ninety private sector and NGO participants. The seminar began a government-business dialogue on business ethics and started planning for development of *Basic Guidelines for Codes of Business Conduct* which will be used by enterprises to develop their own codes.

ENERGY AND ENVIRONMENTAL PROGRAMS

U.S. DEPARTMENT OF ENERGY (DOE) – INTERNATIONAL NUCLEAR SAFETY PROGRAM

DOE is working to improve safety of Soviet-designed reactors through the following bilateral and multilateral cooperative activities in Armenia, Kazakhstan, Russia and Ukraine:

- strengthening the physical condition of the plants;
- enhancing safety-related practices;
- developing an indigenous nuclear safety infrastructure by working with International Nuclear Safety Centers to promote the open exchange of nuclear safety information and cooperation on safety analysis and nuclear power engineering; and
- facilitating closure of the highest risk plants where possible.

Activities are conducted with personnel at nuclear power plants, scientific and technical institutes, and government agencies. In FY 2001, program efforts significantly improved the safety of Soviet-designed reactors and the nuclear infrastructure. (For additional details, please see the Armenia, Kazakhstan, Russia and Ukraine country assessments in Part II of this report.)

U.S. NUCLEAR REGULATORY COMMISSION (NRC)

The NRC, a small, independent federal agency, is a pioneer in providing nuclear safety and regulatory assistance to Europe and Eurasia. NRC's involvement began in 1988, 2 years after the accident at the Chernobyl Nuclear Power Plant. Following the breakup of the Soviet Union, NRC's nuclear safety assistance activities were broadened to include European and Eurasian countries within which Soviet-designed nuclear power plants were operated (Armenia, Bulgaria, Czech Republic, Hungary, Kazakhstan, Lithuania, Russia, Slovak Republic and Ukraine).

Since FY 1992, NRC has received approximately \$39 million in FREEDOM Support Act funds to support nuclear safety assistance activities in the Eurasian countries. During FY 2001, NRC provided training to around 50

Russian, Ukrainian, Kazakhstani and Armenian nuclear regulators, bringing the total number of regulatory officials trained by NRC since 1992 to approximately 750. In the early years, much of NRC's activity was concentrated in Russia as Russia inherited the largest number of Soviet-designed reactors. However, recent NRC involvement in Russia has waned as a result of sanctions imposed upon Russia in response of Russia's nuclear-related activities in Russia. (For additional details, please see the Armenia, Kazakhstan, Russia and Ukraine country assessments in Part II of this report.)

U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA)

EPA's approach in the Eurasian continues to emphasize four primary objectives to meet these countries' ongoing environmental needs:

- Strengthening the management capacity of Eurasian environmental institutions responsible for generating and managing resources necessary for environmental protection;
- Improving environmental quality and addressing environmental health problems where possible, primarily through the use of low-cost, innovative environmental technologies;
- Using demonstration projects at specific sites, with subsequent dissemination to other regions and incorporating project results into national policy; and
- Promoting civil society and furthering democratic principles in environmental decision-making processes

Regional Programs

Energy Efficiency and Climate Change: EPA's climate projects in the Eurasian countries continue to reduce and avoid emissions of the six greenhouse gases (GHGs), especially carbon dioxide (CO₂) and methane (CH₄), and to increase carbon sequestration (forest sinks, etc.) through improved resource management. Since 1992, through a combination of technology, finance, regulatory, and institution-building approaches, EPA project partners in Eurasia have reduced or avoided at least two million metric tons (tonnes) of CO₂ emissions, and are now reducing or avoiding more than 600,000 to 700,000 tonnes annually. Most of these reductions are the result of technology transfer and regulatory development in the heat-and-power and construction sectors.

Regional Environmental Centers (RECs): FY 2001 saw the emergence of the five Eurasian RECs in Moldova, Ukraine, Kazakhstan, Georgia, and Russia (see country-specific descriptions) as important fora for further environmental engagement in the Eurasian countries. By the end of FY 2001, much of the core start-up organizational development activities of the RECs had been completed, such as recruitment of staff, approval and early implementation of work plans, selection of Board and Advisory Council members, securing of initial funds from the U.S. and EU, and finalization of internal legal operational documents and procedures. Joining the REC-Moldova, which has been operating for several years, the other four Eurasian RECs started regional work on supporting public participation in environmental decision-making, environmental education and awareness, and local environmental action programs (see country-specific descriptions). In addition to individual support for the respective RECs, EPA is also providing funds to further cooperation among the RECs themselves and strengthen the regional network of Eurasian RECs. This network support also seeks to build closer ties with the REC in Hungary, originally established in 1990 to address environmental problems in Central and Eastern Europe.

A continuing systemic problem is the weakness of the Eurasian countries' environmental agencies, which are often under-funded, understaffed, and lack the legal authorities needed to carry out their responsibilities. EPA has been working at the local, oblast, and national levels in the Eurasian countries to conduct programs that have governmental capacity-building components, recognizing that the major environmental problems in Eurasia cannot be solved without the active engagement of strong environmental government agencies. In FY 2002, EPA will continue to address this weakness by refocusing its efforts on institutional reform and capacity-building with counterparts in Eurasia. Project priorities will include: (1) environmental policy, including market-based mechanisms for environmental protection; (2) institutional strengthening of environmental ministries; (3) support of community-based initiatives and non-governmental organizations; (4) addressing environmental health threats; and (5) improving environmental financing systems for environmental projects.

The Caucasus Regional Environment Center (REC-Caucasus), which is the only organization in the Caucasus with official representation from all three governments, continued its further development in FY 2001 after the signing of the bilateral agreement between the U.S. and the government of Georgia. It issued its first round of

grants, funded by EPA, to support environmental NGOs in each of the Caucasus countries. In July 2001 it held an international conference on "Water Resources Management in the South Caucasus," bringing together members of the REC's governing bodies, governmental environmental authorities, parliamentary committees, NGOs, academics, and international donors.

The **Central Asia Regional Environment Center (CAREC)**, completed its early establishment and organizational development process and secured core EU funds to support the operational and early program costs. Delays in U.S. funding to the CAREC continued on the bilateral agreement for the CAREC. Early EPA funds are targeted for support of the CAREC's region-wide NGO Grants Program and for furthering the CAREC's cooperation with the other Eurasian RECs. EPA continued its work on a GHG inventory in Kazakhstan in FY 2001. The Kazakhstan Institute for Environmental Monitoring (Kazniimosk) continued its GHG inventory of the heat and power emissions in Almaty, prompting a change in the data reporting requirements within Kazakhstan. EPA also continued its work to redirect former Soviet weapons scientists to civilian occupations. It created an environmental monitoring laboratory in Stepnogorsk, Kazakhstan and initiated three new projects: research on the detoxification properties of lactobacillus species in the human intestine; phyto-remediation of pesticide-contaminated sites; and bio-remediation of a mercury-contaminated site near Pavlodar, Kazakhstan. All three new projects use the laboratory capacity in Stepnogorsk.

U.S. DEPARTMENT OF THE INTERIOR – MINERALS MANAGEMENT SERVICE (MMS)

Caspian Partnership for Regulatory Cooperation (CPRC): Since FY 1999, MMS is providing USAID-funded technical and policy advice and assistance to the countries of Georgia, Kazakhstan and Turkmenistan as they continue their efforts to implement legislative and regulatory reforms with the long-term goal of establishing transparent oil and gas regulatory institutions. The experience and expertise MMS is providing through technical assistance workshops, regulatory partnerships, and on-site shadow training are designed to help these countries develop and implement regulatory systems that incorporate contemporary international safety and environmental standards. Most assistance has been planned and performed in conjunction with other USAID funded contractors, including PA Consulting Inc. (formerly Hagler-Bailly, Inc.) for the technical assistance work and the United States Energy Association (USEA) for regulatory partnership activities. MMS did not conduct any activities in Georgia or Turkmenistan in FY 2001; however, MMS did conduct several technical assistance workshops in Kazakhstan, benefiting a total of 19 participants. (For additional details, please see Kazakhstan country assessment in Part II of this report.)

MMS programs planned for FY 2002 include the following:

ACTIVITY	APPROXIMATE DATE
G&G Modeling Software training in Preparation for Production Sharing Negotiations Astana, Kazakhstan	Winter 2002
Environmental Regulatory Management: Mock Development Plan Atyrau, Kazakhstan	Spring 2002
MMS Tendering System: Simulated Lease Sale Astana, Kazakhstan	Summer 2002

U.S. DEPARTMENT OF THE INTERIOR – U.S. FISH AND WILDLIFE SERVICE Please see Russia assessment in Part II of this report.

SECURITY, REGIONAL STABILITY AND LAW ENFORCEMENT PROGRAMS

U.S. DEPARTMENT OF DEFENSE (DoD) – COOPERATIVE THREAT REDUCTION (CTR) PROGRAM

The Soviet Nuclear Threat Reduction Act of 1991 (also known as the Nunn-Lugar Act) charged DoD with establishing a program to assist the Soviet Union and any successor states to store, safeguard, destroy and prevent the proliferation of weapons of mass destruction (WMD) and other weapons. The resulting Cooperative Threat Reduction (CTR or Nunn-Lugar) Program has played a crucial role in the U.S. Government's proliferation prevention strategy. Belarus, Kazakhstan and Ukraine acceded to the Nuclear Nonproliferation Treaty in 1994 based on the commitment of CTR assistance to help rid their countries of nuclear weapons. This important milestone, the removal of all nuclear weapons from these states, was achieved in 1996.

Since its inception, assistance provided by the DoD CTR program has helped deactivate 5,809 nuclear warheads and eliminate 92 heavy bombers, 21 ballistic missile submarines, 795 ballistic missile launchers and 729 ballistic missiles. CTR assistance has contributed to improving nuclear material protection, controls and accountability, the storage and transport security for Russian nuclear warheads and providing safe and secure storage of weapons grade fissile materials in the former Soviet states. CTR assistance also has helped Eurasian states make progress in eliminating chemical and biological weapons infrastructure, in placing better safeguards on existing chemical weapons (CW) stockpiles and dangerous pathogen collections, and beginning important, collaborative research on bio-defense programs. Under the CTR program, DoD continues to assist in the destruction of former Soviet WMD and their means of delivery at their existing locations. If this is not possible, DoD attempts to consolidate and secure them. Moreover, the Department's CTR program continues to strive to prevent the proliferation of WMD, materials, and knowledge from the former Soviet Union.

From FY 1992 through FY 2001, a total of \$3.6 billion has been budgeted for CTR assistance to the Eurasian states. A total of \$442.4 million was appropriated for the CTR program in FY 2001, with \$370 million of this allocated for assistance to Russia, the largest recipient of CTR assistance. The following Eurasian countries are currently eligible to receive CTR assistance: Russia, Ukraine, Moldova, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. (As Tajikistan was only recently certified as eligible to participate in the CTR Program, it did not receive any CTR assistance in FY 2001.)

The CTR program continues to enjoy strong support within the administration and in Congress for its important contribution to U.S. national security. Country-specific CTR activities are described in the country assessments in Part II of this report. Pursuant to legislative requirements, the CTR Program provides separate, detailed semi-annual reports to the U.S. Congress.

U.S. DEPARTMENT OF DEFENSE – COUNTERPROLIFERATION PROGRAMS

Under separate legislative acts in FY 1995 and FY 1997, Congress directed the Secretary of Defense to develop and implement, in cooperation with the U.S. Customs Service (USCS) and the Federal Bureau of Investigation (FBI), two WMD counterproliferation initiatives to provide training and technical assistance to Eurasian nations' law enforcement, customs and border guard personnel. These two programs, the DoD/FBI Counterproliferation Program and DoD/USCS Counterproliferation Program, are coordinated with the U. S. Department of State and implemented by the Office of the Secretary of Defense, the Defense Threat Reduction Agency (DTRA) and other agencies. From FY 1995 through FY 2001, a total of \$17.35 million has been budgeted for these programs, which have achieved the following significant milestones:

- Counterproliferation assistance agreements have been developed with ten countries, and are under negotiation with three more. One or both programs have been established in 17 European and Eurasian countries.
- A total of 1,162 European and Eurasian officials have received various counterproliferation-related training.
- Three countries have received assistance with development of counterproliferation legislation, and work is progressing with several more.

The success of such assistance is evident in several WMD-related seizures made by local officials. For example, in 1999, Kyrgyzstan seized a shipment of plutonium, and Georgia seized shipments of U-235. In 2000, radioactive material was stopped at the Uzbekistani-Kazakhstani border and in 2001 at another border post in Uzbekistan.

DoD/FBI Counterproliferation Program

The National Defense Authorization Act for FY 1995 (P.L. 103-337) authorized the Secretary of Defense and Director of the FBI to develop a joint program to expand and improve U.S. Government efforts to deter, interdict and prevent possible proliferation and acquisition of WMD by organized crime groups and individuals in the Eurasian countries. The program focus is on nuclear, chemical and biological weapons-related law enforcement training to prevent smuggling and trafficking. Following training, some equipment may be provided to enable trained personnel to execute their responsibilities more effectively. The DoD/FBI Program seeks to achieve the following: (1) help establish a cadre of professional law enforcement personnel in participating nations who are trained and equipped to prevent, deter, and investigate crimes related to proliferation and/or diversion of WMD related materials; (2) assist participating nations, on their request, in developing appropriate laws, regulations, and enforcement mechanisms in accordance with international standards; and (3) build a solid and enduring bureaucratic framework reinforced by political commitment to help participating governments address proliferation problems.

The U.S. Congress authorized DoD to reprogram up to \$10 million to support this program. In FY 2001, the DoD/FBI Counterproliferation Program expended approximately \$1.37 million: \$271,000 for Moldova; \$70,000 for Kazakhstan, \$154,000 for Kyrgyzstan, \$111,000 for Uzbekistan, \$56,000 for Tajikistan, and \$56,000 for Turkmenistan. In FY 2001, activities included the following:

- Criminal investigations/operations training for officials from Armenia, Azerbaijan, Moldova, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan;
- Interagency crisis incident management training in Armenia, Moldova and Uzbekistan;
- WMD seminars for officials from Turkmenistan and Tajikistan; and
- Legislative and export control training for officials from Georgia, Moldova, Kazakhstan and Kyrgyzstan.

DoD/U.S. Customs Service (USCS) Counterproliferation Program

The DoD/USCS Counterproliferation Program was authorized in Section 1424 of the FY 1997 National Defense Authorization Act. The program initially focuses on providing equipment. A government-to-government counterproliferation agreement must be in place between the United States and the participating nation prior to equipment delivery. These agreements serve as umbrella documents for this and other U.S. bilateral initiatives, reflect government commitments to stop WMD proliferation and trafficking, and provide necessary liability protections, privileges, immunities and tax/customs exemptions for equipment assistance and personnel under this program. Through 2001, agreements have been completed with Azerbaijan, (this program is exempt from Section 907 restrictions on assistance to the Government of Azerbaijan), Georgia, Moldova, Kazakhstan and Uzbekistan. Similar agreements are being negotiated with Armenia, Kyrgyzstan and Turkmenistan. The DoD/USCS Counterproliferation Program seeks to achieve the following: (1) help establish a cadre of professional border enforcement personnel trained to detect, identify, interdict and investigate smuggling and trafficking related to the proliferation of nuclear, biological and chemical weapons and related material; (2) assist in developing appropriate legislation, laws, regulations and enforcement mechanisms; and (3) help build a solid and enduring bureaucratic and political framework for counterproliferation in participating nations.

During FY 2001, the DoD/USCS Counterproliferation Program expended approximately \$2.5 million: an estimated \$540,000 for Armenia, \$10,000 for Azerbaijan, \$71,000 for Georgia, \$295,000 for Moldova, \$410,000 for Uzbekistan and \$125,000 for Kazakhstan. Program highlights included the following:

- A database of suspect end-users was provided along with training to Armenian and Azerbaijani officials;
- Advanced radiation detection and interdiction training was conducted in Kyrgyzstan;
- Tracking training (with sets of ground sensors) was provided to Kazakhstan and Uzbekistan; and
- Border security/port enforcement equipment was delivered to Armenia, Moldova and Uzbekistan, and is planned for Azerbaijan.

(For additional details, please see the country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE – EXPORT CONTROL AND RELATED BORDER SECURITY ASSISTANCE

The objective of the Export Control and Related Border Security Assistance (EXBS) program is to help the Eurasian countries build more effective export and border control systems, including legislation, institutions, infrastructure and capabilities to prevent, deter, detect and interdict potential proliferation of WMD, missile delivery systems, related technologies and other weapons. Under the EXBS Program, the State Department provides equipment, training and services focused on helping weapons source countries and countries along potential smuggling routes to develop effective export and border control regimes including effective capabilities to control illicit weapons trafficking across their borders. The EXBS Program specifically focuses on the following: (1) furnishing customs, border guards and other border control agencies with surveillance, detection and monitoring equipment needed to interdict illicit goods; (2) establishing the necessary legal and regulatory framework for effective export controls; (3) improving licensing procedures and practices; (4) coordinating, training and equipping export and border control enforcement agencies, including customs agents, border guard and other border security authorities; (5) developing and installing automated information systems for licensing and enforcement; and (6) fostering effective interaction between government and industry on export controls.

With initial funding from the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program, the Departments of Commerce, Energy, State and Treasury (U.S. Customs Service) provided approximately \$39 million in export control assistance to Russia, Ukraine, Kazakhstan and Belarus through FY 1995. In FY 1996, funding responsibility for EXBS assistance shifted to the Department of State under the Nonproliferation and Disarmament Fund (NDF). In FY 1998, State Department funding for global EXBS assistance became a separate budget line-item under the Nonproliferation, Anti-Terrorism, De-mining and Related Programs (NADR) account. In FY 2001, the Department of State significantly increased the EXBS allocations in the NADR and FREEDOM Support Act (FSA) accounts to a combined level of \$26 million for the Eurasian states (not including EXBS efforts under the Georgia Border Security and Law Enforcement Assistance Program described below): \$5 million in NADR funds and an estimated \$21 million in FSA funds. This increased funding enabled the State Department to expand both the geographic coverage and scope of EXBS assistance.

EXBS assistance is closely coordinated within the Department of State, which also provides policy direction and coordinates EXBS activities implemented through other U.S. Government agencies. EXBS assistance is implemented through the U.S. Departments of Commerce (DOC), Energy (DOE), Defense (DoD), the U.S. Customs Service (USCS) and the U.S. Coast Guard (USCG) in their respective areas of expertise. For example, USCG activities specifically support development of maritime capabilities in the areas of nonproliferation, export control, counter-narcotics, anti-smuggling and border security operations in a manner consistent with international law, global maritime standards and internationally recognized human rights.

In FY 2001, the Department of State obligated \$26 million for the following EXBS projects in Eurasia (excluding Georgia), many of which were carried out as part of multinational or regional efforts:

- Meetings, workshops, and seminars, licensing procedures and practices workshops; legal and regulatory training and other DOC-provided training (\$2.98 million);
- Nuclear nonproliferation activities (\$3.83 million);
- Detection and enforcement equipment and related training (\$11.53 million)
- Maritime assistance, including mobile training teams (\$1.10 million);
- Technical assistance and in-country program advisors (\$2.22 million),
- Program audits (\$400,000);
- Regional projects and programs, including training (\$2.85 million); and
- Regional fora and conferences (\$470,000)

Georgia Border Security and Law Enforcement Assistance (GBSLE) Program

A primary effort under the FSA-funded EXBS program, the GBSLE Program continues to be the largest single U.S. Government-funded assistance program in Georgia. In FY 2001, assistance provided to the Georgian Border Guards (GBG), Customs, Defense and other export and border control and law enforcement agencies totaled \$18 million, bringing the FY 1998-2001 cumulative program total to \$72 million.

For further details on country-specific activities, please see the country assessments in Part II of this report.

U.S. DEPARTMENT OF STATE – SCIENCE CENTERS PROGRAM

The State Department's Science Centers Program provides support to two multilateral intergovernmental organizations that were established under international agreements to prevent the spread of WMD and delivery-system technologies by providing opportunities to former Soviet weapons scientists and engineers to redirect their weapons expertise to peaceful activities. The International Science and Technology Center (ISTC) in Moscow, established in November 1992, began operations in 1994, and the Science and Technology Center in Ukraine (STCU) in Kiev, established in October 1993, became operational in 1995. Since 1994, the two Science Centers have funded over 1,800 projects involving more than 40,000 former Soviet weapons scientists and engineers. The U.S. Government cooperates with Canada, the European Union, Japan, the Republic of Korea, and Norway in providing financial support for the ISTC and STCU. The Centers also receive substantial in-kind contributions from Russia, Ukraine and other participating states (Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan and Uzbekistan) in the form of local office and personnel support, tax and customs exemptions, and infrastructure support for projects at participating research organizations.

In FY 2001, the Science Centers continued to expand activities both in terms of scientific project proposals and in support areas such as business training, travel, and commercialization development. In FY 2001, the ISTC experienced a 20-percent increase in submitted proposals over FY 2000. Nonetheless, despite a significant increase in U.S. Government program funding allocations for the ISTC, many high-priority ISTC projects and initiatives are still left unfunded or under-funded. The approximately 40,000 former Soviet weapons scientists engaged by Science Center projects over the past eight years is still only slightly more than half of the estimated total number of weapons scientists and technicians of the old Soviet system. In addition, through engagement via the Science Centers, the U.S. Government continues to find more institutes and facilities with WMD-applicable personnel and equipment that represent a serious proliferation concern. Also, countries of concern continue to search for expertise that could be applied to WMD programs. Of particular concern are former pilot and large-scale chemical and biological weapons production facilities that are no longer in use as well as biological research institutes specializing in animal and plant diseases.

The Moscow-based ISTC supports project work and other activity at scientific institutes in Russia, Armenia, Belarus, Georgia, Kazakhstan and Kyrgyzstan. The Kiev-based STCU operates in Ukraine, Georgia, and Uzbekistan, with Tajikistan and Azerbaijan expected to join in FY 2002. In FY 2001, the United States was the largest contributor to project funding and support activities in both Centers. In FY 2001, a total of \$35 million in Nonproliferation, Anti-terrorism, De-mining and Related (NADR) funds was allocated to the Science Centers by the Department of State, and other U.S. Government agencies funded over \$20 million through the Centers for projects in their own specific areas of interest.

As part of the bio-redirection effort, the Department of State funded \$16 million in projects at both Centers, as well as supported travel for scientists to the United States, training, and communications upgrades at biotechnical institutes. In addition, the U.S. Department of Health and Human Services (HHS), the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) funded several projects through the ISTC with Russian biological research institutes to address specific public health issues and animal and plant microbiology studies. Under the Defense Department's CTR program, the Defense Threat Reduction Agency (DTRA) funded several projects through the ISTC in the areas of bioterrorism defense and biological material protection/physical security upgrades at several Russian biological institutes that were once part of the secret Soviet biological weapons research network. (See also HHS, USDA and DoD-CTR sections.)

Both Science Centers are maturing into second-generation organizations that are increasing the scope and diversity of activities and funding sources. This maturation includes: an increasing number of project proposals submitted from an increasing number of institutes and facilities; a growing number of projects funded by government and industry partners; and the anticipated addition of Azerbaijan and Tajikistan to the STCU. The two Centers are pursuing valorization and sustainability efforts and continuing to expand business support activities beyond funding cooperative science projects. These activities include training and research support services for commercialization of project results, support services for domestic and international patent application, increased support for travel (both by Eurasian scientists to the West and U.S. experts to the region for project development and collaborator cooperation, and scientific workshops to bring scientists together to discuss research topics.

The FY 2001 program was the first fiscal year in which the Science Centers Program funding was through the Nonproliferation, Anti-Terrorism, Demining, and Related Activities (NADR) Account. A FY 2001 country breakdown is provided below:

(For additional details, please see the country assessments in Part II of this report.)

COUNTRY	FY 2001 PROGRAM PLAN
Russia	\$23.0 m
Ukraine	\$5.0 m
Kazakhstan	\$1.0 m
Armenia	\$1.0 m
Georgia	\$0.5 m
Uzbekistan	\$1.0 m
Kyrgyzstan	\$0.5 m
Regional	\$3.0 m
Belarus	\$0
TOTAL	\$35.0 m

Project Highlights

Commercialization and Technology Implementation: The results of several ISTC and STCU projects led to commercial contracts in FY 2001. For example, scientists at the Budker Institute of Nuclear Physics and the All Russia Research Institute for Technical Physics (VNIITF) in Snezhinsk created a slow positron source for Japan's "SPring-8" synchrotron radiation facility. Since its delivery in October 2000, several commercial contracts valued at nearly \$2 million from German and Italian synchrotron radiation facilities have been signed. The ISTC's Technology Implementation Group and the STCU's sustainability activity continue to help scientists prepare and showcase their results to the international business and scientific communities.

Protecting the intellectual property rights (IPR) of Science Center projects has also become a major activity for the Centers. In FY 2001, the ISTC supported almost 200 patent applications, while the STCU supported more than 100 applications, of which about one-fifth were approved. Guidelines for IPR terms have been incorporated into both the ISTC and STCU model project agreements.

Partner Program: Partner contributions continued to increase as a percentage of both Centers' project financing, with U.S. Government and industry partners contributing the most. For example, in FY 2001, the ISTC and STCU together received over \$35 million from U.S. public sector and private industry partners. The number of partners is also increasing, with the ISTC having 110 and the STCU having 74 partners registered.

Training and Exchanges: Training and exchanges continued to be an expanding area of Science Center activity in facilitating the long-term transition of weapons scientists to civilian activity. The U.S. Government has spearheaded the development of a variety of these programs. Both the ISTC and STCU implement and sponsor training programs in business management, protection of intellectual property rights (IPR), commercialization of project results and proposal development, to provide institute staff with core skills that will help market technologies developed under Science Center projects.

Audits and Oversight: In FY 2001, the U.S. Government initiated audits on 50 U.S.-funded Science Center projects, 30 in institutes funded through the ISTC and 20 in STCU-supported institutes. The Defense Contract Audit Agency (DCAA) conducted the audits on a contract basis for the U.S. Department of State.

U.S. DEPARTMENT OF STATE – REDIRECTION OF BIOTECHNICAL SCIENTISTS

In FY 2001, the U.S. Government continued to implement a State Department-led effort aimed at redirecting former Soviet biological weapons (BW) scientists to civilian commercial, agricultural, and public health issues and increasing transparency in former Soviet BW facilities. All activity under this project is subject to strict oversight by an interagency working group. Facilities and government officials in countries where the U.S. Government is pursuing redirection activities are explicitly informed that any cooperation with countries of proliferation concern or terrorist entities, or any behavior inconsistent with the Biological and Toxin Weapons Convention (BWC), would have an immediate and negative impact on U.S. Government assistance. The majority of U.S. Government-funded redirection activities are taking place under the auspices of the International Science and Technology Center (ISTC) in Moscow and Science and Technology Center in Ukraine (STCU), which have access to facilities, provide tax-exempt assistance directly to scientists, and can engage multilateral funding. Agencies involved in these efforts include the U.S. Departments of State, Energy (DOE), Defense (DOD), Agriculture (USDA), Health and Human Services (HHS) and the U.S. Environmental Protection Agency (EPA).

Several new projects at former BW facilities were begun in FY 2001. HHS and USDA approved new biotechnology projects at Russian, Georgian and Kazakhstani institutes through the ISTC, and DoD's CTR Program continued to initiate new projects related to bio-defense research and improving physical security and accounting systems at institutes that hold dangerous pathogen collections. Through the ISTC and STCU, the Department of State funded several research projects dealing with issues of critical public health importance, such as development of new vaccines against tuberculosis and improved diagnostics for arboviruses, including West Nile virus. The Department co-sponsored a major ISTC workshop on the increasing threat of infectious diseases in conjunction with the Swedish Defense Research Authority and World Health Organization (WHO). Other conferences bringing together former Soviet biological weapons scientists with their international colleagues were co-sponsored in Armenia and Kazakhstan. Several facilities, previously unknown to the United States, were identified in Uzbekistan and will become points of emphasis for future U.S.-funded STCU projects. In addition, the Department of State and the DOE under the Initiatives for Proliferation Prevention (IPP) program continue to work together to engage and redirect former BW production facilities.

U.S. Department of Agriculture (USDA) – Agricultural Research Service (ARS) – Collaborative Research

The ARS Collaborative Research Program advances basic and applied research in agriculture and supports the transition of the Eurasian countries to a market economy by strengthening scientific communities and integrating Eurasian scientists into the international community. Also, the program helps reduce the risk of proliferation of WMD expertise, increases transparency at former Soviet BW research sites, and supports the transition to civilian research activities of former Soviet weapons scientists in Russia, Kazakhstan and Uzbekistan by redirecting their biotechnology expertise to peaceful, agricultural research. The Program's objectives are to:

- Reduce the threat of BW development and possible usage;.
- Advance agricultural science by establishing new expertise in Eurasian countries;
- Enhance the effectiveness and productivity of ARS research programs; and
- Improve the economies of the Eurasian countries through advances in agricultural technology.

In 2001, ARS initiated its program with Uzbekistan hosting visits by scientists from two institutes and sending an ARS team to Uzbekistan to visit institutes and discuss areas of potential collaboration. ARS also sent representatives to Russia in 2001 to visit institutes, assess on-going cooperation and discuss areas for future cooperation. In addition, one ARS team covered animal care and use guidelines for ARS partner projects. Site visits by teams of ARS scientists have proved very fruitful and have helped dispel concern over ARS's motives. The teams continue to focus on research institutes that are primarily dedicated to agriculturally important animal and plant diseases. As a result of these visits, ARS has received over 300 proposals from Russia, Kazakhstan and Uzbekistan, including 65 in FY 2001.

A key feature of this program is substantial contact between ARS and Eurasian scientists to optimize collaboration and share successes between laboratories. Proposals between ARS and Eurasian scientists have developed collaboratively as a result of two-way visits that ranged from two to four weeks. The purpose of these visits was to conduct research and draft grant proposals, as well as to establish personal working relationships between project partners. Since the program's inception, 78 Russian and Kazakhstani scientists (including 58 in FY 2001) have traveled to the United States to meet with ARS counterparts to develop project proposals or work on existing projects. The 27 projects approved by ARS involve over 696 Eurasian scientists, including 298 former BW scientists, in the areas of plant and animal health. During FY 2001, 10 of 17 approved projects were funded at a total level of \$4.05 million.

Implementation Difficulties: In August 2001, ARS funded a Senior Project Manager (SPM), stationed in Moscow to coordinate ARS partner projects in Russia and Kazakhstan at the ISTC and assist in development, monitoring and oversight of projects. Although the length of time it takes for completed proposals to become funded has shortened over the last year, individual institutes are still experiencing problems in gaining host-government concurrence. For example, ARS has not been successful in funding a project at the All-Russian Research Institute for Animal Health (ARRIAH) in Vladimir, Russia, due to the lack of host-government concurrence for the proposed project on foot-and-mouth disease. ARS continues to work with the ISTC and State Department to assist ARRIAH in gaining clearance for this project. Progress has been made in Russia and Kazakhstan to establish animal care policies at collaborating institutes, but ARS is still working on the framework that will insure compliance with all relevant animal care guidelines. In some cases, facility renovations may be needed. Depending on proposals selected for funding in Uzbekistan, ARS also may have to initiate an ARS animal-care-and-use program. ARS is cooperating on these issues with other U.S. Government agencies to learn from their experiences and avoid duplicative efforts. A summary of program accomplishments is provided below:

- **Approved research collaborations:**
FY 2001 total: 11 (four with Russia, seven with Kazakhstan)
Cumulative total: 27 (18 with Russia, 9 with Kazakhstan)
- **Eurasian scientists involved in approved projects:**
FY 2001 total: 141 from Kazakhstan, including 57 former BW scientists
Cumulative total: 696 from the Eurasian countries, including 298 former BW scientists (511 from Russia, including 221 former BW scientists; 185 from Kazakhstan, including 77 former BW scientists)
- **Collaboration visits by Eurasian scientists to ARS locations:**
FY 2001 total: 17 visits of two to four weeks in duration by 28 Eurasian scientists (10 Russians and 18 Kazakhstanis) from 14 institutes (six in Russia and eight in Kazakhstan)
Cumulative total: 31 visits by 51 scientists (32 Russians and 19 Kazakhstanis) from 14 institutes
- **Data collection visits by Eurasian scientists to ARS locations:**
FY 2001 total: six visits to ARS locations by 10 scientists (five Russians and five Uzbeks) from seven institutes (five in Russia and two in Uzbekistan)
Cumulative total: 50 visits by 63 scientists from Russia, Kazakhstan and Uzbekistan.
- **Russian institutes visited:**
FY 2001 total: eight visits (six ARS team visits and two visits by ARS collaborators)
Cumulative total: 18 visits
- **Kazakhstani institutes visited:**
FY 2001 total: 0
Cumulative total: 13
- **Uzbek institutes visited:**
FY 2001 total: 11 ARS team visits
Cumulative total: 11

In FY 2002, ARS intends to conclude a memorandum of agreement with the STCU to implement and fund research projects in Uzbekistan and travel for Uzbek scientists to the United States; fund approved projects and develop new proposals. USDA National Agricultural Library computer specialists will provide training to Russian staff at five institutes on computer workstations purchased and installed in FY 2001 for direct access to the USDA National Agricultural Library databases; Kazakhstani scientists from SRAI will receive training at ARS's Plum Island Animal Disease Center; and Russian scientists from RRIP will receive training at ARS' Nematology Laboratory in Beltsville, Maryland. ARS plant and animal experts will continue to visit Russia, Kazakhstan and Uzbekistan to assess progress on research projects, discuss collaboration plans, and verify compliance of ARS animal care/use requirements.

U.S. Department of Health and Human Services (HHS) – Biotechnology Engagement Program (BTEP)

The BTEP Program was established in March 1999 as part of the U.S. Government's efforts to combat WMD proliferation and reduce risks of bioterrorism. Initial FREEDOM Support Act funding in FY 1999 was \$4.8 million, with an additional \$11 million in FY 2000 and \$10 million in FY 2001. Through this program, HHS is engaging former Soviet BW scientists in projects of collaborative research and redirecting their biotechnology expertise to peaceful research in areas of urgent public health needs in the Eurasian countries. In order to administer projects locally and to pay scientists and participants directly for their work, HHS has become a partner institution of the International Science and Technology Center (ISTC) in Moscow.

The BTEP program makes awards to joint projects that have both U.S. and Eurasian components. The U.S. participants include expert scientists from HHS agencies, including the Centers for Disease Control and Prevention (CDC), the National Institutes of Health (NIH), the U.S. Food and Drug Administration (FDA), the U.S. Army Medical Research Institute of Infectious Diseases (USAMRIID), and several academic institutions. HHS's Office of International and Refugee Health is responsible for administering the BTEP Program. The program specifically targets former BW facilities and scientists, but also involves scientists and staff from the Ministry of Health, the Academy of Sciences, and other non-BW related scientific institutes to bring together former BW scientists and their more mainstream counterparts.

In FY 2001, several new projects were developed and implemented, and several were continued from the previous year. Program accomplishments are highlighted below:

- **Two projects were completed:**
 - *In vitro* replication of the hepatitis C virus (HCV), with the Ivanovsky Institute of Virology and the FDA;
 - Comparative mycobacterial genomics, with the State Research Center for Applied Microbiology (Obolensk), the Shemyakin/Ovchinnikov Institute of Bio-Organic Chemistry and Russian staff at NIH-35.
- **Nine projects were approved and funded, with research ongoing:**
 - Analyses of plague foci and plague strains in Kazakhstan;
 - Nutrient media for diagnostics of tuberculosis (TB);
 - Genetic analysis of multi-drug-resistant (MDR) TB;
 - The prevalence of HCV markers and genotypes in the Asian part of Russia;
 - Clinical molecular epidemiology of TB in Georgia;
 - Biochips for fast diagnostics of MDR-TB;
 - Variola virus genome project;
 - Search for antivirals for orthopox viral infections; and
 - Development of methodology for kits to detect hazardous pathogens in blood.

Plans for FY 2002: The BTEP Program plans to complete the development and implementation of the Applied Epidemiology Training Program, based in Moscow, to better integrate future public-health-related projects, provide training and experience to post-graduate scientists, both at former closed institutions (e.g., Vector and Obolensk) and at academic institutions, and develop the appropriate reference laboratory skills needed for science-based epidemiology; assign a BTEP staff member to the ISTC to provide on-site monitoring and assistance for the program of research on smallpox conducted at Vector; work with the American University of Armenia, the Armenian Ministry of Health and the Academy of Science to develop a training program on grant preparation for researchers in Armenia and the Eurasian countries; and continue project match-making, development, review and implementation.

(For additional details, please see the country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE – SUPPORT FOR THE CIVILIAN RESEARCH AND DEVELOPMENT FOUNDATION (CRDF)

The CRDF is a non-governmental, non-profit foundation established in August 1995 by the National Science Foundation (NSF) with \$5 million from the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program matched by a \$5 million grant from the Soros Foundation. The CRDF funds U.S.-Eurasian collaborations on civilian basic and applied research to redirect the efforts of former weapons scientists toward peaceful purposes and promote the development of market economies. CRDF programs have attracted funds from Eurasian countries (\$4.7 million) and U.S. industry (approximately \$7.3 million). In FY 1996, funding for much of the CRDF's activities shifted to the U.S. Department of State using FREEDOM Support Act (FSA) funds. From FY 1995 to FY 2001, the CRDF received more than \$73.8 million for its activities (excluding \$3.11 million in fee revenue from the Grant Administration Program since its inception in 1998), of which FSA funding has accounted for \$34.3 million. The CRDF received approximately \$24.9 million in funding in FY 2001, including \$14 million in FSA funding, and some \$10.9 million in contracts and services from private foundations (\$8.1 million), the Grant Assistance Program (\$1 million in fee revenue), U.S. Departments of Defense (\$.3 million), State (\$80,000), and the NSF (\$1.3 million). Funds received by the CRDF are committed to its Cooperative Grants Program (CGP), "Building Collaborations" Program, "Next Steps to the Market" Program, Regional Experimental Support Centers (RESC) Program, Institution-Building Programs, Non-Proliferation Initiatives, and contract-support programs.

Cooperative Grants Programs (CGP): In FY 2001, the CRDF made awards selected in FY 2000 under the CGP, a multidisciplinary competition for collaborative U.S.-Eurasian research grants. Over 1,200 proposals were received and evaluated for technical merit by CRDF peer-review panels. As a result, 199 projects were selected for grants totaling nearly \$10 million. The average grant is approximately \$50,000 over an eighteen-month period, with at least 80 percent of the funds going to expenses of the Eurasian team. These new grants include approximately 1,400 Eurasian scientists and engineers from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. More than half of these projects include former Soviet weapons and defense scientists transitioning to civilian research. In FY 2001, the CRDF announced another round of competition for the CGP, with proposals due in May 2001. Over 1,630 proposals were submitted, a 33-percent increase from the previous competition. For the first time, the CRDF instituted electronic proposal submission through the CRDF's website. The CRDF received an increased number of proposals from Eurasia countries other than Russia, as well as an increased number of proposals from cities other than Moscow and St. Petersburg. These proposals are currently under review.

"Building Collaborations" Program: The CRDF helps Eurasian applied scientists identify and establish contacts with U.S. companies working in complementary fields through its Partner Search and Travel Grants Programs. Through its Travel Grants Program, the CRDF has supported over 177 industry-oriented visits to the United States by Eurasian researchers seeking U.S. partners. These exchanges are expected to lead to "Next Steps to the Market" proposals, or to proposals to other assistance programs such as the ISTC or DOE's Initiatives for Proliferation Prevention (IPP).

"Next Steps to the Market" Program: Next Steps funds pre-commercial, cooperative projects carried out by teams of U.S. and Eurasian scientists and engineers, and is designed to facilitate the commercial utilization of research results. The volume of Next Steps proposals has increased by 50 percent, from 22 in FY 2000 to 47 in FY 2001. Of the 47 Next Steps proposals in FY 2001, 18 have been approved, of which 16 involve former defense scientists. The CRDF achieved significant leveraging of its funds by the U.S. private sector in FY 2001, attracting more than \$3.5 million in private-sector funding to complement the CRDF's \$1.8 million investment.

Regional Experimental Support Centers (RESC): In FY 2001, the CRDF reopened the RESC program in Russia, Georgia and Kazakhstan, and offered the program for the first time to institutes in Azerbaijan, Moldova and Uzbekistan. The RESC program seeks to increase the capacity of selected research centers to support experimentalists in scientific and technological research that requires up-to-date sophisticated equipment such as spectrometers, microscopes, x-ray diffractometers, and similar high-quality instrumentation. A condition of the RESC program is that other applied or industrial research facilities in the region have equal access to the equipment. In support of U.S. nonproliferation goals, RESC sites are also required to make their facilities available to former defense scientists or to build a relationship with an institution formerly involved in defense research. Ties with the RESC are intended to enable defense scientists to undertake civilian science projects and further their transition to non-military work.

Institution-Building Programs: The CRDF continued efforts to foster acceptance for the peer review process through establishment and support of independent non-governmental science funding organizations in Armenia, Georgia and Moldova.

Non-Proliferation Initiatives: The CRDF established a Nonproliferation Programs office to coordinate the efforts in this area. Specifically, the office develops new CRDF initiatives in support of its nonproliferation mission, manages CRDF contract support to U.S. Government nonproliferation programs, minimizes the risk that CRDF-funded activities will pose a proliferation risk and serves as liaison with U.S. Government nonproliferation programs to avoid overlap and duplication of effort.

Implementation Issues: In conducting FY 2001 programs, the CRDF has not encountered any specific problems. The CRDF enjoys tax and duty exemptions in Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Russia, Uzbekistan and Ukraine. For all other countries in the former Soviet Union with which the CRDF has dealings, exemptions are secured on a case-by-case basis.

U.S. DEPARTMENT OF STATE – NONPROLIFERATION AND DISARMAMENT FUND (NDF)

NDF responds rapidly to unanticipated (or unusually difficult), high-priority requirements and opportunities to halt the proliferation of nuclear, biological, and chemical weapons, their delivery systems, and related materials; destroy or neutralize existing WMD, their delivery systems, and related sensitive materials; and limit the spread of advanced conventional weapons and their delivery systems. In FY 2001, two NDF-funded projects totaling \$5.8 million provided assistance to Russia and Uzbekistan. Another NDF-funded project totaling \$4.5 million provided assistance to Kazakhstan as part of the Export Control and Related Border Security (EXBS) Program. Ongoing assistance being provided to the Eurasian countries under NDF projects approved in previous fiscal years is described below:

FY 2001 Programs

- **Kazakhstan:** Delivery of upgraded automated export control licensing system Tracker 2.0 and additional computer equipment. This assistance is part of an overall project funded by the NDF that covers a wide range of functional improvements in the Tracker system to support Baltic and Central/East European countries, and numerous additional candidates for deployment.
- **Russia:** Supplementing a Department of Energy project to reduce the risk of nuclear weapons proliferation by strengthening physical security and control systems. (\$2.3 million)
- **Uzbekistan:** Supporting the prevention of use and buildup of weapons-usable highly enriched uranium (HEU). This project provides for shipping irradiated HEU to Russia, testing low enriched uranium (LEU) fuel assemblies and, if the tests are successful, a full core demonstration. (\$3.5 million)

Ongoing Programs

- **Kazakhstan:** Draining and processing of sodium coolant as part of the shutdown of the BN-350 plutonium fast breeder reactor in Aktau.
- **Russia:** (1) Support design, testing and analysis to qualify low enriched LEU fuel as an alternative to using HEU in the three remaining Russian plutonium production reactors, following conversion. (2) Installation inspections of nuclear material detection equipment at Russian border posts at key transit points to combat nuclear smuggling. (3) Assistance to develop a Prototype Automated Non-Destructive Assay system for radiation measurement as part of a larger plutonium conversion effort.
- **Azerbaijan, Moldova and Ukraine:** Installation of nuclear detection portal monitors to provide border guards with the necessary tools to detect and interdict nuclear smugglers.
- **Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova and Uzbekistan:** Evaluation of x-ray detection vans to help Customs Services improve their border-enforcement capabilities.

U.S. DEPARTMENT OF STATE – ANTI-TERRORISM ASSISTANCE (ATA)

ATA assistance focuses on three major objectives: (1) enhancing the anti-terrorism skills of friendly countries by providing training and equipment to deter and counter the threats of terrorism; (2) strengthening the bilateral ties of the United States with friendly foreign governments by offering concrete assistance in areas of mutual concern; and (3) increasing respect for human rights by sharing with civilian authorities modern, humane and effective anti-terrorism techniques.

Once a policy determination (which includes a human rights review) is made by the State Department's Office of the Coordinator for Counter-Terrorism that ATA assistance should be provided for a particular country, Congressional and U.S. Embassy contacts are initiated to determine if ATA assistance is feasible. Formal consultations are then conducted by a small Department-led team of experts to assess the country's civil police anti-terrorism capabilities and identify specific assistance needs. The ATA program then provides training and management assistance to foreign security services and law enforcement personnel on such subjects as crisis management, dignitary protection, bomb detection, hostage negotiation, bomb detection, airport security and border control.

The Foreign Assistance Act of 1961, as amended, serves as the legislative mandate for Anti-Terrorism Assistance (ATA). The ATA Program for the Eurasian countries began in 1994 with airport security training in Georgia. Since 1999, the program has expanded into Central Asia and elsewhere in the Caucasus. Over the past few years, a major goal of the program has been to assist governments in addressing the terrorist threat and activities emanating from Afghanistan. Since the September 11 terrorist attacks, ATA has redoubled its efforts to provide outreach to front-line nations. The table below reflects the training offered to Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan and Uzbekistan. In July 2001, 76 students from Moldova attended a WMD First Responder course. It is anticipated that 2002 will see unprecedented participation by Eurasian countries in ATA training programs. Armenia, Tajikistan and Turkmenistan are all scheduled for needs-assessments in the near future. An FY 2001 program overview is provided on the following page:

ANTI-TERRORISM ASSISTANCE PROGRAMS FOR EURASIA, FY 2001

Country	Course	Dates	Number of Students	Number of Weeks
Armenia	No activity for FY 2001, needs assessment completed December 2001, four courses may be offered during 2002			
Azerbaijan	Needs Assessment and WMD	10/27/00-11/04/00	0	0
	Senior Crisis Management	01/22/01-01/26/01	18	1
	Security of Vital Installations	03/19/01-03/30/01	24	2
	Airport Security Management	03/21/01-03/30/01	24	2
	Explosive Incident Counter-Measures	04/30/01-06/08/01	15	6
	Critical Incident Management	07/02/01-07/13/01	24	2
	Crisis Response Team	07/09/01-08/17/01	24	6
	Hostage Negotiation/ Incident Management	10/15/01-10/26/01	24	2
Belarus	No activity during FY 2001			
Georgia	Needs Assessment and WMD	03/22/01-03/31/01	0	0
	Senior Crisis Management	04/16/01-04/20/01	21	1
	The Role of Police in Managing a Crisis	06/04/01-06/15/01	24	2
	Post-Blast Investigation	06/04/01-06/15/01	24	2
	Surveillance Detection	07/18/01-07/27/01	15	2
	Hostage Negotiation/ Incident Management	09/10/01-09/21/01	19	2
Kazakhstan	Needs Assessment and WMD	10/26/00-11/13/00	0	0
	Consultations/National Plan	12/11/00-12/12/00	4	.4
	Police Role in Managing a Crisis	03/05/01-03/16/01	24	2
	Rural Border Operations	04/02/01-04/27/01	24	2
	Senior Crisis Management	06/18/01-06/22/01	20	1
	Crisis Response Team	07/09/01-08/17/01	24	6
Kyrgyzstan	Rural Border Operations	10/23/00-11/17/00	24	4
	Needs Assessment + WMD	04/02/01-04/06/01	0	0
	Vital Installations Security	06/25/01-07/06/01	24	2
	Hostage Negotiation/ Incident Management	07/23/01-08/03/01	24	2
Moldova	WMD First Responder	07/23/01-07/27/01	76	0
Russia	No activity for FY 2001			
Tajikistan	No activity for FY 2001, Needs Assessment spring 2002 (tentative) Senior Crisis Management scheduled for February 2002			
Turkmenistan	No activity for FY 2001, Needs Assessment scheduled for January 2002			
Ukraine	No activity for FY 2001			
Uzbekistan	Senior Crisis Management	03/19/01-03/23/01	20	1
	Security of Vital Installations	04/23/01-05/04/01	24	2
	Surveillance Detection	05/21/01-06/01/01	15	2
	Hostage Negotiation/ Incident Management	06/25/01-07/06/01	17	2
	Airport Security Assessment	08/13/01-08/17/01	24	2
	Explosive Incident Counter-Measures	08/13/01-09/21/01	16	6

For further details on country-specific activities, please see the country assessments in Part II of this report.

U.S. DEPARTMENT OF ENERGY (DOE) – NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA) – NONPROLIFERATION PROGRAMS

The National Nuclear Security Administration (NNSA), a semi-autonomous body within the U.S. Department of Energy, is responsible for DOE's numerous cooperative security-related assistance programs in the Eurasian region. These programs focus on securing nuclear materials, reducing stockpiles of nuclear material, and accelerating the transition of facilities and workers from nuclear defense work to civilian purposes. The overarching goal of these programs is to reduce the threat of nuclear material falling into hostile hands. The focus of many of the NNSA's nonproliferation programs has shifted since their inception, due to the changing environment in Eurasia and as a result of lessons learned.

Several of NNSA's nonproliferation programs are operational only in Russia, including Highly Enriched Uranium (HEU) Purchase Transparency, the Nuclear Cities Initiative (NCI), Warhead and Fissile Material Transparency, Mayak Transparency Negotiations and the Fissile Material Disposition Program. For further details on these programs, please see the Russia assessment in Part II of this report. An overview of the NNSA's multi-country nonproliferation programs is provided below—for additional details please see the corresponding country assessments in Part II of this report.

DOE/NNSA Nuclear Material Protection, Control & Accounting (MPC&A) Program

Since 1993, the United States and Russia have worked together to prevent the theft or loss of nuclear material. This joint effort to improve nuclear MPC&A directly addresses a major threat to global security. MPC&A improvements are designed to keep nuclear materials secured within the facilities that are authorized to contain them, and constitute the first line of defense against nuclear smuggling, which could lead to nuclear proliferation and/or nuclear terrorism. In FY 2001, the MPC&A Program expanded to integrate the Second Line of Defense (SLD) Program, which designs improvements to detect and prevent the smuggling of nuclear material across national borders. Inclusion of SLD gives the MPC&A Program another layer in defending against the threat of theft or diversion of nuclear materials, expanding the protection of nuclear materials to Russia's borders and creating a multi-layered defense system across Russia.

In FY 2001, DOE/NNSA also achieved significant results in the other Eurasian countries, including sustaining installed MPC&A systems, further assessing the current state of upgraded MPC&A systems, remedying noted deficiencies within upgraded MPC&A systems, and aiding the Eurasian countries in meeting their international safeguards commitments and physical protection guidelines.

From FY 1992 through FY 2001, the U.S. Government provided a total of \$881.9 million in funding for MPC&A programs in Russia and Eurasia. From FY 1993 to FY 1995, MPC&A activities were managed and executed by DOE with a total of \$67 million in funding under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program. In addition, DOE directly initiated a \$19 million program prior to FY 1996 to support MPC&A activities and received \$14 million for support in FY 1996 CTR funds.

DOE/NNSA Nuclear Export Control Program

Drawing upon experience in the U.S. nuclear export control system, DOE/NNSA emphasizes technical expertise in export control and cooperation programs to create advocates for nonproliferation controls in Russia and the other Eurasian countries. Some twenty individual projects were under way in FY 2001. These efforts are coordinated with the U.S. Department of State under the Export Control and Related Border Security (EXBS) Program. In FY 2001, the DOE Nuclear Export Control Program spent \$2.7 million of DOE/NNSA funding and \$1.1 million of the Department of State's Nonproliferation and Disarmament Funds for these activities.

In FY 2001, DOE/NNSA took steps to augment the staffing of the Russia/Eurasia Nuclear Export Control Program and expand cooperation beyond Russia, Ukraine and Kazakhstan—the states representing the highest risk of illicit nuclear supply—to involve states posing transit risks, namely, the southern tier (Central Asia and the Caucasus) and the Baltic countries. DOE/NNSA also boosted strategic planning efforts to focus on three core goals: improving nuclear export licensing processes, promoting industry compliance, and strengthening enforcement capabilities. Enforcement efforts are maturing, with plans in FY 2002 for intensive nuclear export control training and delivery of tools for dual-use commodity identification. The value of export controls to the

nuclear nonproliferation regime continues to increase. The September terrorist attacks add even greater urgency to these efforts.

DOE/NNSA Initiatives for Proliferation Prevention (IPP)

The mission of the IPP program is to provide meaningful, sustainable, non-weapons-related work for former Soviet WMD scientists, engineers, and technicians in the Eurasian countries through commercially viable market opportunities. The IPP program provides seed funds for the identification and maturation of technology, and facilitates interaction between U.S. industry and Eurasian institutes aimed at developing industrial partnerships, joint ventures, and other mutually beneficial arrangements. Since 1994, the IPP program has funded over 700 projects involving more than 10,000 former Soviet weapons scientists at over 180 institutes.

In FY 2001, the IPP program continued to emphasize commercialization by approving only new projects that have a clear commercial focus and an identified industrial partner. Including FY 2001 projects, the IPP program has allocated, over the life of the program, more than \$70 million to U.S. industry cost-shared projects. This amount has been leveraged by over \$100 million of in-kind and "funds-in" contributions by U.S. industry reflecting the strong endorsement by U.S. industry of the IPP program.

The program continues to have participation of 10 U.S. National Laboratories and the Kansas City Plant, which provide critical oversight and accountability of the work being performed by the Eurasian institutes. Payment for work is made only after certification by the principal investigator of the national laboratory that the work is contemporary and within the scope of the agreed upon work. The National Laboratories also provide technical direction, project management, intellectual property management assistance, and engagement of U.S. industry partners through the Cooperative Research and Development Agreement mechanism. In FY 1994, IPP received \$35 million in Freedom Support Act funding. From FY 1996 through FY 1999, IPP has been funded under the Energy and Water Development Appropriations Act. IPP has received total U.S. Government funding of nearly \$187 million through FY 2001.

The IPP program funded twenty-two new industry cost-shared projects in FY 2001 and provided continuation funding for thirteen more. There was a 10 percent growth in U.S. industry membership in the United States Industry Coalition, bringing the total to 107 companies and universities. On average, U.S. companies have contributed \$1.5 dollars for every \$1 the IPP program allocates.

U.S. DEPARTMENT OF DEFENSE (DoD) - CTR DEFENSE AND MILITARY CONTACTS PROGRAM

Under the Cooperative Threat Reduction (CTR) Defense and Military Contacts Program, since 1994, the US Government has sought to promote counterproliferation, demilitarization (e.g., military reform and restructuring, transparency, regional confidence building, etc.) and defense reform objectives by fostering dialogue and cooperation in bilateral exchanges with CTR-eligible Eurasian militaries. The Defense and Military Contacts program has grown from initial familiarization exchanges among senior officials to an expanding set of substantive exchanges between counterparts at all levels of government – from enlisted personnel, to field grade and flag officers, to ministers of defense. The volume of annual contacts continues to increase, from about a dozen annually in the early CTR years, to almost 350 contact events planned for FY 2002.

In FY 2001, with \$8.9 million in funding, the CTR Program supported almost 250 Defense and Military Contact events in Eurasia, including military exercises, high-level exchanges, ship visits and exchanges of delegations on defense and military topics. These events foster dialogue and cooperation with Eurasian militaries, strengthen channels of communication with Eurasian militaries, and facilitate their initial transition to Western military models.

U.S. DEPARTMENT OF DEFENSE (DoD) – ARCTIC MILITARY ENVIRONMENTAL COOPERATION (AMEC)

The AMEC Program is a joint effort by DoD and the Norwegian and Russian Ministries of Defense to address critical environmental issues related to these militaries' unique capabilities and activities in the Arctic region. The AMEC Program supports joint activities to ensure safe handling and storage of radioactive materials, proper disposal of hazardous toxic materials, and the exchange of information on risk assessments and clean-up technologies and methods. The Program is funded by all three parties, with each country paying for its own participation. The U.S. Government's AMEC activities are part of an interagency effort involving the Departments of Energy, State and Defense and the U.S. Environmental Protection Agency (EPA), with DoD serving as the lead agency. Since FY 1997, total U.S. funding for the AMEC program has been \$20.6 million. In FY 2001, DoD budgeted \$5.90 million in Operations and Maintenance funds for the AMEC Program. (For additional details, please see the Russia assessment in Part II of this report.)

U.S. DEPARTMENT OF DEFENSE/U.S. DEPARTMENT OF STATE – PARTNERSHIP FOR PEACE/WARSAW INITIATIVE

In July 1994, the U.S. Government announced that \$100 million would be requested from the U.S. Congress to "help America's new democratic partners work with us to advance the Partnership for Peace's goals." The U.S. Government's Warsaw Initiative was intended to jump-start Partnership for Peace (PFP) participation with an infusion of readily available assistance funds. The Departments of Defense and State continue to provide assistance under the Warsaw Initiative to facilitate partner-country participation in PFP exercises, conferences, seminars and other events and to enable partners to procure equipment and training to enhance the interoperability of their armed forces with those of NATO.

U.S. DEPARTMENT OF DEFENSE (DoD) – WARSAW INITIATIVE

Warsaw Initiative (WI) projects seek to address near-term problems that limit the ability of partners to engage in PFP activities; increase the level of participation in PFP exercises; promote interoperability with NATO; promote defense reform; and support efforts to deepen defense and military cooperation between U.S. and NATO and their PFP partners. The funds used for the WI are DoD-budgeted operations and maintenance (O&M) funds. The Under Secretary of Defense for Policy and Assistant Secretary of Defense for International Security Policy are responsible for DoD policy oversight of the Warsaw Initiative program for Eurasia. Warsaw Initiative funds are administered by the Defense Security Cooperation Agency (DSCA).

Most PFP nations are eligible to receive Warsaw Initiative assistance. Eligible Eurasian states include Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan. Section 907 of the FREEDOM Support Act prohibits certain types of U.S. Government assistance to Azerbaijan. These restrictions have been applied equally to Armenia, under the U.S. Government's policy of evenhandedness in dealing with Armenia and Azerbaijan. To date, there has been limited engagement with both the Azerbaijani and Armenian Ministries of Defense in the following areas: democratization; counterproliferation-related border security activities with border guard and customs officials; and humanitarian assistance. In FY 2001, a small number of democracy-building interoperability programs were conducted with Armenia and Azerbaijan. Most forms of U.S. assistance to Belarus, including WI assistance, have been and continue to be suspended. While Tajikistan accepted the invitation to participate in PFP in February 2001, it has not yet submitted its PFP Framework and Presentation Documents.

Approximately \$48.4 million (later reduced to \$37.5 million) was appropriated in FY 2001 to support the WI program in Eurasia and in Central and Eastern European countries. Of this amount, \$1.64 million was budgeted to support Eurasian interoperability programs. Another \$21.95 million supported the following programs: U.S. European Command programs (\$17.53 million, including funding for National Guard participation); U.S. Central Command (\$2.66 million); and Joint Forces Command (\$1.75 million).

Support for Exercises and Related Activities: DoD's Warsaw Initiative funds partner-countries' participation costs (travel, hotel, food and other consumables such as fuel) in PFP or "In the Spirit of PFP" (ISO-PFP) exercises in which U.S. forces also participate. Over 50 such exercises are conducted each year, including peacekeeping, humanitarian assistance deliveries, command post exercises, and field training exercises.

Examples of WI-funded exercises conducted in FY 2001, and hosted or participated in by Eurasian countries are provided below:

U.S. European Command (EUCOM)

BALTOPS was an ISO-PFP U.S. invitational maritime exercise held in the Baltic Sea from June 6 to 14, 2001. The event, hosted by Poland, demonstrated U.S. interest in the security of northern Europe, NATO member solidarity and featured joint operations and port visits with PFP nations in the region. It also enhanced mutual understanding and coordination of maritime operations among NATO member nations and non-NATO nations.

Combined Endeavor 2001 was a EUCOM Headquarters ISO-PFP exercise executed to identify, test and document command, control, communications, and computer systems (C-4) interoperability between NATO and PFP nations' military equipment. In an effort to standardize communications technology among participating countries, military experts conducted exercises to test communications and computer capabilities. Combined Endeavor 2001 consisted of five conferences and associated technical working group meetings, as well as an exercise that included Georgia and Moldova and was conducted on Lager Aulenbach in Baumholder, Germany, from May 10 to 24, 2001.

Cooperative Best Effort 2001 was an annual NATO PFP joint, multinational infantry squad-level exercise focusing on peacekeeping skills. This exercise was held in Austria from September 10 to 21, 2001 and was designed to achieve the following: demonstrate support for NATO's initiative and the PFP Program; exercise and educate small unit field commanders and individual soldiers in the control, organization and execution of infantry operations in peacekeeping; examine and evaluate the compatibility of NATO and PFP partner country units to conduct combined infantry operations; and contribute to a common understanding of peacekeeping tactics, techniques and procedures. Participants included Azerbaijan, Georgia and Moldova.

Cooperative Determination was a NATO/Commander-in-Chief-South (CINCSOUTH)-sponsored peace-support operations (PSO) exercise conducted in Switzerland. Its purposes were to enhance military interoperability for PSO and humanitarian assistance (HA) operations at the multi-national brigade level; practice the request and coordination of land tasks, airlift, airdrop, search and rescue, and medical evacuation operations in support of land operations; gain an understanding of the interoperability requirements for logistical support; and practice refugee-control procedures. Participants included Moldova and Azerbaijan.

Cooperative Partner is an annual NATO PFP maritime/amphibious based PSO exercise. The host nation rotates among the Black Sea littoral nations. Georgia hosted the June 2001 event, and Azerbaijan participated. The purposes were to conduct interoperability and engagement training for maritime peace support operations and provide partner training involving non-combatant evacuation to maritime assets.

Peaceshield 2001 was a multinational ISO-PFP exercise conducted at the Yavoriv Training Area in Ukraine. The July 2001 event consisted of a multinational brigade computer-assisted exercise with a linked field training exercise. The goals were to: improve interoperability of partners in working with NATO forces in a Command Post Exercise scenario similar to the Balkan region; exercise the Polish/Ukrainian Battalion scheduled to deploy to Kosovo; and improve understanding of partner countries' staffs of course of action development and operational planning considerations. A total of 21 countries, including 10 NATO members and Russia, either participated or observed.

Sea Breeze 2001 focused on annual engagement with Ukraine's Naval Forces. Sea Breeze 2001 was a stand-alone, computer-assisted, command-post exercise with separate ground training for the Marines. The purposes were to conduct interoperability/engagement training for maritime peace support operations; partner interoperability training in peacekeeping operations (PKO) with Marines for PFP partner nations; and staff officer interoperability training for participants to gain an understanding of NATO staff procedures and communications during a PKO. Twelve other nations, including seven NATO members and Russia, were invited.

U.S. Central Command (CENTCOM)

Regional Cooperation 2001 (formerly CENTRASBAT): This computer-assisted, command-post exercise was designed as a peace enforcement training event and was conducted in Einsiedlerhof, Germany at the Warrior Preparation Center. Participants/or observers included Kazakhstan, Kyrgyzstan, and Uzbekistan, Azerbaijan, Georgia, Germany, Mongolia, Pakistan, Turkey, Turkmenistan and Ukraine.

U.S. Joint Forces Command (JFCOM)

Cooperative Tide 2001 was a command post exercise held in Hampton, Virginia in May 2001 to increase interoperability between NATO and PFP forces in conducting mine-countermeasure operations, naval coastal warfare, and naval control of shipping. Participating Eurasian PFP nations included Georgia and Ukraine.

Cooperative Osprey 2001 was held in March 2001 at the Pearson Peacekeeping Center in Canada. Cooperative Osprey 2001 was a brigade-level staff CJTF command post/peacekeeping exercise composed of U.S. Marines, Canadian forces, and partner-nation forces. The following PFP nations participated: Albania, Austria, Bulgaria, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Romania, Slovakia, Sweden and Ukraine.

Cooperative Ocean 2001 was held in Denmark in May 2001 and also in the Atlantic Ocean by U.S. Navy ships participating in the Standing Naval Forces-Atlantic. The purpose of the exercise was to train partner nations in standard NATO maritime command and control procedures while operating as part of a standing reaction force. The following PFP nations participated: Bulgaria, Latvia, Lithuania and Ukraine.

Eloquent Nugget 2001, a Joint Forces Command ISO-PFP political-military seminar, was held in Washington, D.C., in June 2001 and focused on civilian control of the military, disaster relief and emergency planning. Participating Eurasian PFP nations included Armenia, Azerbaijan, Georgia, Kyrgyzstan, Russia and Ukraine.

Joint Forces Command also supported 25 separate additional events, including partner exchanges, high-level visits, workshops, conferences, orientations, ship embarkations, safety seminars, and symposiums.

Interoperability Programs: DoD funds also pay for a wide range of DoD Interoperability Programs, which are generally initiated by the Office of the Secretary of Defense and operate at the Ministry of Defense level. FY 2001 programs included: Partner Information Management System (PIMS) and an Extended Defense Resource Management System (DRMS) follow-on for Georgia; a Logistics Exchange (LOGEX) program in Georgia and Moldova, Defense Planning Exchange (DPE) programs in Moldova, a Defense Resource Planning Exchange (DRPE); Defense Public Affairs Exchange program, Legislative Affairs Exchange, Economic Adjustment seminars, and a program on creating an all-volunteer force in Ukraine.

Conferences and Seminars: Warsaw Initiative funds also pay for partner participation at U.S.-sponsored PFP/NATO conferences, seminars, expert visits, exchanges and other programs.

U.S. DEPARTMENT OF STATE – PARTNERSHIP FOR PEACE(PFP)/FOREIGN MILITARY FINANCING (FMF)

The U.S. Department of State provides Foreign Military Financing (FMF) assistance, which is implemented through the U.S. Department of Defense, to Eurasian PFP-partner countries for the acquisition of U.S. defense articles and services. In FY 2001, seven Eurasian countries—Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Ukraine and Uzbekistan—were allocated a total of \$ 16.8 million in FMF funding. After some initial difficulties in taking advantage of the FMF Program, the Eurasian countries are beginning to capitalize on FMF funding, using it to implement their PFP programs and address defense needs. In FY 2001, FMF funds were used to purchase tactical radio communications systems, tactical vehicles, English-language training equipment and publications, uniforms, boots, basic individual equipment, medical equipment, night-vision devices, computers, search and rescue equipment, and specialized training, including medical, English-language and non-commissioned officer (NCO) courses. (For additional details, please see the country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE – INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)

The State Department's IMET Program is an effective component of U.S. security assistance in Eurasia. IMET is designed to foster greater respect for and understanding of the principle of civilian control of the military, to contribute to responsible defense resource management, and to improve military justice systems and procedures in accordance with internationally recognized human rights standards. The IMET Program also furthers the goal of regional stability by fostering increased understanding and defense cooperation between the U.S. and the Eurasian countries. The IMET Program complements PFP activities by providing a wide range of specialized training in the United States for military and select civilian officials. One of the most important elements of the Eurasian component of IMET is English-language training for military officers. In FY 2001, the Department of State provided \$4.43 million in IMET funding for the Eurasian countries for a cumulative total of \$29 million since FY 1997. (For additional details, please see the country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE – MILITARY RELOCATION PROGRAM (GEORGIA AND MOLDOVA)

The State Department initiated the Military Relocation Program in FY 2000 to facilitate the withdrawal of Russian forces, closure of Russian military bases and removal, disposal and/or destruction of ammunition, small arms, and equipment from Georgia and Moldova. In the past, Russia raised the issue of such costs as a significant obstacle to withdrawal. Military Relocation assistance activities are intended to enhance Georgia's and Moldova's sovereignty, help prevent proliferation of conventional weapons and promote stable, cooperative relations between Russia and Georgia, Moldova and other Eurasian countries. Funding allocated through FY 2001 for the Military Relocation Program includes \$15 million for Military Relocation in Moldova and \$10 million for Military Relocation in Georgia. (For further details, please see the country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE – PEACEKEEPING OPERATIONS

Peacekeeping Operations (PKO) funds support the U.S. national interest in promoting human rights, democracy, regional security and facilitating humanitarian response. The PKO account promotes increased involvement of regional organizations in conflict resolution, multilateral peace operations, and sanctions enforcement. The United States has a strong interest in enhancing the ability of other nations to lead or participate in voluntary peacekeeping and humanitarian operations through these organizations to reduce the burden on the United States. PKO funds help leverage fair-share contributions to joint efforts where no formal cost-sharing mechanism is available.

In FY 2001, the U.S. Government contributed \$1.2 million in PKO funds to support Ukraine's participation in KFOR peacekeeping operations in Kosovo. PKO funds were also used to support the Conference on Enhancing Security and Stability in Central Asia, which was held in Bishkek, Kyrgyzstan, in mid-December 2001. At the conference, the OSCE participating states endorsed an additional program of action (which has come to be known as the Bishkek Program) that strengthened the commitments to combat terrorism made at the OSCE Ministerial in Bucharest and added a pledge to take further action on the financial aspects of combating terrorism (terrorist financing). Specifically, the OSCE participating states will consider implementing the standards of financial accountability and transparency embodied in the Financial Action Task Force's (FATF) Forty Recommendations on Money Laundering and Eight Special Recommendations on Terrorist Financing, and to take immediate steps to block the assets of individuals and entities linked to terrorist financing. The states pledged to provide assistance, technical and otherwise, in implementing these and other legislative changes.

U.S. DEPARTMENT OF STATE – ANTI-CRIME TRAINING AND TECHNICAL ASSISTANCE (ACTTA) PROGRAM

The ACTTA Program was established by the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL) in late FY 1994 in response to the threat posed to U.S. national security by transnational organized crime and related activities, including narcotics production and trafficking, in Eurasia. ACTTA programs seek to familiarize Eurasian law enforcement officials with the newest techniques and systems for coping with crime, while simultaneously strengthening the rule of law and respect for human rights. The ACTTA Program continues to work to build the recipient countries' capacity to combat transnational organized crime and related activities, including money laundering, other financial crimes, narcotics trafficking and corruption, and to develop legislative and institutional capabilities to effectively support criminal investigations and prosecutions. The ACTTA Program also seeks to build the Eurasian countries' capacity to meet newer law enforcement challenges, such as combating corruption, cybercrime, the protection of intellectual property rights, border control issues, and combating trafficking in persons (including women and children).

The INL Bureau coordinates international law enforcement programs conducted by more than 19 U.S. federal law enforcement agencies throughout Southeast Europe. Federal agencies currently participating in the ACTTA Program, include the Department of Justice (DOJ) and its International Criminal Investigative Training Assistance Program (ICITAP) and the Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT); the Federal Bureau of Investigation (FBI); the Drug Enforcement Administration (DEA); the Immigration and Naturalization Service (INS); the Department of the Treasury and its enforcement bureaus, the Internal Revenue Service (IRS), the Bureau of Alcohol, Tobacco and Firearms (ATF), the U.S. Customs Service (USCS), the U.S. Secret Service (USSS), as well as the Financial Crimes Enforcement Network (FinCEN), the Office of Technical Assistance Enforcement Program (OTA), and the Federal Law Enforcement Training Center (FLETC); the Coast Guard; and the State Department's Bureau of Diplomatic Security (DS). The ACTTA Program also works with U.S. non-governmental organizations (NGOs), universities, associations and other institutions to promote its objectives in the Eurasian countries.

A focal point of ACTTA's regional law enforcement assistance efforts is the International Law Enforcement Academy (ILEA) in Budapest, established in 1995. In FY 2001, 60 Eurasian participants attended ILEA's core program, an eight-week mid-level management course, along with colleagues from other Eastern European countries, and 242 Eurasian law enforcement officials participated in specialized courses at ILEA. In FY 2001, INL provided \$829,335 in FREEDOM Support Act funds to cover ILEA's operating expenses. ILEA also provided a venue for short-term technical training programs offered by U.S. federal law enforcement agencies in FY 2001, including the FBI, USSS, INS, USCS, DS, DEA and DOJ/OPDAT. Training topics included computer crimes, serious-crimes investigations, anti-crime task force development, interview and interrogation, and the role of the prosecutor in a democratic society. INL funded \$710,251 for agencies to conduct specialized training and the travel of Eurasian participants in the courses at ILEA in FY 2001.

In addition to training conducted at ILEA, the ACTTA Program provided regional and bilateral training in areas reflecting U.S. and host-country priorities. ACTTA training programs in the Eurasian countries focused on border control, counter-narcotics, combating organized crime and related activities of money laundering and financial crimes, and corruption. DOJ and Treasury agencies assisted in strengthening basic competency in police investigations and public safety, for example, through courses in investigative techniques, crisis management and forensic chemist training. Other assistance, such as that offered by OPDAT and ICITAP, focused on prosecutors and law enforcement management. Since corruption has been identified as a major problem throughout Eurasia, INL has funded training and assistance through OPDAT, OTA, the FBI and USCS, aimed at combating corruption among public officials and police forces.

In FY 2001, INL also awarded over \$1.5 million in two-year grants to NGOs and universities to combat domestic violence and trafficking in women and children. The five grants will fund programs in Armenia, Kazakhstan, Moldova, Russia and Ukraine.

U.S. DEPARTMENT OF JUSTICE (DOJ) – OFFICE OF OVERSEAS PROSECUTORIAL DEVELOPMENT, ASSISTANCE AND TRAINING (OPDAT) – CRIMINAL JUSTICE ASSISTANCE

The goal of OPDAT's criminal justice assistance program is to help the Eurasian countries establish criminal justice systems that comply with international and regional standards for democratic governments and effectively combat organized crime and corruption. OPDAT is working in collaboration with the American Bar Association's Central and Eastern European Law Initiative (ABA/CEELI) and American University's Transnational Crime and Corruption Center (TraCCC) to pursue the following objectives:

- monitoring, reviewing and assisting in the passage and implementation of key criminal and procedural legislation;
- developing and providing training in effective investigative and prosecutorial techniques and procedures in accordance with the laws of the host countries;
- promoting effective cooperation between prosecutors and local law enforcement agencies, including joint prosecutor-investigator strike forces and other multi-agency task forces to combat transnational crime;
- providing training to high-ranking legal and law enforcement officials on topics of mutual interest;
- assisting in the development of curriculum for indigenous legal/educational training institutes for judges, prosecutors and other entities within the criminal justice system; and
- providing public information/education on criminal justice reforms through local media, public symposia and lectures at universities.

Regional Programs

In November 2000, the DOJ/CEELI Program conducted a seminar at the CEELI Institute in Prague entitled "Judging in a Democratic Society Program," which was developed in order to address the particular issues facing criminal law judges as they adapt to new procedures and international human rights standards. Attendees included judges from Russia, Ukraine and Uzbekistan.

The DOJ/CEELI Program's Anti-Corruption Strategy Coordinator worked to develop ABA/CEELI's anti-corruption priorities and begin implementing a comprehensive program throughout Eurasia. The Coordinator is based in Ukraine but monitors and contributes to anti-corruption work in Armenia, Georgia, Russia Ukraine and Uzbekistan. The Coordinator has helped strengthen ABA/CEELI's role as an important NGO member of the international anti-corruption community.

OPDAT and ABA/CEELI also conducted a four-day conference on counter-narcotics investigations and prosecutions at the Procuracy Training Institute in Yerevan, Armenia. A group of 20 Georgians also attended the conference.

In April 2001, OPDAT and ABA/CEELI held a three-day roundtable with high-level Moldovan and Ukrainian officials to discuss the need for cooperation with the NGO community on trafficking issues and the importance of adequate legislation to combat trafficking.

SOCIAL SECTOR AND HUMANITARIAN PROGRAMS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) – U.S.-RUSSIA HEALTH COMMITTEE (For details on this program, please see the Russia country assessment in Part II of this report.)

U.S. DEPARTMENT OF AGRICULTURE (USDA) – FOOD ASSISTANCE PROGRAMS

In FY 2001, USDA provided almost \$160 million in humanitarian aid and concessional loans to the Eurasian countries, including a concessional loan of approximately \$20 million to Uzbekistan and almost \$140 million in targeted direct-feeding and food-aid monetization programs implemented by private voluntary organizations (PVOs). An overview of these programs is provided below. For additional details, please see the country assessments in Part II of this report. A country-by-country overview of USDA food aid is provided below:

<u>Country</u>	<u>Allocation</u>	<u>Metric Tons</u>	<u>Implementing Organizations</u>
Armenia	\$5.6 million	approx. 15,200	United Nations World Food Program (WFP)
Azerbaijan	\$2 million	approx. 4,000	International Rescue Committee.
Georgia	\$8.4 million	almost 32,000	WFP, International Orthodox Christian Charities
Kazakhstan	\$860,000	approx. 1,700	American Red Cross - Aral Sea Region Program
Kyrgyzstan	\$3.4 million	approx. 8,000	Mercy Corps International
Moldova	\$12.8 million	approx. 28,400	International Partnership for Development.
Russia	over \$60 million	approx. 184,000	WFP, Vishnevskaya-Rostropovich Foundation, Russian Farm Community Project, American Red Cross, Project Aid Siberia, Global Jewish Assistance and Relief Network, International Orthodox Christian Charities, Chamah, Action Contre Le Faim
Tajikistan	\$41.6 million	approx. 77,330	WFP, CARE, Aga Khan Foundation, Save the Children
Turkmenistan	\$820,000	approx. 1,500	American Red Cross - Aral Sea Region Program
Uzbekistan	\$22 million	approx. 100,000	American Red Cross - Aral Sea Region Program

U.S. DEPARTMENT OF STATE – BUREAU OF POPULATION, REFUGEES AND MIGRATION

The Bureau of Population, Refugees and Migration (PRM) has primary responsibility for formulating U.S. policy on population, refugees, and migration, and for administering U.S. refugee assistance and admissions programs. In FY 2001, the PRM Bureau provided almost \$40 million in earmarked refugee assistance funds to the Eurasian and Baltic countries. This includes \$16 million to the United Nations High Commissioner for Refugees (UNHCR), almost \$13 million to the International Committee for the Red Cross (ICRC), \$5 million to other international organizations, and \$5 million to non-governmental organizations (NGOs).

In FY 2001, the PRM Bureau made the following allocations:

- \$11.97 million to UNHCR to support its programs in Eurasia;
- \$11 million to the ICRC to support its programs in Eurasia;
- \$2.0 million to the International Organization for Migration (IOM) for its follow-up activities for the CIS Migration Conference. (These funds were used to support IOM's capacity-building and migration-management programs in Armenia, Azerbaijan, Georgia, Kyrgyzstan, Turkmenistan and Ukraine; as well as to support IOM's NGO capacity-building activities, the Bishkek Migration Center in Kyrgyzstan, IOM's Technical Cooperation Center in Vienna, and for related administrative overhead.)
- \$500,000 to the International Federation of Red Cross and Red Crescent Societies for its CIS Population Movement Program and capacity-building of national societies;
- Over \$337,000 to the United Nations World Food Program (WFP) to support its activities in Eurasia; and
- \$10,000 to the Office for Democratic Institutions and Human Rights (ODIHR) of the Organization for Security and Cooperation in Europe (OSCE) for border-guard training for the South Caucasus countries.

U.S. DEPARTMENT OF STATE – COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE

The Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE) is responsible for coordinating and facilitating the provision of emergency and transitional humanitarian assistance to the Eurasian countries. This includes the coordination of U.S. Government humanitarian assistance efforts with other donor countries and several international organizations. In FY 2001, under Operation Provide Hope, EUR/ACE expended \$17.4 million to leverage and facilitate the delivery of over \$200 million in privately donated and U.S. Department of Defense (DoD) excess humanitarian commodities to targeted groups in greatest need in Eurasian countries. Working closely with numerous U.S. private voluntary organizations (PVOs), contracted freight forwarders, and various U.S. Government agencies, the Coordinator's Office also funded several emergency and transitional humanitarian programs. FY 2001 program highlights include the following:

- The continuation and expansion of a cooperative agreement with the U.S. PVO Counterpart International to manage a humanitarian transportation program for small and medium-sized PVOs that commenced in March 1998 at the urging of the U.S. Congress. This program serves to fill the gap between EUR/ACE's Large PVO Programs and the EUR/ACE-funded Ocean Freight Program and furnishes funding to smaller PVOs shipping as few as one or two containers to target groups in Eurasia. This program, which has served 77 such organizations, delivered over \$19.5 million in humanitarian commodities to all 12 Eurasian countries in FY 2001.
- The coordination and delivery of a DoD excess property hospital package worth approximately \$17 million to Georgia. This project consisted of a U.S. C-17 airlift, which delivered \$7 million in high-value pharmaceuticals and 152 surface containers of medical equipment and supplies valued at over \$10 million. This project included the provision of medical equipment and supplies to nine medical facilities in Tbilisi and the provision of tailored medical packages to over 30 primary-care clinics throughout Georgia. This was the fifteenth such hospital package delivered through this program to locations in Eurasia by the Office of the Coordinator since the beginning of Operation Provide Hope in 1992.
- The continuation of a large grant with Counterpart International to source, screen, and deliver DoD excess property and privately donated commodities to those in greatest need in eleven Eurasian countries. This program, which funneled over \$80 million in DoD and private commodities to Eurasia in FY 2001, played a critical role in furnishing badly needed emergency commodities to displaced populations in both eastern and western Georgia, to the Aral Sea region of Uzbekistan, to orphanages in Azerbaijan and Ukraine, and to a multitude of the most needy institutions in Eurasia.
- The continuation of a grant to the United Methodist Committee on Relief (UMCOR) to conduct critical humanitarian medical clinic work in the three southern Caucasus countries: Armenia, Azerbaijan, and Georgia. UMCOR's efforts were especially effective in responding to the needs of refugees and IDP populations in Azerbaijan and Georgia and in supporting the operation of 70 medical clinics in Armenia.

- Two grants to the U.S. PVO CitiHope to source and deliver high-value medicines and pharmaceuticals to Belarus, Kyrgyzstan, and Moldova. CitiHope's programs have been especially effective in providing critically needed hepatitis vaccines and oncological medicines for children. It remains the primary U.S. PVO working in Belarus.
- A grant to the U.S. PVO Project HOPE to source and deliver critically needed medicines and pharmaceuticals to Uzbekistan, Kazakhstan, and Georgia. Project HOPE has been making deliveries in coordination with EUR/ACE under Operation Provide Hope since its inception in 1992. This highly experienced PVO typically partners with U.S. business interests in Eurasia to focus assistance on local populations in greatest need.
- The continuation of a grant to the U.S. PVO A Call to Serve (ACTS) in support of a multimillion-dollar project to supply critically needed medical commodities to eight separate locations in the mountainous regions of Georgia.
- The awarding of new grants to the U.S. PVO International Relief and Development (IRD) for executing humanitarian programs in Armenia, Azerbaijan and Georgia. Through these grants, IRD was able to continue and expand its program of responding to the humanitarian needs of IDPs in the Gali region of Georgia and western Azerbaijan. In addition, IRD was able to assist a number of medical facilities in Armenia.
- The continuation of a grant to the PVO World Council of Hellenes Abroad (SAE), working with IRD as a subgrantee, to provide humanitarian medical assistance in Armenia, Georgia and Ukraine. This program resulted in the establishment of modern medical clinics in all three countries designated and operated to care for the most needy segments of the population in these countries, including but not limited to ethnic Greek populations.
- A grant to the U.S. PVO Heart-to-Heart to execute a multimillion-dollar program to source and deliver high-value medicines and pharmaceuticals to needy populations in Georgia, Uzbekistan and Moldova through Physicians with Heart—a partnership between Heart-to-Heart, the American Academy of Family Physicians, and several pharmaceutical companies. U.S. medical professionals from this partnership accompanied humanitarian deliveries and conducted training seminars on family practice protocols.
- The execution of follow-up missions and delivery of hospital sustainment packages to Semipalatinsk, Kazakhstan, and to Baku, Azerbaijan, were initiated.
- The initiation and coordination of humanitarian actions to deal with droughts and emergencies in various Eurasian countries, including Armenia, Georgia, Tajikistan, Uzbekistan and Ukraine. As part of this effort, the U.S. Government collaborated with the United Nations World Food Program and other international organizations to conduct assessments to determine the areas of greatest need and to coordinate on programs to assist those individuals most seriously impacted by the emergencies.
- EUR/ACE worked closely with the U.S. Department of Agriculture (USDA) in determining the priorities for USDA-administered food-aid programs, including USDA's government-to-government programs in Armenia and Georgia and its PVO programs throughout Eurasia.

(Country-specific overviews of Operation Provide Hope deliveries are provided in the country assessments in Part II of this report.)

CROSS-SECTORAL / OTHER PROGRAMS

THE EURASIA FOUNDATION

The Eurasia Foundation promotes the development of democratic institutions and private enterprise at the grassroots level. Conceived in 1992, shortly after the dissolution of the Soviet Union, the Foundation began its grant-making in 1993 with a major grant from USAID. The Foundation is privately managed and field-driven, and is unique in its ability to offer a quick and flexible response to needs identified by Eurasian organizations and to reach areas often untouched by other donors. While its primary tool for providing assistance is an open-door grants program, the Foundation also employs grants competitions to target certain priority areas on a regional basis. Over the past eight years, the Foundation has used funding from USAID and other sources to award nearly 6,000 grants, totaling approximately \$118 million, including 773 grants totaling over \$13.8 million in FY 2001.

Since its inception, the Foundation has raised or leveraged nearly \$36 million in non-U.S. Government funds from foundations, foreign governments, corporations and private citizens for its programs. The Foundation continues to expand its donor base, having raised and leveraged over \$6 million from non-U.S.-Government sources in FY 2001. Major donations in FY 2001 include: \$1.2 million from the Swedish Government for the Economic Education and Research Consortium (EERC); \$500,000 from Carnegie Corporation for EERC; \$300,000 from the World Bank for EERC; \$450,000 from Cisco Systems for Authorized Training and Certification Centers in Armenia; \$300,000 from the Charles Stewart Mott Foundation for NGO resource centers in Russia; \$200,000 from the Charles Stewart Mott Foundation for NGO resource centers in Ukraine; and \$200,000 from the Norwegian Ministry of Foreign Affairs and \$180,000 from the Barents Euro-Arctic Secretariat for a small grants program in northwest Russia.

The Foundation is comprised of a headquarters office in Washington, D.C., and fifteen regional grant and project offices in Almaty, Baku, Kiev, Moscow, Saratov, Tashkent, Tbilisi, Vladivostok, and Yerevan. In addition, the Foundation maintains seven representative grant offices to extend its reach beyond the regional offices.

At the end of FY 2001, the Office of the Inspector General of USAID issued its final report on the fraudulent actions of an employee of the Eurasia Foundation's Kiev regional office, which administers the Foundation's field-based grant-making activities in Belarus, Moldova and Ukraine. Upon discovering evidence in FY 1999 that fraud had taken place, the Foundation referred the case to Ukrainian authorities. The USAID Inspector General's report reached conclusions regarding the total amount misappropriated and made a series of recommendations to ensure improved program management. The Eurasia Foundation has taken the control actions recommended by the USAID Inspector General, who subsequently closed the case, enabling USAID to negotiate a new grant with the Foundation. The Foundation's insurance company has fully reimbursed USAID for the misappropriated funds. The Foundation plans to resume grant-making in Belarus, Moldova and Ukraine during the first half of 2002.

The Foundation concentrates its grant-making in three program areas: private-enterprise development, public administration and policy, and civil society. In FY 2001, the Foundation implemented a strategy to allocate a portion of grant resources in high-priority fields identified by local offices, with the remainder devoted to open-door grants. Across the Foundation, small business advocacy and improved local governance were identified as the most critical areas. During FY 2001, the Foundation focused on evaluation of its grants with the implementation of an evaluation process. As part of this process, seven indicators have been developed that will allow for the collection of data across grants to measure results at the three levels at which the Foundation works: individuals, institutions, and society. Evaluation results will be used by Foundation staff to make strategic decisions on future resource allocation and program development. In addition, the Foundation's FY 2001 program also introduced a new focus on institution-building grants, including a partnership grant to a U.S. university working with a business school in Belarus to develop its institutional capacity. Examples of FY 2001 grants are provided below:

Private-Enterprise Development

- \$146,714 to the Kazakhstan Community Loan Fund to support the expansion of this successful fund and the securing of loan capital for continued expansion. This grant will additionally establish a headquarters for the Fund in Almaty, as well as assess the feasibility of developing subsectors in the four cities where the Fund works.
- \$34,868 to Khazri, a scientific and engineering center, to support private enterprise development and consumer confidence in Azerbaijan by helping service providers adopt bar codes and understand intellectual property rights.
- \$28,040 to MERIDO to support the rapidly growing small-business community in Russia by introducing an innovative training and consulting program in strategy, marketing and budgeting. The grantee will develop and use an effective set of consulting tools and methodical materials, including a video, that is intended to decrease the cost of doing business to \$10 per person per day.
- \$23,056 to the Academy of Management in the Kyrgyz Republic to foster the growth of private enterprise through a demand-driven training program in the Total Quality Management system. Local experts who were trained in a prior grant will work with 20 senior managers from four medium-sized companies, over six months.

Public Administration and Policy

- \$17,998 to the Electors' Club of Dubna, Russia to prevent corruption and increase the transparency of municipal property management by developing mechanisms to address privatization of municipal property and land, access to municipal information, and public oversight of property management procedures.
- \$89,092 to the Armenian Fund of Seismic Protection, the United National Service for Seismic Protection of Georgia, and the National Geophysical Committee of Azerbaijan in support of the development of effective municipal emergency preparedness plans in the event of an earthquake for the cities of Yerevan, Tbilisi, and Baku.
- \$21,142 to the Center for Municipal Servants' Training to fund the second part of a program aimed at improving the performance of civil servants in Tajikistan. This project focuses on retraining approximately 100 local government employees in rural counties and small towns while also conducting research in each municipality.

Civil Society

- \$12,582 to the Center for Informational and Socio-Marketing Research in Uzbekistan to promote the sustainability and effectiveness of the NGO sector by training NGO leaders in social marketing skills and conducting research on the motivation behind philanthropic donations, while compiling databases on business and philanthropic activities.
- \$34,818 to the Center of Public Television to support the development of independent regional television stations throughout Russia by facilitating the creation of a regular inter-regional TV news and information program.
- \$30,252 to Turkmen State University to support the development of civic initiatives and leadership qualities through the creation of a study program for university students. Project implementers will develop a study plan, curricula, and a methodical handbook and publish a newsletter. The project also envisions a new study center, where there will be access to the Internet and library materials.

Targeted Initiatives: In addition to its grant-making programs, the Foundation currently manages three special initiatives—the Small Business Lending Program, the Economics Education and Research Consortium, and the Media Viability Fund—which are designed to encourage a more rigorous small business sector, improved professional economic policy research, and financially independent media, respectively.

- **Small Business Loan Program (SBLP):** The SBLP provides loans to small and medium-sized businesses in Armenia and Ukraine. The program provides capital to the fledgling private sector and intensive, hands-on training to participant bank lenders in credit analysis and collection methodology. In FY 2001, the Armenia SBLP disbursed and/or approved 36 loans totaling \$1,508,920 and created 391 jobs. The Ukraine SBLP continued its strong growth for a second year. For FY 2001, the program disbursed 22 loans totaling \$1,337,000 and created 130 jobs. This is a 54 percent increase over FY 2000.
- **Economics Education and Research Consortium (EERC):** The EERC was created in 1996 to encourage professional policy research and improved economic policy-making in Ukraine and Russia. In Ukraine, the EERC supports a master's degree program in economics at the National University of Kiev-Mohyla Academy. In Russia, the EERC supports small research grants and a series of complementary activities that help build a professional community of Russian economists. Now in its sixth year of operations, EERC is building domestic capacity for formulating sound economic policy through its core programs in Ukraine and Russia and a research network now spanning Eurasia.
- **Media Viability Fund (MVF):** A joint effort with the Soros-funded Media Development Loan Fund, the MVF strengthens independent media in Russia and Ukraine through loans to newspapers, television stations and radio stations for equipment and small grants for technical support and management training. In FY 2001, the MVF's emphasis was on two main categories of assistance: technical assistance and Crisis Capital for Independent Media. Technical assistance projects for MVF in FY 2001 included the completion of an extensive research project on readership for MVF's client newspapers. The research results were delivered to the companies and expanded upon at a seminar held in January 2001. Another MVF seminar was held in March 2001 entitled, "The newspaper as a whole product: producing, positioning, branding and selling." Sixty-five people from thirteen different newspapers participated in the two seminars. Through its team training program, MVF continues to advise media outlets on restructuring how various departments coordinate the news gathering and production processes. Crisis Capital for Independent Media is MVF's most ambitious program to date. This initiative offers a loan fund to help regional television stations, radio stations, and newspapers overcome instability and remain independent. Through this project, three independent television stations have now received nearly 100 percent of their production, editing, and broadcast equipment. An MVF newspaper client in Barnaul, Altapress, has begun printing on its newly acquired off-set color printing press, while two additional newspapers will receive presses by early FY 2002. In addition, four independent radio companies are currently working on their business plans for loan consideration. In September of 2001 a new, independent newspaper printing plant was inaugurated in Barnaul, Russia—a city of 600,000 located in Siberia. This printing plant represents the first independent press in the region since 1917 and perhaps before. The \$1.2 million loan to Altapress for the press and the building that houses it represent the first industrial investment in Barnaul since 1991. For the past two years, the Eurasia Foundation, working through the MVF along with its partner, the Media Development Loan Fund, has been assisting Altapress in Barnaul to improve its news publications, strengthen its finances, and extend its outreach. Through leadership and a team effort, Altapress has managed to become the dominant publishing house in the region, publishing six newspapers with a combined circulation of 150,000 copies. The company has grown from five employees to over 1,000.

Cross-Border Initiatives

South Caucasus Cooperation Program (SCCP): To help overcome the political and economic obstacles to regional integration between Armenia, Azerbaijan, and Georgia, the Eurasia Foundation created a program to ease cross-border tensions that have impeded the democratic development and economic integration of the region. Designed to facilitate greater contact and cooperation among leading organizations in Armenia, Azerbaijan, and Georgia through support for cross-border projects in areas such as business development, legal reform, civil society building, and public administration, the SCCP made 111 grants totaling \$1.4 million in FY 2001. A highlight of FY 2001 was a competition that awarded \$347,586 in grants to organizations in Georgia, Armenia, and Azerbaijan to promote tourism development throughout the region. Partnerships of three

organizations (one from each country) will use this grant money to develop five regional projects for the promotion of tourism.

Ferghana Valley: In March 2000, the Almaty and Tashkent regional offices of the Eurasia Foundation launched a regional initiative in the Ferghana Valley, the goal of which was to establish cross-border and inter-ethnic cooperation at the local level in the Ferghana region of Uzbekistan, Tajikistan, and the Kyrgyz Republic. In FY 2001, the Eurasia Foundation awarded grants that helped local institutions explore opportunities to forge cross-border connections. Grants awarded as part of the initiative supported the establishment of student legal clinics, the creation of a business center for women, and assistance to media outlets. A number of workshops were also organized by the Eurasia Foundation in FY 2001. A legal clinic workshop regarding border issues, trade, and transportation was held in Osh, Kyrgyzstan. A workshop for small-business owners took place in Andijan, Uzbekistan, and a mass media workshop was held in Khojand, Tajikistan. Representatives from each of the three countries of the Ferghana Valley region participated in the workshops.

PEACE CORPS

Following the collapse of the Soviet Union, the Peace Corps was invited to send volunteers into eight Eurasian countries (Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan) to help facilitate their transition to market-oriented democracies. In 2001, Peace Corps sent its first group of Volunteers into Georgia. Peace Corps Volunteers (PCVs) have helped overcome the previously limited contact between the United States and Eurasian communities, have established and strengthened new bonds of friendship and cross-cultural understanding by addressing issues of mutual concern at the grass-roots level – one community at a time. PCVs have helped build institutional and human capacity in these transitional economies, while changing the perceptions of their host communities and counterparts regarding the United States and the American people. After returning home from their Peace Corps experience, Volunteers have also helped educate Americans about the people and cultures of the Eurasia region.

Small Business Development Programs: Volunteers in eight of the Peace Corps' Eurasian country programs are promoting small-business development either through business education, community economic development or micro-enterprise development projects. While several of these countries have made considerable strides in adapting to a market-based economic system, economic reforms throughout Eurasia have been frustrated by a lack of understanding at the individual and institutional levels with respect to basic assumptions, structures and skills required to operate in a free-market economy. To make matters worse, many of the region's economies continue to suffer greatly from unstable monetary systems, reliance on antiquated technologies, and inconsistent legal and business practices that discourage local and foreign investment. The need for tangible business skills at the grassroots level—the level at which PCVs focus their activities—is evident in the establishment of numerous local entrepreneurial associations and the widespread demand for free-market business education in Eurasian secondary schools, universities and institutes. PCVs are working on economic development, business education and agribusiness projects, disseminating information about new economic laws to entrepreneurs and local businesses, and emphasizing the concepts involving use of the information technology as a strategic business tool. PCVs work with a variety of institutions, including business advisory centers, local governments, educational institutions, non-governmental organizations, and local community business associations. Volunteers have partnered with other international organizations to provide Internet training and access to students, municipalities expanding tourism opportunities, NGOs supporting local artisans, and other entrepreneurs. This has resulted in unprecedented international exposure for the groups' marketing and networking efforts. PCVs have facilitated capacity building activities at local training centers increasing the technological competence of the local work forces in computer and internet applications.

Teaching English as a Foreign Language (TEFL): English is increasingly viewed as the language of international commerce, tourism, science and technology. The demand for English language training remains strong in Eurasia, as it becomes increasingly clear that integration into the global economy will require a cadre of English-speaking professionals who can access the wealth of technical and scientific information available in English. English language instruction has become a high priority among the states of Eurasia. Unfortunately, many students lack opportunities for English language study due to a shortage of qualified English teachers, a gap that PCVs are filling while local capacity is being developed. In addition to their teaching responsibilities, PCVs in classrooms are able to tap into existing education structures in the Eurasia and conduct secondary activities that benefit under-served children in orphanages and handicapped centers, as well as enhancing

leadership and decision-making skills for promising students while increasing their English competency. With the active support of PCVs, host countries are seeking to improve the overall quality of their education systems by introducing new methods of teaching and by integrating modern technology and materials in the classroom.

Environmental Programs: PCVs in Eurasia, regardless of their project assignment, are involved in the important work of environmental education and protection. Pollution and environmental degradation are common problems in the area, with large portions of Eurasian countries' air, water and land resources contaminated or at-risk. Clear-cutting of forests, unwise use of natural resources, and industrial, chemical and nuclear pollution are causes for local, regional and international concern. The economic hardships that have occurred during the transition to market-based economies have placed tremendous pressure on the Eurasian governments to pursue development policies that maximize short-term economic gains without regard to environmental conservation. Meanwhile, environmental organizations are hindered in their attempts to address these problems by inadequate access to technical information and limited knowledge of potential funding opportunities. PCVs are working to help reverse these trends by helping to raise public awareness of environmental issues and concerns, especially through the school systems. Volunteers are also playing a role in protecting national and community parks by improving community access to environmental educational resources, and encouraging local environmental restoration projects and have conducted environmental education programs throughout the region, including Earth Day-related activities and GLOBE teacher training sessions on environmental science protocols. Thousands of students and community members have participated in public awareness campaigns, clean-up projects, tree-planting efforts, and environmental summer camps, which also provide an opportunity to improve English language skills and learn about American culture. The community interest generated through these activities crosses over all program sector areas.

NGO Development Programs: The strengthening of non-governmental organizations (NGOs) is another area in which PCVs are playing a critical role. The government-provided social safety net that existed under the Soviet system, especially pension and health care programs, has collapsed and has not yet been replaced with functioning systems. In lieu of governmental action, a burgeoning civil society has materialized, comprised of an array of non-profit organizations and NGOs. These organizations, still in their infancy and burdened with a historical legacy of dependency, face difficult challenges of structure, direction, and material support. The need for the introduction of fresh management approaches and techniques has become more acute than ever. In this capacity, PCVs have stepped in to support the development of local organizations, giving voice to environmental and women's groups, local chambers of commerce, and parent-teacher associations – providing management and leadership training opportunities that their governments do not have the resources to address.

Health Education Programs: In the last several years, the Peace Corps has increased its programmatic involvement in health education in Eurasia. Upon gaining independence, the Eurasian countries inherited a centralized health-care system that was woefully inadequate. Emphasis was placed on curative, rather than preventive, care and deteriorating health infrastructure, combined with environmental and economic problems, led to an increase in health disorders linked to pollution, and an increase in social afflictions such as drug and alcohol abuse, particularly among youth. As the Eurasian countries make the transition towards decentralized, privatized health-care systems, PCVs in rural and urban centers are helping to increase community awareness of these and other health issues (including HIV), and are assisting health professionals obtain creative methodologies that promote healthy behavior among the populace. In response to an overall Peace Corps agency initiative, Volunteers in Eurasia have begun conducting HIV/AIDS education and awareness workshops, regardless of their primary project assignment, collaborating with the respective Ministries of Health, NGOs, and women and youth groups. Healthy behavior, including HIV awareness, among young people has been encouraged using peer education models. As a result of this and similar initiatives, the implementation of new health projects, focusing on HIV/AIDS education and/or youth-at-risk will develop in the future, given adequate resources.

An overview of Peace Corps activities by country is provided on the following page:

PEACE CORPS' EURASIA PROGRAMS BY COUNTRY

ARMENIA	RUSSIA (VLADIVOSTOK)
Business Education	Teaching English as a Foreign Language
Community Development	
Teaching English as a Foreign Language	RUSSIA (MOSCOW)
NGO Development	Teaching English as a Foreign Language
Community Health Education	Business Education
	Small Business Development
GEORGIA	
Teaching English as a Foreign Language	TURKMENISTAN
	Teaching English as a Foreign Language
KAZAKHSTAN	Community Health Education
Small Business / Economic Development	Business & Micro-Enterprise Development
English Education / Resource Development	
Teaching English as a Foreign Language	UKRAINE
Environmental Education	Environmental Protection
Public Health Project	Business & NGO Development
	Teaching English as a Foreign Language
KYRGYZSTAN	
Sustainable Economic Development	UZBEKISTAN
NGO Development	Teaching English as a Foreign Language
Teaching English as a Foreign Language	Business Education and Development
	Education and Resource Development
MOLDOVA	Health Education Program
Agribusiness	
Organizational Development (NGOs)	
Teaching English as a Foreign Language	
Health Education	

Small Project Assistance (SPA) Program

The Peace Corps' Small Project Assistance (SPA) Program awards small community grants in support of PCV-implemented activities that help strengthen civic organizations, small businesses, educational institutions and NGOs. In addition to the grants, SPA also provides resources and support for technical assistance (technical skills training) to bolster the capacity building skills of host-country citizens in the areas of technical expertise, community and NGO development and small project design and management. Since its inception in FY 1996, the Eurasian component of the SPA Program has expended \$2.2 million to help build institutional capacity at the grassroots level. In FY 2001 alone, the SPA Program authorized 258 grants totaling \$481,344 in the nine participating Eurasian countries (10 Peace Corps posts). Grants averaged just under \$1,900, and ranged from \$200 to \$6,800 per activity. This past year saw the continuation of a trend demonstrating significant host-country local contributions to the sustainability of activities.

As has been the case in prior years, the majority of SPA-funded activities in FY 2001 were in the area of education, particularly with respect to assisting community schools enhance their educational resource centers and upgrade their libraries and language learning laboratories to include computer, photocopy and audio-visual equipment. While SPA funds are available to assist communities in acquiring computers and software, the community matching funds provide the resources for internet access and related recurring costs. SPA resources also strengthened educational opportunities by supporting enhancement of teacher training skills, as well as the construction and renovation of school buildings, classrooms and community resource centers. With SPA support, community and school groups organized youth camps focusing on leadership, environmental awareness and English-language immersion.

Besides supporting education, local communities also accessed SPA funds to improve their environment, to encourage income-generation activities, to assist in the provision of basic health and sanitation services, to strengthen local NGOs through capacity building training and resource procurement, to assist at-risk youth

development activities (including support for orphans and the handicapped), and to promote girls' education through locally organized leadership and life skills training.

A breakdown of SPA Grants and Technical Assistance support, by country, is provided below:

COUNTRY	Number of Grants Awarded in FY 2001	FY 2001 SPA Grant Expenditures	FY 2001 Total SPA Expenditures*	Cumulative Expenditures FY 1996-2001
Armenia	12	\$39,943	\$43,888	\$196,812
Georgia	0	0	0	0
Kazakhstan	36	\$65,332	\$76,474	\$309,692
Kyrgyzstan	14	\$31,024	\$37,123	\$104,313
Moldova	18	\$49,951	\$55,765	\$233,966
Western Russia	37	\$106,989	\$106,989	\$365,008
Russian Far East	27	\$42,000	\$49,400	\$194,799
Turkmenistan	9	\$8,928	\$16,772	\$155,014
Ukraine	71	\$110,000	\$113,099	\$504,723
Uzbekistan	24	\$27,180	\$32,474	\$130,068
TOTAL	248	\$481,344	\$532,257	\$2,194,395

* Total includes SPA Grant funds, as well as funding for related technical assistance activities.

In FY 2001, 52 percent of SPA -funded activities in Eurasia were in the area of education, 11 percent in environment, 15 percent in health, 13 percent in small business development, 7 percent in youth activities and 2 percent supporting local NGOs. For additional details, please see the country assessments in Part II of this report.

U.S.-ISRAEL COOPERATIVE DEVELOPMENT PROGRAM (CDP)

The USAID-funded U.S.-Israel Cooperative Development Program (CDP) has entered its last year of USAID/Washington-funded operations in the Eurasian region. For future activities in the region, a new field-based partnership between MASHAV and USAID is replacing the CDP block-grant approach through which USAID's Washington headquarters provided funds from directly to MASHAV. MASHAV has been developing projects directly with the USAID Regional Mission for Central Asia, and has already begun to implement the first of these Mission-funded projects.

CDP was formally established in 1988 to provide U.S. funding for the foreign assistance program of the State of Israel, in order to support the delivery of Israeli technical assistance and training to address a broad range of developing-country assistance needs. In 1992, a special initiative for Central Asia (CDP/CAR) extended program operations to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, with CDP/CAR coverage extended to Georgia in 1993. The final installment of USAID/Washington funds for CDP/CAR was obligated in FY 2000 to cover expenses in FY 2001 associated with the transition to USAID Regional Mission for Central Asia funding, phasing-out project activities, or transferring them to non-U.S. support.

The CDP provided U.S. funds for the activities of MASHAV, the development assistance unit of the Government of Israel's Ministry of Foreign Affairs, and the program was implemented by MASHAV as part of its own foreign assistance portfolio. Proposed activities were based on requests from the host countries or identified by MASHAV. Given Israel's expertise and experience, the principal focus of the program was agriculture and related areas, with an emphasis on soil and water management, intensive livestock husbandry and vegetable production, irrigation systems management, and farm management. The program was implemented primarily through training, consultants, and demonstration farms. More recently, the CDP emphasized agricultural economics and the development of private sector enterprises. FY 2001 CDP/CAR expenditures were about \$900,000, with USAID contributing two-thirds and MASHAV contributing one-third of that total.

In FY 2001, 73 U.S.-funded trainees attended nine training courses in Israel. During that same period, three in-country agricultural and business training courses were held throughout the region. In addition, five short-term

consultancies were supported in the areas of agriculture, health management, and small business development. Four Israeli agricultural experts were also supported on long-term assignments at demonstration farms.

The emphasis on dairy production and marketing of high-value dairy products continued in FY 2001. Field crops and irrigation management practices continued to be emphasized at other demonstration sites. In keeping with the program's increased emphasis on privatization and the economic feasibility of agricultural technologies, MASHAV operated CDP-funded agribusiness centers in Kazakhstan, Kyrgyzstan, and Georgia. They were staffed with visiting Israeli experts and local professional coordinators who assisted private farmers with their business plans and provided them with information on markets and technologies.

U.S.-ISRAEL COOPERATIVE DEVELOPMENT RESEARCH PROGRAM (CDR)

The USAID-funded U.S.-Israel Cooperative Development Research (CDR) Program was established in 1985 to support joint applied research projects involving Israeli scientists and their counterparts in developing countries. In 1992, a special initiative extended the program to Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Georgia. This initiative focuses on research in arid-lands agriculture—an area of Israeli strength and particular need in Central Asia—and includes projects in water management and environmental protection as well as agronomy and livestock management.

The CDR/CAR initiative has the following objectives: 1) to provide limited assistance to maintain the scientific communities in Central Asia and Georgia; 2) to provide financial and technical assistance for research directed toward basic needs of the people in the region; 3) to expose the Eurasian scientific community to a system of competitive institutional grants; 4) to utilize Israeli expertise and practical scientific methods, primarily in the management of science and technology in improving agriculture; 5) to establish multiple independent links between the people of this historically Muslim region and Israel; and 6) to link the formerly isolated scientific community of the region with the world scientific community.

Since 1993, CDR/CAR has awarded over 75 research grants of up to \$150,000, not including the considerable matching funds provided by Israeli research institutions. Projects are chosen from proposals jointly authored by Israeli and target county scientists, and selections are made by USAID on the advice of peer review panels of U.S. scientists. The U.S. Government is visible as the donor, and American scientists are eligible to participate as funded third partners on the grants.

Achievements in FY 2001, include: the selection of highly productive, adaptive apple tree rootstocks in Kazakhstan along with determination of ideal irrigation, fertilization and pruning techniques and conditions; identification of traits for heat avoidance and tolerance in tomato and wheat in Kazakhstan as potential selection criteria for breeding programs; analysis of the best conditions for grape production with runoff irrigation and soil profiles using models and global information system (GIS) data in Kazakhstan; determination of the optimal irrigation and fertilization conditions for wine grapes in Kazakhstan; development of a method of applying a strain of bacteria with potential as a bio-control agent against fungal diseases in crops in Uzbekistan; development of a method of detecting pathogenic bacteria that attack cabbage in Kazakhstan; characterization of dust particle emissions in the cottonseed oil industry in Uzbekistan with respect to occupational safety; and development of remote sensing technology in Kazakhstan that has improved monitoring of the environment and accuracy of agricultural production estimates.

In addition to technical discoveries, the CDR Program has provided valuable links to otherwise isolated scientific communities in Central Asia and Georgia. It has funded research equipment, international travel, periodicals, and access to electronic mail. The training of students from the region, both in their home countries and in Israel, is a key part of nearly every CDR grant. The program has also provided many institutions with their first exposure to a competitive, western-style research grant, and this in turn has created the impetus for banks in the region to establish accounts and transfer procedures more consistent with modern practices.

In keeping with increased U.S. interest in Central Asia, a goal for FY 2002 is to increase the level of direct participation by U.S. scientists and research institutions on the new collaborative grants awarded under CDR/CAR. This would leverage the program's technical accomplishments and collaborative relationships through more involvement by the U.S. scientific community in the region's development.

U.S. DEPARTMENT OF STATE – PROGRAM FOR THE STUDY OF EASTERN EUROPE AND THE INDEPENDENT STATES OF THE FORMER SOVIET UNION (TITLE VIII)

Early in the 1980s, the Executive Branch, Congress, and the U.S. academic community pooled their efforts to establish the Soviet-Eastern European Research and Training Act of 1983 (also known as Title VIII). The intent of the bill was to redress the diminishing supply of experts on this region by providing stable, long-term financing on a national level for advanced research; graduate and language training (domestic and on-site); public dissemination of research data, methods and findings; and contact and collaboration among Government and private specialists.

The Program for the Study of Eastern Europe and the Independent States of the Former Soviet Union (also known as the Title VIII Program) is guided by an advisory committee chaired by the Department of State and consisting of representatives of the Secretaries of Defense and Education, the Librarian of Congress, and the Presidents of the American Association for the Advancement of Slavic Studies (AAASS) and the Association of American Universities (AAU). The Assistant Secretary for Intelligence and Research chairs the advisory committee for the Secretary of State, which meets at least annually to recommend grant policies and recipients.

From 1985-1990, the U.S. Congress appropriated to the Title VIII Program about \$4.6 million annually in support of the activities listed above. In light of the dramatic changes in the region, the U.S. Congress appropriated about \$10 million annually for FY 1991-94. Subsequent combined appropriations of FREEDOM Support Act and SEED Act funds were as follows:

FY 1995	\$7.5 million
FY 1996	\$5.0 million
FY 1997	\$4.2 million
FY 1998	\$4.8 million
FY 1999	\$4.8 million
FY 2000	\$4.5 million

In FY 2001, the Title VII Program was funded at a total level of \$4.197 (\$2.7 million in FREEDOM Support Act funds for Eurasia-related activities, and \$1.597 million in SEED Act funds for East European activities).

Title VIII operates on the basis of a two-stage award process. First, the Department of State conducts an annual, open competition among U.S. national organizations with interest and expertise in administering research and training programs in Eurasian and East European fields. These organizations are to be national in scope and have in place broad selection and peer review mechanisms. A call for applications is published in the *Federal Register*. The Title VIII Advisory Committee reviews the applications and makes recommendations for grant recipients to the Secretary of State. Then, those approved by the Secretary serve as intermediaries for the funds by conducting their own open, national competitions to make awards to end-users, either individual scholars or other institutions. The list of FY 2001 Title VIII grant recipients for Eurasia is provided below:

American Councils for International Education (ACIE, formerly known as ACTR/ACCELS)

Grant: \$390,000 (\$325,000 Eurasia, \$65,000 Eastern Europe)

Purpose: To support programs in advanced Russian, other Eurasian and Central and East European languages; combined research and language training fellowships, including a Special Research Initiative on Central Asia and the Caucasus; Research Scholar and Junior Faculty research fellowships; and Policy Research Fellowships with the National Council for Eurasian and East European Research.

University of Illinois at Urbana-Champaign

Grant: \$125,000 (\$95,000 Eurasia; \$30,000 Eastern Europe)

Purpose: To support the Summer Research Laboratory, which provides dormitory housing and access to the University's library for advanced research, and the Slavic Reference Service, which locates materials unavailable through regular interlibrary loan.

International Research and Exchanges Board (IREX)

Grant: \$605,000 (\$340,000 Eurasia; \$265,000 Eastern Europe)

Purpose: To support its programs for individual advanced research opportunities at the pre- and post-doctoral levels; short-term travel grants; the Caspian Sea Regional Policy Symposium; dissemination activities; and policy forums.

National Council for Eurasian and East European Research (NCEER)

Grant: \$1,115,000 (\$840,000 Eurasia; \$275,000 Eastern Europe)

Purpose: To support the Research Contract and Policy Fellowship Grant Programs for postdoctoral research; Policy Research Fellowships in Eurasia and Central and East Europe; and the Ed. A. Hewett Fellowship Program to allow a scholar to work on a research project for a year while serving in a U.S. Government agency.

Social Science Research Council

Grant: \$700,000 (\$670,000 Eurasia; \$30,000 Eastern Europe)

Purpose: To support pre- and post-doctoral fellowships, including advanced graduate and dissertation; a dissertation workshop on understudied regions; and U.S.-based institutional training in the Eurasian languages.

The Woodrow Wilson Center for International Scholars

Grant: \$680,000 (\$430,000 Eurasia; \$250,000 Eastern Europe)

Purpose: To support the Research and Short-term Scholar Programs, internships, meetings, outreach and publications of the Kennan Institute for Advanced Russian Studies and the East European Studies of the European Program, including the Kennan's Workshop on Multi-cultural Legacies in Russia, Ukraine, and Belarus and the East European Program's Junior Scholars' Training Seminar.

IV. ASSESSMENTS OF PROGRESS IN MEETING THE STANDARDS OF SECTION 498A OF THE FOREIGN ASSISTANCE ACT OF 1961

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

ARMENIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Armenian Government has stated its commitment to building a parliamentary democracy based on rule of law and civil society. However, progress toward democracy and the rule of law remains slow and incremental. The Armenian constitution was adopted by referendum in July 1995, coincident with the election of a transitional 190-member legislature. The parliamentary elections and constitutional referendum were called "generally free but not fair" by international observers. Presidential elections were held in 1996 and 1998. Fraud in the 1996 vote tabulation process allowed then-incumbent President Ter-Petrosian to avoid a run-off election he might have lost. In February 1998 Ter-Petrosian was forced to resign. Current President Kocharian took office in April 1998, following elections that were marred by numerous irregularities, including block voting by the military and ballot-box stuffing, which cast doubt on the voting and vote-counting processes. Nevertheless, the 1998 elections were an improvement over those of 1996 in that a pluralistic group of candidates was able to campaign more freely, and with access to the media. Elections in May 1999 for a restructured 131-member Parliament demonstrated some areas of improvement over previous elections as well as continuing serious shortcomings. Improvements included the authorities' respect for freedom of speech and assembly, parties' and candidates' ability to enter the race and campaign freely, the neutrality of media coverage, and the functioning of domestic election observers. Notable shortcomings were the poor state of voter lists (which kept many people from casting ballots), problems with military voting, insufficiently independent election commissions, and problems with the tabulation and publication of vote counts. On October 27, 1999, five gunmen murdered the Prime Minister, the Speaker of the National Assembly, and six other officials in the parliament chamber. Selection of successors followed constitutional requirements and several by-elections since that time showed further improvement in electoral procedures and fairness, but uncertainty and instability remain prominent features of the political landscape.

Fourteen laws designed to improve the legal and judicial systems took effect in January 1999 but have not completely remedied judicial shortcomings. Even though the prosecutors' supervision of cases has been significantly reduced, prosecutors still greatly overshadow defense lawyers and judges during trials. In addition, concerns remain regarding the independence of the judiciary, the functioning of the legal system, and police treatment of detainees. The beating of pretrial detainees remains a routine part of criminal investigations. The government has not conducted investigations of abuse by security forces, except in rare cases where death has resulted and under pressure from human rights groups.

The constitution provides for freedom of the press, but the government exercises some restrictions on the media. Official censorship is not practiced, but journalists appear to engage in self-censorship to avoid problems with authorities. Many subjects considered sensitive for national security reasons receive circumscribed coverage. The government maintains the dominant role in nationwide television and radio broadcasting. The president's office continues to influence state television news coverage. Nonetheless, the climate of media freedom is improving. Non-governmental media often criticize the country's leaders and government policies. Independent local newspapers and radio and television stations are increasing in number and publications present a variety of views. A new media law passed in November 2000 substantially reduces government control over the media, but still leaves some loopholes that are cause for concern.

Public demonstrations occur, usually without government interference.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Since 1994, Armenia has pursued macroeconomic stability and structural reform, with the support of international financial institutions and donors. Armenia's economic performance improved markedly in 1998. However, the 1998 Russian financial crisis, compounded by a drought in late 1998 and political uncertainty around the May 1999 Parliamentary elections and the October 1999 assassinations seriously hurt the Armenian economy. During this difficult period, Armenia experienced policy setbacks and lost the momentum for structural reform. However, authorities have recently reaffirmed their commitment to economic reform. In May 2001, the International Monetary Fund (IMF) Board of Directors approved a three-year, \$87 million Poverty Reduction and Growth Facility (PRGF) for Armenia. Armenia has succeeded in privatizing almost all agricultural land and housing stock. An aggressive voucher privatization program resulted in privatization of most of the Republic's small enterprises and approximately 70 percent of the medium and large enterprises. Privatization slowed during 1999 due to a difficult transition from voucher to cash privatization at the end of 1998. Some negative political fallout from several high-profile privatizations in late 1998 contributed to the government's reluctance to undertake further privatization. By the end of 1999, however, the government appeared to have generated a renewed political will to continue privatization. Two government decrees that will remove most remaining obstacles to the privatization process are expected to be implemented this year. Several hundred medium to large state owned enterprises, including many strategic enterprises, are expected to enter the privatization pipeline. Despite continuing efforts by the government to privatize the energy sector, privatization of the four largest distribution companies was not completed in 2001.

Armenia is working to establish legal and institutional frameworks that will facilitate further economic development and foster an environment attractive to foreign investment. A liberal foreign investment law was approved in 1994. Armenia has a bilateral trade agreement, an OPIC agreement, and a bilateral investment treaty with the United States, providing for reciprocal Normal Trade Relations, subject to annual review. Armenia is laying the legislative and administrative foundations for its entry into the WTO. Armenia has made substantial progress in negotiations to join the WTO, has assured the trade body it is working to enact and implement WTO-compliant legislation, and is negotiating outstanding differences on market access offers in goods and services and on agricultural supports. Armenia has also expressed interest in negotiating a tax treaty, and is receiving U.S. technical assistance in revising its tax structure. Armenia belongs to the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Armenia is committed to respecting internationally recognized human rights as reflected by its constitution, adopted in 1995, which contains broad human rights protections. Implementation, however, has been inconsistent and problems persist in several important areas. The constitution grants national minorities the right to preserve their cultural traditions and languages, and current law specifically provides linguistic minorities the right to publish and study in their native tongues. Armenia has ratified important international human rights treaties and shown a willingness to engage in international and bilateral discussions regarding human rights.

The constitution provides for the right to practice the religion of one's choice, but current laws grant special status to the Armenian Apostolic Church, which has legal status as the national church. All other religious denominations and organizations must register with the state Council on Religious Affairs (although certain congregations, such as the Yezidis and Hare Krishnas, remain unregistered by choice or for lack of numbers), and only the Armenian Apostolic Church may proselytize. Funding from sources outside Armenia is prohibited for non-apostolic faiths. As of November 2001, registered religious groups had reported neither adverse consequences from the law nor denial of re-registration under the amended law. Although the State Council on Religions does not allow Jehovah's Witnesses to register as a religious denomination, claiming that illegal proselytism is integral to their activities, the group operates in a fairly open manner. Despite being harassed by local officials and denied access to their religious publications, they report gains in converts. In 2001, several Jehovah's Witnesses were in jail charged with draft evasion or desertion. In June 2001, President Kocharian granted amnesty to 38 but 16 remain detained. Under commitments made as a new member of the Council of Europe, the government has committed to enacting legislation to provide alternative military service within the next two years, although to date no legislation appears to be under current review. In September, an Armenian court found a senior Jehovah's Witness official innocent of all charges brought against him under a Soviet-era anti-religion law. The Prosecutor, however, has appealed the ruling and the status of the case remains uncertain.

The constitution provides for freedom of foreign travel and emigration, and these rights are generally recognized in practice. However, in cases of permanent residents who wish to relocate abroad permanently, the government can deny exit visas to persons possessing state secrets, to those subject to military service, and to those whose relatives have made financial claims against them. A 1997 law mandates that representatives of religious organizations other than the Armenian Apostolic Church must obtain prior permission from the State Council on Religions to travel abroad. However, this requirement has not been enforced since the initial year of its enactment. Since independence in 1991, upwards of one million Armenian citizens, approximately one-third of the population at independence, have emigrated or reside semi-permanently outside the Republic of Armenia.

Discrimination based on race, sex, religion, disability, language, or social status is prohibited by the Constitution, but cultural and economic factors prevent women, persons with disabilities, and some ethnic and religious minorities from participating fully in public life.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

As a result of the continuing conflict over Nagorno-Karabakh, Armenian military forces occupy some areas of the territory of Azerbaijan. However, the Government of Armenia continues to observe the cease-fire that has been in effect since May 1994, and participates actively as a party within the OSCE Minsk Process, an initiative aimed at resolving the conflict over Nagorno-Karabakh. In addition, President Kocharian and Azerbaijani President Aliyev have engaged in bilateral talks for several years whose goal is a negotiated settlement of the conflict. Their foreign and defense ministers also have met several times to discuss aspects of a settlement. Armenia released several Azerbaijani POWs in 1999. In April 2001, President Kocharian and President Aliyev met in Key West, Florida for peace talks aimed at furthering a negotiated settlement. In November 1999, Armenia joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force. Armenia also facilitated the opening of an OSCE office in Yerevan in 2000.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in spring 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Armenia continues its participation in the OSCE peace process. There has also been intermittent direct dialogue between the Armenian and Azerbaijani governments. This dialogue and the Minsk Group process continue to hold the promise of achieving comprehensive settlement of the conflict.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Armenia ratified the CFE Treaty in October 1992 and the 1996 CFE flank agreement in May 1996. Armenia participated actively in negotiations to adapt the Treaty and, along with the other 29 CFE states, its representatives signed the Adapted CFE Treaty at the Istanbul Summit in 1999. Armenia has provided data on equipment as required by the Treaty, although over the past few years' concerns have arisen about the completeness of this data. Armenia also has hosted on-site inspections, as provided for in the Treaty, and participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Armenian compliance with CFE has been uneven. In addition to Armenia's longstanding failure to properly notify or carry out reductions required by the Treaty, there have been technical concerns about the completeness of Armenia's data on equipment holdings. Also of concern are: evidence that Armenia may have failed to notify increases in unit holdings involving CFE Treaty limited equipment transferred from Russia, the fact that Armenia continues to station troops and CFE limited equipment on the territory of Azerbaijan without Azerbaijani permission, and evidence that Armenia made a late notification of the entry into service of multiple rocket launchers purchased from China. Another area of concern is possible transfers in the mid-1990s of CFE-type military equipment to separatist forces in Nagorno-Karabakh. Both Armenia and Azerbaijan have maintained that it is impossible for them to meet certain Treaty obligations because of security concerns associated with the Nagorno-Karabakh conflict. This said, Armenia is engaged in discussions both in the CFE context and in the context of the Minsk Group process that may help to address certain of these issues.

Armenia participates in Vienna Document 1999, an OSCE regime of confidence and security building measures. Armenia submitted CSBM annual data declarations for 1996-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document (1994 and 1999). In August 2000, Armenia hosted an air base visit and visit to a military facility in accordance with Vienna Document 1999 provisions.

Armenia acceded to the NPT as a non-nuclear-weapons state on July 15, 1993. It has had a safeguard agreement in force with the International Atomic Energy Agency since May 5, 1994. The United States and other Western governments have discussed efforts to establish effective export control systems with Armenia. Armenia is a State Party to the Chemical Weapons Convention (CWC) and the Biological Weapons Convention (BWC), which seek to eliminate chemical and biological weapons, respectively. Armenia provided an annual BWC CBM Data Declaration the past four out of five years, including in 2001. Armenia also signed a bilateral nonproliferation and export control agreement with the United States in July 2000. It has ratified the agreement and exchanged formal notifications of ratification with the U.S. Additionally, Armenia has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

We have received occasional reports involving Armenia of transfers potentially related to proliferation of weapons of mass destruction, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period. Armenia is in the process of establishing a WMD-related export control system derived from international standards and has cooperated with the United States and others toward this goal.

Armenia is not a significant exporter of conventional weapons, but has provided substantial support, including materiel, to separatists in the Nagorno-Karabakh region of Azerbaijan.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Armenia faces serious environmental problems. Water pollution caused by industrial wastes discharged into rivers has contributed to a serious decline in public health. Armenia's major freshwater source, Lake Sevan, has a declining water level due to hydroelectric generation. Overuse of the country's forests and poor irrigation and water management practices have led to increased soil erosion and loss of arable land. The Government of Armenia, however, has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a Ministry of Environment. Environment action plans are being developed with the assistance of the World Bank. National environmental NGOs are gaining access to the policy-making process on environmental issues. Armenia has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information-sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues.

In 2000, Armenia joined Georgia in signing the charter for and establishing the Regional Environmental Center in the Caucasus, located in Tbilisi, Georgia. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Armenia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Armenia is a party to two of the twelve international counterterrorism conventions. In November 2001, the Armenian Foreign Minister signed the International Convention for the Suppression of the Financing of Terrorism, which awaits ratification by the Armenian Parliament. The government is currently preparing to ratify a series of UN conventions on terrorist activity. Allegations in the Turkish media that the Government of Armenia supports anti-Turkish Armenian and Kurdish terrorist groups remain unsubstantiated. The PKK, however, does have a presence in Armenia. In October 2001, a couple hundred PKK supporters attempted to demonstrate in front of the U.S. Embassy but were prevented from doing so by local authorities.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the former Soviet Union (FSU). In December 1991, Russia and seven other republics, including Armenia, signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In September 1993, Armenia signed a "double zero option" agreement with Russia under which Russia agreed to assume Armenia's share of the former Soviet Union's foreign debts in exchange for Armenia's share of the FSU's external assets.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.- Russia Joint Commission on POWs/MIAs, which was established in March 1992. The U.S. side of the Commission visited Armenia in August 1993 to expand contacts with Armenian officials and to visit the crash site of a C-130 that was shot down over Armenia in 1958. The delegation received much support from the people and officials of Armenia, who cooperated during the investigation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no information to conclude that the Government of Armenia is providing military, intelligence, economic, nuclear, or other assistance to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

ARMENIA

Section 498A(b)(1): Has the President determined that the Government of Armenia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been some shortcomings in human rights observance (as discussed above), we do not believe that the Government of Armenia is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Armenia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Armenia has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Armenia "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We periodically receive reports potentially related to Armenian transfers of material, equipment or technology that could contribute to the ability of countries to manufacture weapons of mass destruction. We carefully review these reports in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period.

Section 498A(b)(4): Is the Government of Armenia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Armenia is prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Armenia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Armenia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Armenia is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

AZERBAIJAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Azerbaijan continued to make incremental if uneven progress in 2001 towards creation of a democratic system of government. The government's track record on democratic reform was a factor in Azerbaijan's admittance to the Council of Europe in January 2001. The government's efforts toward integration with the West have brought it into NATO's Euro-Atlantic Partnership Council and engagement with the European Union. Significant problems remain, however. A parliamentary republic, Azerbaijan's politics is dominated by incumbent President Heydar Aliyev. The ruling New Azerbaijan Party that he heads has dominated Parliament since Aliyev came to power in 1993, and opposition members make up only a small minority of its members. Parliamentary elections in November 2000 and re-run elections in January 2001 showed some progress over previous elections but were nevertheless plagued with serious flaws, particularly in the candidate registration and vote counting processes, as well as a serious restriction on domestic election observers. The Constitution provides for an independent judiciary, but in practice judges do not function independently of the executive branch.

An active and independent media exists and press censorship was officially abolished in 1998. Nevertheless, periodic government harassment continues, and journalists faced increased harassment during 2001, including arrests. In 2001 several small newspapers were closed and regional television stations shut down because they lacked broadcasting licenses which are distributed by the government. In December 2001 President Aliyev committed to resolving many of these issues in a meeting with several prominent representatives from the independent media. In late December the Government awarded broadcasting licenses to five independent regional television stations. Two regional stations remain closed due to their lack of licensing. The Government tightly controls official radio and television, the primary source of information for most of the population.

There are several major opposition parties, which are allowed to operate although members are subject to harassment by the authorities. One major opposition party was evicted from its headquarters in 2001 and another faces imminent eviction. The Government continued to hold a number of political prisoners. Local non-governmental estimates of the number varied throughout the year. Presidential pardons in 2001 resulted in the release of some of these prisoners.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

In its brief history as an independent country, Azerbaijan has made important progress in the transition to a market economy. Outdated Soviet laws have been replaced with modern legislation to encourage foreign investment, to protect intellectual property, to permit bankruptcies, and to rationalize the government's revenue collection policies. Azerbaijan is a member of the World Bank (IBRD), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF) and the Asian Development Bank. The U.S. Government's business promotion agencies – TDA, EXIM and OPIC – are active in Azerbaijan. Azerbaijan has a bilateral trade agreement with the U.S. and is making modest progress in preparing for WTO membership. Azerbaijan has a bilateral trade agreement with the U.S., providing for reciprocal Normal Trade Relations, subject to annual review.

The oil industry is Azerbaijan's financial lifeline. Twenty-one signed Production Sharing Agreements (PSAs) with 33 international companies attest to the rapid development of Azerbaijan's energy sector, which has attracted 75-80 percent of the more than \$5 billion in foreign direct investment (FDI) made through 2000. Progress continues on key regional energy transportation projects such as the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline. These projects will form the backbone of an East-West transportation corridor that will carry Caspian energy resources to western markets and help insure the independence of participating states. However, the Government of Azerbaijan has had a mixed record on implementing structural reforms, especially in the oil sector.

Economic development outside the energy sector has been incremental. In the area of land reform, the Government of Azerbaijan succeeded in implementing a land privatization program and placed 97.2 of agricultural lands into private hands,

which helped reverse the collapse in agricultural production and contributed to positive growth in the agricultural sector in each of the past five years. The private sector now generates 99 percent of total agricultural production, a huge transformation from the previous collectivized approach to agriculture.

Privatization of industry has been less successful. Although Azerbaijan privatized more than 22,000 small state enterprises and reorganized 996 larger enterprises as stock organizations as part of a first privatization program begun in 1996, the lack of adequate preparation and a reluctance to accept worker dislocation has hampered attempts to privatize larger state enterprises. After receiving poor marks for earlier privatization of large enterprises, Azerbaijan undertook in August 2000 a second privatization program focused on privatizing larger state enterprises. The results thus far have not been encouraging. Until restructuring and privatization of many large state-owned enterprises occurs, Azerbaijan will continue to be saddled with a largely obsolete and inefficient (non-energy) industrial base.

In contrast to its track record on microeconomic reform, Azerbaijan has received praise from the IMF for achieving macroeconomic stability. Under the Aliyev administration, Azerbaijan adopted a conservative, cautious attitude to debt, rather than engaging in the spending sprees that often follow natural resource booms. This conservative attitude resulted in a public debt/GDP ratio of about 25 percent at the end of 2000 and, combined with tight monetary policies, helped the Government of Azerbaijan rein in inflation from 1,664 percent in 1994 to 2.5 percent in 2001.

In July 2001, the Government of Azerbaijan reached agreement with the IMF on a three-year, \$100 million Poverty Reduction and Growth Facility. At the urging of the international financial institutions, the Government of Azerbaijan established a State Oil Fund to save and manage its growing energy revenues. The fund, which began operating in January 2001, should have approximately USD 480 million in assets by year's end. Planned initial expenditures of approximately \$18 million have been directed at construction of homes for internally displaced persons and refugees. Prudent and transparent management of the Oil Fund remains a key issue between the IMF and GOA.

Section 498A(a)(3): "respect for internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

As part of its application to join the Council of Europe, Azerbaijan passed several progressive acts of legislation to replace outdated Soviet legal codes. These included new civil and criminal codes in September 2000. The institutions required to implement these new laws, however, are weak, and implementation has faced difficulties. The new criminal code bans torture but local human rights NGOs credibly report that some authorities torture suspects to extract confessions to be used in court. Perpetrators often go unpunished although there were a handful of prosecutions and reprimands over the past year. Local and international human rights groups continue to visit prisons and meet regularly with some political prisoners.

One area where Azerbaijan has made steady and significant progress has been in the sphere of religious freedom. Traditional religious groups—Muslims, Russian Orthodox Christians and Jews—are respected. Harassment of other, non-traditional groups by lower-level officials occurs from time to time. Following President Aliyev's public commitment to religious freedom in late 1999, the government redressed most individual cases of harassment and registered several non-traditional religious groups. The establishment of a state commission regulating religious associations in June 2001, however, has required that all religious groups re-submit their registration documents. Most continue to operate while their re-registration is pending. A troubling development, however, for which government officials must share some responsibility, is recent television broadcasts defaming several Christian religious groups.

The government respects the right of freedom of emigration, including Jewish emigration. The remaining Armenian population in Azerbaijan is approximately 10,000-30,000, almost exclusively persons of mixed descent or mixed marriages. While official government policy is that ethnic Armenians are free to travel, low-level officials seeking bribes have harassed citizens of Armenian ethnicity who sought to obtain passports. There are approximately 800,000 Azerbaijani refugees and IDPs from the war with Armenia. Armenians have settled in parts of Azerbaijan they occupy and Azerbaijanis are unable to return.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Azerbaijan has reiterated its commitment to the observance of international legal obligations and OSCE commitments in the area of human rights. It has also reiterated its commitment to seek a peaceful resolution of the Nagorno-Karabakh conflict. At the same time, the Nagorno-Karabakh conflict remains unresolved, and both sides have committed violations of international humanitarian laws. The parties to the conflict observe a cease-fire that has been in effect since May 1994. In 2001 the Presidents of Azerbaijan and Armenia met several times in an effort to resolve their differences and bring about a resolution of the conflict. As a direct result of these meetings, the parties have taken measures to strengthen the 1994 cease-fire and have released persons being held in connection with the conflict. The Government of Azerbaijan now claims to have released all Armenian prisoners of war. In November 1999, Azerbaijan joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in the spring of 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Azerbaijan participates fully in the OSCE peace process. In 2001, the Presidents of Azerbaijan and Armenia continued to engage in a series of private meetings in an effort to resolve their differences and help bring about a resolution of the conflict. Both Azerbaijan and Armenia have also expressed a commitment to continue working with the OSCE Minsk Group Co-Chairs to achieve a resolution of the conflict.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Azerbaijan has declared its acceptance of all of the relevant arms control obligations of the former Soviet Union. Azerbaijani actions to support this commitment include accession, as a non-nuclear-weapons state, to the Nuclear Non-Proliferation Treaty. Azerbaijan's NPT safeguards agreement with the International Atomic Energy Agency has been in force since April 29, 1999. Azerbaijan was one of the original signatories of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction and ratified the Convention on February 29, 2000. Azerbaijan has not acceded to the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on Their Destruction. The United States considers Azerbaijan to be a party to the INF Treaty as a successor state to the Soviet Union. Although Azerbaijani officials have questioned that conclusion, they have taken no steps inconsistent with their obligations under INF.

The Conventional Armed Forces in Europe (CFE) Treaty was approved by Azerbaijan's Parliament in July 1992. Until late in 1999, Azerbaijan had significant overages above its Treaty limits in equipment, but by a series of notifications of reduction events, and decommissioning, Azerbaijan stated they had been eliminated. Azerbaijan's data as of November 27, 2001 showed compliance with all limits. Two inspections (one in 1999 and one in 2000), however, have raised questions about the accuracy of specific points in Azerbaijan's data. Azerbaijan's compliance with other CFE obligations has been uneven. Azerbaijan participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Azerbaijan has hosted on-site inspections as provided for in the Treaty and has provided data on equipment as required by the Treaty. However, since 1997 Azerbaijan has continued a unilateral suspension of certain notification provisions, although such a suspension is not allowed under CFE, citing the exigencies of the conflict in Nagorno-Karabakh. Although Azerbaijan has not properly completed the reductions required by the Treaty, it has continued to periodically notify and carry out reduction events. Azerbaijan continues to insist that it cannot complete required reductions—or fulfill certain Treaty obligations—as long as the dispute over Nagorno-Karabakh continues. Azerbaijan is engaged in discussions both in the CFE context and in the context of the Minsk process, which may help lay the basis for improved Treaty compliance.

Azerbaijan has submitted Confidence and Security Building Measures (CSBM) annual data declaration for 1996-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document (1994 and 1999).

We have no evidence that the Government of Azerbaijan has engaged in the proliferation of nuclear, chemical, or biological weapons, their delivery systems, or related technology. Azerbaijan has made progress in establishing a system of nonproliferation export controls and has actively moved to thwart transit of controlled items to countries of concern. In September 1999, the USG and the Government of Azerbaijan signed an agreement "Concerning Cooperation in the Area of Counterproliferation of Weapons of Mass Destruction and Defense Activities." Azerbaijan supports the worldwide moratorium on nuclear testing. Azerbaijan is not a significant exporter of conventional weapons.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Soviet era oil development, air and water pollution, and urban industrial pressure on the land have created serious environmental challenges. Deterioration and erosion of soil and salination of agricultural lands contribute to extensive soil loss. Poor air and water quality contribute to increasing public health risks. The rising level of the Caspian Sea and the prospective development of Caspian energy resources have brought serious new environmental challenges. Azerbaijan acceded to the Convention on International Trade in Endangered Species on November 23, 1998; to the Basel Convention (on transboundary movement of hazardous waste) on June 1, 2001; and to the Kyoto Protocol on September 28, 2000.

Legislation to address environmental problems and the use of natural resources, based on modern Western practice, has been enacted, but funding remains inadequate to meet the breadth of existing problems. The activities of international consortia currently drilling for oil and gas in the Caspian Sea are fully consistent with Western environmental standards.

The government draws attention to environmental issues through its support of an annual International Environmental Congress that brings together government officials, scientists, politicians, international oil companies, and private organizations to address Caspian region development issues. Azerbaijan also participates in the Caspian Environmental Program, a five-nation project supported by UNDP and the IBRD. Under this project, Azerbaijan has established a pollution abatement research center and a database management center to help the littoral states protect the sensitive Caspian Sea environment. In November 2001 the Caspian Environment Program sponsored a series of workshops on oil spill contingency planning which many hope will be a building block for Azerbaijan in a regional contingency plan for the littoral states.

In October 2001 the government combined five agencies into a new Ministry of Ecology and National Resources which is responsible for implementing the government's ecology policy. In December 2000 Azerbaijan joined co-founders Georgia and Armenia in a Regional Environmental Center for the Caucasus. The United States and the European Union are supporting and co-financing this independent, non-profit, and non-political organization, the mission of which is to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. In November of 2001, the Ministry of Ecology advised that Azerbaijan had completed a national sustainable development plan. Azerbaijan is participating in a three-country USAID project on management of the Kura/Aras River, a river basin that encompasses Georgia, Azerbaijan and Armenia.

Section 498A(a)(8): "deny support for acts of international terrorism."

Azerbaijan is a staunch partner in the U.S.-led global war on terrorism. It is a signatory to several major international anti-terrorism conventions and has cooperated with the U.S. and other countries on anti-terrorism efforts. It has taken steps to prevent the use of Azerbaijani territory by Chechen militants over the past year and extradited several foreigners suspected of involvement in international terrorist groups. The Government of Azerbaijan does not grant sanctuary from prosecution to individuals or groups that have committed actions of international terrorism or otherwise support international terrorism.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the foreign debt of the FSU in return for all the external assets of the FSU. In September 1993 Azerbaijan signed a "double zero option" agreement with Russia under which Russia agreed to pay Azerbaijan's share of the foreign debt of the FSU in return for Azerbaijan's share of the external assets of the FSU.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, which was established in March 1992. The Commission met with Azerbaijani officials in June 1996, and the Azerbaijani government pledged its cooperation with the Commission's efforts.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We do not have information from which to conclude that the Government of Azerbaijan is providing military, intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

AZERBAIJAN

Section 498A(b)(1): Has the President determined that the Government of Azerbaijan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been serious shortcomings in human rights observance, we do not believe that the Government of Azerbaijan is engaged in a pattern of gross violations of human rights or of international law. Nonetheless, we will work to better address existing problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Azerbaijan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Azerbaijan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Azerbaijan "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations have been made during the reporting period.

Section 498A(b)(4): Is the Government of Azerbaijan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Azerbaijan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Azerbaijan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Azerbaijan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

BELARUS

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to provide that, "In providing assistance under (Chapter 11 of the FSA) for the government of any independent state of the former Soviet Union, the President take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Belarus has an authoritarian regime in which nearly all power is concentrated in the hands of the President and a small circle of advisors. Since his election in July 1994 to a five-year term as the country's first president, Aleksandr Lukashenko has consolidated power steadily in the executive branch. He used a November 1996 referendum to amend the 1994 Constitution in order to broaden his powers and extend his term in office. Lukashenko ignored the then-Constitutional Court's ruling that the Constitutional Court's ruling that the Constitution could not be amended by referendum. As a result, the current political system is based on the 1996 Constitution, which was adopted in an unconstitutional manner. Most members of the international community reject that flawed referendum and do not recognize the legitimacy of the 1996 Constitution, or the bicameral legislature that it introduced.

Parliamentary elections took place in October 2000, the first since the 1996 referendum. The Organization for Security and Cooperation in Europe (OSCE)/Office of Democratic Institution and Human Rights (ODIHR) concluded that the elections fell short of international standards and were neither free nor fair. Lukashenko renewed his term of office in Presidential elections held on September 9, 2001. OSCE/ODIHR concluded that the election process failed to meet OSCE criteria for free, fair, transparent and accountable democratic elections. OSCE/ODIHR singled out as serious problems: restrictions on campaigning and election observation, lack of opposition access to state media, government censorship of independent media, lack of independence of electoral commissions, and by the government. Although the amended Constitution provides for a formal separation of powers, the President dominates all branches of Government. The Constitution limits the legislature to meeting twice a year for no more than a total of 170 days. Presidential decrees made when the legislature is out of session have the force of law, except—in theory—in those cases restricted by the 1996 Constitution. The 1996 Constitution also allows the President to issue decrees having the force of law in circumstances of "specific necessity and urgency," a provision that Lukashenko has interpreted broadly. The judiciary is not independent.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Belarus remained far from pursuing a market economy and continued harassment of the limited private business that exists. Private market vendors have been a particular target, especially those organized in the Belarusian Union of Entrepreneurs. In September 2000, Belarus implemented a unified exchange rate, but has failed to carry out any of the other reforms agreed to with the International Monetary Fund in September 1995. Unrealistic budget projections, however, have stopped IMF loans. Privatization has been limited to small enterprises, and even here some believe that this has mainly benefited the *nomenklatura*. In June 2001, The World Bank approved a loan of \$22.6 million to finance repairs in over 450 schools, hospitals, orphanages, and homes for the elderly and the disabled throughout Belarus. The World Bank would like to continue lending with a focus on social assistance but more than likely will only be able to provide technical assistance. The European Bank for Reconstruction and Development is not currently pursuing any new public sector projects in Belarus and a new Country Assistance Strategy for Belarus has not yet been approved. Belarus has applied for WTO membership but has made little tangible progress toward meeting the requirements of WTO accession.

A 1993 trade agreement between Belarus and the United States provides reciprocal Normal Trade Relations (formerly MFN) benefits and contains intellectual property rights provisions. A Bilateral Investment Treaty (BIT) was ratified by the Belarusian Parliament in October 1995 and received Senate approval in June 1996. But as the political situation deteriorated in late 1996, the United States decided to delay indefinitely its entry into force. In 1997, the Overseas Private Investment Corporation (OPIC) paid its first claim in the NIS in Belarus, the result of "creeping expropriation." OPIC has been engaged in efforts to obtain compensation from the Government of Belarus. OPIC's programs in Belarus are suspended in Belarus because of an adverse human rights determination made by USTR.

EXIM and TDA activity in Belarus remain suspended due to the poor investment and political climate.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Belarusian Government's human rights record further deteriorated during 2001, especially in the run-up to the presidential election in September. Restrictions on freedoms of speech, press and peaceful assembly increased, and the government did not respect freedom of association. The case of Dmitry Zavadsky, a journalist associated with the opposition who disappeared in July 2000, has been brought to trial. The trial is being held behind closed doors and without any assurance of transparency. There have been no developments in the cases of other "disappearances." Chairman of the pre-1996 parliament Semyon Sharetsky, opposition figure Zianon Pazniak, and former national bank chairperson Tamara Vinnikova remain in exile out of fear for their safety. Prolonged detention on political grounds and delays in trials are common. Freedom of assembly is generally not respected and arrests or beatings are common responses to peaceful protests. The security services infringe the privacy rights of citizens and closely monitor the activities of opposition politicians and other segments of the population. Government security agents frequently harass human rights advocates. Workers' rights continue to be restricted by government authorities, who stepped up the harassment of independent trade unions during the recent presidential campaign and its aftermath.

According to official data, the state did not deny any citizens permission to emigrate in 2001. Significant ethnic tensions do not appear to exist in Belarus.

The constitution provides for freedom of religion. However, the government restricts this right in practice. Citizens are not prohibited from proselytizing, but foreign missionaries may not engage in religious activities outside of the institutions that invited them. Only religious organizations already registered by the state may invite foreign clergy. The Roman Catholic Church has experienced difficulties in bringing clergy into Belarus from abroad to meet the needs of its followers, and some priests and nuns have been harassed, primarily in the western Polish-speaking border areas. In 2000 police arrested Father Zbigniew Karolak, a Polish national and forced him to leave Belarus under threat of deportation. The government accords preferential treatment to the part of the Orthodox Church loyal to the Moscow Patriarch, while harassing those who seek autocephalous status for the Belarusian Orthodox Church.

Respect for the rights of minorities appears to have remained at a steady but low level. Pentecostals and some members of the Jewish community have complained of harassment and state-sponsored anti-Semitic publications and television programs, although societal anti-Semitism is not usually manifested openly. Senior government officials and the state media have occasionally used coded anti-Semitism in attacking political opponents. Despite these difficulties, several local Jewish communities have successfully reclaimed synagogues and other properties.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

As a result of the Belarusian Government's failure to adhere to its human rights commitments under the Helsinki Final Act, the OSCE undertook to establish an Advisory and Monitoring Group (AMG) in Minsk to assist the government in fulfilling these commitments. After much resistance, the Government of Belarus permitted the AMG to open in February 1998 with a mandate to monitor the human rights situation and advise the government. The Lukashenko regime has generally taken a hostile attitude toward the AMG, most recently complaining about the mission's efforts to support civil society and organize domestic observation of the fraudulent September presidential elections. The regime has threatened to expel the AMG. Despite the efforts of the AMG and of many ambassadors of OSCE participating states, the regime continues to view the opposition as its enemy and to refuse to engage in a dialogue with it.

At the December 2001 OSCE ministerial conference, Belarus joined Russia in strongly criticizing OSCE human rights policies in former communist countries. Belarus is currently demanding the right to approve the incoming chief of the AMG Mission in Minsk and to determine which OSCE programs should be implemented.

In June 1998, the Belarusian authorities violated the principle of inviolability of diplomatic missions under the Vienna Convention on Diplomatic Relations by evicting the U.S. and other countries' ambassadors from their diplomatic residences, terminating all access to the properties and declaring the area a "presidential territory." The United States, the European Union and other countries recalled their ambassadors, sent their Belarusian counterparts home and took other measures in protest. In September 1999 this dispute was resolved, the Government of Belarus paid compensation for taking the U.S. residence, and the U.S. ambassador returned to Minsk. In November 1999, Belarus joined the other OSCE states in signing the Charter for European Security that reaffirms full adherence to all OSCE documents already in force.

The Belarusian Government's military doctrine is in accord with the OSCE principles on the inviolability of borders and non-interference in the internal affairs of other states. Belarus rejects war as a means of settling disputes. Its constitution declares Belarus a non-nuclear and neutral state.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Belarusian leader Lukashenko was an outspoken supporter of Serbian ethnic cleansing in Kosovo. As a result of this, Belarus broke relations with NATO during the bombing campaign against Serbia. Lukashenko also supports Russia's military actions in Chechnya. Other than this, Belarus is not involved directly in ethnic or regional conflicts and has supported the Commonwealth of Independent States and OSCE as conflict-resolving mechanisms. Belarus is only a conditional member of the CIS Collective Security Agreement; its constitution prohibits the stationing of foreign troops in Belarus and the deployment of Belarusian troops abroad.

Section 498A(a)(6): "implement responsible security policies, including—

(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;
(B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;
(C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and
(D) restraining conventional weapons transfers."

In late 1997, after Belarus failed to utilize Nunn-Lugar assistance for destruction of its SS-25 launch pads, that assistance project was terminated. The launch sites will remain START-accountable until they are destroyed although Belarus does not possess any SS-25 missiles. Other CTR assistance was suspended in 1997 because of human rights concerns. President Lukashenko has publicly expressed regret over the removal of nuclear weapons from Belarus.

Belarus has reduced the size of its armed forces and related expenditures. Belarus has stated its intention to convert its defense industry to civilian production but lacks the funds to do so quickly. The Belarusian authorities have also made declarations of their intent to form a single military district with Russia, which at one point they claimed would contain 300,000 soldiers.

Belarus is a party to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, and to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction and, with two exceptions, has submitted annual BWC CBM Data Declarations regularly since 1991. Belarus ratified the comprehensive Nuclear Test Ban Treaty (CTBT) in September 2000.

We are not aware that Belarus has engaged in the proliferation of nuclear, biological, or chemical weapons or related technology. However, we continue to enlist the cooperation of the GOB to investigate reports and stop sales of dual-use items for potential use in programs of concern.

Belarus is a party to the START and INF Treaties and is an active participant in the Joint Compliance and Inspection Commission and the Special Verification commission of the START and INF Treaties, respectively. Belarus is a party to the CFE Treaty, participates in the Treaty's implementation forum, the CFE Joint Consultative Group, and signed both the CFE Flank Agreement in 1996 (ratified in 1997) and the adapted CFE Treaty in 1999. Belarus ratified the adapted CFE Treaty in 2001. Although there have been some continuing concerns about Belarus compliance with individual CFE provisions, generally speaking Belarus has fulfilled its obligations under this treaty.

Belarus has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1991-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

In 2001, Belarus continued to be a leading conventional arms exporter as it sold off excess Soviet-era equipment. Moreover, an increasing number of reports of Belarusian transfers or potential transfers of conventional weapons to state-sponsors of terrorism have been received, especially to Iraq. There are also reports of arms retransfers from Belarus to countries of concern (armaments originating in Russia and other former Soviet states). In addition, credible allegations that the Belarusian Government was offering training in advanced anti-aircraft systems (S-200 and S-300) to Iraqi military personnel surfaced in October 2001. These reports are being carefully reviewed in light of our legal obligations under the various proliferation sanctions laws.

By a presidential decree on December 4, 1997, Belarus formalized its Moratorium on the Export of Anti-Personnel Landmines, which it had observed in practice since August 1995. Belarus was accepted as a member of the 39 nation Nuclear Suppliers Group on May 19, 2000, having formally committed not to export nuclear or nuclear-related items when there is a risk of use for nuclear weapons or unsafeguarded nuclear fuel activities.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Belarus has taken positive steps to address international environmental concerns by establishing ministries of energy, forestry and water resources, and land reclamation. It has also established state committees on the consequences of the Chernobyl accident, the ecology, and the supervision of safety procedures in industry and the nuclear power industry. Belarus suffered considerably from the effects of the Chernobyl disaster and has actively sought U.S. assistance in cleaning up areas contaminated by radiation.

Air and water pollution problems of varying degrees of seriousness plague Belarus. Rivers are considered "moderately polluted" from industrial and agricultural sources. Some land reclamation efforts, undertaken in the name of economic development, have contributed to severe ecological problems in the Polesye region. Belarus has set up a Committee of the Council of Ministers on Emergency Situations, on the Consequences of the Chernobyl Disaster, and the Environment to oversee and coordinate environmental protection efforts undertaken by individual ministries.

Several non-governmental organizations (NGOs) and foundations continue to deal with the Chernobyl aftermath. The authorities have harassed and closed many of the programs of these NGOs. Belarus possesses the human and natural resources to gradually address the environmental challenges facing the country. Sufficient political will and a willingness to take the steps necessary to facilitate international funding would help to sustain progress in environmental restoration and protection.

Section 498A(a)(8): "deny support for acts of international terrorism."

There is no compelling evidence that Belarus has granted sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism, although there are unconfirmed reports that Belarus may have aided terrorists from the Caucasus region. Belarus has signed nine and is party to seven of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics, including Belarus, signed a Memorandum of Understanding declaring that they were jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics, including Belarus, signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). The December 1991 agreement provided that Belarus' share of the debt of the former Soviet Union would be 4.13 percent. In 1992, Russia sought to replace the "joint and several liability" principle by seeking full liability for the foreign debt of the FSU in return for all the external assets of the FSU. In July 1992, Belarus signed a "double-zero option" agreement with Russia under which Russia agreed to pay Belarus' share of the foreign debt of the FSU in return for Belarus' share of the external assets of the FSU.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in Belarus is conducted through the U.S.-Russian Joint Commission on POWs/MIAs established in March 1992. Beginning in 1997, however, U.S. officials held several meetings directly with Belarusian officials toward establishing a bilateral agreement. Meetings have continued, although due to the poor state of relations conclusion of an agreement has been delayed.

Section 498A(a)(11): 'terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance.'

We have no evidence from which to conclude that the Government of Belarus is currently providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba. Given all information at hand, all trade is believed to occur on market terms.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

BELARUS

Section 498A(b)(1): Has the President determined that the Government of Belarus has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. The President has not made such a determination at this time. However, as discussed above, we continue to have serious and increasing concerns about the Lukashenko regime's human rights record.

Section 498A(b)(2): Has the President determined that the Government of Belarus "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union?"

No. We do not believe that the Government of Belarus has failed to take such actions. However, we are very concerned about the Belarusian Government's decision not to destroy the SS-25 launch pads, despite offers of USG assistance. Even though the Start I final implementation deadline of December 5, 2001, has passed, we continue to press the Belarusian Government to destroy the launch pads.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Belarus knowingly transferred to another country:

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determined that the material, equipment, or technology was to be used by such country in the manufacture of such weapon?"

No such determinations have been made.

Section 498A(b)(4): Is the Government of Belarus "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Belarus "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government?" If so, has the President taken action to withhold assistance from the Government of Belarus under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Belarus is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

GEORGIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Since 1991, Georgia has made uneven progress toward the implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections. The Georgian parliament adopted a new constitution in August 1995. Presidential and parliamentary elections were held for the first time under the new constitution on November 5, 1995. Local elections were held for the first time in November 1998, although the central government continues to appoint key local officials. Parliamentary elections were held for the second time on October 31, 1999; the OSCE stated that the election constituted a step toward compliance with OSCE commitments. However, in a presidential election held on April 9, 2000, the OSCE and other international observers determined that the elections were marred by several serious irregularities, and therefore did not meet international standards. Problems included interference by state authorities in the election process; deficient election legislation; not fully representative election administration; and unreliable voter registers. Local elections scheduled for fall 2001 were postponed until 2002. Parliamentary by-elections held October 21, 2001 in two districts were considered an improvement by international observers.

Parliament passed significant legislation instituting legal, institutional and procedural reforms supportive of rule of law, individual freedoms and representative government. However, Parliament amended the Criminal Procedures Code in 1999, and several amendments substantially weakened protections against arbitrary arrest and detention. Law enforcement agencies have made little progress in adapting their practices to democratic norms. Although the 1995 Constitution provides for an independent judiciary, the judiciary does not exercise much independence from the executive branch.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

In recent years, severe drought, spillover effects of the economic crisis in Russia, and poor economic management have dampened economic growth. In January 2001, the IMF approved an economic reform program under the Poverty Reduction and Growth Facility (PRGF), focusing on the areas of revenue collection, corruption, and external debt. In 2001, Georgia made some modest improvements in the area of revenue collection, although shortfalls were met by requesting foreign corporations to prepay taxes. Also, the planned privatization of the telecommunications industry failed, causing budget shortfalls and sequestration of the budget. Consequently, Georgia fell off-track on its IMF program and loan disbursements were suspended. In March 2001, Georgia negotiated a debt rescheduling agreement with Paris Club creditors, which provided significant cash flow relief to the government.

The national bank has allowed the national currency, the lari, to float since 1998. The currency depreciated steeply at that time, but has remained relatively stable in 2000 and 2001. Inflation remains stable. The national bank continues to improve banking supervision and to meet IMF targets on reserves. Banking consolidation continues, and amendments to the law on the National Bank of Georgia were passed. In January 2001 all commercial banks converted to International Accounting Standards.

Georgia began to privatize its energy distribution system in 1998: the Telasi electricity distribution company was privatized in January 1999, and the thermal power plant at Gardabani was privatized in January 2000. The Wholesale Energy Market privatization was completed in 2001. Parliament passed legislation on the privatization of the state telecommunications monopoly in 2000, but when the tender closed in November 2000, there were no bidders. Small-scale privatization is virtually complete and 76 percent of medium- and large-scale enterprises have been privatized. With U.S. assistance, a

land-titling program helped to implement low-cost, transparent titling and registration processes for approximately 1.5 million agricultural parcels out of a total of 2.4 million parcels surveyed and identified.

Georgia is a member of the International Monetary Fund, World Bank and European Bank for Reconstruction and Development. Georgia acceded to the World Trade Organization Agreement on June 14, 2000. Georgia has enacted some legislation on protection of intellectual property rights (IPR), but there are still shortcomings and further steps need to be taken to meet all of Georgia's international IPR obligations. Enforcement of intellectual property regulations is weak due to lack of resources and expertise. A bilateral investment treaty entered into force in August 1997. On October 26, 2000, Congress authorized the President to determine that the provisions of Title IV of the 1974 Trade Act (which includes the Jackson-Vanik Amendment) should no longer apply to Georgia. Pursuant to this authorization, on December 29, 2000, the President extended normal trade relations to Georgia. An Overseas Private Investment Corporation agreement has been in force since 1992, and in 2001 Georgia received designation from the United States Trade Representative as a beneficiary under the Generalized System of Preferences (GSP).

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The constitution incorporates human rights protections, and in 1995, the constitutionally mandated office of the Public Defender, or ombudsman was created. The National Security Council's human rights advisor, which has a mandate to investigate claims of abuse, as well as the Public Defender were active in several individual cases involving police misconduct. However, there continue to be serious problems in a number of human rights areas. While government representatives have been effective in specific cases, neither they nor NGOs have been successful in prompting systemic reform.

The 1995 Constitution provides for an independent judiciary, delineates the authorities of individual courts, and sets forth principles to safeguard citizens' rights. Significant problems remain, however, because the judiciary has not yet developed sufficiently to carry out the responsibilities set forth in the Constitution and does not exercise much independence from the executive branch. Judicial corruption and denial of fair and expeditious trials continue. A judicial reform law resulted in the removal of many corrupt and incompetent judges. They were replaced with judges who had passed a qualifying exam and vetting process. However, failure to pay judges in a timely manner has undermined reform efforts.

Prolonged pre-trial detention is a problem. Impunity and corruption in law enforcement are widespread. Torture is illegal; however, detainees continue to be beaten and tortured, usually to extract money or confessions. In 2001 the Ministry of Justice instituted some reforms after taking over responsibility for the prison system from the Ministry of Internal Affairs. The government attempted to address overcrowding in the country's prisons by accelerating the construction of a new prison near Tbilisi. While the new prison will help to alleviate overcrowding, conditions in other facilities have not significantly improved. The government also fired some corrupt administrators, released inmates to reduce overcrowding, and took steps toward creating a prison inspection system that would include NGO participation.

The ICRC had full access to detention facilities, including those in Abkhazia, and access included private meetings with detainees and regular visits. However, local human rights groups reported increasing difficulty in visiting detainees, especially in cases with political overtones. International and local human rights groups agree that there are several political prisoners, but disagree on the number.

Freedom to travel and emigrate is generally respected, as is freedom of the press, although independent media have on occasion been subject to harassment and intimidation by government officials. Georgi Sanaia, a local journalist, and host of a nightly political talk show on the independent Rustavi-2 television station was murdered under suspicious circumstances in July 2001. Public opinion widely attributed responsibility to the government.

Police and other officials at times have harassed members of some religious groups and foreign missionaries. Police have remained passive and at times even participated in a growing number of violent attacks on religious minorities, particularly Jehovah's Witnesses. Assembly of God, Baptists, Pentecostals, evangelicals, and Hare Krishnas have also experienced difficulties. Parliament passed a resolution condemning religious violence and some investigations have been opened to look into the attacks. However, the Ministry of Interior (including the police) and Procuracy generally have failed to pursue criminal cases against extremists for their attacks against religious minorities. In March, the procurator questioned Father Basili Mkalavishvili, an excommunicated Orthodox priest who has incited a number of violent attacks on religious minorities, and released him on his own recognizance. After a brief period of relative calm, attacks by Mkalavishvili and others resumed.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

While progress has been made toward the observance of international legal obligations and OSCE commitments in the area of human rights, the status of Abkhazia and South Ossetia, two separatist regions within Georgian territory, remain unresolved. The United States continues to work bilaterally and with the UN, the OSCE and other nations to encourage all parties to pursue a peaceful resolution of both conflicts in a manner that safeguards both the territorial integrity of Georgia and the rights of individuals belonging to ethnic minorities. In November 1999, Georgia joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

President Shevardnadze has consistently stressed Georgia's commitment to negotiate a peaceful settlement to the conflict in Abkhazia. He has pledged to continue this approach despite Abkhazia's unilateral declaration of independence in November 1994, its adoption of a constitution, and the holding of presidential elections in October 1999 and 2001, and its continuing demand that any settlement grant the region equal status with the government in Tbilisi. Negotiations under the auspices of the UN continue. Special Representative of the UN Secretary General (SRSG) Dieter Boden continued to press for adoption of his draft proposal on the distribution of constitutional competencies between Georgia and Abkhazia. Since 1992, an OSCE mission has been working in Georgia to facilitate a political settlement of the South Ossetia dispute. The Georgian Government has fully supported the mandate of the OSCE mission, which includes developing democratic institutions and encouraging respect for human rights throughout Georgia.

The Georgian Government and representatives of the Abkhaz separatist regime have cooperated with the UN and OSCE, which established a human rights office in Sukhumi, the capital of Abkhazia's separatist regime. The office monitors the human rights situation in the region and encourages practices consistent with international human rights standards.

Section 498A(a)(6): "implement responsible security policies, including —

(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;

(B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;

(C) nonproliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and

(D) restraining conventional weapons transfers."

Georgia has acknowledged it is a successor to the former Soviet Union's obligations under the INF treaty. Although it does not actively participate in the treaty's Special Verification Commission, Georgia continues to observe the treaty's obligations.

Georgia ratified the CFE Treaty in 1992 and the 1996 Flank Agreement in 1997. Thereafter, Georgia participated actively in negotiations to adapt the CFE Treaty, which culminated at the November 1999 OSCE Summit with signature by all 30 CFE states of an agreement on CFE adaptation. The Government of Georgia has consistently made clear its commitment to achieving full implementation of the CFE Treaty. Georgia is in full compliance under CFE and has accepted CFE inspections of forces on its territory.

At the Istanbul OSCE Summit in November 1999, Russia and Georgia agreed to a series of steps that were subsequently incorporated into the Final Act of the Conventional Forces in Europe (CFE) Treaty. In the Final Act, Russia agreed to reduce by no later than December 31, 2000 its Treaty-Limited Equipment (TLE) located within the territory of Georgia so as not to exceed 153 tanks, 241 ACVs and 140 artillery systems. Russia has met this obligation. Russia also agreed to disband two of its bases in Georgia (Gudauta in separatist Abkhazia, and Vaziani near Tbilisi) by July 1, 2001. The Vaziani base withdrawal was completed according to the schedule, and equipment was removed from Gudauta in October 2001. However, Russia and Georgia have not agreed on the status of Gudauta, including the desirability of and legal basis for the continued presence of Russian troops that Russia describes as "peacekeeping" troops. Georgia and Russia have not yet reached agreement on the duration of the remaining Russian presence at bases at Batumi and Akhalkalaki. The U.S. Government has committed up to

\$10 million to facilitate the withdrawal of Russian forces from Georgia. While a portion of this total was used in 2000 to support the costs of observing the Russian withdrawal of CFE equipment and to reimburse Georgia's implementation costs, Russia's TLE withdrawal costs have not yet been reimbursed because the Russian Federation has not yet formally accepted the U.S. reimbursement proposal. Other countries have also offered to support aspects of the withdrawal and base closure process through an OSCE Voluntary Fund established at the suggestion of the EU. Russia has signaled that it may seek assistance with the costs of closing the remaining two bases.

Georgia has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1996-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

The United States is helping to enhance Georgia's security through the U.S.-Georgian Border Security and Law Enforcement (Border Guards) Program, Foreign Military Financing (FMF), International Military Education and Training (IMET), and Excess Defense Article (EDA) programs. Other countries have also provided some military assistance, but the Georgian military remains ill-equipped. The Government of Georgia has established as a priority the development of the indigenous ability to control its borders, and the highly successful Border Guards program remains the largest single U.S. assistance program for Georgia. In November 1999, the last Russian border guards departed Georgian territory.

We are not aware that Georgia has engaged in the proliferation of any nuclear, biological, or chemical weapons, their delivery systems, or related technology. Georgia acceded to the Nuclear Non-Proliferation Treaty as a non-nuclear-weapons state on March 7, 1994. Georgia signed its NPT safeguards agreement with the International Atomic Energy Agency on September 29, but this has not yet entered into force. Georgia has ratified the multilateral Chemical Weapons Convention, which calls for the eventual elimination of chemical weapons. Georgia is also a State Party to the Biological Weapons Convention, which prohibits the development, production, and stockpiling of bacteriological and toxin weapons. Georgia provided its annual BWC CBM Data Declaration only once in 2000. Georgia supports the moratorium on nuclear testing. We do not believe that Georgia has engaged in significant transfers of conventional weapons. In addition to contacts with other western governments, Georgia has closely engaged with the United States on cooperative efforts to establish an effective export control system. In 1999 Georgia adopted a new law on export controls and recently reorganized its export control structure, placing the Ministry of Foreign Affairs as the lead agency. The only control list in use is that of the CIS, but Georgia committed during the 1999 Caucasus and Central Asia Regional export Control Forum to adopt the EU List. The Government of Georgia hosted the 1999 conference, and export controllers used the attention it attracted to strengthen its export control system internally.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Georgia faces an array of environmental problems ranging from air and water pollution to deterioration of soils as a result of inefficient agricultural practices. Deforestation and the illegal export of timber remain serious problems.

The Government of Georgia has taken some steps to put in place public policy mechanisms to address environmental issues, including the establishment of a ministry of environment. National environmental NGOs are gaining access to the policy-making process on environmental issues. Georgia has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues. With the signing of Host Government Agreements for both the Baku-Tbilisi-Ceyhan oil pipeline and the Shah Deniz gas pipeline, the Georgian Government has committed itself to improving its environmental monitoring and evaluation capabilities. In November 2000, Georgia signed an agreement with the United States formally establishing the regional environmental center in the Caucasus, located in Tbilisi. The center completed a needs assessment plan in 2001. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which is to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. The World Bank has also undertaken a program, administered in cooperation with the National Park Service of the U.S. Department of the Interior, to help Georgia protect habitats, promote biological diversity and environmental protection, and develop management of park and natural areas.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Georgia does not officially grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism.

Beginning in autumn 1999, Russia has charged Georgia with allowing Islamic fundamentalists providing support to the Chechen insurgents to use Georgia as a staging area and transit point for fighters and materiel. Georgia has

made efforts to close its border with Chechnya to fighters and those who wish to smuggle money, weapons and supplies to them, but has been hindered by lack of resources and internal corruption. The United States provided USD 18 million in FY 2001 to enhance Georgia's ability to control its borders. Georgia is a party to five of the twelve international counter-terrorism conventions and has signed an additional one. Georgia fully supports and cooperates with the international anti-terrorist coalition organized in the wake of the September 11, 2001 attacks on the United States.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). Georgia signed both the October and December 1991 agreements. The December 1991 agreement provided that Georgia's share of the FSU debt would be 1.62 percent. In 1992, Russia sought to replace the joint and several liability principles by seeking full liability for the debt in return for all the external assets. Georgia signed a "double-zero option" agreement with Russia transferring Georgia's share of the FSU debt to Russia in exchange for its share of FSU assets on September 14, 1993. The Georgian Parliament ratified the "zero option" agreement in March 2001, thereby entering it into force.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Commission visited Georgia in May 1996 and met with President Shevardnadze and other high level officials who promised cooperation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that the Government of Georgia is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

GEORGIA

Section 498A(b)(1): Has the President determined that the Government of Georgia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No such pattern exists. However, there are continuing serious shortcomings in a number of areas. We remain committed to addressing these problems not only through diplomatic efforts but also through assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Georgia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. While there were minor flaws in its implementation record in the first years after independence, Georgia has been a constructive and responsible participant in arms control undertakings.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Georgia "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations have been made during the reporting period.

Section 498A(b)(4): Is the Government of Georgia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Georgia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban government? If so, has the President taken action to withhold assistance from Georgia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Georgia is providing assistance for, or engaging in non-market-based trade with, the Cuban government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

KAZAKHSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Kazakh Constitution guarantees basic human rights and these rights are generally respected by the government. Though the Government's human rights record remained poor in some areas, significant improvements have been made, including prison reform and the abolishment of exit visas.

The Constitution concentrates power in the presidency, granting the President considerable control over the legislature, judiciary, and local government. President Nursultan Nazarbayev has been his nation's only leader since the break-up of the Soviet Union. President Nazarbayev was elected to a new seven-year term in a 1999 election. He extended his previous term in office via a deeply flawed 1995 referendum without a contested presidential election (which, according to the Constitution then in force, should have been held in 1996). A law passed in 2000 allows President Nazarbayev, as the country's first President, to maintain certain policy prerogatives and a seat on the Security Council after he leaves office.

The 1999 Presidential election was held nearly two years earlier than previously scheduled. The government used a restrictive electoral law to limit the field of serious candidates, based on convictions for political offenses. Candidates received unequal access to the media, and there were numerous instances of intimidation of voters and the opposition prior to the election. The Organization on Security and Cooperation in Europe (OSCE) determined that the process in this referendum fell far short of its standards for open, free, and fair elections.

Although an improvement in many ways over the 1999 presidential election, the 1999 Parliamentary elections were marred by election law deficiencies, executive branch interference in the electoral process, and a lack of government openness about vote tabulations. There was convincing evidence of government manipulation of results in some cases. The OSCE mission sent to observe the elections concluded that the elections were "a tentative step toward democracy" but "fell short of (Kazakhstan's) OSCE commitments."

In 2000, the GOK and OSCE Office for Democratic Institutions and Human Rights (ODIHR) agreed to launch a series of broadly inclusive roundtables to review OSCE recommendations for electoral reform. In 2001, three political opposition parties (Azamat, People's National Congress, and Republican National People's Party) withdrew from the process citing the government as unresponsive to their suggestions. The final meeting of the roundtable was held in November 2001. In October, prior to the final meeting and report, the pro-government OTAN Party draft of the new Law on Elections was submitted to Parliament. At the urging of the OSCE and diplomatic community, the Parliament agreed to remove the reading of the draft from its agenda until after the final meeting and report of the roundtable working group. The decision on the part of the Parliament was key in maintaining the legitimacy of the roundtable process.

Experimental local District Akim (mayor) elections were held on October 20, 2001. This represents the first tentative movement away from appointment of local District Akims. In each oblast, elections were held to fill two Akim positions, chosen by the Oblast Administration. The local Akims were elected by secret ballot by a group of "electors." These electors were chosen by local residents through a public "show of hands" vote. The OSCE noted that a number of legal provisions regarding the election did not meet international standards; in particular, the procedures violated international standards which require a secret ballot and did not guarantee transparency while counting and registering election results. Despite these flaws, however, the District Akim elections represented a first step toward local self-determination.

In Kazakhstan, political institutions and the Parliament are dominated by the executive branch. The President has the power to appoint local governors and the cabinet. Currently, the Parliament cannot initiate changes to the Constitution or allocate funds without the approval of the executive branch. It has, with minor exceptions, toed the Executive's line. However, Members of Parliament have the right to introduce legislation and some bills introduced by MP's have become laws. In 2001, the Parliament continued to become more open by publishing important draft laws, meeting with NGO's and interest groups, and, for the first time, publishing the voting record on the National Media Law. The Parliament has developed into a forum for policy debate, though it continues to lack the authority to take action on its own recommendations. In 2001, Parliamentarians loudly objected to abuses of power on the part of Presidential son-in-law Rakhata Aliyev.

The court system's independence is compromised by constitutional, legislative and administrative arrangements that subjugate the judiciary to the executive branch. A presidential decree signed in 2000 modestly reduced executive branch control of the judiciary by moving responsibility for the courts' administration from the Justice Ministry to the Supreme Court. The president has the power to appoint judges. Judges are beholden to the executive branch, underpaid, and susceptible to corruption. There is no tradition of judicial independence. The constitution establishes the necessary procedures for a fair trial. Trials are public, defendants have the right to be present, the right to counsel, and the right to be heard in court and call witnesses for the defense. There is also a presumption of innocence and the right of appeal. However, a gap exists between these principles and actual practice.

Although Kazakhstan is politically stable, concerns remain that political authoritarianism and corruption undermine its ability to pursue broad and lasting democratic reforms. The Constitution and laws generally provide for basic freedoms; however, the government restricts these in practice, and democratic institutions remain weak.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

During its ten years of independence, Kazakhstan has taken major steps toward developing a market-based economy and, as a result, has attracted over \$12 billion in foreign investment, over half of it in the oil and gas sectors. The European Bank for Reconstruction and Development (EBRD) considers Kazakhstan the leading economic reformer among countries of the former Soviet Union. A bilateral investment treaty between the U.S. and Kazakhstan entered into force in January 1994, providing reciprocal Normal Trade Relations (NTR), subject to annual review. A bilateral trade agreement has been in force since 1993. A U.S.-Kazakhstan Treaty on the Avoidance of Double Taxation also is in effect. Laws providing fair treatment for foreign investors are in place, although in practice they are not always fully implemented. The American Chamber of Commerce is active in Almaty and the U.S.-Kazakhstan Business Association was created in 1999 in Washington, DC.

The bulk of Kazakh industry has been privatized, including over 78 percent of small and medium enterprises. 58 percent of large firms are entirely or partially privatized (45 percent are entirely privatized). Private companies produce 71 percent of GDP and dominate almost all economic sectors. Although the Government of Kazakhstan repeatedly has delayed the full privatization of several large enterprises, it has sold partial interests in many of these companies to private investors.

Kazakhstan's strong macroeconomic performance in 2001, with GDP growth expected to be well over 10 percent, was due to strong prices for Kazakhstani exports on world markets, solid economic conditions among its primary trading partners, and continued prudent macroeconomic policies. Inflation has been in single digits for the last two years. Kazakhstan established a National Fund with privatization revenues and higher than expected oil revenues, in order to ensure fiscal stability during periods of low oil prices. The fund grew to over \$1 billion in 2001. Prudent and transparent management of the National Fund is a key issue between the IMF and the Government of Kazakhstan.

Because of its strong macroeconomic performance and financial health, Kazakhstan became the first former Soviet Republic to repay all of its debt to the IMF in 2000, seven years ahead of schedule. Economic growth in 2001, along with tax and financial sector reforms, has contributed to improved government finances. In 2001, the government adopted a new tax code, which represents continued progress toward establishment of a transparent and effective tax system. The new code goes into effect in January 2002. Kazakhstan also was able to reduce the Value Added Tax from 20 to 16 percent and reduce social (payroll) taxes in 2001. However, as a result of the favorable economic climate, the Government of Kazakhstan has grown complacent and structural reforms have stalled.

United States firms, led by oil and gas companies, have invested more than \$6 billion out of overall foreign investment of \$12.5 billion and are the largest investors in Kazakhstan. Although the Government of Kazakhstan has taken many steps to create a more Western-style business environment, local and foreign businesses must deal with frequently changing and unevenly implemented legislation, a poorly functioning court system, frequent regulatory and personnel changes, and a cumbersome and often corrupt bureaucracy. Foreign companies also are faced with difficulties obtaining work permits for expatriate employees as the Kazakhstan Government has pressured foreign firms to boost local employment and use local inputs. More troubling were attempts by the Government to re-open contracts with foreign oil and gas companies, although President Nazarbayev has publicly stated that existing contracts will be honored.

The World Bank, Asian Development Bank, and European Bank for Reconstruction and Development are all active in Kazakhstan. In 2001, the World Bank approved two projects, a \$64.5 million environmental project and a small (\$.25 million) domestic violence protection project grant. EBRD projects have included energy and agriculture, as well as development of Small and Medium Enterprises (SMEs). ADB has provided technical assistance in 2001 in areas such as promoting childhood development, combating locusts, and developing an energy strategy.

Kazakhstan applied for membership in the World Trade Organization (WTO) in 1996. The U.S. has provided technical assistance in Kazakhstan's accession process. Kazakhstan has submitted offers services, technical barriers to trade,

intellectual property policies, and SPS issues to the WTO Secretariat and engaged in multilateral and bilateral negotiations with WTO members, including the U.S., during 2001. Although the Government of Kazakhstan has shown a renewed focus on WTO accession, much work remains to be done in the negotiation process for Kazakhstan's goods and services market access offers to meet its future WTO partners' expectations.

Kazakhstan has endeavored to strengthen protections for intellectual property. Kazakhstan deposited its instrument of accession to the Bern Convention for the Protection of Literary and Artistic Works on January 12, 1999 and the Convention entered into force for Kazakhstan on April 12, 1999. Kazakhstan ratified the World Intellectual Property Organization (WIPO) Performance and Phonograms Treaty on June 7, 2000.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Kazakhstan made improvements in the area of human rights during 2001; however, reforms remain necessary in order to meet its OSCE commitments and to respect internationally recognized human rights. The gap between law, including the Constitution, and actual practice undermines citizens' faith in public institutions and rule of law.

There were cases when members of the security forces beat or otherwise abused detainees. There were instances of arbitrary arrest, and prolonged detention without charge continues to be a problem. On January 1, 2002, the administration of the prison system will transfer from the Interior Ministry to the Justice Ministry, a step human rights defenders advocated as essential to reduce abuse of prisoners. There appear to be an increased number of criminal actions taken against police for abusing detainees, although human rights observers believe that the cases brought against police cover only a small fraction of the incidents, which they characterize as routine, and they assert that the legal system remains riddled by corruption. The government has begun to take a more active role in efforts to improve prison conditions and the treatment of prisoners. In April 2001, the government formed a working group to look into alternatives to confinement.

The Constitution and the Media Law provide for freedom of speech and of the press and the Government generally respects these freedoms in practice. However, there were instances when the Government harassed independent and opposition media, and as a consequence many journalists practice self-censorship. In April 2001, the Senate approved amendments to the Media Law, which expand the legal liability of media outlets, treat web sites as media outlets, and limit direct rebroadcast of foreign media. Despite the restrictive amendments, the Government continued to issue new licenses for various types of media and the number of media outlets increased. The Government continued to own some major printing and distribution facilities and to enjoy influence over those owned privately. In October 2001, members of Parliament spoke out about what they called "monopolization in the media market" by members of the Presidential family. The libel law is unduly restrictive and punitive, and promotes self-censorship. Fines are sometimes exorbitant and can bankrupt small media outlets.

The government sporadically infringes on citizens' rights to privacy. Kazakhstan's authorities are believed to tap phones and monitor the correspondence of some members of the political opposition. Freedom of assembly is sometimes hindered by complicated registration requirements for organizations and political parties. The government retained in the revised 2000 election law a provision that bars from candidacy anyone convicted within a year of the election of administrative offenses, including such political offenses as participating in an unauthorized demonstration.

Freedom of association, while generally respected, is hindered by complicated registration requirements. Organizations must apply to the local authorities for a permit to hold a demonstration or public meeting at least ten days in advance, or the activity will be considered illegal. In most cases, local officials issued necessary permits. Some organizers of unsanctioned demonstrations have been arrested and fined or imprisoned. Opposition activists have been denied permission to use rented facilities at the last minute, reportedly at the instruction of Kazakhstan's security officials.

The Constitution provides for the right to emigrate and the right of repatriation; both are respected in practice. Thus, since 1997, U.S. Presidents have determined that Kazakhstan meets the emigration requirements of Jackson-Vanik legislation. In July 2001, the Government formally abolished the exit visa requirement for temporary travel of citizens. This is a significant step toward reducing travel restrictions and should simplify travel for citizens in general. The Committee for National Security (KNB) has legal authority to deny permission to travel in and out of the country, but emigration is not hindered. Certain situations remain in which exit from the country may be denied, including pending criminal or civil legal proceedings, unserved prison sentences, evasion of duty as determined by a court of law, presentation of false documentation, or travel by active-duty military.

The government generally respects freedom of religion and most denominations worship without government interference. However, local governments sometimes harass Islamic and Christian groups whose members they regard as religious extremists. Representatives of Jehovah's Witnesses and some other non-traditional religions alleged incidents of harassment by local governments. Government officials have frequently expressed concerns about the potential spread of religious extremism from Afghanistan and other states. Despite their concerns about regional security threats from groups claiming a religious basis, the government has refrained from imposing new legal restrictions on religious freedom. However, the GOK has proposed troubling draft amendments to its religion law, which would raise the minimum number of

members necessary to register a religious organization and would empower the national Islamic authority to decide which Muslim groups represent "true" Islam.

The Constitution states that "everyone is equal before law and court. No one may be subjected to any discrimination for reasons of origin, social position, occupation, property status, sex, race, nationality, language, attitude to religion, convictions, place of residence, or any other circumstances." Kazakh is the state language, although Russian is officially recognized and widely used. Although minority ethnic groups are represented in the Government, ethnic Kazakhs hold the majority of leadership positions.

Traditional cultural practices limit the role women and disabled persons play in society. Women are limited in their ability to own and manage businesses or real property. The President and other members of Government speak in support of women's rights and official state policy maintains that constitutional prohibitions on sex discrimination must be supported by effective government measures. There are laws mandating the provision of accessibility to public buildings and commercial establishments for the disabled; however, the Government does not enforce these laws and few accommodations exist in practice. The Government provides almost no care for the mentally ill and mentally retarded due to a lack of resources.

The Constitution and the Labor Code guarantee basic worker rights, including the right to organize, to collective bargaining, and to strike; however, the Government has, at times, tried to limit the influence of independent trade unions, both directly and through its support for state-run unions. The law does not provide mechanisms to protect workers who join independent trade unions from threats or harassment by enterprise management or state-run unions.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Kazakhstan has made a strong commitment to respect its international legal obligations and OSCE commitments to refrain from the threat or use of force and to settle disputes peaceably. Kazakhstan is at peace with its neighbors and has defensive military forces that do not pose an offensive threat to the region. Kazakhstan is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kazakhstan is an active member of NATO's Partnership for Peace.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Kazakhstan actively supports regional and international efforts to resolve peacefully the conflict in Afghanistan. Kazakhstan is committed to establishing a multi-ethnic national identity and is generally sensitive to the concerns of the large ethnic Russian community in Kazakhstan.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Kazakhstan was one of the four Soviet successor states with nuclear weapons on its soil when the Soviet Union broke up and the second Soviet successor state to accede to the NPT as a non-nuclear-weapons state, doing so in February 1994. All nuclear weapons were removed from its territory by the end of April 1995. In August 1995 Kazakhstan signed an International Atomic Energy Agency safeguards agreement. Kazakhstan is negotiating a regional nuclear weapon free zone treaty with other Central Asian nations. It has also ratified the START treaty and eliminated all strategic offensive arms under START well ahead of schedule. Kazakhstan is a successor state party to the INF and START treaties and has been an active participant in their implementation by virtue of its representation on those treaties' respective implementation commissions, the JCIC and SVC. Kazakhstan has indicated its wish to be considered a successor state under the ABM Treaty, and has participated in the SCC, the implementation commission established by that treaty. Kazakhstan [is committed to the worldwide moratorium on nuclear testing](#).

Since 1994, Kazakhstan has been a member of the Moscow-based International Science and Technology Center, a multilateral nonproliferation program redirecting former weapons of mass destruction scientists to peaceful activities. The government is also committed to maintaining a military force consistent with legitimate defense requirements.

The Government of Kazakhstan has consistently stated that it is against its policy to transfer conventional weapons to terrorist-list states, or to engage in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. We are not aware that it has engaged in transfers of, or in the proliferation of, nuclear, biological, or chemical weapons, their delivery systems, or related technology.

However, the 1999 transfer of MiG-21 fighter aircraft from Kazakhstan to North Korea raised serious questions about the government's controls on conventional military technology and its commitment to non-proliferation in this area. As a result of our interaction with Kazakhstan on this matter, the government provided extensive, concrete nonproliferation commitments and agreed to take specific steps to ensure that no such transfers occur in the future. In October, Kazakhstan passed a new export control law, and U.S. export control cooperative efforts continue to work to prevent future transfers. The U.S. has also urged the Government of Kazakhstan to ensure that its missile-related policies and practices are consistent with international standards, and in particular, the Missile Technology Control Regime.

Kazakhstan became a state party to the Chemical Weapons Convention (CWC) on March 23, 2000. In July 2001, U.S. experts completed the second site visit to three chemical weapons production facilities as part of the GOK undertakings regarding nonproliferation in the wake of the MiG transfers to North Korea. A full assessment of these visits must be conducted before a judgment on Kazakhstan's compliance with the CWC can be made. Kazakhstan is actively reviewing whether to accede to the Biological Weapons Convention.

Kazakhstan ratified the CFE Treaty on October 30, 1992. It ratified the CFE Flank Agreement on May 14, 1997. Kazakhstani representatives have participated actively in the CFE Joint Consultative Group, the body responsible for CFE implementation, as well as in the CFE adaptation negotiations completed in November 1999. Kazakhstan signed the CFE adaptation agreement at the November 1999 OSCE Summit in Istanbul. Finally, Kazakhstan has never declared CFE Treaty-Limited Equipment in the portion of its territory covered by the Treaty. It has provided annual notification that it has no TLE in the area of application in past years.

Kazakhstan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

The U.S. worked closely with Kazakhstan to dismantle nuclear weapons facilities at Semipalatinsk and the destruction of delivery systems, including 147 SS-18 silo launchers. The last of 181 nuclear weapons test tunnels at the former Soviet nuclear test site at Degelen Mountain was closed in July 2000. Kazakhstan's full-scope IAEA safeguards agreement entered into force in August 1995. Although Kazakhstan is not a member of the Nuclear Suppliers Group, it has expressed an interest in joining. The Agreement for the Peaceful Uses of Nuclear Energy, signed by the United States and Kazakhstan in 1997 after Kazakhstan provided the requisite assurances of non-cooperation with proliferating states, entered into force in November 2000. After Kazakhstan voluntarily shut down the BN-350 nuclear reactor at Aktau two years ahead of schedule, the United States and Kazakhstan completed the packaging of the spent nuclear fuel from the reactor on June 18, 2001, and continued cooperation on the decommissioning and safe shutdown of the reactor itself.

The U.S. Nuclear Regulatory Commission and the Kazakhstan Atomic Energy Committee also renewed their agreement for nuclear safety cooperation through 2004. Prime Minister Tokayev issued a decree in October 1999 exempting from taxes U.S. assistance funds paid to Kazakhstan's scientists under the Initiative for Proliferation Prevention (IPP) projects, allowing the resumption of six projects that had been suspended over this issue and the funding of four new projects by the United States. The USG has agreed to fund an "Ecological Survey of Industrial Sites" environmental monitoring project at Stepnogorsk through the International Science and Technology Center in cooperation with the U.S. Environmental Protection Agency.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Kazakhstan suffered severe environmental degradation under Soviet rule. There is broad-based support for domestic protection of the environment. The government's resources are inadequate to address some of the world's most challenging environmental problems: desiccation of the Aral Sea, protection of the fragile Caspian ecosystem, remediation of the Semipalatinsk nuclear testing range, clean-up of Baykonur launching facility, extremely polluted cities, desertification, and development of mechanisms for regional transboundary water management.

The government has shown an interest in regional cooperation on environmental policy and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on trans-border and international environmental problems. It has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of the Ministry of Natural Resources and Environmental Protection. National environmental NGOs are gaining access to the policy-making process on environmental issues. Kazakhstan has also expressed willingness to cooperate in developing laws on water rights and water user associations with other countries in the region.

In 1999, Kazakhstan signed and ratified its instruments of ratification to the Convention on International Trade in Endangered Species (CITES), which will facilitate further efforts to conserve threatened and endangered species in the area. It has taken active measures to comply with the CITES 2001 ban on Caspian sturgeon fishing. The U.S. is exploring the provision of training related to CITES implementation, obligations and enforcement. Kazakhstan discusses Caspian Sea environmental protection issues regularly with the other Caspian littoral states. Kazakhstan has been an active and

constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and foster regional cooperation in the Aral Sea basin. Kazakhstan has worked with the World Bank and international donors on a 15-to 20-year plan to stabilize the Aral Sea.

The United States and the European Union have worked together with the Ministry of Natural Resources and Environmental Protection to establish an independent, non-profit and non-political Regional Environmental Center (REC) in Almaty in 2001. The mission of the REC is to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making among the countries of Central Asia. The proposal to provide funding for grants and sign a Memorandum of Understanding with the REC and Ministry of Environment is currently in the interagency clearance process.

Section 498A(a)(8): "deny support for acts of international terrorism."

Kazakhstan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Kazakhstan has strongly supported U.S. actions against the perpetrators of the September 11, 2001 terrorist attacks on the United States. President Nazarbayev has frequently and publicly reiterated his support for the U. S. in the fight against international terrorism. In addition to its public support for U.S. efforts, Kazakhstan granted the U.S. permission to use its airspace for military and humanitarian flights. Kazakhstan has offered the U.S. use of its military bases, if needed. Kazakhstan offered to supply food and fuel to U.S. forces in Central Asia; it provided wheat for humanitarian relief efforts and offered a peacekeeping battalion for post-conflict peacekeeping efforts in Afghanistan. Kazakhstan also has been actively searching for terrorist financial assets in Kazakhstan and has promised to freeze any that it finds.

Kazakhstan is a party to seven of the twelve international counter-terrorism conventions. It has placed two of the remaining five (for the Suppression of Terrorist Bombings and the Suppression of the Financing of Terrorism) on a fast track for executive branch approval to be passed to the Parliament for ratification. A third (on the Physical Protection of Nuclear Material) is in the process of ratification. The two on which it has not yet acted are the Conventions for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (Rome, 1988) and for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (Rome, 1991).

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). Kazakhstan signed both the October and December 1991 agreements. The December 1991 agreement provided that Kazakhstan's share of the FSU debt would be 3.86 percent. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the foreign debt of the FSU in return for all the external assets of the FSU. On September 6, 1993, Kazakhstan signed a "double zero option" agreement with Russia under which Russia agreed to pay Kazakhstan's share of the foreign debt of the FSU in return for Kazakhstan's share of the external assets of the FSU.

Please see section 498(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Kazakhstan in August 1994 and Kazakhstan promised cooperation on the POW/MIA effort. The government has been cooperative with all related interviews conducted in Kazakhstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that Kazakhstan is providing military, intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KAZAKHSTAN

Section 498A(b)(1): Has the President determined that the Government of Kazakhstan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. Although there are concerns about Kazakhstan's human rights record (as discussed above), we do not believe that the government is engaged in such a pattern. We will work to better address these problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Kazakhstan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union?"

No. Kazakhstan has taken an impressive series of constructive actions (as discussed above), including elimination of all strategic offensive arms under START I well ahead of schedule. Kazakhstan deposited its instrument of accession to the NPT in 1994. Kazakhstan is recognized as a leader in nuclear non-proliferation.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Kazakhstan "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon?"

No such determinations have been made.

Section 498A(b)(4): Is the Government of Kazakhstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. We do not have information from which to conclude that Kazakhstan is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Kazakhstan "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Kazakhstan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

No. The President has not determined that the Government of Kazakhstan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

KYRGYZSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Kyrgyz Republic has expressed a commitment to the protection of human rights, democracy and the rule of law, although the government's actions during the election year 2000 did not consistently reflect its expressed commitment. In 2001, the government has made an effort to get back on track with human rights, civil society and democracy issues. Multi-candidate parliamentary and presidential elections took place in February and October 2000, respectively. Despite significant gains in electoral law and regulation, and unprecedented participation by independent domestic observers, both elections were marred by serious irregularities, including ballot stuffing. Indeed, OSCE monitors concluded that both elections fell short of OSCE standards for free and fair elections. The constitution defines the form of government as a democratic republic, but President Askar Akayev dominates the government. The constitution also provides for an independent judiciary, but despite extensive judicial reforms and a large body of new law, the judiciary continues to be dominated by the executive branch. Despite constitutional limitations, Parliament has become more independent, and on occasion has modified or even blocked presidential initiatives.

Civil society continues to be the most vibrant and viable in the region. A large and active NGO community has been able to focus and organize public demands, and an NGO-organized campaign this year led to the recall of a presidential initiative that would have undermined freedom of association. Parliament sometimes acts in partnership with NGOs and civil society and has held hearings on issues of public interest, including human rights. In December 2001, elections for heads of local administrations took place for the first time.

There are numerous independent newspapers and magazines in Kyrgyzstan that are often critical of the government. Although, in principle, they are allowed to operate freely, most face periodic harassment from executive and judicial authorities. During the 2000 election season, the government shut down or purchased some print and electronic media outlets, and reportedly arrested a number of journalists as a result of their criticism of government conduct and/or their support of opposition political candidates. However, there have been some positive developments. In December 1997 the Kyrgyz parliament overrode a presidential veto of a new media law that restricted journalistic freedom. Attempts to make libel a civil rather than a criminal charge were defeated in parliament by an overwhelming majority. The October 1998 referendum resulted in language added to the Constitution precluding parliament from passing laws that infringe on free speech, but implementing legislation has not yet been passed.

Despite its expressed commitment to protecting human rights, the government's record in practice is poor in many areas. In the last year, there were credible reports of police abuse and brutality. Prison conditions remain very poor, and there are reports of numerous cases of arbitrary arrest and detention.

Kyrgyzstan's constitution provides substantial guarantees of rights for its citizens, including members of non-Kyrgyz ethnic groups. Nevertheless, despite efforts by President Akayev to mitigate the effects of Kyrgyz nationalism, the ethnic Russian and Uzbek populations continue to complain of discrimination by ethnic Kyrgyz officials.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Kyrgyzstan has made important progress in restructuring its economic system and implementing legislation that will be the basis for a market economy. The national currency, the som, was introduced in May 1993, and parliament has adopted key legislation on privatization, joint ventures, foreign trade and investment and free economic zones. Most small and medium enterprises have been privatized. A trade agreement with the United States provides for reciprocal Normal Trade Relations (formerly Most Favored Nation) status and contains intellectual property rights (IPR) provisions. An Overseas Private Investment Corporation (OPIC) agreement is also in force. A bilateral investment treaty with the United States entered into force in January 1994. Kyrgyzstan has committed to avoid imposing restrictions on payments for current international transactions and avoid engaging in multiple currency practices or discriminatory currency arrangements. Kyrgyzstan is a

member of the IMF, World Bank, European Bank for Reconstruction and Development, and the Asian Development Bank. In December 1998 Kyrgyzstan was the first former Soviet state to become a member of the WTO. In June 2000, it was removed from the application of the Jackson-Vanik amendment of Title IV of the Trade Act of 1974.

Kyrgyzstan was the first Central Asian republic to embark on IMF reform program. Following the unsuccessful outcome of an International Monetary Fund (IMF) economic reform program which expired in July 2001, the IMF in December 2001 approved a three-year, \$93 million Poverty Reduction and Growth Facility. The World Bank funded two projects worth \$30 million in 2001, and cumulatively through July 2001 has funded 27 projects worth \$607 million. In less than ten years, Kyrgyzstan's external debt has gone from zero to unsustainable levels, which, combined with continual fiscal deficit, threatens to undermine the country's stabilization efforts. Kyrgyzstan has demonstrated renewed commitment to structural reform, particularly in the public and energy sectors, which is critical to avoiding both fiscal and balance of payments crises and continuing the transition to a market economy. Estimated consumer price inflation for 2001 is 7.7 percent, with estimated real GDP growth at five percent. The Kyrgyz currency (som) remained stable against the U.S. dollar during 2001.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Kyrgyzstan's human rights record remained poor, and indeed worsened in some areas, however, there were some positive developments. NGOs and Parliament deputies on occasion succeeded in blocking presidential initiatives through parliamentary action and grassroots campaigns. Imprisoned opposition leader Tolchubek Turgunaliyev received a presidential pardon and has since returned to opposition politics. There were credible reports of police abuse and brutality. Prison conditions are very poor, and there were many cases of arbitrary arrest and detention. Although independent media outlets came under government pressure in 2001, two new independent newspapers began publishing.

The law provides for freedom of speech and of the press; however, the Government routinely restricts these rights. Journalists have been arrested on several occasions on criminal libel charges. Several of these journalists have served time in jail, but most were either immediately freed or, if convicted, were released with credit for time served. During 2000, independent media outlets came under increasing government pressure, both direct and indirect, apparently as a result of their frank reporting on government and opposition candidates in the national elections.

President Akayev has sought to reassure ethnic minorities while simultaneously trying to satisfy the aspirations of ethnic Kyrgyz for greater national identity. The new constitution includes substantial protection for individuals, including non-ethnic Kyrgyz. Concerns remain over ethnic discrimination, but in general the situation for minorities has improved, and emigration, while free, has decreased.

The Kyrgyz constitution provides for freedom of religion. The government does not support any specific religion and expressly forbids religious instruction in government schools. The government does not, however, fully protect religious rights. A 1996 law requires that religious groups register with the State Commission on Religious Affairs. In practice, the Commission requires each congregation to register separately and does not always process the applications promptly. Although the USG has not documented instances in 2000 or 2001 of the Commission refusing religious groups attempts to register, there are credible reports that congregations of all-Kyrgyz Christians remain unregistered either because they are fearful to register or because they have been refused. Fearful of the rise of violent Muslim extremism in the region, the government recently drafted a new law on religion. After examination by OSCE experts and others, the draft was criticized as being unduly restrictive and was dropped for this past legislative year. There are reports that Muslim groups and mosques have recently received increased scrutiny, and that some domestic religious groups have experienced governmental interference, especially in rural areas.

Although there is no law on emigration, administrative procedures provide for the free movement of people. Emigrants are not prevented from returning to the country, and there is reportedly a small but steady flow of returnees.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Kyrgyzstan has made a strong commitment to the observance of international legal obligations and OSCE commitments. The OSCE opened an office in Kyrgyzstan in January 1999. Kyrgyzstan is at peace with its neighbors, and is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kyrgyzstan participates in Partnership for Peace exercises. It also participates with neighboring Uzbekistan and Kazakhstan in a Central Asian Peacekeeping Battalion. Kyrgyzstan cooperated with its neighbors in 1999 and 2000 to repulse a Tajikistan-based group of armed insurgents, led by the Islamic Movement of Uzbekistan, who took hostages in the southern part of the country.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Kyrgyzstan is committed to establishing a multi-ethnic national identity and is particularly sensitive to the concerns of the non-Kyrgyz ethnic groups in Kyrgyzstan, although there are credible allegations of discrimination on the part of individual government officials. In December 2001, the government co-hosted with OSCE/UNDCCP a conference on enhancing security in Central Asia.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Government of Kyrgyzstan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Kyrgyzstan acceded to the NPT, as a non-nuclear-weapons state, on July 5, 1994. Kyrgyzstan signed its NPT safeguards agreement with the International Atomic Energy Agency on March 18, 1998. Kyrgyzstan is also committed to maintaining a small, defensive military force and National Guard. Kyrgyzstan has said that it is strongly opposed to the proliferation of weapons of mass destruction, their delivery systems or related technologies. The government is taking steps to establish a functioning system of export controls, including work on a new export control law. We have received occasional reports of transfers or potential transfers of conventional weapons to state sponsors of terrorism from or through Kyrgyzstan, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports resulted in a sanctions determination during the reporting period. We are not aware that the Government of Kyrgyzstan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Kyrgyzstan is a signatory to the 1993 Chemical Weapons Convention. Additionally, Kyrgyzstan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations. Kyrgyzstan has not acceded to the 1972 Biological Weapons Convention.

Kyrgyzstan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000, but sometimes late and its data as of January 1, 2002, was not provided on time in December 2001. Kyrgyzstan has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

The Government of Kyrgyzstan signed the Open Skies Treaty in 1992, but the Parliament has not yet approved it. The Treaty entered into force on January 1, 2002.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Kyrgyzstan suffered severe environmental degradation under Soviet rule, and there is broad-based support for domestic protection of the environment. Kyrgyzstan has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on trans-border and international environmental issues. Kyrgyzstan is actively involved in bio-diversity issues and is working with international donors to advance bio-diversity studies. The Government of Kyrgyzstan has taken steps to establish public policy mechanisms to address environmental issues, including the establishment of a State Committee on Environmental Protection. National environmental NGOs continue to improve their access to the policy-making process on environmental issues.

Kyrgyzstan joined the other Central Asian states in a recent decision to locate the headquarters of a Regional Environmental Center (REC) in Almaty, Kazakhstan. The United States and the European Union support the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Kyrgyzstan has been an active and constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and to foster regional cooperation in the Aral Sea basin. The Government of Kyrgyzstan has worked with the World Bank and international donors on a 15- to 20- year plan to stabilize the Aral Sea.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Kyrgyzstan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Kyrgyzstan is a party to six of the twelve international counter-terrorism conventions. The government has been extremely supportive of the U.S.-led counter-terrorism coalition, allowing deployment of coalition aircraft from a civilian airport near the capital for operations in Afghanistan.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). Kyrgyzstan signed both the October and December 1991 agreements. The December 1991 agreement provided that Kyrgyzstan's share of the FSU debt would be 0.95 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In August 1992, Kyrgyzstan signed a "zero option" agreement with Russia under which Russia will pay Kyrgyzstan's share of the debt in return for its share of the assets.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995, the U.S. side of this Commission made a successful visit to Kyrgyzstan. The Commission met with senior government officials, including President Akayev. All officials cooperated fully and pledged to do their utmost to locate information on American POWs/MIAs. There is no evidence of any American POWs/MIAs in Kyrgyzstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that the Government of Kyrgyzstan is providing military, intelligence, economic, nuclear, or other assistance to Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KYRGYZSTAN

Section 498A(b)(1): Has the President determined that the Government of Kyrgyzstan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of Kyrgyzstan is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights both through diplomatic efforts and with assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Kyrgyzstan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Kyrgyzstan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Kyrgyzstan "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. No such determinations have been made.

Section 498A(b)(4): Is the Government of Kyrgyzstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Kyrgyzstan is prohibited from receiving assistance by these sections.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Kyrgyzstan "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Kyrgyzstan under the Foreign Assistance Act with 30 days of such a determination, or has Congress enacted legislation disapproving the determination with that 30-day period?"

No. The President has not determined that the Government of Kyrgyzstan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(A) OF THE FOREIGN ASSISTANCE ACT OF 1961

MOLDOVA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Throughout FY 2001, the Moldovan Government continued to maintain its commitment to democracy and the rule of law. In September 2000, Moldova implemented a constitutional amendment eliminating popular presidential elections and giving Parliament the authority to elect the President. The amendment also removed the President's authority to initiate legislation in Parliament and gave the Prime Minister increased power to issue decrees carrying the force of law.

In December 2000, Parliament held the first parliamentary presidential election, but failed to elect a President in the statutorily allowed two rounds. As a result, then-President Lucinschi dissolved Parliament and set early parliamentary elections for February 25, 2001. The Communists received 50 percent of the total vote and 71 seats in Parliament in voting that OSCE/ODIHR (Office of Democratic Institutions and Human Rights) observers declared free and fair. Parliament selected Communist Party Chairman Vladimir Voronin as President on April 4.

Parliament adopted in December 2001 a package of amendments that, if promulgated by President Voronin in January, will revise the current territorial-administrative system, replacing Moldova's current 13 counties and special municipalities with 36 smaller territorial units, and strengthening the central government's control over local operations.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of economic reform based on market principles, private ownership, and integration into the world economy including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Moldova made some progress on economic reforms in 2001, following economic difficulties in 1999 and 2000 due to the 1998 Russian crisis, a drought, and rising energy prices. The growth in real GDP estimate for 2001 was five percent, and consumer price inflation was estimated to be 13 percent. Moldova continued to depend on foreign sources for its energy needs. The government spent about one-fourth of its consolidated budget on public debt service, particularly for energy debt.

Moldova has adopted the basic financial reforms necessary for a market economy: prices have been largely freed, foreign trade has been almost fully liberalized, and the Moldovan leu is fully convertible for current account transactions. The government has improved customs collections but failed to increase government revenues. Export quotas have been eliminated, and import tariffs have been substantially reduced. Moldova became a member of the World Trade Organization in 2001. Moldova enjoys Permanent Normal Trade Relations with the U.S. and thus has been removed from the application of Jackson-Vanik legislation.

The International Monetary Fund (IMF) approved a Poverty Reduction and Growth Plan for Moldova in December 2000. Moldova received two tranches of USD 12 million each out of a total of USD 142 million. The IMF deferred support in March 2001, pending clarification of the new government's economic policy. Issues affecting continued IMF and World Bank ((something is missing here)) (nding include a Russian gas supply agreement signed in November 2001, a change in the administrative-territorial system, issues relating to land ownership, and implementation of requested amendments to the Land Code, the Law on Bankruptcy, and the Licensing Law. Agreement with the IMF and World Bank is critical because large government debts that come due in 2002 must be rescheduled.

Moldova continues to make progress integrating into the world economy through market-based economic reforms and privatization. A law governing the sale and purchase of land took effect in September 1997. Citizens and foreign investors can buy and sell land at market prices. A USAID-assisted land privatization program continued privatizing collective farms into 2001. More than 900 former collective farms have been privatized as a result of the land privatization efforts, and about one million Moldovan citizens received land titles through 2001. A largely completed enterprise privatization program has fully privatized 2,114 enterprises from many economic sectors, with an additional 321 enterprises privatized in cases where the state holds less than 49 percent of the shares.

In February 2000, the Spanish firm Union Fenosa purchased three of Moldova's five electrical distribution companies. The Government of Moldova issued two tenders for sale of the remaining two distribution companies in 2000 and 2001. The first failed to secure bids of sufficient value, and the second was withdrawn as a result of concerns over bid levels and transparency. Moldova's new government decided to select a strategic investor in 2002, by direct negotiations, to be conducted for the remaining two distribution companies. In addition, the government has selected Austrian investment bank Raiffeisen as the financial consultant for the privatization of Moldova's Moldtelecom telecommunications company. The next step will be the announcement of a privatization tender and selection of a strategic investor in 2002.

The Parliament also approved a 2001-2002 privatization program that includes the wine and tobacco industries. During this period, the government announced a privatization tender for two wineries, which was later canceled due to low bids. The government now intends to privatize them in 2002 with the assistance of a financial consultant.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government generally respects the human rights of its citizens despite continuing problems in some areas. The law prohibits proselytizing, although the government generally recognizes freedom of religion and has never taken legal action against individuals for proselytizing. Observers say journalists frequently practice self-censorship because of a provision in the press law that allows public figures to sue for defamation without distinction between their public and private persons. The 1994 constitution provides the legal framework to ensure protection of minority rights, and has received positive assessments from international experts. The Gagauz, a Turkish-speaking minority in southern Moldova, enjoy autonomous status. However, the leadership of Gagauzia has recently become more vocal in its complaints that the Moldovan Government does not respect the region's statutorily mandated autonomy.

In 2000, the Moldovan Audio-Visual Council suspended broadcasting licenses of three radio stations that broadcast almost entirely in Russian, after a court decision upheld a suit brought against the stations for violating a 65 percent national language content broadcast rule. The rule was later clarified to include only locally produced content, not material that originated in other countries and later rebroadcast. In 2001, under the Moldovan Audio-Visual Council in the current government, the linguistic content of broadcasts ceased to be an issue.

In December 2001, the Metropolitan Church of Bessarabia won its case in the European Court of Human Rights challenging the Government of Moldova's refusal to register the church. The Moldovan Government has announced its intention to appeal the decision.

Reports exist of human rights abuses by the authorities in the separatist Transnistrian region, among them discrimination against Romanian/Moldovan speakers. Transnistrian "presidential" elections on December 9 were reportedly plagued by abuses. The OSCE remains involved in investigating reported severe human rights abuses by Transnistrian security police in the village of Chitcani between 1992 and 1997, including severe beatings, murder, and disappearances. The Helsinki Committee also reported torture, at the hands of soldiers, in Transnistrian Prison Number Two during a military training exercise there on August 24-29, 2001. Transnistrian authorities denied any such activity.

Moldova has abolished the requirement for exit visas for travel abroad but individuals wishing to emigrate must settle financial and judicial obligations before permission to emigrate is granted. No cases of denial of permission to emigrate were reported in 2001.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Transnistria region of Moldova, along the Ukrainian border, remains under the control of separatist forces. Moldova's new Communist government has shown increased determination to resolve the ongoing conflict, but has been unable to make significant progress because of fundamental disagreements with the separatist authorities in Transnistria over the status of that region.

Moldova takes seriously its participation in the OSCE and its commitments under the Helsinki Final Act. A Russian-brokered cease-fire in Transnistria has held firm since July 1992. The cease-fire established a tripartite peacekeeping force comprised of Moldovan, Russian, and Transnistrian units that have prevented a return to the use of force in the region. Negotiations aimed at resolving underlying issues in this conflict continue, as does the work of an OSCE mission to Moldova.

The victory of the Russian-oriented Communist Party in the February 2001 parliamentary elections largely muted the criticism from the Transnistrian side that Chisinau is overly pro-Romanian and anti-Russian. Such criticism had been an obstacle to a conflict settlement. The negotiation process resumed in April after Communist Party leader Vladimir Voronin was elected Moldova's President. The sides signed a series of documents designed to create common economic, legal, defense, and media spaces. Throughout these meetings the Transnistrian side consistently stymied serious discussion of

the status of the region. The sides also failed to reach an agreement on the Moldovan proposal to establish joint customs posts along the eastern border with Ukraine. In September, the Transnistrian side unilaterally suspended negotiations with Chisinau at all levels, citing as grounds Moldova's unilateral decision to introduce new customs seals and stamps on September 1. The negotiation process remains at an impasse. Following Smirnov's re-election December 9 as "president of Transnistria," Smirnov stated a readiness to negotiate with the Moldovan side. President Voronin, however, refuses to talk to Smirnov personally. All three mediators—the Russian Federation, Ukraine, and the OSCE—are trying to facilitate the resumption of talks between the sides.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

At the November 1999 OSCE Summit in Istanbul, Moldova reached a bilateral agreement with Russia, reflected in the CFE Final Act and the Summit Declaration, on the withdrawal of Russian forces and equipment from the Transnistria region of Moldova. Russia ahead of schedule its commitment to withdraw from Moldova (by December 31, 2001) all its equipment limited by the Treaty on Conventional Armed Forces in Europe, despite significant Transnistrian opposition. At the Istanbul Summit Russia also agreed to withdraw all of its forces based in Moldova by December 31, 2002. Meanwhile, Moldova has supported OSCE efforts to work with Russia, Transnistrian authorities, and OSCE experts to lay the basis for disposal of the more than 40,000 tons of munitions and approximately 40,000 small arms stored at Russian depots in Transnistria. The U.S. and many other OSCE states have committed to assist with contributions to an OSCE voluntary fund that will help defray the cost of destroying or removing the Russian ammunition stored in Moldova, provided all necessary accounting and verification requirements are met. This should facilitate the withdrawal of Russian troops. Russia already has removed three trainloads of munitions from one of its principal depots in Moldova.

**Section 498A(a)(6): implement responsible security policies, including —
(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;
(B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;
(C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and
(D) restraining conventional weapons transfers."**

Moldova has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Moldova ratified the CFE Treaty on July 6, 1992 and the 1996 Flank Agreement on May 15, 1997. Compliance with these obligations has been good. Moldova participates in the CFE Joint Consultative Group and was an active participant in negotiations on Treaty adaptation. At the OSCE Summit in Istanbul, Moldova reached a bilateral agreement with the Russian Federation on troop and equipment withdrawal, clearing the way for Moldova to sign the CFE adaptation agreement at the Summit. Moldova fulfilled CFE requirements for submission of data on equipment holdings in December 1999 and 2000; it was late providing comparable data in December 2001. Moldova has also sought to overcome continuing implementation problems resulting from the unwillingness of Transnistrian separatists to allow unimpeded CFE inspections of Russian forces located in the region.

Moldova has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Moldova's armed forces are reorganizing and developing, with U.S. assistance, a peacekeeping battalion capable of interoperation with international peacekeeping forces. This battalion will form the core of Moldova's armed forces, which have a manpower objective of 7,200 troops. The peacekeeping battalion is currently in training to participate in a peacekeeping operation with NATO-led SFOR forces. A portion of the battalion is deployed in the Moldovan/Transnistrian security zone.

Moldova acceded to the Nuclear Non-Proliferation Treaty (NPT), as a non-nuclear-weapons state, in October 1994. The GoM signed a safeguards agreement with the International Atomic Energy Agency on June 14, 1996, but this has not yet entered into force. We have received occasional reports of transfers potentially related to proliferation involving Moldova, which we have carefully reviewed in light of USG legal obligations under the various proliferation sanctions laws. We have also raised with Moldova our concerns about reports of sensitive missile-related technology transfers by Moldovan industry and have sought the cooperation of the Moldovan Government in halting such activity. In September 2001, the Moldovan Government shut down the company of concern and is investigating its director for possible prosecution under Moldova's new, comprehensive export control law, which was drafted with U.S. assistance.

Moldova has made great efforts to strengthen control over its borders, including participation by Moldovan customs and border guards in U.S.-assisted counter-proliferation programs designed to halt the flow of illicit WMD materials and conventional arms. Moldova issued new customs stamps in September 2001 with U.S. assistance, as required subsequent to its WTO admission, in an attempt to reduce smuggling operations across its border with its breakaway Transnistrian province and along the Transnistrian part of the Ukrainian/Moldovan border. Moldova is also attempting to set up joint Moldovan/Ukrainian border posts on Ukrainian territory along that portion of its border with Ukraine controlled by the

Transnistrian separatists to minimize smuggling. The U.S. intends to continue its efforts to cooperate with Moldova in developing Moldova's export control system, in terms of both regulatory structure and enforcement capabilities.

Moldova is a party to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their destruction (the CWC) and in September 1996 became a member of the International Atomic Energy Agency. The U.S. considers Moldova to be a party to the INF Treaty as a successor state to the Soviet Union.

Moldova has not acceded to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (biological) and Toxin Weapons and on Their Destruction.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

While information on specific "constructive actions" undertaken by the Moldovan Government to reduce cross-border pollution is limited, Moldova is taking steps to reduce overall levels of pollution. With U.S. help, Moldova increased awareness of environmental issues by completing a biodiversity assessment and by increasing awareness of the benefits of low-till farming methods via demonstration projects. The GoM took steps in 2001 to complete the second phase of the privatization of the energy sector. Privatization of this sector may be completed in 2002 and should result in reduced pollution through increased efficiency.

The U.S. cooperated with the EU in the creation of a Regional Environmental Center (REC) in Moldova, the mission of which is to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making. The REC has successfully executed three rounds of small project grants to environmental NGOs.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Moldova does not grant sanctuary from prosecution to individuals or groups having committed acts of international terrorism or otherwise support international terrorism. Moldova is a party to seven of the 12 international counter-terrorism conventions. Moldova has signed, though not yet become a party to, the terrorist financing convention.

Following the September 11 attacks in the U.S., Moldova quickly passed a new anti-terrorism law that provides the legal framework for combating terrorism, sets out the rights and obligations of law enforcement agencies, and details the manner in which the agencies will be coordinated and supervised.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states shares of both all the external assets and all foreign debt of the former Soviet Union (FSU). Moldova signed the October, but not the December 1991, agreement. The December 1991 agreement provided that Moldova's share of the FSU debt would be 1.29 percent. Beginning in 1992, Russia sought to replace the principle of joint and several liability with full liability for the debt in return for all the external assets. On October 19, 1993, Moldova signed a "zero option" agreement with Russia under which Russia will pay Moldova's share of the FSU debt in return for Moldova's share of FSU assets as defined by the December 1991 agreement.

(Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.)

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, established in March 1992. Moldovan officials warmly welcomed the U.S. side of the Commission in August 1995. With the full support of the Moldovan Government, the U.S. Chairman also made an appeal to the people of Moldova, asking them to come forward with information. Moldova has also fully supported subsequent inquiries in Moldova.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to conclude that the Government of Moldova is providing military, intelligence, economic, nuclear, or other assistance to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(B) OF THE FOREIGN ASSISTANCE ACT OF 1961

MOLDOVA

Section 498A(b)(1): Has the President determined that the Government of Moldova has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of Moldova is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Moldova "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Moldova has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Moldova "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine(d) that the material, equipment, or technology was to be used by such country in the manufacture of such a weapon"?

No such determinations were made with respect to the Government of Moldova in 2001.

Section 498A(b)(4): Is the Government of Moldova "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. We do not have information from which to conclude that the Government of Moldova is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Moldova "is providing assistance for, or engaging in nonmarket based trade (as defined in section 498B(k)(3) with the Cuban Government? If so, has the President taken action to withhold assistance from Moldova under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Moldova is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

RUSSIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Russia's progress towards building a society governed by law-based, democratic institutions has been somewhat uneven and beset by serious challenges, at times due to significant limitations on the state's financial resources. However, key democratic elements are in place. The 1993 Constitution established a governmental structure with a strong head of state (a President), a Government headed by a Prime Minister, and a bicameral legislature (Federal Assembly) consisting of the State Duma (lower house) and the Federation Council (upper house). Both the President and the Duma were selected in competitive elections, with a broad range of political parties and movements contesting offices. President Vladimir Putin was elected in March 2000, and Prime Minister Mikhail Kasyanov took office in May 2000.

The legislative branch consists of a bicameral Parliament, the State Duma and the Federation Council. Duma deputies are elected by party lists and single-mandate districts; membership in the Federation Council is under transition. The current Council consists of regional governors and the chairmen of regional legislatures. A new law approved by the Duma and Federation Council and signed by the President calls for Council members to be appointed, one each, by regional governors and the regional legislature, with the approval of the regional legislature. Duma elections, which were also judged free and fair, took place in 1993, 1995 and December 1999. The International Election Observation Mission – a joint effort of the OSCE, Council of Europe and European Parliament – noted some deficiencies in the December 19, 1999 Duma election, but gave the election a generally positive assessment and said it marked significant progress for the consolidation of democracy in the Russian Federation.

The constitution provides for an independent judiciary, including a Supreme Court that hears appeals from the courts of general jurisdiction and a constitutional court. The Government made progress during the year in the implementation of constitutional provisions for due process, and fair and timely trial. On December 5, 2001, the Federation Council approved the Code of Criminal Procedure, the Law on the Status of Judges, the Law on the Judicial System, and the Law on the Constitutional Court. These laws will go into effect over a three-year period, beginning July 2002. The new Code balances the protection of society with the rights of the individual, establishes an adversarial system rather than an inquisitorial system, and requires that all serious crime cases be tried before juries within two years in all 89 regions. The Law on the Constitutional Court establishes the obligation of Russian legislatures to alter immediately laws found unconstitutional. The Law on Judges makes judges more accountable for their actions and liable to criminal investigation. The judiciary has shown signs of limited independence—ruling against the government in some cases. However, the judiciary continued to lack resources, suffered from corruption and remained subject to some influence from other branches of the Government. The judicial system continues to be plagued by large case backlogs and trial delays.

The penal system is seriously short of resources, and conditions for those in custody remain abysmal. Russia has yet to enact anti-corruption legislation or to develop a multidisciplinary approach to address corruption. The government has, however, begun to engage on the issue in multilateral fora, such as the UN, the G-8, the Council of Europe, the February 1999 Global Forum on Fighting Corruption sponsored by the U.S., and the May 2001 Global Forum II sponsored by the Dutch.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Russian economy has undergone tremendous stress as it has moved from a centrally planned to a free-market system. Since 1991, Russia has succeeded in privatizing most of the formerly state-owned economy and freed business entities to trade and compete in a market where prices are generally set by supply and demand. The Russian Government officially estimates that 75 percent of manufacturing enterprises are fully or partially privatized. Eighty-five percent of current manufacturing output reportedly stems from such enterprises, and more than 80 percent of Russia's industrial workers work in these firms. The vast majority of Russia's financial sector is in private hands, with only one state-owned bank (Sberbank, which controls most retail banking) remaining from the Soviet era.

The Russian economy showed five percent growth in 2001, slowing somewhat from 8.3 percent growth in 2000. While lower energy prices and real exchange rate appreciation combined to dampen growth, Russia has maintained prudent macroeconomic policies, posting a budget surplus of three percent of GDP, maintaining a stable exchange rate, and accumulating international reserves of over \$37 billion. The Russian Government introduced three major reforms to the tax code in 2001—a 13-percent flat income tax, a reduced corporate tax from 35 percent to 24 percent, and a streamlined, less complicated tax code with fewer loopholes.

Implementation of structural reforms has significantly accelerated under President Putin in 2001, but much remains to be done in this arena to assure Russia's sustained economic development. Even with the economic windfalls from energy exports, slow development and uneven enforcement of securities regulation, lack of a developed real property system, lack of financing due to political and economic uncertainty, over-reliance on barter transactions and failure to enforce bankruptcy against insolvent enterprises continue to prevent the Russian economy from reaching its potential, and render it vulnerable to adverse external shocks.

Since 1995, Russia's trade regime has moved generally toward greater liberalization, eliminating an oil export quota and special exporter regime and export tariffs. In the first half of 2000, Russian exports increased by 51 percent (and imports by only four percent), due to historically high prices for crude oil and oil products. Russia's economy—and its federal budget—are particularly vulnerable to the world energy markets. The current recovery, while broader-based than just the energy sector, is built on the back of the 1998 devaluation.

Russia's economic team appears committed to a reformist agenda, but thus far it has taken the politically and economically easiest steps—tax and customs reform. What remains—pensions, land reform, breaking up the monopolies, production sharing agreements, and more—will be difficult. Russian officials have recognized the connection between WTO accession and structural economic reform. They have reinvigorated their accession effort.

Although the government has officially welcomed foreign investment, the Duma is considering laws that would limit foreign investment in some service sectors, including insurance, auditing, tourism and some sectors connected to national security. Russia joined the Asia-Pacific Economic Cooperation group in 1998. While the government is committed to further integration into the world economy, making the necessary reforms has proved politically difficult.

Russia's intellectual property rights (IPR) legislation provides protection for patents, copyrights, trade and service marks, and semiconductor chip designs. Recently promised legislation, to be introduced before the end of 2001, reflects concerns for retroactive protection of copyrights and civil code standards to facilitate filing claims against pirates. Pervasive problems remain in enforcement, although some signs of greater initiative on the part of law enforcement bodies appeared in 2000. Russia remains on the U.S. Special 301 priority watch list. In 1998, Russia established a Patent Chamber, a specialized court for appellate review of patent disputes. The United States and Russia have formed a bilateral working group to address IP issues.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Russia's constitution guarantees respect for internationally recognized human rights, but there are problems in some areas. Although the Russian parliament has been slow to pass implementing legislation in many areas, the guarantees of freedoms of speech, press, religion, assembly and movement have dramatically recast the individual's relationship with the state in Russia compared with the Soviet period. Institutions and democratic practices are evolving but are not fully developed. Despite the continued wide diversity of press, government pressure on the media increased during the year. There were continuing, credible reports of human rights violations by Russian troops in Chechnya, who demonstrated little respect for basic human rights. The treatment of prisoners and conditions in pretrial detention facilities and prisons was poor.

In February, 1995, Russia was admitted to the Council of Europe and, as a result, is subject to the jurisdiction of the European Court on Human Rights.

Freedom of expression and of the media is now well established in Russia, with the print and broadcast media reflecting a wider diversity of political views than under the Soviet period. Nevertheless, there are cases of government pressure on the media. Russia's largest independent media company Media Most, and its chairman Vladimir Gusinskiy were subjected to a series of criminal investigations, including Gusinskiy's arrest, and law suits that ultimately led to the company's takeover by Gazprom, the government-controlled natural gas monopoly. TV-6, a privately owned station with a reputation for independent news coverage, also faces possible liquidation in a civil lawsuit brought by minority shareholder oil company pension fund Lukoil Garant. Media analysts and human rights activists view the case as politically motivated. Journalist Grigory Pasko, who reported on the Russian navy's dumping of nuclear waste, was convicted of one count of espionage in a case that led many human rights activists and Russian politicians to question the actions of the security services and judicial independence. Some journalists have been killed and kidnapped and the government has been lax in investigating these crimes.

Despite constitutional protections for citizens' freedom of movement within the country, the Government places some limits on this right, and some regional and local authorities (most notably the city of Moscow) restrict movement through residence registration mechanisms. These restrictions, though repeatedly challenged in city court, most recently and successfully in September 2000, remain largely in force and are tolerated by the Federal Government. The presence of these restrictions, which increased following terrorist bombings in September 1999 and were reinvigorated following an explosion in Moscow in August 2000, demonstrated the continued obstacles to the enforcement of judicial rulings. Human rights groups in Moscow have complained of increased detentions of people from the Caucasus.

Religious freedom has greatly expanded in Russia since the end of the Soviet Union, with a variety of faiths experiencing new opportunities and gaining new adherents. In September 1997, President Yeltsin signed a law "On Freedom of Conscience and Religious Associations," that replaced a more liberal law on religious freedom and introduces significantly more government regulation over religious organizations. Russian officials have pledged that implementation of the law will be consistent with Russia's international commitments to religious freedom and have taken significant steps to ameliorate some of the law's negative aspects. However, despite the federal government's efforts to implement the law liberally, some restrictions have continued at the local level. The vagueness of the law and regulations, contradictions between federal and local law, and varying interpretations of the law have furnished regional officials with a pretext to restrict the activities of religious minorities. The law initially required that all groups that were previously registered must be re-registered by December 31, 1999. In March 2000, then Prime Minister Putin approved legislation to extend the deadline to December 31, 2000. Many of those groups denied registration have been evangelical, proselytizing groups. In some cases, they have successfully sued, and the courts have ordered local officials to register them. All but one of the organizations required to re-register at the federal level did so. About 90 percent of the estimated 20,000 organizations required to re-register at the local level did so successfully, and many of those that did not are apparently defunct. There are reports some groups not re-registered have been "liquidated." Moscow officials have moved to liquidate the Moscow branch of the Salvation Army and are attempting to liquidate the Jehovah's Witnesses and Scientologists as well. Some religious groups have experienced harassment either from official sources, such as the FSB and local officials or unofficial sources, such as extremists. Federal authorities have issued directives to bring local laws on religious registration into line with the federal law, but some regions are not yet compliant. The U.S. Government and NGO community are monitoring this closely.

President Putin and other officials have called for greater tolerance and have condemned anti-Semitic acts. During President Putin's visit to Washington, Foreign Minister Ivanov and Secretary Powell exchanged letters noting the Russian Government's commitment to protecting religious freedom and promoting tolerance. While many groups have noted improvements in certain respects over the past year, societal discrimination, harassment, and violence against members of some religious minorities remain a problem. The Jewish community has met with some success on communal property restitution. However, there were some highly publicized anti-Semitic statements by regional officials and a purported member of the Presidential Administration. President Putin and officials in his government have responded vigorously to those statements.

Lack of respect for due process remains a serious shortcoming. Russian prisoner's rights groups have documented cases in which members of the security forces tortured and beat detainees and prisoners, and in 1998 the President's Permanent Human Rights Chamber found that torture was "widespread and systematic," especially in the pre-trial phase. There is little accountability for such abuses. Suspects are routinely detained for 12-18 months in pre-trial detention centers; conditions there and in regular prisons are deplorable. Criminal procedures in regions where juries have not been introduced are still weighted heavily in favor of the prosecution. The new Criminal Procedure Code passed by the Federation Council in December 2001 will shift the criminal justice system from an inquisitorial to an adversarial system and will place the once powerful Russian procuracy on roughly the same legal footing as the defendant. The Code also calls for jury trials to be held nationwide for most serious crimes. In addition, the judiciary was subject to manipulation by central and local political authorities and was plagued by large case backlogs and trial delays. There were some cases in which the courts ruled against the government, suggesting that the law was becoming an increasingly important tool for those seeking to protect human rights, but serious problems remain.

The Russian Government has made steady progress in developing policies and practices that provide its citizens with rights to foreign travel and emigration that conform to its international human rights obligations. The right to travel, which is enshrined in Russia's 1993 constitution, was codified in 1996 with the passage of the law on "Procedures for Departing and Entering the Russian Federation," which was signed into law by President Yeltsin on August 15, 1996. This law reaffirms Russia's commitment to allow its citizens the right to travel abroad, to emigrate, and to return to Russia. However, the law also describes circumstances under which the Russian Government can deny the right to travel to Russian nationals who, during the course of their work, had access to "secret," "top secret," and "highly sensitive" material. Such individuals can be refused permission to travel abroad for a specified period of time following the last date of access to such material. The law allows those refused permission to appeal to an interagency commission, which has lifted restrictions in more than 75 percent of the cases it has heard. Through September 2001, the Commission reviewed 212 cases, lifting restrictions in 162 cases (77 percent), leaving restrictions in place in 30 cases (14 percent) and deferring decisions in 20 cases (9 percent).

According to the U.S. Embassy in Moscow, the time for processing applications for Russian nationals with passports who wish to travel to a foreign country or who wish permanent residence abroad is two to six months. The time for processing applications for Russian nationals who wish to emigrate and who do not already have a passport averages from four to five months.

Tens of thousands of Russian citizens emigrate annually. In FY 1998, the latest statistics available, approximately 11,500 Russian citizens emigrated to the United States. The number of state secrecy and other cases on the listings of "refuseniks" maintained by American Jewish organizations has decreased from over 1,000 in the late 1980s to less than 10 in 2001.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Russia has repeatedly professed its commitment to uphold all OSCE principles, including those governing territorial integrity, national sovereignty, non-use of force and the peaceful settlement of disputes.

Responding to attacks on Dagestan in July and August 1999 by maverick Chechen field commander Shamil Basayev, and to the bombing of apartment buildings in Moscow and elsewhere, the Russian Government launched a military campaign to assert control over Chechnya. Two years later, the conduct of Russian armed forces in the campaign against Chechen rebels continues to be problematic. The indiscriminate use of force by both government and rebel troops resulted in widespread civilian casualties and the displacement of more than 310,000 people, the majority of whom sought refuge in the neighboring republic of Ingushetiya. There were numerous credible reports of human rights abuses and atrocities committed by both federal and Chechen forces, including extrajudicial killings, torture and rape. Such actions are not consistent with Russia's international commitments under international humanitarian law and the OSCE's Code of Conduct on political-military aspects of security, which provides that states should "take due care to avoid injury to civilians or their property." Command and control amongst military and special police units often appeared to be weak, and a culture of lawlessness and corruption has flourished. This culture fostered individual acts of violence and looting against civilians and a lack of accountability. While government prosecutors have ostensibly pursued investigations of some of these incidents, few cases have been brought to court. According to press reports, 15 servicemen were convicted of various crimes, although some were amnestied. There have been no reliable mechanisms to investigate and prosecute abuses purportedly committed by Chechen separatists.

The Secretary of State secured a commitment from Foreign Minister Ivanov in May that the OSCE's Assistance Group would return to Chechnya under its 1995 mandate and as agreed to at the 1999 OSCE Summit. It resumed its activities there in June in keeping with its 1995 mandate.

In a September speech, President Putin differentiated between Chechen separatists and "terrorists," creating an opening for contacts between the Russians and Chechen President Maskhadov. Putin's representative and Maskhadov's envoy met face-to-face in November, an initial, tentative step toward the beginnings of a dialogue that could lead toward a political settlement.

Russian leaders have called for enhanced efforts by the UN and the OSCE in peacekeeping, including in the Eurasian region. Russia has, to varying degrees, been supportive of OSCE missions and UN peace efforts in Azerbaijan (Nagorno-Karabakh), Estonia, Georgia, Latvia, Moldova, Tajikistan, and Ukraine, but did not support the decision in December 2001 to close missions in Estonia and Latvia.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Russia's role in resolving regional conflicts in adjacent countries has been generally positive, though Russia's foreign policy remains committed to strengthening the Commonwealth of Independent States (CIS), preserving Russia's influence in the region of the former Soviet Union and defending the interests of ethnic Russians in neighboring states.

Russia continued to cooperate with a Georgia-based OSCE mission charged with bringing Ossetians and Georgians to the negotiating table. In 1992, Russia helped broker the cease-fire agreement in South Ossetia. This truce accord still holds.

Abkhaz representatives have stood by demands for separate, equal status with the Georgian state. Moscow says that it supports Georgian sovereignty and territorial integrity, and has taken some steps to press the Abkhaz to negotiate seriously toward a settlement.

With regard to Russian forces in Abkhazia, at the OSCE Summit (November 18-19, 1999), Georgia secured a Russian commitment to remove all armored vehicles and artillery limited by the CFE Treaty from the Gudauta base in Abkhazia (as well as from Vaziani/Tbilisi) by December 31, 2000, and to disband the Gudauta and Vaziani bases entirely by July 1, 2001. Russia withdrew from Vaziani before the deadline and later announced that it had disbanded Gudauta and withdrawn all but

"peacekeeping" troops from Gudauta. However, Russia and Georgia have not yet agreed on the status of the Gudauta base and Russian troops located there, nor on the timing and process for the closure of two other bases.

Russia, the United States, and France co-chair the Minsk Group peace process, which is the OSCE's negotiating forum for a peaceful settlement of the Nagorno-Karabakh conflict. Cooperation among the co-chairs has been excellent. The Minsk Group has been actively negotiating with the parties to reach a durable settlement. A Russian-brokered cease-fire has been in effect in Nagorno-Karabakh since May 1994 and has held, despite sporadic violations.

President Yeltsin visited Kiev in May 1997 and signed a Friendship and Cooperation Treaty with Ukraine that has been ratified by both countries. The two sides also concluded agreements to resolve the issue of the Ukraine-based Black Sea fleet, which had been a source of disagreement since 1992. The two countries have still not formally demarcated their interstate border, although border issues have not been a source of contention in recent years.

Russia played a significant role in facilitating the peace process in Tajikistan that led to the conclusion of a comprehensive settlement in June 1997. Russia's 201st Motorized Rifle Division is part of the Commonwealth of Independent States (CIS) Collective Peacekeeping Force established in 1993, although its presence in Tajikistan dates from Soviet times. Its activities support both the current regime and Russia's interests in the region. Cooperation exists between Russian and Tajik government forces. Russian Border forces also dominate the multi-national CIS forces guarding the Tajik-Afghan border and which include personnel from Tajikistan, Kyrgyzstan, Uzbekistan, and Kazakhstan.

Russian forces have been stationed in Moldova since before its independence. As of January 1, 2001 Russia's declared peacetime authorized personnel strength in Moldova was 2,346. Moldova reached a bilateral agreement with Russia at the OSCE Summit in Istanbul (November 18-19, 1999) regarding the withdrawal of Russian forces from Moldova. In the CFE Final Act, the Russians committed to withdraw or destroy Russian conventional armaments and equipment limited by the CFE Treaty in Moldova by the end of 2001. Russia fulfilled this requirement in November 2001. In the OSCE Summit Declaration agreed to by all 54 participating States, Russia committed to complete withdrawal of its forces (not just equipment limited by the CFE Treaty) from Moldovan territory by the end of 2002.

The U.S. and other OSCE countries have contributed financially to an OSCE Voluntary Fund to defray some of the costs of removing and/or destroying large stocks of Russian weaponry and ammunitions stored in Moldova. Elimination of these stocks will facilitate the withdrawal of Russian troops. However, this will be a difficult process, given Transnistrian separatists' efforts to impede any steps, including the removal of weapons and ammunition, that facilitate Russia's withdrawal.

Russia has been generally constructive in mediating international conflicts through its participation as a cosponsor of the Middle East peace process, as a part of the international security presence in Kosovo (KFOR), as a member of the Bosnia Contact Group, and through its support of UN and other multinational initiatives in the Persian Gulf, Haiti, and Angola.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Arms Control: The Government of Russia continues to make progress resolving arms control issues inherited as a result of the disintegration of the Soviet Union, including the fulfillment of obligations undertaken in connection bilateral and multilateral treaties such as INF, START, CWC and CFE Treaties.

On November 4, 1992, the Russian parliament approved the START Treaty, which entered into force December 5, 1994. Russia has eliminated substantial numbers of strategic offensive arms and met its START Treaty obligations by the December 5, 2001 deadline. The START I Treaty's Joint Compliance and Inspection Commission (JCIC) —in which both Russia and the United States participate—is the mechanism for resolving questions concerning implementation of the treaty. The JCIC meets regularly in Geneva and a number of implementation questions have been resolved through this mechanism. The United States is considering next steps for those issues that remain unresolved.

Russia continues to observe its obligations under the INF Treaty, including participating in the Special Verification Commission. The INF Inspection regime formally concluded June 1, 2001.

Russia has reaffirmed its commitment to the ABM Treaty at the foreign minister and presidential levels. The United States has notified Russia of its intention to withdraw from the Treaty, per the Article XV provision. We have agreed to continue a productive dialogue on strategic issues, including possible further reductions, as part of the new relationship.

Russia ratified the CFE Treaty in 1992. Since then, Russia has reduced its conventional military equipment, accepted hundreds of on site inspections of its forces, and emphasized its commitment to the Treaty. Nevertheless, Russia has not been in compliance with the current or adapted CFE limits in the flank region (due, in part, to the conflict in Chechnya). Russia was an active participant in the CFE adaptation talks during 1997-1999, which culminated in November 1999 with signature by representatives of the 30 CFE states of an agreement on CFE Adaptation at the Istanbul OSCE Summit. Besides revising flank limits, Russia and other CFE states made specific commitments in the accompanying CFE Final Act. Among the most important of these are commitments on withdrawal of Russian forces from Moldova and Georgia, and the reaffirmation of then Prime Minister Putin's commitment that Russian equipment in the CFE flank region would be reduced to the flank levels contained in the adapted Treaty as soon as possible. During 2001, Russia removed forces from the flank area, but provided only limited transparency regarding its actions. In its CFE information exchange as of January 1, 2002, Russia claimed it had reduced military equipment limited under the Treaty to adapted Treaty levels. The United States and NATO Allies are seeking to work cooperatively with Russia to verify that claim. Per the discussion under Section 498(a)(5) above, Russia has fulfilled some, but not all, of its commitments with respect to Georgia and Moldova.

Russia has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1991-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Russia is also a party to the Treaty on Open Skies, which establishes a regime of unarmed aerial observation flights over the territories States Parties. The Treaty is an U.S. initiative designed to enhance mutual understanding and confidence and to promote openness and transparency in military forces and activities. Prior to the Treaty's entry into force on January 1, 2002, Russia cooperated with 26 other signatories during its period of provisional application.

On November 5, 1997, Russia ratified the 1993 Chemical Weapons Convention (CWC), which states that each State Party to the convention undertakes never under any circumstances to develop, produce, otherwise acquire, stockpile or retain chemical weapons, or transfer, directly or indirectly, chemical weapons to anyone. In April 1997, the Duma passed a law on destruction of chemical weapons. A legislative framework is now in place for the implementation of the CWC. Russia submitted its initial declaration on time. However, the United States has concerns about its accuracy and completeness and is seeking to resolve these concerns. The United States and Russia have met twice bilaterally to discuss such issues and is preparing for another meeting in early 2002. Recently, the Organization for the Prohibition of Chemical Weapons (OPCW), the implementing body of the CWC, United States and other CWC parties have expressed their opposition and concerns over Russia destroying chemical weapons at a facility not declared a chemical weapons destruction facility as required under the CWC, as well as their desire to "detoxify" chemical warfare agents and recycle them for commercial purposes, rather than destroying them completely as required by the CWC. The United States and other State Parties are also concerned with Russia's inability to meet-its CW destruction obligations and timelines. Russia has requested another extension of its deadlines, as allowed under the CWC. On the positive side, the Duma has increased significantly funding for destruction efforts.

The United States and other States Parties are providing some assistance to help Russia meet its CWC commitments. The United States and Russia signed a Plan of Work on January 7, 1994, which paved the way for Cooperative Threat Reduction (CTR) assistance to help Russia develop a comprehensive CW destruction program and to assist Russia in equipping a central CW destruction analytical laboratory; U.S. assistance funding to date for this effort totals \$192.1 million. Also a part of this effort, the United States and Russia are cooperating to construct a pilot nerve agent destruction facility that utilizes Russian technology to neutralize chemical weapons agents through chemical processes. Although Congress cut off future funds for this effort in 1999 based on the slow speed of Russian spending on infrastructure aspects of the project, it has allowed for the spending of unused past year money. President Bush announced his support for this joint effort and announced that he would request an overall increase in funding. The European Union and Germany have recently increased their assistance to Russia's CW destruction program. The UK recently signed an agreement for additional funding.

With respect to the 1972 Convention on the Prohibition on the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (the BWC), the United States has determined that the offensive biological weapons (BW) program that Russia inherited from the Soviet Union violated the BWC at least through March 1992. In early 1992, President Yeltsin confirmed that the former Soviet Union had an offensive BW program and issued a decree prohibiting all activities that contravene the BWC. In June 2000, President Putin reiterated Russia's adherence to the BWC. By April 2001, the Duma voted to remove a Russian reservation to the 1925 Geneva Protocol, which allowed for Russia's retaliatory use of biological weapons.

Since September 1992, U.S. and United Kingdom officials have met on several occasions with their Russian counterparts to discuss the BW issue. To date, some, but not all, of the confidence-building activities adopted, as part of the September Trilateral Statement, has been carried out satisfactorily. There has been a significant increase in openness on an institutional level at key civilian facilities associated with the former Soviet BW program. Also, in the summer of 2000, BW-related discussions resumed between the U.S. Department of Defense and the Russian MoD after being suspended by the Russians due to NATO's bombing of Serbia in 1999. Nevertheless, the United States remains concerned about the activities taking place at Russian BW-related facilities, especially those controlled by the Russian Ministry of Defense.

We continue to have significant concerns about Russia's current arms control compliance in some areas, notably biological and chemical weapons. While since the end of the Soviet Union, Russia has taken many concrete steps toward fulfilling its arms control obligations, the status of Russian compliance performance remains under our constant, careful review.

Reducing Forces and Expenditures: Due to extreme budgetary constraints and a changing view of Russian military needs, military spending on equipment and manpower was drastically reduced during the period of 1992-1995. During this period, Russian troop strength was cut by approximately 35 percent, while tanks, ACVs and artillery were reduced by 50 percent or greater. Since 1995, Russian personnel strength has continued to drop sharply from a level of 1.7 million authorized military personnel to a present level of roughly one million. However, Russian equipment levels have declined to a lesser degree in this time period as the Russian military restructures its forces in accordance with planned military reforms.

Non-Proliferation: The United States and Russia have continued their active and productive dialogue concerning non-proliferation of nuclear, biological, and chemical weapons, their delivery systems, and related technologies. Moreover, with the broadening of our non-proliferation agenda to include such items as regional issues, we intend to press forward in making nonproliferation a key part of the new relationship.

As a co-depositary government of the NPT with the United States (and the UK), Russia continues to consult closely on matters relevant to this important Treaty. In a joint statement of November 13, 2001, Presidents Bush and Putin endorsed efforts to strengthen the NPT. The NPT Depositary Governments met twice during 2001 in preparation for the review process leading to the 2005 NPT Review Conference, which begins with meeting of the Preparatory Committee in New York in April 2002.

Although economic difficulties have limited Russia's ability to provide resources for dismantlement activities, we believe it remains committed to making a substantial investment in dismantling weapons of mass destruction.

The government-to-government Highly Enriched Uranium (HEU) Agreement between the United States and the Russian Federation, signed February 18, 1993, provided for conversion of 500 metric tons of HEU from dismantled Russian nuclear weapons into low enriched uranium fuel over a 20 year period.

The Agreement provides for the United States Enrichment Corporation (USEC), the U.S. executive agent under the agreement, to purchase HEU in the form of LEU suitable for fabrication into fuel for commercial power reactors. Since the first delivery of LEU under the contract arrived on June 23, 1995, approximately 4100 metric tons of LEU (comprising some 140 metric tons of HEU) have been delivered to USEC. The LEU is sold by USEC for use as fuel in commercial nuclear reactors.

In March 1999, agreement was reached concerning the disposition of the natural uranium component of material delivered under the HEU Purchase Agreement. Under this arrangement, the U.S. Government agreed to purchase natural uranium associated with material delivered in 1997 and 1998. In a separate contract, a group of Western companies (Cameco, Cogema and NUKEM) agreed to buy the natural uranium component beginning in 1999. Material that is not purchased by the Western companies is shipped back to the Russian Federation.

Transparency procedures intended to provide confidence that the arms control and nonproliferation goals of the agreement are being met are in place and are being implemented at both U.S. and Russian facilities. These measures are designed to increase U.S. confidence that uranium purchased under the HEU Agreement is derived from nuclear weapons and converted into low enriched uranium for use as fuel in commercial nuclear reactors.

The United States and Russia are cooperating on a variety of other initiatives and programs related to fissile materials. Among these is the bilateral initiative for disposition of excess weapons-grade plutonium. The United States and Russia have each declared 34 tons of plutonium excess to defense needs and in 1998 agreed to convert this material so as to render it practically unusable for nuclear weapons. Technical cooperation aimed at identifying processes and designing facilities to implement this agreement is underway. A bilateral agreement that provides an overall framework for cooperation on the construction and operation of industrial-scale plutonium disposition facilities was signed and began to be applied in September 2000. The United States is seeking participation and funding from other G-8 countries in this project.

The United States is also actively cooperating with Russia to improve security on fissile material stockpiles, combat illicit nuclear trafficking, and redirect the activities of weapons scientists and institutes, with the aim of reducing proliferation risks. Additionally, in December 1999, the United States, Russia, and the International Atomic Energy Agency began discussions on a proposed program to return fresh and spent nuclear fuel containing uranium enriched in Russia or the former Soviet Union from foreign research reactors to Russia for management and future disposition.

Russia continues its efforts to strengthen its export controls on sensitive materials and technology. Over the past two years the Russian Government has issued several regulations to implement the Federal Law on Export Controls, which was enacted in 1999. The United States continues to work closely with the Russian Government to aid in the effective implementation and enforcement of these laws and regulations. As part of this effort, Russia and the United States are working to educate Russian producers and exporters of sensitive technologies on the importance of export controls and of their obligations under Russian law, and to install internal compliance programs at individual Russian entities to help ensure that these entities fully comply with Russian export control laws and regulations. The U.S. is also helping to outfit key Russian border transit points with detection equipment to deter and interdict illicit transfers.

Russia joined the Missile Technology Control Regime (MTCR) in August 1995, and has stated its commitment to missile nonproliferation, regional stability, and the goals of the MTCR. The Russian Government also has assured us of its commitment to the highest nonproliferation standards and has told us repeatedly that it does not support Iran's long-range missile development efforts. In this context, the United States has pursued a high-level dialogue with Russia aimed at finding ways to work together to cut off the flow of sensitive goods to Iran's ballistic missile development. Russia's government has created institutional foundations to implement a newly enacted nonproliferation policy and passed laws to punish wrongdoers. It also has passed new export control legislation and adopted implementing regulations to tighten government control over sensitive technologies and continued a dialogue with the United States aimed at strengthening export control practices at Russian aerospace firms. However, while some progress has been made, we continue to receive reports of Russian entity missile cooperation with Iran, in many cases apparently without the knowledge of the GOR.

Russia's nuclear cooperation with Iran remains a serious concern, and intensive discussions with Russia continue in order to find a satisfactory resolution of this issue. We also continue to press the Russian Government to take additional steps against entities involved in missile-related technology transfer to Iran. In June 1998 and January 1999, the United States imposed administrative measures against a total of ten Russian entities involved in cooperation with Iran's missile or nuclear weapons programs. These measures remain in force (specifically, a ban on U.S. exports and U.S. Government assistance to these entities, and on imports and U.S. Government procurement from these entities). As noted above, Executive Order penalties imposed on entities INOR and Polyus in 1998, were lifted in November 2000. We periodically receive reports potentially related to Russian transfers of material, equipment, or technology that could contribute to the ability of countries to manufacture missiles or weapons of mass destruction (WMD). We carefully review these reports in light of our legal obligations under the applicable nonproliferation sanctions laws. None of these reports has resulted in a sanctions determination on the Government of Russia for missile or WMD transfers during the reporting period.

Conventional Arms: The United States and Russia maintain active contacts on a wide range of conventional arms transfer issues. The Government of Russia has generally complied with its obligations to observe UN arms sanctions against Iraq and the former Yugoslavia, and has worked with the UN Sanctions Committee as questions have arisen. Russia has moved away from past policies of arms transfers for ideological or strategic purposes and now relies heavily on arms exports to maintain the viability of its military-industrial base. We have continuing concerns with respect to Russian arms sales to state sponsors of terrorism and are working with the Russian Government to address these concerns.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

In 2000, the State Commission for Environmental Protection (SCEP) and the forestry service were abolished; the Ministry of Natural Resources (MNR) absorbed their duties and many, but not all, of their personnel. It appears that MNR's priorities lie mainly in natural resource-based economic development, not in environmental protection. If conflicts of interest arise within the ministry between environmental protection and economic development, it appears likely that MNR would choose the most profitable option. Some local and regional bodies and non-governmental organizations have taken on some responsibilities previously held by central bodies. Apparently, pressure from international financial institutions and donor countries will hold the strongest hand in influencing a shift in these priorities toward a more environment-friendly agenda.

Regional Environmental Centers

The United States, the European Union and five host nations (Russia, Ukraine, Moldova, Georgia, and Kazakhstan) are participating in the establishment of independent, non-profit, and non-political Regional Environmental Centers (RECs.) The mission of each REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. The EU has the lead for the establishment of the Moscow REC, the foundation of which has been delayed by a series of bureaucratic hurdles.

Climate Change and CFCs

Russia is a member of the "Umbrella Group" of key partner nations with which the U.S. has worked on issues under the U.N. Framework Convention on Climate Change (UNFCCC). Russia has indicated its intention to become party to the Kyoto Protocol, and during the Seventh Conference of Parties (COP) in Marrakech (November, 2001), Russia successfully negotiated an increase to its carbon sink allocation, due to the high percentage of global forests on its territory.

Under the Kyoto Protocol, which sets emissions allowances for the period 2008-2012, Russia agreed to stabilize its emissions at 1990 levels. As Russia's greenhouse gas levels are expected to be significantly below 1990 levels due to the collapse of its economy, the nation expects to benefit from both capital flows generated from the sale of emissions credits and Western investment in its energy sector. Russia's participation in the international emissions trading system depends upon the establishment of a reliable domestic monitoring and verification regime.

A major step toward Russian compliance with the Montreal Protocol (on substances that deplete the ozone layer) was taken in 1998 with the conclusion of a \$27 million international assistance package that eliminated Russian capacity to produce ozone-depleting substances by the end of the year 2000. This effort, to which the U.S. contributed \$6 million, involved substantial commitments from the Russian Government and the seven enterprises involved. Post-phase-out oversight will extend for a period of five years. Disbursements to any enterprise are conditioned on satisfactory performance by all seven. We would also note that consumption in Russia of ozone-depleting substances has declined markedly from a peak of around 70,000 tons annually to approximately 9,000 metric tons in 1998, to an estimate of some 6,000 tons in 1999. Remaining demand after 2000 is estimated at 3,000 to 4,000 tons per year and will be met by a combination of recycling, controlled sale of reserve stocks and conversion to technologies that do not use these substances.

Radioactive Waste

Several projects and initiatives contribute to addressing the problem of radioactive waste management. The first established was the so-called Murmansk Initiative. An operational low-level liquid radioactive waste (LLRW) processing facility in Russia is located in Murmansk on the Kola Peninsula and is run by RTP-Atomflot. It has historically processed a small amount of LLRW from the Russian North Fleet. In 1994, the plant was operating near capacity, while storage capacity was virtually exhausted. Russia had no other LLRW processing capacity and, until 1993, disposed of LLRW in the Barents and Kara Seas. In 1993, an amendment to the London Dumping Convention of 1972 was introduced, which extended the previous prohibition on the dumping of radioactive waste that was not LLRW also to LLRW. All parties to the London Convention, except Russia, accepted this amendment. In June 1994, to assist in realizing this, the U.S., Norway, and Russia began exploring the possibility of expanding and upgrading the Murmansk facility. The agreed project expanded the capacity of this facility from 1,200 cubic meters to 5,000 cubic meters per year and thus upgraded Russia's capability of processing LLRW from nuclear submarine decommissioning. Russia promised to adhere to the protocol to the London Convention at the Moscow Nuclear Summit of 1996. Though the Russian Federation had given leave to understand that once the Murmansk facility and a similar facility at Landysh near Vladivostok were in operation, it would withdraw its non-acceptance of the amendment to the London Convention, the Russian delegation at the 23 London Convention meeting in October 2001 announced that it was still unable to accept the amendment. The Russian delegation said that the Russian Federation would continue to voluntarily adhere to a moratorium on the dumping of radwaste at sea. Numerous other delegations expressed their regret at the Russian Federation's failure to withdraw its non-acceptance of the amendment.

A second aspect of Russian cooperation with others on elimination of transborder pollution is Arctic Military Environmental Cooperation (AMEC), a trilateral initiative among Norway, Russia and the U.S. established in 1996. Seven initial projects have been agreed to under AMEC. Five of them deal with radioactive waste and radiation monitoring while two deal with non-radioactive waste (such as petroleum and chemical management resulting from the closure of military bases). The first AMEC radioactive waste project provides for the design and construction of a prototype 40-ton cask in support of the Cooperative Threat Reduction (CTR) program. The cask will provide interim storage and transportation of spent nuclear fuel removed from submarines undergoing dismantlement. The prototype cask was tested and approved in October 1999. The project will also provide a pad in northwest Russia for the temporary storage of the 40-ton casks. This project has assisted Russia in meeting its obligations under START, and has eliminated bottlenecks, facilitating the CTR schedule for submarine dismantlement. Work continues on AMEC projects to develop a mobile liquid waste treatment facility, a solid nuclear waste volume reduction capability, and an improved capability for Russian interim storage of solid waste. Another AMEC project is providing radiological health training and monitoring technologies for Russian naval officers.

The most recent initiative on radioactive waste is the Murmansk 80-ton Cask project. Russia welcomed this project when launched with a pledge of \$500,000 at the January 1998 ministerial meeting of the Barents Euro-Arctic Council. Its aim is to design and construct a prototype 80-ton cask that could be used for the dual purposes of temporary storage and transportation of undamaged spent nuclear fuel (SNF) from nuclear-powered icebreakers and submarines. This material is currently stored on the Lotta (a WWII barge that stores both damaged and undamaged SNF) and the Lepse (a service ship that has been used to replace SNF, but has more recently served as a de facto storage vessel because of bottlenecks in the waste stream). This project also will provide a concrete storage pad to accommodate approximately 30 of the 80-ton casks. The site of this pad is to be in Murmansk at the RTP Atomflot facility. The total cost of this project is estimated to be between \$2.1 and \$2.5 million with funding pledged by the U.S., Sweden, Norway, Finland, and the EU. The UK is contributing separately to work with the Russian regulatory authority (GAN) on cask certification. Completion of the prototype cask is expected during the fall of 2002.

Endangered Species

In October 2000, the U.S. and Russia signed a bilateral agreement to conserve and manage Alaska-Chukotka polar bears. Trade in caviar from Caspian Sea sturgeon has been restricted under the Convention on International Trade in Endangered Species (CITES). In August 1998, former Prime Minister Kiriyenko signed a decree establishing a system of import/export controls on sturgeon and its byproducts, including caviar, to implement the recommendations of the Tenth Conference of the Parties of the CITES, and the Russian Government has taken steps to limit the Russian sturgeon harvest to 700 tons, down from 1,200 tons in 1998. Conservation of sturgeon and the related sustainability of the caviar trade, as well as the survival of the Siberian tiger and other Russian biodiversity, are important areas of U.S.-Russian cooperation.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Russia does not generally grant sanctuary from prosecution to individuals or groups who have committed acts of international terrorism or otherwise support international terrorism. Since the September 11 attacks, the Government of Russia has provided significant and unprecedented diplomatic and intelligence support to the coalition against terrorism and to Operation Enduring Freedom. Russia provided U.S. military aircraft with access to its airspace and took measures to assist in strengthening border security on the frontlines. However, Russia has not responded to a Georgian Government request for the extradition of Igor Giorgadze, the former head of the Georgian security ministry, whom Georgia has alleged has been in Russia and was involved in assassination attempts on President Shevardnadze.

The United States began conducting regular counter-terrorism consultations with Russia in June 1994, and in November of 1994, initiated dialogues on cooperation to counter nuclear terrorism, the latest round of which took place in Washington in April 1997. In 1995, Russia joined the existing G-7 counter-terrorism expert consultative structure, and participates in G-8 discussions annually. In September 1998, Russian Foreign Minister Ivanov issued a joint statement with Secretary of State Albright on terrorism. Expert level consultations on terrorism were held in Moscow in February 1999. Numerous exchanges between governments took place in the aftermath of the September 1999 terrorist bombings in Moscow and other Russian cities, in which hundreds were killed and injured. In August and October 2000, the U.S.-Russian Working Group on Afghanistan addressed the threat of terrorism emanating from Afghanistan and the U.S. and Russia co-sponsored a UN Security Council resolution calling for additional sanctions against the Taliban for harboring terrorists in Afghanistan.

Russia has is a party to ten of the twelve international counter-terrorism conventions, has signed the other two, and has initiated UN consideration of a proposed convention to combat nuclear terrorism.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the New Independent States (NIS) a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle with the so-called "double-zero" agreement, whereby all NIS countries would relinquish all Soviet-era assets and liabilities to Russia. All of the non-Russian NIS, with the exception of Ukraine, have signed and ratified the "double-zero" agreement.

In August 2000, Russia finalized the agreement reached in February 2000 with the "London Club" of creditors on restructuring about \$32 billion in Soviet-era commercial debt. The London Club agreed to write-off \$10.4 billion in exchange for \$270 million in cash payment and \$20.6 billion in Eurobond issuances, assuming approximately 35 percent reduction on the face value of the original debt. In those negotiations, Russia sought to restructure amounts owed to banks but not insured by official guarantees, arising from their loans to or other claims on the former Soviet Union. Repayment of each category of debt is scheduled to begin after completion of a seven-year grace period.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs who may have been taken to the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POW/MIAs, which was established by Presidents Yeltsin and Bush in March 1992. President Yeltsin and the late General Dmitry Volkogonov, former head of the Russian side of the Commission, pledged their full cooperation. President Yeltsin directed all relevant Russian ministries to cooperate fully with the Commission. Until his death in December 1995, General Volkogonov oversaw a broad-based research effort conducted by Russian archivists in search of information on missing American servicemen. He also arranged for the U.S. side of the Commission to travel across Russia in order to interview Russian citizens and conduct research in regional archives. This level of U.S.-Russian cooperation on POWs/MIAs was unprecedented.

In March 1996 General-Major Vladimir Zolotaryev became the Russian Chairman of the Commission, replacing General Volkogonov. In December 1998 General Roland Lajoie became the U.S. Chairman, replacing Ambassador Malcolm Toon, who had served as U.S. Chairman since the Commission's inception.

In November 2000 General Lajoie led a U.S. delegation to Moscow for the Commission's seventeenth plenary session. The most recent joint session focused on expanded U.S. access to Russian archives as key to identifying and locating historical records and eyewitnesses who may be able to shed light on the fates of U.S. POW/MIAs since World War II. In the months ahead, ongoing field investigations involving U.S. aircraft lost on the Kamchatka Peninsula and elsewhere during World War II and in the ensuing Cold War period, are expected to generate further physical evidence establishing the circumstances of loss and the fates of the crews.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

In 1991, Moscow ended its \$4 billion a year subsidy of the Cuban economy. In 1992, Russia halted construction of the Juragua nuclear power plant near Cienfuegos, Cuba. Russia maintained a credit line for mothballing parts of the facility completed before suspension, but Castro announced in January 2001 that Cuba had decided against continuing with the project.

In 1993, Russia withdrew its last remaining combat troops from Cuba. On October 17, 2001 President Putin announced Russian withdrawal from Moscow's intelligence facility at Lourdes, Cuba. The Russians began dismantling the facility at the end of the year; they are expected to complete the process by February 2002.

Russian officials continue to assure us that Russia is not providing assistance to Cuba, and that all trade is conducted on a commercial, non-preferential basis. Russian-Cuban economic interaction centers on oil-for-sugar barter arrangements and nickel plant investments, both part of a 2001-2005 trade plan agreement which established "recommended" trade targets. According to the agreement, Russia aims at delivering 1.5 to 2.0 million tons of oil per year to Cuba. Other Russian exports include spare parts, fertilizers, and steel. Cuba aims at exporting 2.2 to 2.8 million tons of sugar to Russia per year, as well as nickel, medicines, vaccines and medical equipment, citrus fruits, cigarettes and rum.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

RUSSIA

Section 498A(b)(1): Has the President determined that the Government of Russia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Although there are credible reports of human rights violations and atrocities by Russian military forces in Chechnya, there are problems with the treatment of prisoners and detention conditions, and the law on religion is grounds for concern, we do not believe that the Government of Russia is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights not only through diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Russia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Russia has taken constructive steps in this area (as discussed above).

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Russia "knowingly transferred to another country":

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

Russia became an MTCR Partner in August 1995. Russia is a Party to the NPT, CWC, INF, START and BWC, and the Russian Government has demonstrated a commitment to the non-proliferation of weapons of mass destruction. There was no termination of assistance to Russia during the reporting year under section 498A(b)(3). Additional information related to implementation of this section, however, has previously been provided to Congress on a classified basis. We periodically receive reports potentially related to Russian transfers of material, equipment, or technology that could contribute to the ability of countries to manufacture missiles or weapons of mass destruction. We have under review reports of transfers that raise questions under the applicable nonproliferation sanctions laws. However, during the reporting period, no sanctions determinations were made against the Government of Russia under section 498A(b)(3).

Section 498A(b)(4): Is the Government of Russia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. The Government of Russia is not prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Russia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

No. The President has not determined that the Government of Russia is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

Section 498A(b)(6): Has the Government of Russia "failed to make significant progress on the removal of Russian or Commonwealth of Independent States troops from Estonia, Latvia, and Lithuania" or "failed to undertake good faith efforts, such as negotiations, to end other military practices that violate the sovereignty of the Baltic states"?

No. The process of Russian troop withdrawal from Lithuania was completed in 1993 and from Latvia and Estonia in 1994. Russia ceased operating its radar facility at Skrunda, Latvia in August 1998 as called for in a bilateral agreement; dismantlement of the facility was completed ahead of schedule by September 1999 under OSCE supervision.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A (a) OF THE FOREIGN ASSISTANCE ACT OF 1961

TAJIKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The comprehensive peace accords signed on June 27, 1997 ended five years of civil conflict in Tajikistan and set the stage for Tajikistan's transition from a Soviet dictatorship to a more open and competitive system. The ruling regime has established some nominally democratic institutions. Key elements of the central government continue to be predominantly controlled by President Rahmonov and other Tajiks from his native Kulyab region. Some former opposition politicians, however, continue to hold seats in the government. The central government's less than total control over some areas of the country forces it to compromise and forge alliances. The government and its former opposition continued to cooperate on key issues in an integrated government.

A joint mission of the UN and the OSCE observed elections to the Lower House of Tajikistan's new bicameral national Parliament on February 27, 2000. The joint UN-OSCE observation mission noted that the elections, characterized by the open participation of six parties and a number of independent candidates, were an improvement over the limited choice offered to voters during presidential elections in November 1999. The joint observer mission concluded, however, that the elections failed to meet the minimum standards for equal, free, fair, transparent, and accountable elections. In particular, problems were noted with regard to the independence of election commissions, as well as the protection of the ballot boxes, conduct of the vote count and tabulation of results. State organs, particularly regional and local administration officials, interfered in the preparations for and conduct of the elections in a manner not foreseen by law and inconsistent with international standards for democratic elections. The law on parliamentary elections, approved by the former parliament in December 1999, was flawed in areas such as media access, campaign funding, criteria for disqualification of candidates, exclusion of independent domestic observers, and treatment of suspect election results. Still, this was an improvement over civil war just two years earlier.

It is noteworthy that Tajikistan has a legal opposition, and a political party that is overtly Islamic and committed to a secular state. At least one prospective independent candidate for the Lower House of Parliament was prevented from registering as a candidate for the elections to the Lower House, but several opposition parties were allowed to participate in parliamentary elections. One opposition party, the Islamic Renaissance Party, won two seats in the Lower House. President Rahmonov's People's Democratic Party of Tajikistan controls an overwhelming majority of seats in both houses of Parliament, however this party itself has divided into separate movements. While the legislative branch is not genuinely independent of the executive branch, it is becoming more so.

The peace agreement that was signed in 1997 and implemented in 2000, continued to hold. However, a few intransigent members of the now disbanded "United Tajik Opposition," who never reconciled with the peace agreement, continued to reject government authority. Although armed confrontations between government and unreconciled elements of the former opposition have ended, some members of government security forces committed a number of extra-judicial killings to deal with some of these elements whom they believe to have broken the law. Credible reports indicate that security forces frequently tortured, beat, and abused detainees. There were similar allegations of threats, extortion, looting, and abuse of civilians. The government rarely prosecutes security officials believed responsible for human rights abuses, though in some cases such officials have been reprimanded and/or transferred to other areas. Open skirmishing between the government and unreconciled armed groups appeared to be less of a problem, as the government continues to strengthen and control more of its sovereign territory.

The government's human rights record is poor but has improved incrementally since independence. Freedom of the press continues to be restricted, as the government controls most press and broadcast facilities and journalists often lack funds to publish or broadcast. Journalists complain more of self-censorship than government harassment. However, an openly Islamic political opposition newspaper begun in 1998 continued to publish and broadcast a weekly TV show, and a number of small television stations were operated by non-governmental organizations (NGOs). During that past two years, opponents of the government spoke at OSCE-sponsored local political debates, on nationally televised political debates sponsored by IFES, and on popular USAID-sponsored prime time TV shows without government retaliation. Freedom of assembly remains limited to those who register, and Tajikistan eliminated registration fees for NGOs. The government supports registered religious organizations. However, the rule of law is applied unevenly at best.

Section 498A (a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The civil war (1992-1997) severely damaged Tajikistan's already-weak economic infrastructure and caused a sharp decline in industrial and agricultural production. Since 1997, however, Tajikistan has experienced economic growth. Despite the difficulties associated with high world oil prices, growth remains strong and the macroeconomic environment continues to show signs of greater stability.

In 2001, real GDP growth in Tajikistan is estimated to have reached 8.3 percent, with consumer price inflation estimated at 33 percent. Growth occurred despite sharp drops in world prices for aluminum and cotton, which account for most of Tajikistan's exports. While these growth figures are very encouraging, Tajikistan's economic performance remains fragile due to uneven implementation of structural reforms, weak governance, and the external debt burden. The cumulative effects of two years of severe drought continue to be a problem.

Improved fiscal discipline by the Government of Tajikistan has supported the return to positive economic growth. The fiscal deficit in 2001 was 0.6 percent of GDP and the IMF projects a 0.5 percent of GDP fiscal deficit in 2001, before accounting for recent increases in security and defense spending. The potential for continued economic growth is found in the agricultural and light manufacturing sectors where productivity increases are anticipated from continued privatization of medium and large state-owned enterprises (SOEs) and land reform.

Progress on implementing Tajikistan's structural reform agenda has been significant since 1998, particularly with regard to the privatization of small-scale SOEs. Shortly after the end of FY 2001, the Board of the International Monetary Fund reached agreement on a six-month Staff Monitoring Program focused on completing the country's structural reform program. The World Bank also negotiated a second structural adjustment credit for \$50 million, half of which was disbursed in July 2001.

The Government of Tajikistan has worked closely with its other development partners, including USAID, to modernize its legal and regulatory framework to support its shift to a market economy. Restructuring of the banking sector and improved governance generally remain top priorities if Tajikistan is to create an improved environment for private sector investment and growth. Ten years after independence, the country still does not have a functioning banking system. There is also little confidence in the courts and government structures in their capability of effectively implementing and enforcing rights and obligations created by new legislation and regulations.

Tajikistan's high external debt service requirement and incomplete structural reforms leave the country very vulnerable to economic shocks. Tajikistan's total external debt acquired after independence, owed principally to Russia and Uzbekistan, is slightly over \$1.1 billion, or 109 percent of GDP. Debt servicing could require as much as 50 percent of government revenues in 2002. This overhang of old debts is a serious drain on government resources and constrains the Government of Tajikistan's ability to meet pressing development needs. Uzbekistan's ability to blockade effectively its border with Tajikistan also has a severe impact on the Tajik economy, as almost all of Tajikistan's trade must transit Uzbekistan.

Tajikistan remains a member in good standing with the International Monetary Fund, World Bank, Asian Development Bank and European Bank of Reconstruction and Development. An Overseas Private Investment Corporation (OPIC) agreement entered into force in 1992. The 1993 bilateral trade agreement between Tajikistan and the United States provides reciprocal Normal Trade Relations benefits, subject to annual review, and contains intellectual property rights provisions. In 2001, Tajikistan submitted its Memorandum of Foreign Trade Regime to the World Trade Organization (WTO) secretariat to begin the accession process, but little progress has been made.

Section 498A (a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government cooperated with the United Nations High Commissioner for Refugees (UNHCR) in the repatriation of Tajik refugees from Afghanistan due to the 1992-1997 Tajik Civil War, and by 1998 the final tranche of refugees finished returning to their homes. The government continues to work with the UNHCR, the International Organization for Migration, and the International Committee of the Red Cross to facilitate the return of remaining internally displaced persons (IDPs) from eastern Gorno-Badakshan oblast (region), and those who sought refuge in other neighboring states. Some of this latter group may have settled in their new homes as economic migrants with no intention of returning to Tajikistan at this time.

Retribution against returnees did not take place as originally feared, and the government has made positive efforts to resolve the cases of returnees whose homes had been occupied during their absence. Persons from Kulyab have been favored over those from other regional clan groups and some harassment of those from Garm and Pamir, opposition strongholds during the war, continues. Fear about the future as well as linguistic and employment discrimination against the Russian minority led to large-scale out-migration of this group early during the civil conflict. This trend has slowed significantly in

recent years, for a number of reasons: the return of stability; the fact that most of those with family in Russia have already left; and a 1996 agreement with Russia permitting dual citizenship.

According to the Constitution, Tajikistan is a secular state. Religious freedoms are guaranteed by law. Islam is the majority religion. While three Christian churches were the targets of bombing incidents in late 2000, minority religions in general enjoy both government and individual tolerance with the exception of native Tajiks who convert from Islam and who experience occasional discrimination and harassment. There does not appear to be official discrimination against religious minorities, but religious communities must register and are monitored to ensure that they do not become overly political. Unregistered, recently organized religious communities, however, such as Hare Krishna groups, function with no apparent restrictions.

One issue of contention remains the apparent goal of some Islamists to make Tajikistan an Islamic state. President Rahmonov has aggressively defended secularism and occasionally criticized Islam as a political threat. Leading Islamic figures within the former opposition who have joined the government have downplayed the issue, saying that Tajikistan is not ready to become an Islamic state and that they are committed to peacefully resolving their differences in a secular nation-state. However, the Government has specifically banned the activity of one religious-political group, the Hizb-ut-Tahrir, which has developed a significant following among the increasingly politically alienated ethnic Uzbek population of northern Tajikistan. The Hizb-ut-Tahrir seeks to establish a Caliphate in all of Central Asia and has recently advocated violence against those powers they believe humiliate Islam. Many of its adherents have been detained.

Tajikistan has no law on emigration. Thus, since 1997, U.S. Presidents have determined that Tajikistan meets the emigration requirements of Jackson-Vanik legislation. Tajik nationals who wish to travel abroad must obtain an exit visa. With occasional prominent exceptions, the Government does not appear to withhold exit visas for political reasons. Those wishing to emigrate must notify the appropriate authorities and obtain required documentation. Most of those who fled Tajikistan for political reasons after the civil war have returned safely, including most of the prominent opposition leaders who for some years had remained fearful about doing so.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Tajikistan has made a public commitment to respect international legal obligations and OSCE commitments. In November 1999, Tajikistan joined other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all existing OSCE documents. It has cooperated with the OSCE mission in Dushanbe on matters related to electoral law, human rights monitoring, and efforts that obtained a political settlement to the civil conflict. The OSCE mission in Tajikistan was expanded in 1995 to take on human rights monitoring functions previously carried out by the UNHCR, and continued its work in this field throughout 2000. The government still has not yet established a formal human rights ombudsman as recommended by the OSCE, despite its statement in 1996 (before its civil war ended and its current government was established) that it would do so. The government has, however, permitted human rights organizations to establish offices and freely operate in Tajikistan.

Tajikistan still has outstanding border disputes with Kyrgyzstan and China, but neither has erupted into armed conflict, nor are they likely to. Minor clashes in late 1999 between Uzbekistan and Tajikistan did not escalate into anything more serious. Uzbek authorities, however, in mid-2000 heavily mined the still undemarcated border in response to raids by Islamic Movement of Uzbekistan (IMU) units which Uzbekistan claimed operated out of Tajikistan. About 31 civilians and unknown numbers of livestock have died because of this.

Irredentist rhetoric about the largely ethnic Tajik cities of Samarkand and Bukhara (located in present-day Uzbekistan) has not been taken seriously by the government. Tajikistan continues to try to form an independent national military as it integrates former opposition fighters with government forces, and it has neither the capacity nor any apparent intention to pursue aggressive actions against its neighbors. Tajikistan has been an active participant in regional dialogues and cooperative peacemaking efforts. However, most of its efforts at conflict resolution have been domestic—participating in the inter-Tajik peace negotiations and seeking reconciliation following the civil war.

Section 498A (a)(5): "Cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Tajikistan welcomed international efforts to seek a peaceful resolution of the 1992-1997 Tajik civil conflict. The three-year UN-mediated negotiating process of peace talks with the Tajik opposition led to the June 27, 1997, signing of comprehensive peace accords and the creation of a Commission on National Reconciliation chaired by then-opposition leader Abdullo Said Nuri. Implementation of the accords and the conduct of some of its requirements (1999 constitutional referendum and presidential elections) were implemented but left much to be desired. However, following parliamentary elections in February 2000 in which six opposition parties participated, the United Nations Mission of Observers in Tajikistan (UNMOT) declared itself satisfied the process was sufficiently complete and declared its mission

fulfilled in May. Abdullo Said Nuri declared his Commission on National Reconciliation to have fulfilled its mission as well and is now the head of the Islamic Renaissance Party in government.

The Tajik civil war was primarily a regional and clan-based struggle, not a war between communists and Islamists as is often mistakenly proclaimed. Although the population is 25-percent ethnic Uzbek and Uzbeks fought on the side of the government during the civil war against the opposition, the ethnic question was not an aspect of the conflict. Rather, the war fostered sub-ethnic regional identities among Tajiks, as discrimination against Tajiks from other regions such as Garm and Pamir region took place.

Section 498A (a)(6): "implement responsible security policies, including —

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Tajikistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Tajikistan is a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state and supported indefinite extension of the Treaty at the NPT Review Conference in 1995. The GOT has not signed a nuclear safeguards agreement with the International Atomic Energy Agency.

Tajikistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1998-2001 (but is often late and has not yet submitted its data as of January 1, 2002) and has willingly undergone CSBM inspections in accordance with the OSCE Vienna Document (1994 and 1999). Tajikistan's fledgling military forces do not represent an offensive threat to neighboring states. We are not aware that the Government of Tajikistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. The United States considers Tajikistan to be a party to the INF Treaty as a successor state to the Soviet Union. Tajikistan was one of the first NIS countries to become a State Party to the 1993 Chemical Weapons Convention in 1995 and is committed to the worldwide moratorium on nuclear testing. Tajikistan has yet to accede to the 1972 Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction. Tajikistan has taken steps to establish a basic framework for export controls including adoption in 1997 of an export control law. The border with Afghanistan, however, is still porous.

Section 498A (a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Shared upstream hydro facilities in Kyrgyzstan and Tajikistan, vital to the region because they store water for downstream irrigation and provide power, have inadequate funding for operation and maintenance and have suffered deterioration since the breakup of the Soviet Union. Tajikistan's downstream neighbor, Uzbekistan, also cash-strapped, is unwilling to contribute to better upkeep of the existing facilities. However, Tajikistan is actively engaged in a search for solutions and participates in a number of initiatives focusing on environmental concerns, particularly those related to management of water resources and the shrinking of the Aral Sea. The Government of Tajikistan is a member of the Interstate Fund for the Aral Sea and of the Interstate Council for Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (ICKKTU), which was created in 1996 to replace the ineffective Soviet-era structures to manage the water resources of the Syr Darya. Tajik water officials are also fully participating with USAID training activities offered in the region and they work closely with the US NOAA snowmelt-forecasting project. The challenge ahead is to work with regional officials toward a mutually agreed-upon regional methodology for trans-boundary cooperation on managing of the region's water resources. Although Tajik officials have asked for assistance in this regard, the necessary policies, agreements, and institutions are not yet in place to ensure sustained upkeep or investment.

Tajikistan has also joined with other governments in the region in the decision to relocate the headquarters of the nascent Regional Environmental Center (REC) to Almaty, Kazakhstan. The REC, which will function as an information outlet and convening body for NGOs, regional governments and others, has the support of both the United States and the European Union.

Section 498A (a)(8): "deny support for acts of international terrorism."

The Government of Tajikistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Although not condoned by the government, Islamic extremist groups have operated out of Tajikistan from areas that are not under complete government control. Tajikistan was very strongly critical of the former Taliban in Afghanistan for harboring Usama bin Ladin, has long warned the international community of the international threats that emanated out of Afghanistan, has never once negotiated with the Taliban, and openly and uniformly opposes Islamic terrorism. Tajikistan is a party to six of the twelve international counter-terrorism

conventions After September 11, Tajikistan immediately and wholeheartedly supported and joined the international coalition against terrorism, Operation Enduring Freedom, and has helped in every way it is capable of helping quickly and without reservation.

Section 498A (a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 external debt of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and external debt of the former Soviet Union (FSU). Tajikistan signed both the October and December 1991 agreements. The December 1991 agreement provided that Tajikistan's share of the FSU debt would be 0.82 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the external debt of the FSU in return for all the external assets of the FSU. In December 1993, Tajikistan signed a "double-zero option" agreement with Russia under which Russia agreed to pay Tajikistan's share of the external debt of the FSU, in return for Tajikistan's share of the external assets of the FSU. This agreement is still in force.

Please see section 498A (a) (9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A (a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Tajikistan in September 1996. The visit was positive and indicated American interest. Requests for information were broadcast on local television, but there is no indication that any American POWs are in Tajikistan.

Section 498A (a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that the Government of Tajikistan is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 489a(B) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TAJIKISTAN

Section 498A (b)(1): Has the President determined that the Government of Tajikistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. While there have been serious shortcomings in human rights observance in Tajikistan, the government has undertaken efforts to address some of the problems. In some areas, especially political violence, there have been marked improvements since the end of the civil war. Many of the existing shortcomings result from the government's lack of control over a decreasing number of unreconciled armed opposition groups. The U.S. Government will work to better address these human rights problems not only through diplomatic efforts but also through its assistance programs.

Section 498A (b)(2): Has the President determined that the Government of Tajikistan "has failed to take constructive action to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Tajikistan has not failed to take action to facilitate effective implementation of arms control obligations.

Section 498A (b)(3): Has the President determined that, after October 24, 1992, the Government of Tajikistan "knowingly transferred to another country—

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine (d) that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations since 1992 were made with respect to Tajikistan in 2001.

Section 498A(b)(4): Is the Government of Tajikistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306 (a) (1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Tajikistan "is providing assistance for, or engaging in non-market-based trade (as defined in Section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Tajikistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period"?

No. The President has not determined that the Government of Tajikistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

TURKMENISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Turkmenistan remains a one-party state dominated by its president and his closest advisors. Despite President Niyazov's commitments during and after his April 1998 visit to the U.S., the Government of Turkmenistan has failed to take any concrete steps to strengthen the rule of law and political pluralism. The 50-member unicameral Parliament (Mejlis) has no genuinely independent authority, and in practice the president controls the judicial system. Seriously flawed parliamentary elections held on December 12, 1999, included only government-selected candidates and did not allow for any free political discourse; turnout was announced at 98.9 percent, despite reports that many polling places remained empty throughout the election day. A 1994 referendum of questionable constitutionality having already extended President Niyazov's term of office to ten years (through 2002), on December 28, 1999, the Mejlis extended his presidency indefinitely in response to a stage-managed resolution by the annual People's Council that he be made president for life.

The Government of Turkmenistan severely restricts freedom of speech and does not permit freedom of the press. There is no organized political opposition in Turkmenistan. The government completely controls the media, censoring all newspapers and domestic electronic media and rarely permitting independent criticism of government policy or officials. The only officially registered party is the Democratic Party (formerly the Communist Party of Turkmenistan). Freedom of assembly and association are restricted in practice, as is freedom of religion. Government harassment of NGOs, especially minority groups, continued in 2001. The government does not allow any public meetings or demonstrations involving a political agenda or criticism of government policies. In practice, the government also prevents private political meetings and gatherings from taking place.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Turkmenistan has made few economic reforms and many of the half steps taken in the early years after independence have either atrophied or been reversed in the last few years. Turkmenistan remains one of the most closed off economies in the region. On December 27, 1995, President Niyazov announced a series of macroeconomic reforms, which included, among others, the three key reforms recommended by the International Monetary Fund (IMF): control of the expansion of credit, prudent national budget deficits and liberalized foreign exchange, but implementation has been limited at best. The economy remains overwhelmingly under state control. President Niyazov's ten-year economic plan envisions a gradual transition to a market economy and hopes to utilize hard currency earnings from Turkmenistan's natural resources, especially oil and gas, to finance expenditures and soften the impact of the economic transition. Even though Turkmenistan is richly endowed in natural resources, its economy remains fragile with a high external debt burden. Since Turkmenistan joined in 1992, the World Bank has approved three projects with a cumulative value of \$89.5 million; however, the World Bank has not approved any loans to Turkmenistan since 1997. The IMF has no program in Turkmenistan. The European Bank for Reconstruction and Development (EBRD) has 155 million Euros (approximately \$171 million) in loans, but has made no new loans since August 2000.

Turkmenistan has laws on foreign investment, banking, property ownership and intellectual property rights, but all are poorly implemented and enforced, and respect of contracts remains an issue. The government introduced its currency, the manat, in November 1993, which has helped it establish an independent monetary policy. A bilateral trade agreement providing for reciprocal Normal Trade Relations, subject to annual review, and containing intellectual property rights (IPR) provisions, entered into force in October 1993. Since 1997, U.S. Presidents have determined that Turkmenistan meets the emigration requirements of Jackson-Vanik legislation and thus may enjoy Normal Trade Relations. An Overseas Private Investment Corporation (OPIC) agreement entered into force in June 1992. Turkmenistan is a member of the IMF, World Bank and EBRD, joined the Asian Development Bank in September 2000, and received full membership in the Islamic Development Bank in December 2001. Turkmenistan has not applied to join the World Trade Organization. Consistent with U.S. legislation, the United States would be opposed to any new proposals for international financial institution assistance to

Turkmenistan other than to address basic human needs. There is no functioning system of civilian audits of military expenditures.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government's record on respect for internationally recognized human rights is very poor. Law enforcement authorities routinely beat criminal suspects, prisoners, and witnesses before and after trial. The government restricts civil and political rights, and security agents have used force to suppress political opposition. There is no organized internal political opposition. Most opposition figures have left Turkmenistan, or they self-censor. The government has attempted to extradite Turkmen dissidents from Uzbekistan and Russia on charges that appear politically motivated. As part of its efforts to foster a sense of nationhood among the Turkmen, the government has reversed decades of favoritism toward ethnic Russians. Ethnic Turkmen now receive favored treatment, leading ethnic minorities to complain of discrimination, especially in employment practices, a practice that has resulted in substantial out-migration, particularly by ethnic Russians. There were no documented cases of extra-judicial killings in Turkmenistan in 2001.

The constitution guarantees freedom of religion and does not establish a state religion. However, while recent amendments to Turkmen law theoretically provide greater religious freedom, in practice, they tighten government control over religious groups. Religious congregations are technically required to register with the Government. The requirement that religious organizations have at least 500 members has prevented all but two religions, Russian Orthodox Christianity and Sunni Islam, from registering. During 2001, the Turkmen Government continued its harassment of minority faiths and expulsions of foreign religious workers. The government tries to control all Islamic activity. In contrast to the Soviet era, when imams were chosen by their communities, imams are now appointed by the government only. Since 1997, the government has forbidden the teaching of Islamic theology by imams affiliated with mosques. In June 2001, the Government closed the only independent madrasa in Dashoguz, Turkmenistan, leaving only one institution for the study of Islam in the country, which is under government control. An April 2000 Presidential decree requires law enforcement authorities to respect citizens' freedom from illegal search and seizure and right to privacy in their homes. However, after only a brief hiatus, law enforcement officials resumed violating the rights of religious minorities by allegedly planting evidence to justify their warrants. Some Protestants affiliated with home churches have been harassed, arrested, and fined. Several were severely beaten, and/or pressed to renounce their faith. Although not technically in the reporting year, a recent positive development, the long-demanded release of prisoner of conscience, Baptist Shageldy Atakov, occurred on January 7, 2002.

Turkmenistan permits most citizens to emigrate without undue restriction. Thus, since 1997, U.S. Presidents have determined that Turkmenistan meets the emigration requirements of Jackson-Vanik legislation. Most citizens are permitted to travel abroad, although exit visas for study and training abroad, particularly for non-ethnic Turkmen, have been difficult to obtain at times. In December 2001, the Government took a major positive step by announcing an end to its exit-visa regime. A Presidential decree due to take effect in 2002 will allow unimpeded international travel for most Turkmen citizens. The government restricts movement within Turkmenistan by limiting travel to border cities and regions, having declared these parts of the country "restricted zones." As part of a comprehensive redevelopment plan for Ashgabat, the government has forcibly displaced residents from several neighborhoods with less than a week's advanced notice and minimal, if any, compensation for their destroyed property.

The Institute for Democracy and Human Rights (IDHR) was founded in 1996 with a mandate to support democratization and monitor the protection of human rights. While an IDHR investigation of poor prison conditions led to a general amnesty, the Institute is not independent of the government. Initial hopes that the IDHR would serve as an ombudsman for the people have not been realized.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Turkmenistan has a proclaimed policy of neutrality towards other nations and has done nothing inconsistent with its OSCE obligations to refrain from the threat of the use of force and to settle disputes peacefully. Turkmenistan is at peace with its neighbors. The Turkmen military does not currently present an offensive threat to the region nor to any of its neighbors. Turkmenistan complies with the Confidence and Security Building Measures (CSBM) in Europe of the 1994 Vienna Document, regularly submitting CSBM declarations and undergoing a CSBM inspection in February 1998.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Turkmenistan supports regional and international efforts to resolve peacefully the conflicts in Tajikistan and Afghanistan and has played an important role as a conduit for humanitarian assistance to Afghanistan this year.

Section 498A(a)(6): "implement responsible security policies, including—

(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union; (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements; (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and (D) restraining conventional weapons transfers."

The Government of Turkmenistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Turkmenistan acceded to the Non-Proliferation Treaty (NPT), as a non-nuclear-weapons state, in 1994. Turkmenistan has not yet signed an NPT safeguards agreement with the International Atomic Energy Agency. Turkmen armed forces are guided by a defensive military doctrine. We are not aware that the Government of Turkmenistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technologies. Turkmenistan is a party to the 1993 Chemical Weapons Convention and to the Biological Weapons Convention. It has not provided any annual BWC CBM Data Declarations since it acceded to the Convention, however. An export control and related border security assistance program with Turkmenistan, including responsible missile proliferation policy, is being developed and should be implemented within the next year. Turkmenistan is committed to the worldwide moratorium on nuclear testing. To our knowledge, Turkmenistan has not engaged in any significant level of conventional arms transfers. Additionally, Turkmenistan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

Turkmenistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000, but sometimes late, and its data as of January 1, 2002, was not provided on time in December 2001 as required. Turkmenistan has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Although Turkmenistan has one of the best developed systems of nature preserves in Central Asia, its Karakum Canal which has badly deteriorated since independence contributes to the region's most serious environmental problems, notably in the Aral Sea, by aggravating existing water pollution, pesticide run-off, and water-table problems. International environmental experts have noted these problems may be further exacerbated by President Niyazov's plan to build a vast lake in the middle of the country. Turkmenistan currently holds the rotating presidency of the Interstate Fund on the Aral Sea, made up of the five Central Asian states and several international organizations secretariat, and the Fund's executive committee has its seat in Ashgabat at present.

Turkmenistan joined the other Central Asian states in a decision to locate the headquarters of a Regional Environmental Center (REC) to Almaty, Kazakhstan. The United States and the European Union support the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Turkmenistan is currently engaged in talks with Russia, Azerbaijan, Kazakhstan and Iran on environmental protection of the Caspian Sea. These marine environmental protection talks will include discussion of development of the mineral resources of the Caspian seabed and use of the sturgeon population in a way that protects the Caspian ecosystem.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Turkmenistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Turkmenistan is a party to nine of the twelve international counter-terrorism conventions. Turkmenistan committed itself to the international coalition against terrorism shortly after September 11 and has cooperated on many initiatives, including the freezing of terrorist assets.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In July 1992, the Government of Turkmenistan signed a "zero option" agreement with Russia under which Russia will pay Turkmenistan's share of the external debt of the FSU in return for Turkmenistan's share of the external assets of the FSU.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995 the Commission visited Turkmenistan, where it was warmly received by, and received full cooperation from, the Government of Turkmenistan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that the Government of Turkmenistan is providing military, economic, nuclear, or other assistance to Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TURKMENISTAN

Section 498A(b)(1): Has the President determined that the Government of Turkmenistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. The U.S. Government is deeply concerned about the broad and serious violations of human rights discussed above and continues to make human rights issues a central and consistent element of our dialogue with the Government of Turkmenistan as well as a principal focus of our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Turkmenistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Turkmenistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Turkmenistan "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. No such determinations were made.

Section 498A(b)(4): Is the Government of Turkmenistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information indicating that the Government of Turkmenistan is prohibited by these statutes from receiving such assistance.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Turkmenistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Turkmenistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Turkmenistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

UKRAINE

Section 201 of the FREEDOM Support ACT amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Ukraine has progressed unevenly in building a democratic society since gaining independence in 1991. The 1994 election of Leonid Kuchma to the Presidency against incumbent Leonid Kravchuk constituted the first peaceful, democratic, contested transfer of executive power in the former Soviet Union. Domestic and international observers concluded that Ukraine's second parliamentary elections in March 1998 generally reflected the will of the voters, despite some reports of irregularities. Parliamentary elections will be held again in March 2002 under a new election law passed in October 2001. The new law offers several improvements over the old law, but at Parliament's insistence fails to provide for domestic observers. The Government of Ukraine has invited international observers. Kuchma was reelected in November 1999, in Ukraine's third presidential election. Kuchma won with over 56 percent of the vote, compared to 38 percent for his communist rival, although the election failed to meet a significant number of OSCE commitments, due to government manipulation, harassment of the media, and the systematic involvement of government officials in the campaign. Even given elections irregularities, many observers concluded that, while the percentages might have changed, Kuchma would have still won the election. Some observers saw this result as an important endorsement by the Ukrainian people of continued political and economic reform and a pro-Western orientation, to which Kuchma had committed himself during the campaign. The April 2000 referendum on changes to the constitution that increased Kuchma's power also gave rise to charges of irregularities. Some fears were eased when the Constitutional Court threw out two of the referendum points.

The constitution mandates an independent judiciary, headed by a Constitutional Court that determines the constitutionality of laws and acts by all branches of government. In practice, however, the courts remain subject to considerable political interference, and are a weak check on the power of the executive branch. The legislative branch, the Rada, has been a more effective check, though its practical ability to influence Kuchma's authority has been limited. Civil society is increasingly important in Ukrainian political life. Ukraine has a large and active NGO community; for example, the local NGO Committee of Voters provided thousands of domestic monitors during the 1999 presidential election. In late 2000 and early 2001 multiple political crises—the unsolved murder of outspoken journalist Heorgiy Gongadze, sharp political battles, and street protests—created virtual deadlock from December through May 2001. Parliament's no-confidence vote in popular and reform-minded Prime Minister Yushchenko in April 2001 caused worries about reform in Ukraine. His successor, Anatoliy Kinakh, however, appears to have brought some normalcy back to the political process, and has scored a string of impressive legislative victories, gaining passage of several major reform bills that had been stuck in parliament. Still, fallout from the scandals continues to play a role in political decision-making and points to the need for continued democratic reform, strengthened rule of law, and more governmental transparency and accountability.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Ukraine has made important progress in creating an economy based on market principles, private ownership and integration into the world economy; much work remains to complete the transition. The Kuchma administration's chief challenge in economic policy is to institutionalize structural reforms to permit sustainable economic growth. Ukraine recorded its second year of positive economic growth in 2001; the year-end estimate for overall GDP growth is nine percent. Inflation had fallen sharply to 4.5 percent by the end of 2001. Ukrainian foreign currency reserves increased to \$1.8 billion between January and August 2001. However, continued slow progress on structural reform and energy sector reform, the lack of foreign investment, and a dependence on Russian energy supplies, with a large energy debt to Russia, kept Ukraine's economy in a precarious position.

The International Monetary Fund (IMF) supported the government with \$760 million under a Structural Transformation Facility agreement and with a series of Stand-By Arrangements (SBA) in 1995, 1996, and 1997. Ukraine arrested hyperinflation, stabilized the foreign exchange market, substantially liberalized prices, ended most government subsidies and eliminated export quotas. Nevertheless, a cycle of stalled reforms, near crises, and renegotiated agreements led to on

again/ off again status for IMF and World Bank lending programs in recent years. In November 2000, Ukraine and the IMF reached an agreement on a core set of policies for restarting the IMF program and the IMF Board resumed the program in December. In February, however, the IMF withheld disbursement due to lack of progress in several program areas. In September 2001 disbursement again resumed and the World Bank approved a new Programmatic Adjustment Loan (PAL) of \$250 million.

The government continued its privatization program, privatizing a total of 1,134 government-owned entities in the first ten months of 2001. Reform in the energy sector yielded some dramatic results in 2000, and in 2001 several regional operating companies (known as oblenegos) were privatized through an open, transparent international tender process. Energy sector reform stalled, however, after the change of Prime Ministers, and the program to privatize oblenegos is threatened by the lack of tariff reform. In December 2001, the government announced it would restart the privatization of regional electricity utilities. In the agricultural sector, land titles have been issued to about 25 percent of farmers. In October 2001, parliament passed a Land Code that allows farmers to trade land and use it as collateral. The Code will allow land sales beginning in 2005.

Serious problems persist in the investment climate, with widespread corruption, arbitrary government actions, lack of respect for contracts, and lack of enforcement of property laws and court decisions. Although the constitution guarantees the legal equality of all forms of ownership and the inviolability of private property, the Rada has not passed legislation to implement these constitutional guarantees. Several long-standing disputes involving U.S. firms remain unresolved.

With a few significant exceptions, imports and exports are unrestricted. Ukraine has applied to join the World Trade Organization, and President Kuchma and other government officials reiterated this goal throughout the year. Much work remains before Ukraine can accede to the WTO, particularly the passage of WTO-compliant legislation. Ukraine has a bilateral trade agreement with the U.S. and thus enjoys reciprocal Normal Trade Relations, subject to annual review.

In 1998, Ukraine was placed on the Special 301 Watch List because copyright piracy is extensive and enforcement is minimal, causing substantial losses to U.S. industry. On May 1, 1999, Ukraine was moved to the Priority Watch List. Since that time, Ukraine has taken insufficient steps to improve its IPR regime and is among the world's largest exporters of pirated compact discs. In December 2001, USTR announced the imposition of trade sanctions on Ukraine under Special 301.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Ukrainian constitution provides a good legal framework for protecting civil and political rights. However, some constitutional provisions still await the passage of enabling legislation. In their absence, actual human rights practices often do not conform to constitutional requirements. Ukraine has a large and active independent press, but criticism of the President is often not tolerated well by the government. This issue took a sinister turn with the death of Internet journalist Heorhiy Gongadze in fall 2000. Amid allegations of presidential involvement in his death, the government's investigation has moved slowly. The USG continues to call for a full, credible and transparent investigation.

Abuses continue in the unreformed legal and penal systems, particularly in pre-trial detention facilities where police and prison officials regularly beat detainees and prisoners, and in the military where violent hazing incidents of conscripts have led to fatalities. In a positive development, the parliament enacted a progressive criminal code, which entered into force on September 1, which includes penalties for torture. Lengthy pretrial detention is common. Violence and discrimination against women and racial minorities persist. Harassment of racial minorities, including by the police, is a problem.

Ukraine is an important source country for girls and women trafficked for sexual exploitation. The government has taken steps to address this problem. An April 1998 amendment to the criminal code imposes harsh penalties for trafficking in human beings, and a number of criminal cases have been initiated. Other sections of the criminal code, including fraud and illegal business activities, are also being used to help combat trafficking.

The government generally does not interfere with the registration or practice of religions and has allowed seminaries and Jewish religious schools to open. There are some restrictions by local authorities on the activities of some minority religions, but the national government's overall record is good on interethnic and inter-communal matters, particularly with the Orthodox majority of Ukraine's 500,000-strong Jewish community. Minority religions complain of unequal treatment in matters of property restitution, leasing and use. Foreign religious workers and some Islamic groups have had difficulties in some regions, and it is unclear how effective federal authorities have been when local authorities infringe on religious liberties.

With OSCE assistance, the governments of Ukraine and Uzbekistan agreed in 1998 to simplify procedures for more than 65,000 Crimean Tatars to relinquish their Uzbek citizenship and to abolish the fee charged by Uzbekistan. Ukrainians who wish to travel abroad can do so freely. Exit visas are not required. The government can deny passports to individuals with access to state secrets, but this is rarely done and can be appealed. Since 1997, Ukraine has been found by U.S. Presidents to be in compliance with the emigration requirements of Jackson-Vanik legislation.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Ukraine adheres to commitments under the Helsinki Final Act and the Charter of Paris and respects international law. Ukraine has no territorial claims on other states. In 1997, it signed a treaty with Romania to assist in resolving border disputes. Ukraine also reached a border agreement with Belarus in 1997, which was signed by both presidents and later ratified by the Ukrainian Parliament. The Belarusian Parliament has yet to ratify the agreement, but it is being observed by both sides. In addition, Ukraine sought the advice and counsel of the OSCE in resolving peacefully outstanding political differences regarding Crimea. The OSCE mission in Ukraine, its mandate on Crimean issues largely fulfilled, was replaced in May 1999 with an OSCE project office. OSCE observers monitored the two rounds of the presidential election in October and November 1999. In November 1999, Ukraine joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all existing OSCE documents.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Ukraine has played a constructive role in the search for a peaceful resolution of separatist disputes in its region. In neighboring Moldova, Ukraine works with the OSCE as a mediator in multilateral talks to resolve the conflict in the disputed region of Transnistria. Ukraine has facilitated the withdrawal of Russian military hardware from Transnistria. While serving on the UN Security Council in 2000-2001, Ukraine participated in the informal Friends of Georgia group focused on resolving the conflict in the Abkhazian region of Georgia. A treaty with Romania, signed in 1997, resolved most questions involving a highly politicized border question and established a procedure to resolve the remaining issues. In May 1997, Ukraine and Poland signed a Declaration of Historical Reconciliation to improve Polish-Ukrainian ties. Also in 1997, the governments of Russia and Ukraine signed several agreements towards resolving issues concerning Sevastopol and the former Soviet Black Sea Fleet, and also signed a Treaty of Friendship and Cooperation, both of which have been ratified by the respective parliaments. ((already mentioned above)) Ukraine is contributing almost 1,000 peacekeepers to missions in the Balkans, the Middle East, Africa, and South Asia. Since November 1999 Ukrainian peacekeepers, with the support of the U.S. and other Allies, have been deployed in Kosovo as part of the UKRPOLBAT Ukrainian-Polish battalion, attached to the U.S. sector commander. A Ukrainian helicopter detachment is also serving with KFOR.

Within its own borders, Ukraine fostered peaceful resolution of political differences with Crimea by inviting and encouraging the active participation of the OSCE in evaluating the situation and making recommendations. The constitution grants a certain degree of autonomy to Crimea. Ukraine also has made clear efforts to guarantee rights of persons belonging to minorities and has been free of widespread ethnic conflict. Ukraine has offered to host an OSCE institution devoted to inter-ethnic relations.

Section 498A(a)(6): "implement responsible security policies, including—

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

In 1992, Ukrainian President Kravchuk made a written commitment to the United States that Ukraine would have a "non-nuclear status." In 1994 Ukraine signed the Trilateral Statement with the United States and Russia, which among other things committed Ukraine to transfer all nuclear weapons on its territory to Russia for elimination. Later in 1994 Ukraine acceded to the NPT as a non-nuclear-weapons state. Ukraine's safeguards agreement with the International Atomic Energy Agency entered into force on January 22, 1998. By 1996, all of the nuclear weapons on Ukrainian territory had been transferred to Russia. Ukraine is not engaged in the proliferation of nuclear, biological, or chemical weapons, or related technology. Ukraine is a party to both the START and INF Treaties and is an active participant in the Joint Compliance and Inspection Commission and Special Verification Commission to implement those Treaties. It has been an active participant in the Standing Consultative Commission, the implementing body for the Anti-Ballistic Missile (ABM) Treaty succession. Ukraine is committed to the worldwide moratorium on nuclear testing. In 2001, Ukraine continued cooperative efforts with the U.S. Department of Defense to eliminate the SS-24 missile system and several heavy bombers and associated air-launched cruise missiles.

The CFE Treaty was approved by the Ukrainian Rada in July 1992. Ukraine ratified the 1996 CFE flank agreement in 1997, and has participated actively in negotiations to adapt the CFE Treaty, which was signed by Ukraine and representatives of all 30 CFE States at the Istanbul Summit in 1999. Ukrainian compliance with CFE has been generally good, although there are a number of lingering compliance concerns. Ukraine participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Ukraine has provided data on equipment as required by the Treaty and has

also hosted on-site inspections as provided for in the Treaty. One concern relates to the obligation that Ukraine shares with Russia related to equipment in naval infantry and coastal defense forces (NI/CD). Ukraine is in compliance with overall Treaty limits, but has not fully met the reduction obligation it undertook as a result of the break-up of the Soviet Union. Ukraine maintains that because the total of its equipment of CFE-limited types in conventional forces and in NI/CD units is at or below Ukraine's overall CFE ceilings, the main purpose of the NI/CD obligation has been achieved; and that it is unreasonable to ask Ukraine to expend resources to destroy equipment below its CFE ceiling. This issue and other, more technical concerns, have been discussed bilaterally and in the JCG context.

Ukraine also participates in implementation of the OSCE's Vienna Document on confidence and security building measures. Ukraine has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2001 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Ukraine is also a party to the Treaty on Open Skies, which establishes a regime of unarmed aerial observation flights over the territories of States Parties. Prior to the Treaty's entry into force on January 1, 2002, Ukraine cooperated with 26 other signatories in the provisional application of the Treaty.

Ukraine has cooperated with efforts to limit proliferation of weapons and technologies of mass destruction. An original signatory to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their Destruction, Ukraine ratified the agreement in October 1998. Ukraine is a party to the 1972 Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction. Ukraine has actively supported U.S. and international efforts to promote nonproliferation in South Asia, including chairing the multilateral South Asia Task Force during 1999. Ukraine is a member of the Nuclear Suppliers Group and as such has adopted current international export standards, including the NSG commitment to require full-scope safeguards as a condition of nuclear supply. Ukraine has cooperated constructively on individual cases of concern raised by the United States and has stated that it will not provide assistance to unsafeguarded nuclear programs. In March 1998, Ukraine took the positive, politically difficult step to terminate the participation of a Ukrainian firm in a project to provide key components for an Iranian nuclear power plant.

The U.S. Government works closely with Ukraine to improve its export control system and to stop the proliferation of conventional arms and weapons of mass destruction, and their missile delivery systems. While Ukraine has the potential to be a major arms supplier, it is complying with the Wassenaar Arrangement and has been responsive to U.S. inquiries about alleged arms dealings with states of concern. Additional information relevant to conventional arms transfers has previously been provided to Congress on a classified basis. We occasionally receive reports of missile-related cooperation between Ukrainian entities and countries of proliferation concern and have sought cooperation from the Government of Ukraine to prevent such transactions.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Significant environmental problems remain in Ukraine, particularly from the after-effects of Chernobyl and widespread industrial pollution. The Government of Ukraine's capacity to manage regulatory programs is insufficient to the task, as many environmental functions have been decentralized. Nevertheless, environmental consciousness is growing, led by an active green movement.

In 1995, Ukraine signed a Memorandum of Understanding (MOU) with the G-7 on a comprehensive program to close the Chernobyl nuclear power plant by the year 2000. The United States worked closely with Ukraine and our G-7 partners to implement the MOU. The program seeks to help Ukraine undertake energy sector reforms and power sector investments needed to ensure that Ukraine's power needs will continue to be met after the closure of Chernobyl. On December 15, 2000, the final Chernobyl reactor was shut down.

The Government of Ukraine has taken steps to address environmental issues, mainly through the Ministry of Environment and Nuclear Protection. Ukraine has met its commitments under the UN Framework Convention on Climate Change and is developing investment projects for the mitigation of greenhouse gas emissions. Given the Ukrainian economy's poor performance to date, however, full implementation of a pollution fee system taxing air and water emissions and solid waste disposal has lagged. National environmental NGOs are slowly gaining access to the policy-making process on environmental issues. Ukraine has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on international environmental issues. During the December 1999 meeting of the former U.S.-Ukraine Binational Commission, President Kuchma and Vice President Gore signed an agreement establishing a Regional Environmental Center (REC) to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making and provide modest grants to NGOs for projects. The U.S. and the EU are providing the funding for the REC, which opened in 2000. Ukraine is also working with the U.S., EU and others to address pollution problems in the Black Sea.

Section 498A(a)(8): "deny support for acts of international terrorism."

Since September 11th, Ukraine has fully supported the global campaign against terrorism, offering assistance in several areas, including valuable expanded intelligence sharing. The Government of Ukraine does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Ukraine has ratified eleven of the twelve international counterterrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding (MOU) declaring themselves jointly and severally liable for the foreign debts of the Soviet Union (Ukraine did not sign this MOU). In December 1991, Russia and seven other former republics, including Ukraine, signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In December 1994, Ukraine signed a "double-zero option" agreement with Russia under which Russia agreed to pay Ukraine's share of the debt of the former Soviet Union (FSU) in return for Ukraine's share of the assets of the FSU. However, Ukraine's Rada has not ratified the agreement, and Kiev is still negotiating its details with Moscow. Disputes over ownership of former USSR diplomatic property continue.

Please see section 498(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, established in March 1992. The U.S. side of the Commission visited Ukraine in December 1992 and August 1993. Ukraine continues to cooperate in the search for evidence on American POWs/MIAs.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence from which to conclude that the Government of Ukraine is providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UKRAINE

Section 498A(b)(1): Has the President determined that the Government of Ukraine has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While problems remain in the observance of certain democratic practices, we do not believe that the Government of Ukraine is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights not only through diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Ukraine "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. Ukraine has taken numerous actions to facilitate the implementation of arms control agreements signed by the USSR.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Ukraine "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. No such determinations have been made with respect to the Government of Ukraine in 2001.

Section 498A(b)(4): Is the Government of Ukraine "prohibited from receiving such assistance by section 101 or 102 of Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Ukraine "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Ukraine under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The President has not determined that the Government of Ukraine is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

UZBEKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Although the Constitution of Uzbekistan provides for the separation of powers between the executive, legislative, and judicial branches, President Karimov and the centralized executive branch that serves his authoritarian regime dominate political life. The government has not permitted the existence of an opposition party since 1993.

Chosen president in a 1991 election that most observers considered flawed, President Islam Karimov had his term in office extended until 2000 in a Soviet-style referendum in March 1995. In January 2000, Karimov was elected to a second term with 92.5 percent of the vote. The OSCE's Office for Democratic Institutions and Human Rights (ODIHR) stated that it could not "justify the deployment of an observation or assessment mission" to the presidential election because "the voters of Uzbekistan will have no genuine choice and the election cannot be considered competitive." The OSCE adjudged the presidential election, in which even the opposition candidate acknowledged voting for Karimov, to have fallen short of international standards. In December 2001, the Parliament voted to hold a referendum on extending the term of the President from five years to seven. The extension was defended as one in a package of reforms involving all branches of government. The referendum effectively will extend Karimov's current term until 2007. The referendum is scheduled to be held on January 27, 2002, and is unlikely to be free or fair.

In the parliamentary elections in December 1999, the government denied registration to independent political parties and other groups potentially critical of the government, making meaningful elections impossible. Following the parliamentary elections, ODIHR issued an assessment which stated that these elections "fell short of OSCE commitments enshrined in the Copenhagen document for democratic elections," and that Uzbekistan's "commitments for a free, fair, equal, transparent and accountable election were breached."

The government continued to deny registration of independent human rights NGOs, to hold a number of political prisoners, and to fail to account for the disappearance of several Muslim religious leaders for which the Government of Uzbekistan is believed to be responsible. The police and the national security service committed numerous serious abuses of the rights of Muslims they suspected of harboring Islamist extremist sympathies. The practice of planting evidence continues. This occurs in all areas of Uzbek law enforcement, often to extract bribes but also to obtain convictions and justify arrests. Despite a 1997 law providing for prison reforms and assuring basic rights for prisoners, prison conditions remained poor.

Although guaranteed by the constitution and by law, freedom of the press does not exist in Uzbekistan. The constitution prohibits censorship, but newspapers may not be printed without the censor's approval. Self-censorship is practiced by the few independent sources of information in Uzbekistan as a way of avoiding censorship or worse from the government. Almost all newspapers are the organs of government institutions or other government-dependent institutions. The few independent radio and television stations are closely monitored by the government and generally exercise self-censorship. Radio Free Europe/Radio Liberty and the Voice of America are not permitted to broadcast from within the country, despite the government's 1992 contractual agreement to allow this activity. The government allows both organizations to have correspondents in the country. The BBC World Service was required to broadcast on a very low FM frequency, which most radios are unable to receive.

Limited numbers of foreign periodicals can be found in Tashkent, and authorized groups can obtain foreign periodicals through subscription. There are no private publishing houses, and government approval is required for all publications.

A mass media law, which came into effect in January 1998, guarantees freedom of expression, protects the rights of journalists and reiterates the ban on censorship. Nonetheless, several articles are worded in such a way that they could be used to punish government critics. One provision makes journalists responsible for the truth of the information contained in their news stories, potentially subjecting journalists to prosecution if a government official disagrees with a news report. Another permits authorities to close media outlets without a court judgment. Two TV stations were closed in 1999 under this provision; only one was allowed to reopen in 2000. Observers believe the dissident political background of the owner of the second station was the reason for the government's refusal to grant it a new license. The owner fled Uzbekistan in July

2001 to avoid arrest on charges related to an allegedly forged letter of recommendation from 1991. Finally, the law prohibits registration of organizations whose purposes include subverting or overthrowing the constitutional order.

The government continues to require that all Internet service providers route their connections through a government provider, for the stated purpose of preventing access to information the government considers harmful. Despite this, there appears to be a regular increase in Internet providers and we have not had reports of censorship of Internet sites.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Although the government moved toward unification of exchange rates, consolidating rates first in July and again in November, access to foreign exchange remains limited and tightly controlled by the government and multiple rates persist. As of December 2001, the Uzbeks were finalizing a possible Staff Monitored Program (SMP) with the International Monetary Fund (IMF) in which it committed itself to full convertibility in 2002. Despite improvement in Uzbekistan's legislative framework and a continued rhetorical commitment to gradual transition to a market economy and support for foreign investment, progress toward market reform has been limited. The value of the soum on the curb market continued to fall. Sharply restricted access to foreign exchange further hampered foreign investment growth. For small and medium enterprises that export their own products, the government eliminated a 1999 requirement that they convert half of export earnings into local currency at the highly overvalued official exchange rate. This rate remained in place for other businesses until November 1 and continued to discourage exports. As a result of these policies, progress on privatization remained slow, and more foreign investors scaled back or ceased their operations in Uzbekistan. The government did make some progress in improving the business climate for small and medium enterprises. Banking restrictions on their access to cash sum were eased, and intrusive regulatory inspections were curtailed.

Uzbekistan is a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD). In 1998, it submitted its Memorandum of Foreign Trade Regime to the World Trade Organization (WTO) secretariat but little progress was made in 2001 toward WTO accession.

An OPIC agreement entered into force in October 1992. A bilateral trade agreement with the U.S. that includes intellectual property rights provisions entered into force in January 1994, thus allowing Normal Trade Relations, subject to annual review. The bilateral investment treaty signed in December 1994 received the advice and consent of the U.S. Senate in October, after it received the Administration's commitment not to bring the treaty into force until Uzbekistan undertakes economic reform so that its policies are not in violation of the treaty's terms. Preliminary discussions on a treaty to avoid double taxation began in 1993, but major tax reform in Uzbekistan will be necessary before negotiations can move forward.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The 1992 law on citizenship and the constitution prohibit discrimination on the basis of sex, religion, language, or social status, and officially sanctioned discrimination does not occur. The government continues to voice rhetorical support for human rights, but its record is poor. The election, religion and media laws all contain statements of principle that, if adhered to in practice, would substantially improve the government's human rights record.

In response to a major terrorist incident in February 1999, the government carried out a crackdown against suspected Islamic extremists, including members of purportedly non-violent groups and Muslims considered suspect merely for their piety. Thousands of people were arrested, many after police had planted on them narcotics, weapons, ammunition, or Islamic-oriented political literature. Families were often denied access to prisoners. Sometimes, they were denied all contact. Accusations of torture while in custody were not uncommon; there were credible reports that security force mistreatment resulted in dozens of deaths in custody. Many of the trials of such suspects were closed to the public and to foreign observers. Many clearly were not conducted fairly. The crackdown continued throughout 2001, though arrests seemed to slow in the fall. As part of a major amnesty announced at Independence Day Celebrations (September 1), Karimov promised to release 1,000 persons arrested for anti-government activities. Within the next few months several hundred people, many of whom were political prisoners or members of Islamic political groups had been released. Nonetheless, thousands remained in jail, and mistreatment of prisoners continued to be reported. Trials were generally accessible to foreign observers and the press during 2001.

The government continued severely to limit freedom of speech and the press, and it remained virtually impossible for citizens to criticize the government publicly without repercussions. Human rights activists were subject to surveillance and harassment. The government has granted academic institutions more autonomy than they had in the Soviet period.

The vast majority of Uzbekistan's citizens are free to worship as they choose. However, the onerous registration requirements and restrictions on religious expression enacted in the 1998 law on religion remain in force. Most non-Muslim groups have been able to register under the law. However, some remain unregistered and are occasionally subject to harassment and detention for such offenses as meeting together to pray. In response to repeated diplomatic approaches, the Government of Uzbekistan in 2000 convened a special commission to expedite registration of religious groups, even those not meeting the strict requirements of the law. The commission did not reconvene in 2001. No action was taken to amend the religion law, as had been suggested in 2000.

Although in some instances emigrants are delayed by long waits for passports and exit visas, potential emigrants who can find a host country willing to accept them are able to leave the country. Thus, since 1997, U.S. Presidents have determined that Uzbekistan meets the emigration requirements of Jackson-Vanik legislation. Since independence, a significant number of ethnic Russians, Jews, Ukrainians, and others have emigrated from the country, although no exact figures are available. Ethnic Russians have been dismissed from almost all the high government positions they held and from the military. However, by most accounts, emigration occurred not because of any systematic human rights abuses, but rather because of economic difficulties in Uzbekistan.

On the positive side, the government participates actively in the OSCE and is party to a number of international human rights conventions. During the September 1, 2001 Amnesty, the GOU claimed that it release over 650 political prisoners. The Uzbek Government-U.S. Embassy human rights working group, which began periodic meetings in October 1998 to conduct detailed discussions of specific human rights cases, has served as a useful vehicle to maintain Uzbek Government focus and to measure its follow-up. Intensive U.S. Government dialogue with Uzbekistan's leadership on the need to address human rights abuses has achieved some modest results, and despite its generally poor record, the Uzbek Government responded favorably to U.S. engagement on some issues.

In January 2001, after extended discussion, the Government of Uzbekistan signed a prison agreement with the International Committee of the Red Cross (ICRC) on access to all detention facilities in Uzbekistan and to all detainees, regardless of status (before charges are brought, pretrial and post trial). ICRC conducted three visits but suspended the program in May, citing a lack of access to pre-trial detention facilities.

Judicial reform is a promising area. The GOU is working to implement substantive and procedural legal reforms aimed at curbing egregious abuses of power as well as harsh sentencing practices. The GOU is also working to strengthen the independence of the judiciary. Recent measures strip both the state prosecutor and the Ministry of Justice of much of their control over judges. While these measures may not ensure impartial decisions in politically charged cases, they may well provide a foundation for systematic legal reform.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Uzbekistan generally has respected international law and obligations, including those arising from non-proliferation and weapons control treaties it has signed. It joined the OSCE in January 1992. An OSCE regional office opened in Tashkent in September 1995, and the OSCE has held several national or regional seminars in Uzbekistan on human rights and other subjects. Nevertheless, the government continues to violate its commitments under various agreements to protect human rights, as detailed above.

In response to the Summer 2000 incursions into Uzbek territory from Kyrgyzstan and Tajikistan by militants of the Islamic Movement of Uzbekistan, the Uzbek military laid anti-personnel mines in some border areas. Several dozen people have reportedly been killed and injured by these mines.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Uzbekistan supports regional and international efforts to resolve the conflicts in neighboring Tajikistan. The Government of Uzbekistan is a guarantor of the 1998 Tajik peace accords and has allowed UNHCR to repatriate Tajik refugees from northern Afghanistan through Uzbekistan. It has continued to support the Tajik peace accords while criticizing Tajikistan for harboring forces of the Islamic Movement of Uzbekistan.

**Section 498A(a)(6): "implement responsible security policies, including—
(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;
(B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;
(C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and (D) restraining conventional weapons transfers."**

The Government of Uzbekistan supports international efforts to eliminate nuclear, chemical and biological weapons and has consistently reiterated its acceptance of relevant arms control obligations of the Former Soviet Union. Uzbekistan became a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state in May 1992, and also signed an International Atomic Energy Agency safeguards agreement in October 1994. Following up on a conference on a Central Asian Nuclear Weapons Free Zone in September 1997, which it hosted, it participated in a second conference which produced a draft treaty, circulated for comment to the five NPT nuclear weapon states, in July 1998. Uzbekistan hosted a February 1999 meeting of an experts group that is negotiating this treaty and protocol, and has participated in three additional meetings of this group since. Uzbekistan also participated in the 2000 Non-Proliferation Treaty Review Conference. Additionally, Uzbekistan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

We are not aware that the Government of Uzbekistan has engaged in the proliferation of nuclear, biological, or chemical weapons. Uzbekistan is committed to the worldwide moratorium on nuclear testing and ratified the 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC). Uzbekistan acceded to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BWC), and has submitted annual BWC CBM Data Declarations three out of the past six years, including in 2001. It has filed a declaration with the Organization for Prohibition of Chemical Weapons. To our knowledge, the Government of Uzbekistan has not engaged in any significant level of conventional arms transfers. It has taken steps to develop its own export control system, and it has positively engaged with U.S. cooperative programs to counter proliferation and develop export controls. Under the terms of the Cooperative Threat Reduction (CTR) agreement of May 1999, the Uzbek government has worked alongside U.S. Defense Department experts to dismantle, remove and destroy the specialized equipment and infrastructure of the Soviet-era chemical weapons-associated facility in Nukus. We anticipate destruction of both the facility and specialized equipment to be completed by the end of 2002. Upon CTR confirmation of destruction, the U.S. will likely be able to certify Uzbekistan in compliance with the CWC. Under their 2001 agreement on cooperation in the area of demilitarization of biological weapons associated facilities and the prevention of proliferation of biological weapons technology the U.S. Defense Department and the Uzbek Ministry of Defense will work to decontaminate the test facility on Vozrozhdeniya Island, eliminate the infrastructure of the test facility, and improve the security of dangerous pathogen collections stored at scientific institutes throughout Uzbekistan so as to prevent their possible proliferation. The Uzbek government has twice in the past two years intercepted radioactive materials shipped through Uzbekistan from elsewhere in central Asia.

The Government of Uzbekistan has armed forces of some 90,000 troops. The government has allowed the basing of U.S. forces on its territory, for use in operations in Afghanistan. Other coalition forces have been allowed to temporarily stage in Uzbekistan. The government does not allow any other basing of foreign forces on its territory.

Uzbekistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2001 (but often late and data as of January 1, 2002 has not been provided). It has undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document, although not without some difficulties.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Uzbekistan has suffered severe environmental problems, including lingering agrochemical pollution, as a result of the cotton monoculture imposed during the soviet era. The government has supported a shift of some lands from cotton to grain production, which could mitigate the problem, but it continues to rely on a state order system for cotton, grain, and rice. This forces farmers to grow set amounts of these crops, thus exacerbating water shortages, land degradation, and the inexorable decline of the Aral Sea.

Several agencies and committees of the Parliament deal with environmental and ecological issues. The government, bilaterally and through regional organizations, has sought and used international assistance to deal with these issues. Uzbekistan and its neighbors continue to negotiate on problems of the Aral Sea watershed, although they struggle to find a mutually satisfactory mode for long-term cooperation. Current mechanisms for cooperation include work under organs of the International Fund for the Aral Sea (IFAS), and implementation of the 1998 multi-year agreement on water-and power-sharing among the four countries of the Syr Darya river basin (Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan).

The Uzbek government has undertaken work to increase public consciousness and understanding of environmental problems, although discussion of problems created by government policies is limited. Uzbekistan joined the other Central

Asian states in supporting the establishment of a regional environmental center (REC) in Almaty, Kazakhstan. This independent, non-profit, and non-political organization is working to strengthen civil society and support sustainable development and promotes public awareness and participation in regional environmental decision-making. In addition, Uzbekistan has been an active participant in treaties and conventions on the environment and sustainable development. It has, for example, ratified the Basel Convention on the Control of Transboundary Movement of Hazardous Waste, the Montreal Protocol on ozone depletion, and it participates in climate change negotiations. Uzbekistan has conducted an evaluation of national sustainable development efforts and taken part in preparations for the 2002 World Summit on Sustainable Development.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Uzbekistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Uzbekistan has signed all twelve international counter-terrorism conventions. Uzbekistan actively works to increase international cooperation aimed at defeating terrorist movements. The government has been supportive of U.S.-led efforts to eradicate terrorism and to remove the Taliban and al Qaeda from power in Afghanistan.

In August 2000, armed militants of the Islamic Movement of Uzbekistan (IMU) made incursions into Uzbekistan, as well as neighboring Kyrgyzstan, but were repulsed and, according to the Uzbek government, defeated. Some minor incursions occurred in 2001, as well. The IMU, which Uzbekistan believes to have been responsible for fatal terrorist attacks in February 1999 targeting President Karimov, employed further terrorist tactics in these incursions. These acts included lethal attacks on civilian law enforcement officials and kidnapping of foreign nationals and others, including four American tourists. In October 2000, the U.S. Government designated the IMU a Foreign Terrorist Organization. The IMU has been involved in fighting in Afghanistan against the U.S.-led coalition forces.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding (MOU) declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other former republics, including signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In November 1992, Uzbekistan signed a "double-zero option" agreement with Russia under which Russia will pay Uzbekistan's share of the debt of the former Soviet Union in return for Uzbekistan's share of the FSU's external assets.

Please see section 498A(a)(9) of the Russia assessment in this part of the report for information regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Government of Uzbekistan has been cooperative with all related interviews conducted in Uzbekistan and in February 1996 hosted a successful visit by the Commission.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Uzbekistan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UZBEKISTAN

Section 498A(b)(1): Has the President determined that the Government of Uzbekistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. However, the U.S. Government remains concerned by the human rights situation in Uzbekistan. Lack of the freedoms of association, assembly, and press make real democracy impossible, while police planting of evidence, unfair trials, and torture raise serious concerns regarding the credibility of the system of justice in Uzbekistan. The law on religion continues to restrict freedom of conscience. However, the Government of Uzbekistan did release at least 650 political prisoners – primarily alleged Islamic extremists – in the fall.

We will continue to monitor the Uzbekistan Government's human rights performance and maintain this issue as a key part of our bilateral relationship. We will also work to better address Uzbekistan's human rights problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Uzbekistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not think that the Government of Uzbekistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Uzbekistan "knowingly transferred to another country —

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made in 2001.

Section 498A(b)(4): Is the Government of Uzbekistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. The Government of Uzbekistan is not prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Uzbekistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Uzbekistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We have no information from which to conclude that the Government of Uzbekistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

V. EVALUATION OF THE USE OF “NOTWITHSTANDING” AUTHORITY

In FY 2001, the U.S. Government continued to use “notwithstanding” authority to respond to unanticipated needs and to provide assistance to the Eurasian states. While U.S. Government agencies have been careful to limit their use of “notwithstanding” authority for Eurasian assistance programs, this authority has given them the flexibility to carry out their respective missions in the difficult working environment of the Eurasian countries. Provided below are descriptions of uses of “notwithstanding” authority during FY 2001:

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
USAID	Throughout FY 2001	Personal Services Contracts	Various

USAID exercised “notwithstanding” authority throughout FY 2001 to waive legislation prohibiting federal agencies from employing individuals under personal services contracts (PSCs) to work in Washington. Since USAID-Washington has substantial management responsibilities for Eurasian programs, it has been necessary for the Bureau for Europe and Eurasia to employ Washington-based PSCs, especially technical specialists, to ensure adequate program management.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Department of State	Throughout FY 2001	Cooperative Grants	Various

Throughout FY 2001, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE) exercised “notwithstanding authority” to award non-competitive follow-on grants to the following U.S. private voluntary organizations (PVOs) to provide continued emergency and transitional assistance to the Eurasian countries: Counterpart International, CitiHope, United Methodist Committee on Relief (UMCOR), Heart-to-Heart, International Relief and Development (IRD), Project Hope, A Call to Serve, Eaton-Hap and the World Council of Hellenes. EUR/ACE uses “notwithstanding authority” to meet emergency needs on a real-time basis, providing critically needed emergency commodities to displaced and/or suffering populations in partnership with U.S. PVOs in places like Azerbaijan, Georgia, Tajikistan, the North Caucasus, Ukraine and the Russian Far East.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Customs Service	Throughout FY 2001	Georgia Border Security and Law Enforcement (BSLE) Program	Various

As the State Department’s executive agent for the Georgia Border Security and Law Enforcement (BSLE) Program, the U.S. Customs Service (USCS), after consultation with the State Department, used “notwithstanding” authority for the following:

- expediting solicitation procedures in the award of a contract to only company immediately available and capable of performing overhaul of two MI-2 helicopters needed urgently to ensure time sensitive ability to patrol Georgia’s borders;
- allowing the U.S. Army Corps of Engineers to limit the solicitation for several small scale renovation/construction projects to 3-4 Georgian-based construction firms (this procedure allowed for greater flexibility in project execution, and the early identification of potential quality contractors);
- limiting the solicitation to no more than three companies to accelerate award of a contract for construction on an urgent basis of an aviation hanger to shelter valuable Georgian Border Guard aviation assets;
- engaging the Lockheed-Martin Corporation to provide a variety of technical support services for a security system monitoring vessels in the vicinity of an oil buoy near the Port of Poti, Georgia. Lockheed-Martin was the sole proprietor of the software program used to operate the surveillance radar;
- purchasing specific high-frequency (HF) radios from the Harris Corporation and VHF radios from the Motorola Corporation which were identical to those used successfully by the Georgian Border Guard (GBG) and compatible with the existing inventory in-stock. These radios were used to complete the communication network in remote outposts and border locations; and
- awarding a contract for urgently required purchase of an MI-8 helicopter and an AN-28 aircraft for patrol of Georgia’s northern border from a single source, Aviaimpex, Limited, which had critical equipment available in time sensitive period and had familiarity with Russian aviation technology and training requirements.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Customs Service	Throughout FY 2001	Export Control and Related Border Security (EXBS) Program	Various

As the State Department's executive agent for significant portions of the Export Control and Related Border Security (EXBS) Program, the U.S. Customs Service (USCS), after consultation with the State Department, used "notwithstanding" authority for the following:

- purchasing Qual-Tron ground sensors directly from the vendor. Other U.S. Government counter-proliferation assistance programs were already supplying these specific type of sensors to countries in Eurasia, and the additional sensors would supplement existing stocks and permit standardized training; and
- waiving competitive procurement procedures for the purchase of HF radio equipment directly from the vendor, Barrett Europe, Limited. U.S. communications experts determined that many Eurasian countries required the communication connectivity offered by these HF radios to enhance the effectiveness of their border control operations, and that many of this countries were already familiar with this product.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Coast Guard	Throughout FY 2001	Export Control and Related Border Security (EXBS) Program	Various

As an executive agent of the State Department's Export Control and Related Border Security (EXBS) Program, the U.S. Coast Guard (USCG), after consultation with the State Department, used "notwithstanding" authority for the following:

- expediting the delivery of two U.S.-made patrol boats to the Azerbaijan Border Guard (ABG) by awarding a contract for shipment to Panalpina, Incorporated. Awarding this contract expedited the time consuming solicitation of bids for transport and insured the timely delivery of the boats by a company with extensive experience in the region;
- awarding a sole-source contract to BUE Caspian, Limited, for repairs to U.S.- donated patrol boats of damage to the propeller and rudder areas suffered during transit. It was determined that this was the only company available to complete this work expeditiously thereby allowing a Coast Guard training session to proceed as scheduled;
- awarding a sole-source contract for the repair of two Azerbaijani Border Guard vessels to Spektr, Incorporated. Spektr had extensive experience conducting dry-dock work in Baku and was identified as the only company that could perform the required work within the urgent timeframe and within budget constraints.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Department of State	From May 2001	Assistance to the Government of Russia	Various

In May 2001, pursuant to an ongoing sanctions issue, the Coordinator of U.S. Assistance to Europe and Eurasia invoked notwithstanding authority to allow continued obligation of FREEDOM Support Act funds for assistance programs with the Government of Russia.

VI. ASSESSMENTS REQUIRED BY THE SILK ROAD STRATEGY ACT OF 1999

The Silk Road Strategy Act of 1999, which amends the Foreign Assistance Act of 1960 and was enacted as part of the FY 2000 Foreign Operations, Export Financing, and Related Programs Appropriations Act, requires that this annual report:

- identify the progress made in fulfilling the policy objectives laid out in the Silk Road Strategy Act;
- evaluate the degree to which U.S. Government-funded assistance to Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan has helped accomplish the objectives laid out in the Silk Road Strategy Act;
- provide a "description of the progress being made by the United States to resolve trade disputes registered with and raised by the United States embassies in each country, and to negotiate a bilateral agreement relating to the protection of United states direct investment in, and other business interests with, each country" and
- recommend any additional initiatives that should be undertaken by the United States to implement the policy and purposes contained in the Silk Road Strategy Act.

This report addresses all of the above items, reporting on progress subsequent to the enactment of the Silk Road Strategy Act in late November 1999.

For an evaluation of the degree to which U.S. Government-funded assistance programs in the Silk Road countries have helped accomplish the objectives laid out in the Silk Road Strategy Act, please see the country assessments in Part II of this report.

The U.S. Department of State has not been made aware of any trade disputes registered with and raised by the U.S. Embassies in the Silk Road countries; however, to make this report more useful, information about investment and other business disputes is provided below, along with a description of progress in negotiating bilateral investment treaties with the Silk Road countries. Additional information can be found in the Section 498A(a)(2) assessments in Part IV of this report.

The U.S. Government is funding robust ongoing assistance programs in each of the areas addressed in the Silk Road Strategy Act, and does not recommend the implementation of any new initiatives to implement the policy and purposes contained in the Act.

Armenia: The U.S.-Armenia Bilateral Investment Treaty entered into force on March 29, 1996. The State Department is not aware of any outstanding investment disputes involving U.S. citizens and the Government of Armenia.

Azerbaijan: The U.S.-Azerbaijan Bilateral Investment Treaty entered into force on August 2, 2001. The State Department is aware of a number of outstanding investment disputes between U.S. companies and the Government of Azerbaijan. In a dispute relating to the release of equipment from customs, the U.S. Embassy in Baku has helped the U.S. company raise the dispute with the Government of Azerbaijan, but the dispute has not been resolved, and the U.S. company has not renewed contact with the Embassy since December 1999. A second dispute involves a potential lawsuit by a U.S. firm on the privatization of a cement plant. In addition, a dispute between a U.S. company and the Azerbaijan Government over nonpayment for telecommunications services was resolved in 2000.

Georgia: The U.S.-Georgia Bilateral Investment Treaty entered into force on August 17, 1997. The State Department is aware of no outstanding investment disputes between a U.S. company and the Government of Georgia. The dispute over the privatization of a winery, reported previously, was resolved in December 2000.

Kazakhstan: The U.S.-Kazakhstan Bilateral Investment Treaty entered into force on January 12, 1994. The State Department is aware of five outstanding investment disputes between U.S. companies and the Government of Kazakhstan (GOK). The U.S. Government has been active in supporting these investors' attempts to resolve the disputes, several of which are currently before U.S. courts or have been submitted to international arbitration. In one dispute, involving the Kazakhstani Government's refusal to issue a license to export uranium, a U.S. court found in the company's favor in 2000, and the case continues on appeal. A second company, a power producer, negotiated, prior to an expected arbitration ruling in its favor, an agreement with the Kazakhstan Government on the payment of debts owed to the company, and the GOK has made progress in fulfilling its obligations. In a dispute over mining concessions, the U.S. company settled most aspects of the dispute and no longer has outstanding claims against the GOK. Negotiations with the Government of Kazakhstan on finalizing a long-term contract are still ongoing. A fourth company obtained a favorable arbitration ruling over the expropriation of its oilfield concession and reached a settlement with the Kazakhstan Government. The fifth dispute involves the Kazakhstani Government's taking of a real estate development without offering compensation satisfactory to the U.S. firm. The U.S. firm is considering international arbitration.

Kyrgyzstan: The U.S.-Kyrgyzstan Bilateral Investment Treaty entered into force on January 12, 1994. The State Department is aware of an outstanding investment dispute between a U.S. company and the Government of Kyrgyzstan involving an alleged breach of the terms of its telecommunications joint venture agreement with the company. The U.S. Embassy and other U.S. Government officials continue to monitor the case and assist the company in resolving the dispute, but the Kyrgyz Government has taken no actions, and the U.S. firm has advised that it intends to proceed with its OPIC claim.

Tajikistan: Negotiations on a Bilateral Investment Treaty between the U.S. Government and the Government of Tajikistan have been inactive since April 1993. Continuing civil strife in Tajikistan has ruled out further action to date. The Department is aware of an outstanding investment dispute between a U.S. company and the Government of Tajikistan involving repayment of a loan given as part of a business deal to a Tajikistan state-owned company. Tajikistan's Supreme Economic Court ruled against the U.S. company, and it appears that the company no longer intends to pursue this case. The U.S. Embassy has not heard from the U.S. company in over three years.

Turkmenistan: Negotiations on a Bilateral Investment Treaty between the U.S. Government and the Government of Turkmenistan have been inactive since March 1998, pending action by the Government of Turkmenistan. The Department is aware of two investment disputes involving U.S. firms and the Government of Turkmenistan. A U.S. company is suing Turkmenistan's Ministry of Agriculture for breach of contract involving construction of a factory in Turkmenistan. The U.S. company obtained a default judgment in U.S. District Court in August 2001. A second U.S. company is involved in a dispute with the Government of Turkmenistan on currency conversion for repatriation of profits under a contract to supply the government with telecommunications equipment.

Uzbekistan: The U.S. Government and the Government of Uzbekistan signed a Bilateral Investment Treaty on December 16, 1994. The U.S. Senate gave its advice and consent to ratification on October 18, 2000, after the executive branch gave its commitment not to bring the treaty into force until Uzbekistan undertakes economic reforms so that its policies are not in violation of the treaty's terms. Uzbekistan has completed its domestic ratification process. Entry into force is pending exchange of instruments of ratification, following satisfactory economic reforms by the Government of Uzbekistan. The Department is aware of two outstanding investment disputes between U.S. companies and the Government of Uzbekistan, both over the seizures of the companies' imported goods. In addition, the Department is aware of a case involving the investigation of a soft-drink bottling company in which U.S. nationals have an interest. The U.S. Embassy is monitoring these cases and has provided all appropriate assistance.

FY 2001 FUNDS BUDGETED FOR U.S. GOVERNMENT ASSISTANCE TO EURASIA, AS OF 12/31/01
(millions of dollars, rounded to the nearest \$10,000)

FREEDOM SUPPORT ACT (FSA) FUNDS	TOTAL	EURASIA - REGIONAL	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID/E&E - BUREAU FOR EUROPE & EURASIA														
- Economic Restructuring	27.63	2.77	8.95				2.40	2.30					3.40	7.81
- Private-Sector Development	102.86	2.10	10.36	15.35	8.20	14.35	9.90	7.40	2.00	0.75	2.10		6.88	23.47
- Energy-Sector Reform	23.45	0.82	6.00	6.00		12.65								3.98
- Environmental Management	23.77	6.17	6.96	0.50			2.70	1.00	2.53	0.40	1.75			1.76
- Democratic Reform	75.61	2.42	16.10	9.48	5.13	4.74	5.70	5.05	3.15	0.65	2.95	4.56	1.80	13.88
- Humanitarian Assistance	20.96	4.22			9.17	7.57								
- Social-Sector Reform	64.66	5.49	14.88	14.47			6.20	2.80	1.50	0.90	5.50		4.19	8.73
- Cross-Cutting / Special Initiatives	57.78	5.44	4.18	8.44	1.50	2.77	2.07	4.02	4.55	0.32	1.35		1.30	23.15
- Eurasia Foundation	24.00	10.00	10.00	2.00	2.00	2.00	1.00	1.25	0.50		1.25		2.00	2.70
- Enterprise Funds	32.00		20.00											10.00
TOTAL USAID	452.72	29.43	91.42	56.24	26.00	44.08	29.97	23.82	14.23	3.02	14.90	4.56	19.57	95.49
TRANSFERS TO OTHER AGENCIES	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. DEPARTMENT OF COMMERCE														
- Business Information Service for the NIS (BISNIS)	2.30		1.16	0.06	0.07	0.05	0.25	0.05	0.03	0.03	0.07	0.02	0.07	0.44
- SABIT Business Internship Training Program	5.60		2.00	0.30	0.30	0.30	0.80	0.30	0.05	0.10	0.50	0.05	0.07	0.83
- Commercial Law Development Program (CLDP)	1.35		0.45										0.35	0.55
- Business Development Committees (BDCs)	1.00	0.05	0.75				0.10							0.10
TOTAL U.S. DEPARTMENT OF COMMERCE	10.25	0.05	4.36	0.36	0.37	0.35	1.15	0.35	0.08	0.13	0.57	0.07	0.49	1.92
U.S. DEPARTMENT OF ENERGY - Nuclear Reactor Safety	39.09		4.00											33.21
U.S. DEPT. OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE														
- Transportation Costs and Grants	24.99	4.50	7.49	1.00	2.00	2.00	1.50	1.50	0.50	0.50	1.00	0.50	0.50	2.00
- Cargo Value (Dod excess and privately donated, not incl. in total below)	202.45		17.77	7.62	18.37	40.61	18.86	9.16	6.28	3.56	25.45	19.46	5.01	30.30
TOTAL EUR/ACE HUMANITARIAN ASSISTANCE	227.44	4.50	25.26	8.62	20.37	42.61	20.36	10.66	6.78	4.06	26.45	19.96	5.51	32.30
U.S. DEPARTMENT OF STATE														
- INL Bureau / Anti-Crime Training & Technical Assistance (ACTTA)	13.00	4.02	3.04	0.10		1.87	0.73	0.29	0.25	0.24	0.29		1.04	1.13
- INR Bureau / Title VIII Research Program	2.70	2.70												
- Export Control & Border Security (EXBS) -excl. EXBS-Georgia BSLE	21.00	3.00	3.50	1.00	1.00	1.00	2.50	2.50	0.50	0.50	2.50		2.00	2.00
- ECA Bureau Public Diplomacy Programs	108.71	6.72	30.71	11.26	6.43	5.69	4.44	4.43	1.03	1.80	3.46	2.93	3.75	26.09
- EUR Bureau Public Diplomacy Programs	9.70	0.73	1.05	0.40	0.35	0.40	0.15	0.26	0.10	0.10	0.15	3.35	0.25	2.41
- International Information Programs (IIP)	0.46	0.02	0.20	0.04	0.10	0.06	0.02					0.02		
- Military Relocation	27.10					13.20							13.90	
TOTAL U.S. DEPARTMENT OF STATE	182.67	17.19	38.50	12.80	7.88	21.22	7.84	7.48	1.88	2.64	6.40	6.30	20.94	31.63
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	4.10	0.50	0.90	0.20		1.60					0.20		0.20	0.50
U.S. TRADE & DEVELOPMENT AGENCY (TDA)	5.00	5.00												
PEACE CORPS														
ENVIRONMENTAL PROTECTION AGENCY (EPA)	3.64	1.00	1.14	2.50							1.00			1.50
CIVILIAN R & D FOUNDATION (NSF/CRDF)	14.00		4.00			1.50	1.00						2.50	1.50
U.S. CUSTOMS SERVICE - EXBS Georgia Border Sec./Law (BSLE)	18.00		18.00											
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	3.00		0.40	0.60										1.10
U.S. DEPT. OF AGRICULTURE (USDA)														
- Cochran Fellowship Program	1.66		0.40	0.10	0.08	0.10	0.16	0.15	0.10	0.10	0.17		0.15	0.15
- Faculty Exchange Program	0.64		0.30			0.09								0.25
- Armenia Marketing Assistance Project (MAP)	7.30			7.30										
- Agr. Research Service (ARS) - BW Redirection / Collab. Research	6.00	0.49	3.37	4.07	0.08	1.07	1.32	0.15	0.10	0.10	1.07		0.15	0.40
TOTAL U.S. DEPARTMENT OF AGRICULTURE	15.60	0.49	4.07	7.40	0.08	0.10	1.32	0.15	0.10	0.10	1.24		0.15	0.40
U.S. DEPT. OF THE TREASURY - Technical Advisors	9.20	1.50	1.90	0.80		2.00								2.50
U.S. DEPT. OF HEALTH & HUMAN SERVICES (HHS) - BTEP	10.00	1.80	5.25			0.25								
FEDERAL AVIATION ADMINISTRATION (FAA)	0.25													
TOTAL TRANSFERS TO OTHER AGENCIES	339.79	32.03	68.01	29.66	10.33	49.02	16.54	9.48	2.56	3.37	10.41	6.87	25.28	76.26
PERFORMANCE FUNDS	15.71	11.40		4.17										0.14
TOTAL FY 2001 FREEDOM SUPPORT ACT (FSA) FUNDS BUDGETED	808.22	72.86	159.43	90.06	36.32	93.09	46.50	33.29	16.79	6.39	25.31	11.43	44.85	171.89

(In FY 2001, \$500K in FSA funding was allocated to the Peace Corps' Small Project Assistance (SPA) Program through USAID and is reflected in the USAID totals above.)

FY 2001 FUNDS BUDGETED FOR U.S. GOVERNMENT ASSISTANCE TO EURASIA, AS OF 12/31/01
(millions of dollars, rounded to the nearest \$10,000)

OTHER AGENCY FUNDS	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID														
- Child Survival	6.01	0.55	3.54				0.20		0.94		0.70			1.02
- Disaster Assistance	1.02						0.03		12.54				0.03	0.03
- P.L. 480 Title II Food Assistance	23.44			0.32	1.80	8.78								
TOTAL USAID	30.47	0.55	3.54	0.32	1.80	8.78	0.23		13.48		0.70		0.03	1.05
U.S. DEPARTMENT OF DEFENSE (DoD)														
- Cooperative Threat Reduction (CTR)	442.42	22.00	379.77				1.72				3.03			35.90
- DoD/Warsaw Initiative	4.29	1.75	0.01	0.12	0.26	0.55	0.08	0.05		0.12	0.86		0.30	0.19
- DoD/Customs Counterproliferation	1.45			0.54		0.07	0.13				0.41		0.30	
- DoD/FBI Counterproliferation	0.81						0.06	0.17	0.01	0.09	0.20		0.28	0.26
- EUCOM Humanitarian Assistance Program	1.11		0.03	0.26								0.01	0.29	
- Arctic Military Environmental Cooperation (AMEC)	5.90		5.90											
TOTAL U.S. DEPARTMENT OF DEFENSE	455.97	23.75	385.71	0.92	0.52	0.62	1.99	0.22	0.01	0.21	4.50	0.01	1.17	36.35
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	158.08		60.48	5.59	2.01	8.43		3.38	41.63	3.73	20.00		12.82	
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	17.70		13.36				1.19							3.15
- Materials Protection, Control and Accounting (MPC&A)	170.50		170.50											1.80
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	24.14		22.34											0.37
- Export Control Programs (Nuclear)	3.00	0.15	1.74				0.74							
- Fissile Materials Disposition	40.00		40.00											
- Nuclear Cities Initiative (NCI)	26.60		26.60											
- International Safeguards	6.60		5.30				0.50				0.80			
- Nonprolif. Policy/Analysis, International Nucl. Safety, RERTR	71.50		55.70				15.80							
TOTAL U.S. DEPARTMENT OF ENERGY	360.04	0.15	335.54				18.23				0.80			5.32
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	4.43		0.16				0.58	0.38		0.26	0.49		0.63	1.44
- NADR / Export Control & Border Security (EXBS)	5.00	0.47	1.50	0.50	0.83		0.61				0.33			0.77
- NADR / Science Centers	35.00	3.00	23.00	1.00			1.00	0.50			1.00			5.00
- Warsaw Initiative / Foreign Military Financing (FMF)	16.87						4.49	1.85		0.70	2.45		1.50	3.99
- ECA Bureau Public Diplomacy Programs (ECE account)	28.08	6.98	13.86	0.28	0.48	0.79	0.66	0.46	0.07	0.32	0.43	0.44	0.21	3.10
- International Information Programs (IIP)	0.39		0.14	0.03	0.02	0.02	0.06			0.01	0.02	0.03	0.02	0.04
- DRL Bureau - Human Rights & Democracy Fund (HRDF)	0.50											0.50		
- NADR / Anti-Terrorism Assistance (ATA)	6.08				0.94	0.97	1.41	0.57			1.26		0.93	
- Bureau of Population, Refugees and Migration (PRM)	39.96	27.22	11.63			0.97		0.02	0.12					
- Bureau of Oceans & International Env. & Sci. Affairs (OES)	0.90	0.90												
TOTAL U.S. DEPARTMENT OF STATE	137.20	38.57	50.29	1.81	2.27	8.22	6.22	3.78	0.19	1.29	5.98	0.97	3.29	14.34
LIBRARY OF CONGRESS - Open World Program	10.00		10.00											
CIVILIAN R & D FOUNDATION (NSF/CRDF)	1.30													
U.S. DEPARTMENT OF LABOR	1.94													1.94
U.S. DEPARTMENT OF TRANSPORTATION	0.65		0.65											
U.S. FISH AND WILDLIFE SERVICE	0.30		0.30											
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	0.50		0.50											
U.S. DEPARTMENT OF EDUCATION	0.64		0.54					0.04			0.04			0.02
PEACE CORPS	14.27		3.50	1.00		1.03	1.76	0.88		1.26	1.36		1.11	2.37
TOTAL	1171.35	64.82	850.55	9.64	6.59	27.07	28.42	8.30	55.30	6.49	33.37	0.98	18.42	61.39
TOTAL FY 2001 AGENCY FUNDS BUDGETED														
TOTAL FY 2001 U.S. GOVERNMENT FUNDS BUDGETED (FSA + AGENCY FUNDS)	1979.57	137.68	1009.97	99.71	42.92	120.17	74.92	41.60	72.09	12.88	58.68	12.41	63.26	233.27

FUNDS OBLIGATED FOR U.S. GOVERNMENT ASSISTANCE TO EURASIA DURING FY 2001
(millions of dollars, rounded to the nearest \$10,000)

OTHER AGENCY FUNDS	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID														
- Child Survival	5.47	0.92	3.54											1.02
- Disaster Assistance	0.71	0.18	0.10				0.41							0.03
- P.L. 480 Title II Food Assistance	25.08			0.74	2.50	9.21			12.63					
TOTAL USAID	31.27	1.10	3.64	0.74	2.50	9.21	0.41		12.63					1.04
U.S. DEPARTMENT OF DEFENSE (DoD)														
- Cooperative Threat Reduction (CTR)	328.87	12.88	278.36			0.34	0.73				3.56	-0.26		33.26
- DoD/Warsaw Initiative	4.29	1.75	0.01	0.12	0.26	0.55	0.08	0.05		0.12	0.86		0.30	0.19
- DoD/Customs Counterproliferation	1.45			0.54	0.01	0.07	0.13				0.41		0.30	
- DoD/FBI Counterproliferation	0.81						0.06	0.17	0.01	0.09	0.20		0.28	
- EUCOM Humanitarian Assistance Program	1.11		0.03	0.26							0.26	0.01	0.29	
- Arctic Military Environmental Cooperation (AMEC)	5.90		5.90											
TOTAL U.S. DEPARTMENT OF DEFENSE	342.43	14.63	284.30	0.66	0.27	0.96	1.00	0.22	0.01	0.21	5.03	-0.26	0.87	33.45
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	158.08		60.48	5.59	2.01	8.43		3.38	41.63	3.73	20.00		12.82	
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	16.32		15.13				1.19							
- Materials Protection, Control and Accounting (MPC&A)	169.50		169.50											
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	24.83		23.03				0.74							1.80
- Export Control Programs (Nuclear)	1.26	0.15												0.37
- Fissile Materials Disposition	23.20		23.20											
- Nuclear Cities Initiative (NCI)	16.23		16.23								0.80			
- International Safeguards	1.30						0.50							
- Nonprolif. Policy/Analysis, International Nud. Safety, RERTR	26.70		10.90				15.80							
TOTAL U.S. DEPARTMENT OF ENERGY	279.34	0.15	257.99				18.23				0.80			2.17
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	4.43		0.16	0.16		0.48	0.58	0.38		0.26	0.49		0.63	1.44
- NADR / Export Control & Border Security (EXBS)	8.32	1.50	2.50	0.50	0.86		1.13			0.24	0.33			1.27
- NADR / Science Centers	35.00	3.00	23.00	1.00		0.50	1.00	0.50			1.00			5.00
- Warsaw Initiative / Foreign Military Financing (FMF)	16.87					4.49	1.90	1.85	0.70	0.70	2.45		1.50	3.99
- ECA Bureau Public Diplomacy Programs (ECE account)	28.08	6.98	13.86	0.28	0.48	0.79	0.66	0.46	0.07	0.32	0.43	0.44	0.21	3.10
- International Information Programs (IIP)	0.38		0.14	0.03	0.02	0.02	0.06	0.00	0.00	0.01	0.02		0.02	0.04
- DRL Bureau - Human Rights & Democracy Fund (HRDF)	0.50											0.50		
- NADR / Anti-Terrorism Assistance (ATA)	0.39		0.14	0.03	0.02	0.02	0.06	0.02	0.12	0.01	0.02	0.03	0.02	0.04
- Bureau of Population, Refugees and Migration (PRM)	39.96	27.22	11.63			0.97								
- Bureau of Oceans & International Env. & Sci. Affairs (OES)	0.90	0.90												
TOTAL U.S. DEPARTMENT OF STATE	134.82	38.70	51.42	1.84	1.38	7.27	5.39	3.21	0.19	1.54	4.74	1.00	2.38	14.88
LIBRARY OF CONGRESS - Open World Program	4.17		4.17											
CIVILIAN R & D FOUNDATION (NSF/CRDF)	1.99	0.08	1.86											0.05
U.S. DEPARTMENT OF LABOR	1.94													1.94
U.S. DEPARTMENT OF TRANSPORTATION	0.62		0.62											
U.S. FISH AND WILDLIFE SERVICE	0.30		0.30											
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	0.50	0.50												
U.S. DEPARTMENT OF EDUCATION	0.64		0.54					0.04			0.04			0.02
PEACE CORPS	12.90		3.25	1.00		1.01	1.58	0.88		1.17	1.17		1.11	1.73
TOTAL AGENCY FUNDS OBLIGATED IN FY 2001	967.00	55.15	668.57	9.83	6.16	26.87	26.60	7.73	54.46	6.65	31.77	0.74	17.18	55.28
TOTAL U.S. GOVERNMENT FUNDS OBLIGATED IN FY 2001 (FSA + AGENCY FUNDS)	1812.63	117.26	868.33	117.19	36.85	121.70	75.50	36.73	67.38	13.69	54.72	15.07	55.96	232.26

FUNDS EXPENDED FOR U.S. GOVERNMENT ASSISTANCE TO EURASIA DURING FY 2001
(millions of dollars, rounded to the nearest \$10,000)

	TOTAL	EURASIA - REGIONAL	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
FREEDOM SUPPORT ACT (FSA) FUNDS														
USAID/E - BUREAU FOR EUROPE & EURASIA														
- Economic Restructuring	41.74	2.90	5.72	14.95	5.20	0.52	4.24	2.68		0.02	0.37	0.22	11.76	13.30
- Private-Sector Development	111.53	2.64	18.53	14.95	5.20	18.62	8.41	8.20	1.24	0.52	0.93		8.93	23.37
- Energy-Sector Reform	32.31	2.15	1.21	2.96		8.24	0.82	0.22					2.31	14.40
- Environmental Management	18.06	4.32	8.51	0.93		0.01	0.28	0.87	0.30	0.44				2.41
- Democratic Reform	98.71	0.88	17.21	31.64	4.91	7.44	5.82	5.64	2.02	0.06	3.04	4.51	1.13	14.41
- Humanitarian Assistance	41.80	5.54		3.65	11.24	18.96		2.29						0.13
- Social-Sector Reform	58.27	8.38	13.36	15.72		4.05	4.05	1.53	0.36	0.14	3.20		0.14	11.42
- Cross-Cutting / Special Initiatives	32.91	10.49	-15.76	4.59	4.59	3.16	4.83	4.10	4.11	4.33	3.08	-0.52	1.31	9.20
- Eurasia Foundation	24.38		9.82	2.86	2.07	2.32	1.98	0.86	0.48	0.12	0.98	0.30	-0.16	2.77
- Enterprise Funds	31.28		15.50										3.53	12.25
TOTAL USAID	490.99	37.28	74.10	72.70	28.01	59.26	30.42	24.10	10.79	5.62	11.60	4.51	28.94	103.65
TRANSFERS TO OTHER AGENCIES	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. DEPARTMENT OF COMMERCE														
- Business Information Service for the NIS (BISNIS)	1.77		0.79	0.07	0.07	0.07	0.21	0.04	0.02	0.02	0.07	0.02	0.07	0.32
- SABIT Business Internship Training Program	4.52	0.10	2.48	0.19	0.04	0.10	0.26	0.05	0.08	0.01	0.15	0.05	0.24	0.77
- Commercial Law Development Program (CLDP)	1.34		0.49										0.25	0.60
- Business Development Committees (BDCs)	0.56	0.06	0.50											
TOTAL U.S. DEPARTMENT OF COMMERCE	8.19	0.16	4.26	0.26	0.11	0.17	0.47	0.09	0.10	0.03	0.22	0.07	0.56	1.69
U.S. DEPARTMENT OF ENERGY - Nuclear Reactor Safety	62.85			4.66			1.90							56.29
U.S. DEPT. OF STATE - EUR/ACE - HUMANITARIAN ASSISTANCE														
- Transportation Costs and Grants	24.99	2.56	5.62	2.01	2.14	4.73	1.91	0.80	0.57	0.37	1.26	0.70	0.77	1.55
- Cargo Value (DoD excess and privately donated, not incl. in total below)	202.45		17.77	7.62	18.37	40.61	18.86	9.16	6.28	3.56	25.45	19.46	5.01	30.30
TOTAL EUR/ACE HUMANITARIAN ASSISTANCE	227.44	2.56	23.39	9.63	20.51	45.34	20.77	9.96	6.85	3.93	26.71	20.16	5.78	31.85
U.S. DEPARTMENT OF STATE														
- INL Bureau / Anti-Crime Training & Technical Assistance (ACTTA)	7.47	1.11	2.41	0.57		0.44	0.75	0.09	0.04	0.20	0.32		0.72	0.82
- INR Bureau / Title VIII Research Program	2.43	0.03	1.28	0.03	0.09	0.11	0.14	0.07	0.06	0.09	0.17	0.03	0.05	0.28
- Export Control & Border Security (EXBS) [excluding Georgia BSLE]	13.83	1.07	3.51		1.48	0.70	1.49	0.21	0.05	1.97	1.34		0.09	1.91
- ECA Bureau Public Diplomacy Programs	96.20	96.20												
- EUR Bureau Public Diplomacy Programs	5.50	5.50												
- International Information Programs (IIP)	0.38	0.02	0.20	0.02	0.07	0.06	0.01							
- Military Relocation														
TOTAL U.S. DEPARTMENT OF STATE	125.81	103.93	7.40	0.62	1.64	1.31	2.39	0.37	0.15	2.25	1.83	0.03	0.86	3.02
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	2.57	0.20	0.86	0.15		0.43					0.21		0.19	0.53
U.S. TRADE & DEVELOPMENT AGENCY (TDA)	5.00	5.00												
PEACE CORPS														
ENVIRONMENTAL PROTECTION AGENCY (EPA)	0.28		0.17			0.00	0.06							0.04
CIVILIAN R & D FOUNDATION (NSF/CRDF)	5.08		2.88	0.23	0.02	0.11	0.10	0.18		0.02	0.32		0.38	0.84
U.S. CUSTOMS SERVICE - Georgia Border Sec. & Law Enf. (BSLE)	18.00					18.00								
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	2.97		0.27	0.58			0.63							1.49
U.S. DEPT. OF AGRICULTURE (USDA)														
- Cochran Fellowship Program	0.68		0.16	0.05	0.01	0.11	0.06	0.04	0.01	0.03	0.08		0.04	0.09
- Faculty Exchange Program	0.17		0.07											0.10
- Armenia Marketing Assistance Project (MAP)	7.30			7.30										
- Agr. Research Service (ARS) - BW Redirection / Collab. Research	3.78	0.49	1.71			1.58								
TOTAL U.S. DEPARTMENT OF AGRICULTURE	11.93	0.49	1.94	7.35	0.01	0.11	1.64	0.04	0.01	0.03	0.08		0.04	0.19
U.S. DEPT. OF THE TREASURY - Technical Advisors	5.41	0.31	2.08	0.63		1.04	0.01	0.13					0.14	1.07
U.S. DEPT. OF HEALTH & HUMAN SERVICES (HHS) - BTEP	5.68	1.30	2.96			0.57	0.85							
FEDERAL AVIATION ADMINISTRATION (FAA)	0.25													
TOTAL TRANSFERS TO OTHER AGENCIES	278.75	113.95	28.44	16.49	3.92	26.47	9.97	1.61	0.83	2.70	3.92	0.80	2.94	66.71
TOTAL FREEDOM SUPPORT ACT (FSA)	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
FUNDS EXPENDED IN FY2001	769.74	151.24	102.53	89.19	31.94	85.73	40.39	25.71	11.62	8.33	15.52	5.31	31.88	170.36

FUNDS EXPENDED FOR U.S. GOVERNMENT ASSISTANCE TO EURASIA DURING FY 2001
(millions of dollars, rounded to the nearest \$10,000)

OTHER AGENCY FUNDS	TOTAL	EUR-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID														
- Child Survival	0.50	0.50												
- Disaster Assistance	0.22	0.18												0.03
- P.L. 480 Title II Food Assistance	25.08			0.74	2.50	9.21	0.02		12.63					
TOTAL USAID	25.80	0.68		0.74	2.50	9.21	0.02		12.63					0.03
U.S. DEPARTMENT OF DEFENSE (DoD)														
- Cooperative Threat Reduction (CTR)	400.67	22.36	305.45			1.77	6.14				3.34	-0.26		61.87
- DoD/Warsaw Initiative	4.29	1.75	0.01	0.12	0.26	0.55	0.08	0.05		0.12	0.86		0.30	0.19
- DoD/Customs Counterproliferation	1.45			0.54	0.01	0.07	0.13				0.41		0.30	
- DoD/FBI Counterproliferation	0.25			0.00		0.00	0.00	0.01	0.01	0.08	0.07		0.08	
- EUCOM Humanitarian Assistance Program	1.11		0.03	0.26							0.26	0.01	0.29	
- Arctic Military Environmental Cooperation (AMEC)	5.90		5.90											
TOTAL U.S. DEPARTMENT OF DEFENSE	413.67	24.11	311.39	0.92	0.53	2.39	6.35	0.06	0.01	0.20	4.94	-0.25	0.96	62.06
U.S. DEPARTMENT OF AGRICULTURE - Food Assistance	158.08		60.48	5.59	2.01	8.43	3.38	3.38	41.63	3.73	20.00		12.82	
- Food Assistance	158.08		60.48	5.59	2.01	8.43	3.38	3.38	41.63	3.73	20.00		12.82	
- Cochran Fellowship Program														
- Agricultural Research Service - Collaborative Research Program														
TOTAL U.S. DEPARTMENT OF AGRICULTURE	158.08		60.48	5.59	2.01	8.43		3.38	41.63	3.73	20.00		12.82	
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	18.82		17.48				1.34							
- Materials Protection, Control and Accounting (MPC&A)	110.60		110.60											
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	16.74		15.59				0.90							0.25
- Export Control Programs (Nuclear)	0.65	0.13					0.31							0.21
- Fissile Materials Disposition	6.90		6.90											
- Nuclear Cities Initiative (NCI)	9.52		9.52											
- International Safeguards	1.30						0.50				0.80			
- Nonprolif. Policy/Analysis, International Nucrl. Safety, RERTR	19.10		12.10				7.00							
TOTAL U.S. DEPARTMENT OF ENERGY	183.63	0.13	172.19				10.05				0.80			0.46
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	4.43		0.16			0.48	0.58	0.38		0.26	0.49		0.63	1.44
- NADR / Export Control & Border Security (EXBS)	2.91	0.95	1.13		0.05		0.16		0.04	0.04			0.00	0.54
- NADR / Science Centers	42.50	3.00	27.65	0.82		1.82	0.54	0.57		0.70	1.54		0.00	6.56
- Warsaw Initiative / Foreign Military Financing (FMF)	16.87					4.49	1.90	1.85		0.01	2.45		1.50	3.99
- ECA Bureau Public Diplomacy Programs (ECE account)	27.00													
- International Information Programs (IIP)	0.38		0.14	0.03	0.02	0.02	0.06	0.00	0.00	0.01	0.02	0.03	0.02	0.04
- NADR / Anti-Terrorism Assistance (ATA)	0.50		0.14	0.03	0.02	0.02	0.06	0.02	0.12	0.01	0.02	0.03	0.02	0.04
- Bureau of Population, Refugees and Migration (PRM)	39.96	27.22	11.63			0.97								
- Bureau of Oceans & International Env. & Sci. Affairs (OES)	0.90	0.90												
TOTAL U.S. DEPARTMENT OF STATE	135.83	32.07	40.85	0.88	0.09	7.80	3.30	2.82	0.17	1.02	4.52	0.56	2.17	12.61
LIBRARY OF CONGRESS - Open World Program	4.17		4.17											
CIVILIAN R & D FOUNDATION (NSF/CRDF)	2.04	0.20	1.61	0.02		0.01	0.01				0.08			0.12
U.S. DEPARTMENT OF LABOR	1.94													1.94
U.S. DEPARTMENT OF TRANSPORTATION	0.64		0.64											
U.S. FISH AND WILDLIFE SERVICE	0.30		0.30											
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	0.50	0.50												
U.S. DEPARTMENT OF EDUCATION	0.64		0.54					0.04			0.04			0.02
PEACE CORPS	14.69		3.45	1.14		0.81	1.81	1.08		1.30	1.44		1.42	2.24
TOTAL	914.93	57.69	595.61	9.29	5.13	28.64	21.54	7.38	54.43	6.25	31.81	0.31	17.37	79.47
TOTAL AGENCY FUNDS EXPENDED IN FY 2001														
TOTAL U.S. GOVERNMENT FUNDS EXPENDED IN FY 2001 (FSA + AGENCY FUNDS)	1684.67	208.92	698.14	98.49	37.06	114.37	61.92	33.09	66.06	14.58	47.33	5.61	49.25	249.84

FREQUENTLY USED ABBREVIATIONS

A&E's	audits and examinations
ABA/CEELI	The American Bar Association's Central and East European Law Initiative
ACV	armored combat vehicle
BW	biological weapons
CAAEF	Central Asian - American Enterprise Fund
CTR	Cooperative Threat Reduction Program
CW	chemical weapons
DEF	Defense Enterprise Fund
DoD	U.S. Department of Defense
DOE	U.S. Department of Energy
DTRA	Defense Threat Reduction Agency
E&E	USAID's Bureau for Europe and Eurasia
EBRD	European Bank for Reconstruction and Development
ECA	Bureau of Educational and Cultural Affairs (formerly the U.S. Information Agency)
E-IMET	Expanded International Military Education and Training
EPA	U.S. Environmental Protection Agency
EU	European Union
EUR/ACE	Office of the Coordinator of U.S. Assistance to Europe and Eurasia
Eximbank	U.S. Export-Import Bank
FMF	Foreign Military Financing
FSA	FREEDOM Support Act*
FY	fiscal year
GDP	gross domestic product
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
ICBM	intercontinental ballistic missile
IDP	internally displaced person
IFIs	international financial institutions
IMET	International Military Education and Training
IMF	International Monetary Fund
IPR	intellectual property rights
IV Program	International Visitor Program
m	million
MoD	Ministry of Defense
MOU	memorandum of understanding
MPC&A	material protection, control and accounting
MT	metric ton
MVD	Ministry of Internal Affairs
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NIS	New Independent States of the former Soviet Union (now known as Eurasia)
NPP	nuclear power plant
NPT	Nuclear Non-Proliferation Treaty
OPIC	Overseas Private Investment Corporation
ODIHR	OSCE Office of Democratic Institutions and Human Rights
OSCE	Organization for Security and Cooperation in Europe
PAS	Public Affairs Section
PCV	Peace Corps volunteer
P.L.	Public Law
PSA	production-sharing agreement
PVO	private voluntary organization
RI	Regional Initiative
RFE	Russian Far East
SLBM	submarine-launched ballistic missile
SMEs	small to medium-sized enterprises
SNAE	strategic nuclear arms elimination
SOAE	strategic offensive arms elimination
SRSA	Silk Road Strategy Act
SSBN	ballistic missile submarine
START	Strategic Arms Reduction Treaty
TACIS	The European Union's technical assistance program for the NIS
TDA	U.S. Trade and Development Agency
TUSRIF	The U.S.-Russia Investment Fund
UNHCR	United Nations High Commissioner for Refugees
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WFP	United Nations World Food Program
WMD	weapons of mass destruction
WNISEF	Western NIS Enterprise Fund
WTO	World Trade Organization

*Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act