

SOUTH ASIA

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Afghanistan

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	31,000	38,000	42,800
DA	148,822	165,800	-
ESF	74,558	223,200	430,000
ESF-ERF	153,000	-	-
ESF-SUP	672,000	-	-
FMF	49,705	396,800	-
FMF-ERF	77,000	-	-
FMF-SUP	287,000	-	-
IMET	674	800	800
INCLE	-	89,280	260,000
INCLE-ERF	50,000	-	-
INCLE-SUP	170,000	-	-
NADR-ATA	7,153	6,000	6,000
NADR-ATA-ERF	10,000	-	-
NADR-ATA-SUP	35,000	-	-
NADR-EXBS	230	250	400
NADR-HD	12,519	12,000	11,000
NADR-SALW	-	500	1,000
P.L. 480 Title II	85	24,030	-
PKO	-	23,800	18,000
PKO-SUP	20,000	-	-
TI	-	-	150,000

Ensuring that Afghanistan continues on its path toward becoming a stable, democratic state will remain a top U.S. national security priority in FY 2006. Afghanistan's ongoing development is critical to both regional stability and to success in the global war on terrorism. With successful presidential elections now complete and national assembly, provincial, and district elections looming on the horizon in 2005, we must continue efforts to develop the newly elected government's capacity to pursue democratic and economic development. U.S. assistance, in coordination with the Afghan Government and international partners, will continue to focus on three interlocking objectives: improved security, development of democratic governance, and reconstruction. In FY 2006, U.S. assistance will sustain and build on FY 2005 accelerated assistance by: expanding security through increased military and police training, judicial sector reform, and a robust counter-narcotics strategy; establishing broad-based and accountable governance through new democratic institutions and an active civil society; delivering a peace dividend for ordinary Afghans through economic reconstruction; and providing humanitarian assistance for returning refugees and displaced persons as needed.

Establishing security is a prerequisite for reconstruction and stability in Afghanistan. The United States leads the international effort to train and equip the Afghan National Army (ANA), which is crucial to both long-term Afghan security and U.S. counter-terror efforts. The United States has already fielded approximately 17,000 ANA troops. The Afghan defense establishment is projected to eventually

encompass 70,000 military and civilian personnel, including approximately 43,000 soldiers in operational units, and we expect to have 30,000 personnel trained by the end of calendar year 2005.

The ANA Central Corps is now fully formed and four Regional Corps headquarters in Gardez, Herat, Kandahar, and Mazar-i-Sharif are being established. In addition to assistance provided through the Foreign Military Financing account, resources have also been provided for the ANA train and equip program through the Department of Defense. In FY 2005 and continuing into FY 2006, additional ANA funding will be provided from a new funding mechanism that will provide necessary flexibility to U.S. Commanders who are in charge of this effort. This funding will be administered by the Department of Defense and will be used to increase the training and equipping of all security forces, provide increased counterinsurgency capability for these forces, and assist Afghanistan in the building of infrastructure so that the Afghan government can begin to train and equip its own security forces.

In FY 2005 and FY 2006 Peacekeeping Operations (PKO) funds will continue to support ANA salary costs. The FY 2006 request for PKO funds will help cover the costs of ANA soldier pay, as well as pay for soldiers in functional support institutions and for selected officials in the restructured Ministry of Defense/General Staff. FY 2006 International Military Education and Training (IMET) funds will be used to increase ANA military officer and civilian leadership, professional and functional management, and English language capabilities. Afghanistan will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act to further the goals of the ANA train and equip program in fielding a modern army capable of supporting Operation Enduring Freedom, securing the borders of Afghanistan, and assisting the United States as a partner in the global war on terrorism.

FY 2006 INCLE funds will support Afghanistan's efforts to firmly establish a stable democracy able to provide for its own internal security. A critical building block for long-term security is the development of a competent national police, border police, and highway patrol. The United States continues to support the efforts of lead country Germany in training the Afghanistan National Police and complements long-term institutional development goals by focusing on basic skills training for existing police and lower-ranked new police. FY 2004 supplemental funds and FY 2005 funds enabled the Department of State to significantly accelerate its police assistance to Afghanistan. The Department trained and provided personal equipment packages to over 33,000 police by the end of calendar year 2004 by establishing Regional Training Centers (RTC) in key provincial locations throughout Afghanistan. The Department also developed a comprehensive Ministry of Interior (MOI) reform program and deployed 30 senior police advisors to the MOI in Afghanistan to assist with implementation. Similarly, FY 2006 funds for the national police, border police and highway patrol officers will provide the resources to continue training efforts as well as support institutional capacity and equipment needs to ensure that the Afghan MOI has the skills, supplies, equipment and infrastructure necessary to support a democratic police force. Funds will be used to:

- Support maintenance and operation costs for eight INL Regional Training Centers (RTC) and police trainer-advisors to continue to deliver a basic training program for low-level officers, provide field training for police officers and deliver specialized courses that build on basic training previously provided to the police;
- Complete Ministry of Interior (MOI) reform efforts that focus on organizational development; community policing initiatives; revenue-generating initiatives; establishment and enforcement of standard operating procedures; and reform of the salary and personnel systems.

FY 2006 INCLE funds will also be used to support the establishment of the rule of law in Afghanistan and to promote international due process and human rights standards. An institutionalized and legitimate justice system staffed with trustworthy and skilled professionals, providing equitable enforcement and fair and

efficient adjudication of constitutionally adopted laws, is critical to the overall reconstruction of Afghanistan. With a focus on criminal justice and professional development, and in close coordination with the Government of Afghanistan, lead nation Italy and other actors, FY 2006 INCLE funds will establish or continue FY 2004 and FY 2005 programs in the following areas:

- Institutional Development: Support institutional development of legal institutions through embedded legal advisors in the Ministry of Justice and Interior and the Attorney General's Office to provide legal advice and improve coordination between them. Provide infrastructure support for the expansion of court construction to district levels.
- Legal Education and Development: Provide coordinated training for justice and law enforcement personnel to ensure fair and transparent investigation, prosecution and punishment of crimes; support specialized training for judges, prosecutors and defense attorneys on issues such as corruption, trafficking, counter-narcotics and prosecutorial investigations; support professional development through continued support for the bar association, the National Legal Training Center, and law schools; improve public access to justice programs through legal aid clinics; and advance the reintegration of women judges and attorneys into the legal sector.
- Correctional Facility Reform: Contribute to the establishment of a modern prison system through a comprehensive program, including advisory services and institutional development; rehabilitation, construction, and equipping of facilities; and personnel training at seven provincial sites.

Finally, FY 2006 INCLE funds will be used to continue the robust, five pillar counter-narcotics effort begun in FY 2005, which integrates alternative livelihoods, eradication, law enforcement, interdiction, and public information. Programs will continue to support the Afghan Government's aggressive and expanded poppy eradication plan as well as public awareness and demand reduction programs.

The United States will transition the Afghan Presidential Protection Service into the role occupied by the Karzai Protective Detail in FY 2005. FY 2006 NADR-ATA funds will be utilized to sustain the training already provided and to progress into additional areas such as program management, logistics and instructor development training. ATA will also provide advanced investigative training and training in penetrating terrorist organizations to appropriate Afghan security forces. Other programs may include Weapons of Mass Destruction (WMD), Crisis Response Team (CRT, providing SWAT training), and Explosive Incident Countermeasures (EIC, training bomb squads). This training is critical to the Afghan government's ability to contain terrorist elements.

FY 2006 NADR-Demining (NADR-HD) funds are requested to extend landmine eradication to new areas, meeting humanitarian objectives while facilitating resumption of economic activity and reconstruction. NADR-HD will continue its focus on technology skills transfer; capacity building; and mine risk education for Afghan non-governmental organizations. FY 2006 NADR-Small Arms/Light Weapons (NADR-SALW) program funding is requested to collect and destroy illicit weapons in Afghanistan, including Man-Portable Air Defense Systems (MANPADS).

FY 2006 NADR-Export Control and Related Border Security Assistance (NADR-EXBS) funding is requested to assist Afghanistan in strengthening its export/border control system to prevent smuggling of items of proliferation concern. The NADR-EXBS program organizes expert-level training to help Afghanistan establish the legal/regulatory framework to control transfers of weapons of mass destruction and related items, and to strengthen the capacity of customs and border security personnel to identify and prevent WMD proliferation. The NADR-EXBS program also provides inspection and detection equipment and training such as hand-held radiation-detection devices.

Afghanistan's successful 2004 presidential election highlighted the long strides the country has taken since the defeat of the Taliban over three years ago, as opponents who previously settled scores through violent confrontation faced off at the ballot box. Economic Support Fund (ESF) resources were instrumental in supporting the voter registration and polling process. National Assembly, provincial, and district elections scheduled for spring 2005, will strengthen Afghanistan's burgeoning democracy. In FY 2006 ESF will be used to continue support for democracy and governance programs, including justice sector and parliamentary development; training of elected government officials and justice sector personnel; civil society development at the national, provincial, and local level; strengthening nascent political parties; promoting human rights; fostering civil service reform; and promoting independent media development. In other areas, ESF will continue to play a critical role in FY 2006 by assisting the Afghan Government with budget support, infrastructure, and development of revenue generation.

Approximately half of Afghanistan's 26.8 million people are unemployed and live in poverty. Virtually all of the country's institutions and much of its infrastructure have been destroyed. To help assure stability, the newly elected government must demonstrate tangible benefits for the Afghan people following successful presidential elections. Completion of the Kandahar-Herat road, targeted for December 2005, will have a measurable impact in this regard. A portion of the requested FY 2006 ESF and Transition Initiatives (TI) funds will be used to build other roads and critical infrastructure including: ongoing construction and repair of secondary and major farm-to-market roads; tunnel and bridge repair; repair of dams and irrigation systems and telecommunications networks; and improving power generation through refurbishment of the existing electrical power grid, construction of electrical transmission grids, and supporting additional thermal power generation in the North. Previous ESF funds have supported major infrastructure projects, including completion of the Kabul-Kandahar road, the reopening of the Salang tunnel connecting the North and South, and the repair of a dam supplying electricity to Kandahar and surrounding provinces. FY 2006 ESF and TI funds will also support private sector initiatives, such as market centers and industrial parks, customs clearinghouses, credit and capacity building for small and medium enterprises, and economic governance capacity building. Additional ESF funds will support programs essential to long-term stability, including continued funding for Provincial Reconstruction Team (PRT) projects to extend reconstruction into hard-to-reach areas.

Agriculture and the rural economy provide a way of life for about 70 percent of the Afghan population. FY 2006 TI and ESF are requested to help farmers re-establish production, become more profitable and efficient, and improve food security. Funds will concentrate on building the capacity of private sector entrepreneurs to meet demand through business and marketing skill development. In addition, agricultural programs in FY 2006 will aim to provide employment for Afghans, rehabilitate water systems, and promote alternative crops in poppy-growing areas. Credit programs for operating and investment capital will support production and processing activities. TI-funded rural development programs include: rehabilitating the irrigation sector and providing tools, agricultural equipment, fertilizer, livestock vaccines, and seed for planting; improving access to markets through rebuilding rural roads and bridges; and establishing a credit facility to address the problem of Afghanistan's heavily indebted small farmers.

Additional TI funds will be used to help ensure that every child in the country has access to primary education (grades 1-6) through community-based school construction, as well as textbook production, classroom-based teacher training, and primary school equivalency/accelerated learning. With respect to school construction programs, resources will be used in partnership with local communities and the Ministry of Education.

Health services are another critical area of development. Afghanistan's child mortality rate is among the highest in the world. One of every four Afghan children dies before the age of 5, and adults face a life expectancy of 46 years. Continued Child Survival and Health (CSH) funds will be needed in FY 2006. The Rural Expansion of Afghanistan's Community-based Health (REACH) project, which is designed to

bring primary health care services to approximately 11 million Afghans, will be completing its fourth year in FY 2006. This project includes building or reconstructing large numbers of local primary health care centers, training midwives and traditional birth attendants, immunizing Afghans against childhood diseases, developing a public health education program, utilizing the capacity of radio broadcasting to provide health training and health promotion across the nation and, in partnership with the Ministry of Health (MOH), developing a sustainable foundation for a nationwide health care system that will introduce concepts of cost recovery and privatization. By January 2005, the U.S. had rebuilt 20 health clinics and hospitals and an additional 199 were under reconstruction or rehabilitation.

Over 3.5 million refugees have returned to Afghanistan since 2001. Although refugee returns are expected to be lower than previous years, large numbers are still expected to continue to return home in 2006. FY 2006 Migration and Refugee Assistance (MRA) is requested to provide critical humanitarian assistance for Afghan returnees through the United Nations, other international organizations, and NGOs. FY 2006 emergency food aid requirements, should they be needed, will continue to be addressed by P.L. 480 Title II sources, as in FY 2005.

Finally, as in previous years, assistance to Afghan women and girls is a strong crosscutting objective, pursued through democracy and governance, agriculture, economic development, education, health, and private sector and humanitarian support programs. Since the fall of the Taliban, the U.S. Government has implemented over 175 projects directly in support of Afghan women and many more that benefit all Afghans, including building the first women's resource center in Kabul; programs providing accelerated learning courses to more than 98,600 girls; and maternal health care benefiting 1.8 million women and children. A significant portion of FY 2006 ESF, TI, and CSH funds will be directed specifically at programs to assist women and girls, including:

- democratic institution building, legal capacity strengthening, women's political leadership and participation, and media training;
- income-generating projects, micro-finance projects, job skills training, job creation, marketing skills, and technical support for textile projects;
- construction and rehabilitation of schools, provision of schoolbooks and supplies, and food rations as incentives for families to send their daughters to school;
- construction of women's wings in hospitals and dormitories for female medical students;
- curriculum development and training for doctors and health care workers; and
- maternal and child health and nutrition.

Bangladesh

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	35,500	31,450	26,200
DA	18,200	16,535	15,700
ESF	4,971	4,960	5,000
FMF	-	248	-
IMET	862	900	900
P.L. 480 Title II	33,451	22,842	50,751
Peace Corps	1,566	1,759	1,776

It is in the U.S. interest to assist Bangladesh, the eighth most populous country and one of a handful of moderate Islamic democracies, to meet steep political and economic challenges. Bangladesh remains hampered by strong political divisions and corruption issues. The economic challenges that lead to extremism – poverty, lack of education, and endemic corruption, combined with porous borders and lack of public faith in elected government – have increased the attractiveness of radical alternatives. Bolstering democracy and advancing development in Bangladesh are, therefore, essential to promoting stability and preventing the spread of terrorist activity in South Asia.

FY 2006 Economic Support Funds (ESF), Development Assistance (DA), and Child Survival and Health (CSH) requested for Bangladesh are each key to battling corruption and curbing the growth of fundamentalism by improving citizen advocacy and government transparency and responsiveness, while advancing economic development and reducing poverty.

Good governance is a prerequisite for democratic development in Bangladesh. FY 2006 DA for democracy is requested to: intensify anticorruption efforts begun in FY 2003; support political party reform to help overcome divisiveness and improve accountability; help level the political playing field for the 2006 elections through technical assistance and sub-grants to NGOs increasing citizen awareness of elected government at all levels; build advocacy skills; and promote human rights. FY 2006 ESF will complement these efforts through additional support for political party reform.

The United States supports a multi-donor effort to develop a government anticorruption strategy. Funds have supported a decentralization debate at the local level and established local government associations at the union (old elected government body) and municipal levels, advocating greater devolution of authority. DA funds support an NGO that assists in the return of trafficked persons and aids in the arrest of trafficking suspects and the conviction of traffickers.

FY 2006 DA is also requested to help diversify exports and accelerate economic growth, particularly in the leather, light engineering, agribusiness, information and technology sectors, through technical assistance and training to promote and develop more market-oriented policies, laws, and regulations. FY 2006 DA funds will be used to improve productivity and competitiveness of small and medium enterprises in these targeted sectors. U.S. support for energy reform efforts focuses on establishing the Energy Regulatory Commission and aims at reducing corruption. Technical assistance will help establish community-based natural resource management capacity for open water and tropical forest resources, provide assistance in food security policy, and promote agricultural diversification to increase food availability. These goals will primarily be met through agricultural research (including ESF-funded activities in biotechnology) and agricultural extension projects (including assistance to family-run farms).

U.S. assistance continues to support the growth of market-oriented policies and practices. DA programs help to diversify exports and increase sales/earnings for assisted businesses, including in the agricultural sector. U.S. assistance also supports improvements in water management, such as floodplain management and the creation of 72 permanent fish sanctuaries. In addition, the U.S.-assisted electrification program increased country coverage of electricity. With U.S. support, a draft Secured Transaction law is under review by the Law Commission, and a draft Information Technology law is under review by the Ministry of Science and Information and Communications Technology. ESF funds will support cooperative research in biotechnology and seismic mapping that will contribute to national disaster preparedness. Additionally, ESF funds will support banking supervision, information/communications technology development, and the provision of other assistance to the Central Bank.

Finally, FY 2006 DA will be used to improve early childhood and primary education. Assistance will increase early childhood development opportunities including through a successful Sesame Street Bangladesh co-production; promote innovative learning methodologies; and expand community and family involvement in schools to strengthen demand for educational opportunity. DA and ESF funding reaches 147,000 children through home-based and school-based preschool programs.

FY 2006 CSH funding targets essential reproductive and maternal health care needs. Bangladesh remains one of the poorest and most populous countries in the world with nearly half of its 140 million people living below the national poverty level of \$1 per day. CSH assistance will improve the availability of health care through continued support for local NGOs that provide health services to more than 20 million Bangladeshis, most of whom are women and children. CSH funds will also provide limited assistance for HIV/AIDS prevention through behavior change in high-risk groups. In addition, CSH funds, through a grant to the World Health Organization, will provide limited support for polio eradication activities in urban areas.

FY 2006 International Military Education and Training (IMET) funds will be used to strengthen our relationship with the Bangladeshi military and ensure that it remains apolitical, which is critical to this fragile democracy. IMET assistance will continue the professional development of Bangladeshi military officers who respect civilian rule of law and who will have influence in shaping their respective services. This assistance will also: further develop Bangladesh Armed Forces' peacekeeping skills (Bangladesh is the world's largest contributor to international peacekeeping operations); pay for U.S. training for officers to serve as instructors at Bangladesh's regional Peacekeeping Center; and enhance interoperability of U.S. and Bangladeshi forces during international peacekeeping and humanitarian assistance missions. Bangladesh will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will support U.S. objectives of increased interoperability and standardization in the Bangladeshi military and improved participation in peacekeeping operations.

India
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	47,800	51,022	48,822
DA	22,539	24,000	29,600
ESF	14,912	14,880	14,000
IMET	1,366	1,400	1,200
NADR-EXBS	685	685	600
P.L. 480 Title II	40,869	49,006	43,000

The United States continues to strengthen its strategic partnership with India, an emerging global power and the world's largest democracy. The U.S. partnership with India spans multiple strategic and programmatic fronts, and will continue the further expansion of its military, political, and economic relationships through the U.S.-India Defense Policy Group, the U.S.-India Economic Dialogue, the U.S.-India Counter-terror Joint Working Group, and through sharing views on important international issues. Working through the High Technology Cooperation Group, the United States and India also plan to expand high technology trade. Consistent with U.S. national laws, regulations, and international nonproliferation commitments, we have launched the Next Steps in Strategic Partnership to increase cooperation in civilian nuclear and space areas, high technology trade and missile defense, and encourage India, through bilateral dialogue and technical export control cooperation, to align its export controls with international standards and stem onward proliferation. The United States and India also continue their cooperation in health, science, disaster management, environmental, education, and equity issues.

FY 2006 Economic Support (ESF) funds for India will enable high-profile initiatives that target India's most challenging economic problem – ballooning fiscal deficits – and areas that contribute to civil unrest. Given India's size, programs will operate initially in a limited number of localities before expanding their scope. The FY 2006 ESF request for India has several components. A finance-for-investment component will support state fiscal reforms to reduce deficits that restrict social sector funding. Funds will support efforts to upgrade staff skills, improve management systems, stimulate public demand for improved service, disseminate best investment practices, and increase efficiencies to capture new resources needed for health, education, and physical infrastructure improvements. Concurrently, new capital markets that can fund infrastructure investments and attract direct foreign investment will be deepened and regulated. Prior year ESF funds have assisted the Securities and Exchange Board of India to establish a new division to enable it to meet emerging and future regulatory challenges; create a framework for the testing and licensing of securities market intermediaries; and develop a database of certified securities market intermediaries.

The tsunami that struck southern India in December 2004 is the latest example of the human devastation that can be wrought by natural disaster in South Asia. ESF will augment other U.S. Government tsunami assistance to support disaster mitigation management initiatives that will help improve national, state, and local systems to prepare for and respond to future disasters by installing cutting-edge disaster management systems and equipment. Funds will help strengthen federal and state disaster management institutions using the U.S. Federal Emergency Management Agency (FEMA) and related U.S. Forest Service Incident Command System as models. An infrastructure-for-growth component will support power sector distribution reform, as well as water and urban infrastructure finance reforms that open infrastructure to private investment, thereby increasing municipalities' access to India's capital markets, improving cost recovery, and extending sustainable, quality services. With support from prior year ESF funds, the states of Tamil Nadu and Karnataka were able to develop the financing needed for water and sanitation projects. Finally, an education and opportunity component focusing on women, minorities, and out-of-school youth

will provide practical training to enhance livelihood options. The program will also work with the justice system to help define options for improving access to justice by disadvantaged groups, particularly Muslims and dalits, and help combat trafficking in persons and child labor.

U.S. Development Assistance (DA) programs help ensure that the economic aspect of our partnership moves forward with the same vigor as other elements, provide direct support for Indian-generated reforms essential for economic stability, and promote economic reform and growth in areas where U.S. enterprises are well positioned to compete, such as power generation and distribution. FY 2006 DA funds will continue to support ongoing economic growth initiatives, including programs that aim to increase the capacity of financial markets, strengthen state-level fiscal discipline, increase agricultural productivity, and help local and national governments raise and allocate resources. In addition, funds will support efforts to increase capital access for job-creating small scale enterprises; improve power distribution, groundwater management, urban water availability, and sanitation; and reduce pollution in selected states. DA will also be used to improve opportunities for vulnerable children and groups by expanding their access to justice and education.

FY 2006 Child Survival and Health (CSH) funds are requested to help India slow the growth of its rapidly increasing population, integrate health services and nutrition to improve child survival, and to stem global disease threats, particularly HIV/AIDS, polio and TB. India's population is over 1 billion and it has the world's largest concentration of desperately poor persons. India's ability to achieve sustainable growth and reduce poverty depends greatly on its ability to stabilize its population growth. More than half of India's children are malnourished. Thirty percent of the world's births occur in India, resulting in 20 percent of the world's maternal deaths and 20 percent of the world's child deaths. More than 2 million Indian children die every year from preventable or curable diseases. India accounts for one-third of the global burden of tuberculosis and is one of the last countries where concentrations of polio infections remain. India has 5.1 million individuals that are HIV positive, the second largest concentration in the world after South Africa. There are signs that the epidemic is spreading. If effective action is taken now the epidemic could be contained.

FY 2006 International Military Education and Training (IMET) funds requested will focus on exchange programs to enhance familiarity with each other's armed forces, strengthen professionalism, and facilitate cooperation during joint exercises and strategy discussions. These funds will nurture the close partnership we are forming with India and strengthen India's ability to contribute actively to the global war on terrorism in South Asia. India will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. Excess Defense Articles will improve interoperability with U.S. forces and will enhance India's productive cooperation with the United States.

FY 2006 Nonproliferation, Anti-terrorism, Demining, and Related Programs funding for the Export Control and Related Border Security Assistance (NADR-EXBS) program is requested to continue activities to assist India in strengthening its export control system. These activities are a core element of our growing strategic cooperation in stemming the spread of weapons of mass destruction, as well as developing avenues for cooperation in the high technology, civil space, and civil nuclear areas. These funds will build on completed and currently scheduled expert-level exchanges addressing subjects such as legal/regulatory reform, licensing automation, and customs enforcement. The NADR-EXBS program also provides technical equipment and training such as specialized radiation detection and imaging machines and training on screening cargo manifest data for enforcement personnel.

Maldives
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	181	175	175

Maldives is a moderate Islamic state transitioning to a fuller democracy from years of autocratic rule. The Government of Maldives (GOM) supports U.S. strategic goals in the region and globally, including the global war on terrorism, and provides access to ports, landing fields, and airspace in support of U.S. missions. U.S. priorities in this small archipelago nation are to maintain stability by strengthening its democratic institutions and to work with the GOM to coordinate policies in international organizations, especially on such issues as drug trafficking, nonproliferation, international crime, terrorism, and the environment. USAID and elements of the U.S. military are engaged in assisting the Maldives to recover from the December 2004 tsunami disaster. Without a U.S. mission in Maldives, engagement continues through regular diplomatic exchanges led by the U.S. Ambassador to Sri Lanka, who is accredited to the Maldives, through the International Military Education and Training (IMET) programs, and through South Asian regional programs.

FY 2005 IMET funding sent a limited number of Maldivian officers and non-commissioned officers to military and technical schools in the United States. FY 2006 IMET funds will continue these military educational opportunities, with the purposes of further professionalizing the Maldivian military; fostering increased awareness of human rights concerns and proper civilian-military relations; and building positive military relations to enhance existing cooperation with the United States. IMET is particularly significant to our bilateral relationship with Maldives because it is our only foreign assistance to this moderate Islamic nation, which seeks closer ties to the United States.

Maldives will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will support U.S. objectives of increased interoperability and standardization with the Maldives military and improved participation in peacekeeping operations.

Nepal
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	24,840	23,540	23,000
DA	8,874	10,000	11,392
ESF	4,971	4,960	5,000
FMF	3,975	1,488	4,000
IMET	546	650	650
P.L. 480 Title II	-	1,000	-
Peace Corps	2,108	394	-

Nepal is struggling with the dual challenges of revitalizing and cementing a fragile, young democracy, while fighting a violent Maoist insurgency that has left over 10,000 people dead. Strengthening Nepal to prevent a Maoist takeover is key to achieving U.S. regional and bilateral goals, including preventing the spread of terror, enhancing regional stability, promoting democracy, and protecting U.S. citizens in Nepal. Maoist insurgents employ widespread violence, torture, assassinations, and kidnappings aimed at overthrowing the constitutionally established Government. Victory by the Maoists would put an end to democracy in Nepal. The emergence of a totalitarian anti-U.S. regime likely to join with terrorists and instability in the Sino-Indian border region would likely result.

Ordinary Nepalis are increasingly frustrated that the popular democratic reform of 1990 has not yet been translated into improvements in their lives, which is an underlying factor contributing to the Maoist insurgency. Economic and social disparity, corruption, and a lack of good governance and infrastructure are factors which make Nepalis susceptible to Maoist influence and propaganda. U.S. support for Nepal's counterinsurgency effort consists of a multi-track approach including counterterrorism training and equipment for the military and police, targeted rural development in areas vulnerable to Maoist influence, help in strengthening weak democratic institutions, and human rights training. Additionally, we are assisting in promoting peace through good governance and increased incomes, improving primary health care, curbing population growth, addressing issues related to democracy, facilitating the economic development, and expanding the development of environmentally-friendly hydropower.

By assisting the Government of Nepal (GON) to contain the insurgency, the U.S. Government helped to bring the insurgents back to the negotiating table in early 2003. After the collapse of a seven-month long ceasefire in August 2003, U.S. assistance is helping the GON exert pressure on the Maoists to return to negotiations. Continued U.S. support will be critical in helping the GON to prevail against the insurgents, and reach a peaceful settlement to the conflict, preserve a democratic government friendly to the United States, and prevent the possibility of Nepal failing as a state. FY 2006 Foreign Military Funding (FMF) is requested to provide the GON with the tools it needs to re-establish sufficient security to carry out political, economic, and development programs contributing to a long-term solution to the conflict. FY 2006 FMF will provide moderate levels of funding which, with International Military Education and Training (IMET) funded training, will help provide a modernizing Royal Nepal Army (RNA) with the capability to convince the Maoists that they cannot follow the military path to political power. High priority items include small arms, grenade launchers to outfit a new ranger battalion, night vision goggles, body armor, secure communications equipment, spare parts for mobility platforms, and armor plating. Nepal will be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The provision of EDA will support Nepal's counterinsurgency capabilities and improve the RNA's counterinsurgency capabilities by providing spare parts and operational and maintenance support.

The United States continues to focus its IMET program in Nepal to address the RNA's intelligence, civil affairs, psychological operations, special forces, medical, and logistics needs. FY 2006 IMET funds are requested for training to improve the skills and professionalism of the military, including respect for human rights. IMET and FMF projects will also enhance the RNA's considerable contributions to international peacekeeping operations.

The Maoist insurgency and consequent increase in government military expenditures have significantly set back economic and political development and reforms. FY 2006 Economic Support Fund (ESF) resources will help the GON enact key democratic and macroeconomic reforms that counter poverty and inequity. FY 2006 ESF programs focus on ameliorating the suffering of conflict-affected individuals and communities, strengthening capacity for conflict resolution and peace building, and increasing income opportunities through: implementing employment-generating infrastructure projects; providing support services to victims of the conflict; assisting the Government's negotiation efforts, and civil society's efforts to address the conflict through community peace-building projects; and enhancing community capacity to resolve disputes and participate in local governance. To address immediate needs, ESF will fund highly visible community-identified rural infrastructure projects that generate short-term employment opportunities and reflect local priorities. Longer-term income-generating programs such as credit programs, literacy and numeracy training, and support for improved agricultural practices will also be provided. In addition, ESF will be used to fund anticorruption and justice sector reform programs. FY 2004 ESF funded a road construction project that employed approximately 600 people in an area where non-farm income is scarce. FY 2004 ESF funds also provided training on election campaigning and leadership skills to approximately 7,000 politically active women, resulting in many women occupying key positions within their parties. In addition, coalitions of women were formed that were able to get commitments from their parties to increase the percentage of female candidates from 5 percent to 30 percent in the next elections.

Development Assistance (DA) and Child Survival and Health (CSH) funds requested for FY 2006 will complement FY 2006 ESF funds and will focus on meeting Nepal's long-term development needs in response to the Maoist insurgency. FY 2006 DA and CSH funds will be used to:

- support improved management of community forests and irrigation systems, small scale farm and forest development projects (including marketing), improve agricultural growth policy, and enhance public-private partnerships;
- improve and protect the health of Nepalese families by increasing access to and use of quality maternal and child health services, prevent the transmission of HIV/AIDS, and control infectious diseases;
- increase private sector participation in environmentally sound and sustainable hydropower; and
- address critical problems of corruption, poor governance, weak rule of law, and inconsistent democratic practices that slow economic development, fuel the Maoist insurgency, and erode public confidence.

In FY 2004, more than 2,300 torture victims benefited from medical, psychosocial, and legal support provided by DA funds. Over the last seven years, DA has funded agricultural and natural resource programs that have benefited 1.8 million farm family members through increased incomes and employment, and have been used to strengthen community and collective action. Since 1995, when DA began funding a hydropower program, private sector investment in the power sector has increased by \$360 million and access to electricity has increased from 15 percent to 18 percent. Moreover, our CSH program has contributed to a 40 percent decline in mortality for children under five years of age in the last six years.

Pakistan
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	25,600	21,000	20,500
DA	49,400	29,000	29,000
ESF	-	297,600	300,000
ESF-SUP	200,000	-	-
FMF	74,560	148,800	300,000
IMET	1,384	2,000	2,044
INCLE	31,500	32,150	40,000
NADR-ATA	3,645	6,000	6,000
NADR-EXBS	535	1,000	700
NADR-TIP	750	-	-
P.L. 480 Title II	13,067	-	-

A strong U.S.-Pakistan partnership remains critical to continued progress in the global war on terrorism and regional stability. FY 2006 security assistance to Pakistan will enable Pakistan to meet its basic security needs; enhance its ability to cooperate in the global war on terrorism; eliminate terrorists including al-Qaida members; and promote stability on its borders. Assistance supporting education, healthcare, democratization, and economic development will alleviate conditions that breed extremism by helping to strengthen social, political and economic institutions in ways that will be recognized by ordinary Pakistanis.

Since September 11, 2001, Foreign Military Financing (FMF) assistance has provided or helped maintain necessary training and equipment for Pakistani forces operating against terrorists including al-Qaida operatives and Taliban remnants. Improved border security and control along Pakistan's border with Afghanistan is also required for this effort. FY 2006 FMF funds are requested for the Pakistan Government's legitimate defense requirements and to help achieve the goal of neutralizing anti-government elements in the border region by providing the Government with necessary equipment and training. Uses for FMF include support of regional stability include upgrade of EDA P-3 aircraft used in maritime surveillance; upgrade and purchase of Close-in Weapons Systems for the Navy; and purchase of TOW IIA missiles; Cobra spares; and various ammunitions. Pakistan will continue to be eligible in FY 2006 to receive grant Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will support U.S. objectives by further increasing interoperability and standardization within the Pakistani military and improved participation in peacekeeping operations.

FY 2006 International Narcotics Control and Law Enforcement (INCLE) funds will continue to improve the effectiveness of Pakistan's law enforcement efforts in three areas: border security, law enforcement coordination and development, and counter narcotics. INCLE funds requested for border security will enhance the capacity of law enforcement agencies in Pakistan to secure the western border with Afghanistan and Iran from terrorists, criminal elements, and narcotics traffickers. U.S. assistance will provide: continuing support for the USG-established Ministry of Interior Air Wing, which includes fixed-wing surveillance aircraft and Huey II helicopters that are based in Quetta, Baluchistan; vehicles, communications, surveillance and related equipment for border control; the establishment of a forward operating base to service the Northwest Frontier Province (NWFP); advanced training to improve the skills of units working on the border; and financing for the construction of border security roads to facilitate law enforcement access to currently inaccessible parts of the Federally Administered Tribal Areas (FATA).

Resources will also support the construction of small-scale infrastructure projects, such as dug wells and mini-hydroelectric schemes that accompany road projects to secure community support.

Pakistani law enforcement institutions require top-to-bottom reform, reorganization, and capacity building to become fully effective. FY 2006 INCLE funds for law enforcement development will provide technical assistance; training and equipment to expand investigative skills and forensic capacities; build accountability and internal control structures; enhance capabilities of the provincial and national law enforcement academies; improve managerial and leadership expertise; and support continuing and expanding community policing and professional standards pilot projects. The implementation of the Automated Fingerprint Identification System and National Criminal Databases, funded in previous years, will be expanded. U.S. programs have already begun strengthening the law enforcement capabilities of the Ministry of Interior, Frontier Corps, Federal Investigative Agency, and Home Department, as well as provincial police forces.

FY 2006 INCLE funds will give operational support to law enforcement agencies, particularly the Pakistani Anti-Narcotics Force, including in the areas of opium poppy surveys and eradication; expanding crop control programs into areas of new or expanded cultivation; and supporting drug demand reduction programs. U.S.- supported road construction enhanced law enforcement accessibility and increased alternative crop development in the 1990s, nearly eliminating poppy production by 2000. The Government is committed to reversing 2002 and 2003 production increases, and U.S.-assisted Pakistani law enforcement agencies in 2004 achieved major heroin and hashish seizures and dramatically increased operations against traffickers. These funds will be used to construct roads in opium growing areas (particularly the non-traditional areas where poppy only recently has been cultivated), to facilitate monitoring and eradication; and to provide economic alternatives through farm-to-market access and opportunities for development projects. This will include small irrigation schemes to improve the economic potential of newly accessible areas and encourage the cultivation of high-value crops and intensive farming. FY 2006 INCLE funds also will be used to introduce alternative crops, such as off-season tomatoes, particularly in the non-traditional areas.

The FY 2006 security assistance request for Pakistan includes International Military Education and Training (IMET) to promote military-to-military cooperation, increased professionalism, including respect for civilian rule and general interoperability between Pakistan and the United States. IMET will also help Pakistan to develop expertise and systems to effectively manage its defense establishment; build technical skills for effective operation and maintenance of U.S.-origin equipment leading to development of indigenous training capabilities on such equipment; and promote respect for human rights and subordination to democratic civilian rule. Reestablishment of the IMET program in 2002 has exposed current and future military leaders to U.S. military doctrine, management techniques and ethos.

Funding for the FY 2006 Nonproliferation, Anti-terrorism, Demining, and Related Programs/Export Control and Related Border Security Assistance (NADR-EXBS) program is requested to fund activities to assist Pakistan in preventing WMD and related technology transfers that raise proliferation concerns by strengthening its export control system. The NADR-EXBS program organizes expert-level training addressing subjects such as legal/regulatory reform, licensing automation, and customs enforcement. The NADR-EXBS program also provides technical equipment and training such as specialized radiation-detection and imaging machines and more general inspection/detection training for border control personnel.

The FY 2006 NADR request for Pakistan also includes Anti-terrorism Assistance (NADR-ATA) funding to ensure that training programs being delivered to vetted, elite national police units with a national mandate for counter-terrorism investigation and tactical operations can continue until they are fully trained and equipped. These units will be provided with additional mission-specific training to respond to and

investigate acts of terror anywhere in Pakistan. The additional training will be determined by the needs identified by the ATA in-country training program, the Pakistani Government, and assessments conducted by the Department of State's Bureau of Diplomatic Security. This funding is essential to achieving a requisite level of counter-terrorism capability in Pakistan and to ensuring that such a capability can be independently sustained over the long-term.

FY 2006 Economic Support Fund (ESF) resources are requested to continue U.S. support for macroeconomic stabilization in Pakistan and to assist government education, healthcare, economic growth, and democratization efforts. Up to \$200 million of FY 2006 ESF funds will be provided as budget support to allow the Government fiscal flexibility to carry out economic and social reforms and expand its poverty alleviation programs. Additional ESF funds will be used for programs in the education, health, governance, and economic growth sectors, complementing and multiplying the effectiveness of Development Assistance (DA)-funded programs as described below. ESF funds will also enable existing U.S. programs to expand and reach greater numbers of poor Pakistanis, leveraging the popular support needed for Pakistan's continuing cooperation with the global war on terrorism. ESF reduced Pakistan's U.S. bilateral debt by \$1 billion in FY 2003 and an additional \$460 million in FY 2004. U.S. debt reduction and prior comprehensive donor debt rescheduling enabled Pakistan to reduce its total government debt from 89 percent of GDP in 2000 to 64 percent of GDP in 2004.

Pakistan's national elections in October 2002 restored civilian government at the national and provincial levels that, over the next few years, must prove more responsive and accountable than previous civilian governments. Passage of a constitutional reform package in December 2003 cleared way for parliament to resume operation, and an ambitious devolution program has begun to revitalize accountable local government. U.S. democracy assistance is designed to help Pakistani legislators become effective participants in the political process at the national and provincial levels, support devolution by strengthening accountable and participatory governance at the local level, and strengthen civil society, political parties, and independent media.

FY 2006 DA requested for the U.S. democracy and governance program will support informed policy analysis in the national and provincial assemblies by training legislators -- including women elected for the first time -- and by linking think tanks, consultants and university experts with legislators to help them write better laws and hold the Government accountable. DA also will support programs that strengthen district government and community capacity to jointly develop and manage community development projects; foster new leadership and accountability in issue-based civil society organizations such as think tanks and political parties; improve the effectiveness of new or small Pakistani NGOs that focus on social and economic issues at the local level; and promote national and grassroots political party reform. U.S. supported NGOs have already conducted nationwide grassroots research on policy issues and are formulating a national action agenda.

Finally, DA will support programs that strengthen Pakistan's emerging private radio and other independent media to assure responsible news and public debate in the media. These programs will provide journalists and the public with expanded opportunities to monitor and debate the work of their elected representatives. DA programs have already enabled the creation of a private station that transmits into the FATA, and have supported a successful journalist training program at Peshawar University and the establishment of a full-production studio for women's programming in Islamabad.

To promote grassroots support for the Government's reform efforts, as well as U.S.-Pakistani counterterrorism cooperation, DA and ESF resources are being used to stimulate and support economic growth and provide tangible benefits for ordinary citizens, especially the poor. FY 2006 DA and ESF grassroots will continue to target underdeveloped regions including Sindh and drought-stricken areas of Baluchistan with microcredit and microfinance services for small-scale farmers. The resources will also support a

nationwide public-private initiative aimed at boosting productivity and competitiveness in key dynamic industries.

Pakistan's literacy rate, among the world's lowest, greatly hampers its ability to develop and expand its economic base. Literacy averages 49 percent nationwide, and in remote tribal areas can be as low as 0.5 percent for women. The dearth of good public schools results in hundreds of thousands youth ending up in schools teaching only religious subjects (madrassahs). Public sector spending on education has increased slowly as the country emerged from its financial crisis, but remains low, around 1.9 percent to 2.2 percent of GDP; we continue to urge Pakistan to increase spending on education. FY 2006 DA is requested to continue a successful \$100 million five-year U.S. education program to improve the quality of education in Pakistani primary and secondary schools, especially in Baluchistan and Sindh. U.S. funds are supporting non-governmental organization grants to improve early childhood education, increase parental and community involvement in schools, and ensure that teachers have adequate classroom materials. Adult and youth literacy education programs will target out-of-school youth and illiterate adult populations with a focus on women and girls. A portion of FY 2006 ESF funds will provide scholarships for future leaders of Pakistan to earn Masters degrees at U.S. universities and to increase the numbers of need- and merit-based scholarships for deserving but poor Pakistanis to study at leading local universities, including premier business and agriculture universities. DA funded programs have begun to show results in the areas of NGO-provided teacher training; rural in-service training; early childhood education; adult literacy; and community-school partnerships. These trained teachers are now using viable education/management plans.

Pakistan has a high population growth rate and lags behind its South Asian neighbors in almost all key health areas: maternal and infant mortality; safe, affordable family planning; and control of infectious diseases such as polio, tuberculosis, and hepatitis. FY 2006 CSH funds are requested to increase the availability of maternal and child health services, especially in rural areas; improve the quality of health care at the provincial and district level through better management of health resources; and help maintain Pakistan's low HIV prevalence rate by increasing awareness, especially among adolescents and youth. A portion of these funds will help control and prevent the outbreak of other infectious diseases and improve water and sanitation in communities throughout Pakistan.

Sri Lanka
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	300	300	300
DA	4,750	6,774	6,624
ESF	11,929	9,920	9,000
FMF	2,495	496	1,000
IMET	553	500	450
NADR-EXBS	-	-	300
NADR-HD	1,775	2,700	3,500
NADR-SALW	-	200	-
P.L. 480 Title II	4,190	-	-
PKO	-	720	1,000

The Government of Sri Lanka entered historic peace talks with the Foreign Terrorist Organization-designated Liberation Tigers of Tamil Eelam (LTTE) in 2002, after close to two decades of civil conflict. Both parties continue to observe the ceasefire, although formal negotiations stalled in April 2003. The LTTE has indicated frustration with the stalemate and made veiled threats to return to war. International observers fear that conflict could reoccur, setting back ongoing economic reconstruction in both government-controlled and LTTE-controlled areas.

While still struggling to recover from the damage of civil war, Sri Lanka suffered an equally severe blow with the December 2004 tsunami disaster. Sri Lanka's coastal areas, important for its tourist and fishing industries, have been devastated. Entire communities have been wiped away. As of mid-January 2005, official death toll estimates in Sri Lanka were 30,882 dead, with 504,440 displaced. In the affected areas, economic life has ground to a halt; businesses have collapsed. Millions of people have seen their families and communities torn apart. Considerable international financial support has been pledged for Sri Lanka's relief and reconstruction. The U.S. is playing a major role in assisting Sri Lanka following this disaster. U.S. tsunami reconstruction assistance will build on ongoing programs for sustaining the peace, rebuilding the war-torn areas, addressing disadvantaged groups, individuals with disabilities, survivors adversely affected by the disaster (with a special focus on children and women), integrating the North and East into the rest of the country, and achieving high rates of economic growth.

FY 2006 Economic Support Funds (ESF) support the peace process in Sri Lanka through democracy and governance projects to foster political reconciliation, joint reconstruction programs that foster economic reintegration as well as social reconciliation, and economic growth programs. These programs are coordinated closely with the Sri Lankan Government's relief and peace-building efforts. Democracy and governance programs funded by ESF are designed to:

- support peace processes at the local and national levels;
- address the conflict by seizing critical windows of opportunity to preserve and strengthen democratic institutions that facilitate momentum for peace;
- promote decentralization and democratic processes at the local level;
- provide opportunities for non-violent dispute resolution;
- assist in the political party development of mainstream and non-mainstream political groups;
- support national and regional media training to improve the ethnically polarized media, which currently reports through a narrow ethnic lens;

- strengthen the capacity of provincial legislatures, which are especially significant for future devolution of power as part of a possible peace settlement; and
- support local mediation boards administered by the Ministry of Justice in the North and East.

Small grants from the ESF-funded reconstruction and reconciliation program provide concrete benefits in areas where skeptics might undermine the peace process. These include economic benefits, such as small-scale infrastructure and livelihoods (e.g., seeds, tools, boats, nets and short-term, demand-driven skills training) in support of ongoing peace building and reconciliation efforts involving diverse communities. During 2004, the small grants fund has provided 94 grants, including irrigation rehabilitation, access road construction, water supply and sanitation, English language instruction and sports activities.

ESF programs will also promote economic growth for stability by fostering competitiveness among Sri Lanka's key industries; developing trade capacity; supporting macroeconomic policy; improving workforce skills; and supporting the development of entrepreneurial skills among youth. Finally, ESF will support HIV/AIDS prevention and awareness among vulnerable populations.

Development Assistance (DA) and Child Survival and Health (CSH) funds continue to support the Government's macroeconomic reform and anti-poverty efforts. FY 2006 DA will continue to provide technical assistance and training for competitiveness in world markets aimed at reforming key policies, promoting increased trade, strengthening private industry clusters, enhancing the skills of the workforce, forming partnerships to protect the environment, and building strong public-private labor partnerships to increase responsiveness to private sector needs. DA funds continue to assist agricultural productivity through training, privatization, World Trade Organization compliance, and enterprise restructuring to restore growth and assist in expanding employment and labor productivity. Finally, DA-funded programs continue to support the basic financial effectiveness of a downsized government to increase the value-added to traditional commodities, increase exports, improve marketing capabilities, and create jobs, building on achievements in previous DA-funded programs.

Although Sri Lanka has enjoyed a long democratic tradition, political integration of the North and East will depend on a successful peace agreement. FY 2006 DA for democracy will fund ongoing programs to establish a democratic culture and peaceful dispute resolution through civic education, and expand access to legal aid for vulnerable groups. The programs, which currently support the peace process with technical assistance to civil society organizations, the media, and political stakeholders, will broaden their scope to address the root causes of the conflict. New activities will include targeted support for the constitutional commission; political party strengthening; civic education; local governance; and the rule of law. Finally, DA environmental programs will promote alternatives to costly energy in the North and East through innovative methods and technology, and will reduce high pesticide use by moving farmers to high value organic products.

Also in support of peace, the DA- and CSH-funded Humanitarian Assistance Program will continue to facilitate the social and economic reintegration of disabled civilians, children, and young people affected by conflict, as well as victims of torture and violence through capacity building in Sri Lankan social service institutions. Leahy War Victims Funds will continue to help Sri Lankan disability service organizations provide improved artificial limbs, orthotics, and wheeled mobility devices to the disabled and will support advocacy efforts, and provide limited employment training for disabled civilians. Assistance is also helping to improve rehabilitative care and train certified Prosthetist/Orthotists, introduce polypropylene limb technology, support advocacy efforts, and provide limited employment training for disabled civilians. CSH funds will continue to address threats to children, including helping community-based efforts to prevent child recruitment and physical or sexual abuse. CSH also supports activities such as drama, structured play, and educational activities for children recovering from the traumas associated with displacement and war. The Humanitarian Assistance Program is also supporting local organizations working with torture survivors

and is operating a small-scale targeted HIV/AIDS prevention and awareness program for particularly vulnerable populations.

Senior Sri Lankan officers strongly support U.S. strategic goals and programs. Sri Lanka continued to grant blanket overflight and landing clearance to U.S. military aircraft in 2004, routinely grants access to ports by U.S. vessels, and hosted two major U.S.-sponsored engagement programs in FY 2004. FY 2006 Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds will further strengthen our military-to-military relationship. FY 2006 FMF supports: maritime surveillance and interdiction equipment to enable the Navy to monitor and interdict ships transporting weapons, terrorists, and other illegal cargo; military communications and mobility equipment to help the army to conduct humanitarian assistance projects and participate in UN peacekeeping missions; improvements to defense and intelligence establishments; and equipment for basic soldier safety and survivability.

FY 2006 IMET will assist to professionalize the Sri Lankan military at U.S. military training institutions and through mobile training teams. FY 2004 IMET funding for Sri Lanka sent 13 officers to professional military and technical schools in the United States. Continued IMET funding helps build the capabilities and competencies of officers as needed to counter LTTE terrorism and enhance interoperability, increasing Sri Lanka's ability to participate in U.S. and international military efforts, from the global war on terrorism to peacekeeping and emergency relief operations. FY 2006 Peacekeeping Operations (PKO) funds are requested to support several activities aimed at maintaining the momentum of the peace initiative between the Government and the LTTE, including the activities of the Sri Lankan monitoring mission, staffed by Scandinavians, which is charged with on-site monitoring and verification of terms of the cease-fire agreement. Sri Lanka is eligible in FY 2006 to receive grant Defense Articles (EDA) under section 516 of the Foreign Assistance Act. EDA will improve Sri Lanka's maritime interdiction capability by providing spare parts, operational and maintenance support, and communications equipment.

The United States began training the Sri Lankan military engineering battalion in humanitarian demining operations in August 2003. Non-proliferation, Anti-terrorism, Demining, and Related Programs/Humanitarian Demining (NADR-HD) funds have sent two demining teams to Sri Lanka, which cleared 200,000 square meters of land. FY 2006 NADR/HD funds will continue capacity building for the Sri Lankan demining program, including mine detecting dogs and heavy demining equipment. FY 2006 Non-proliferation, Anti-terrorism, Demining, and Related Programs/Export Control and Related Border Security Assistance (NADR-EXBS) is requested to train Sri Lankan personnel in export and transshipment controls, which are important given the growth of Colombo as a transshipment port.

South Asia Regional Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	1,988	992	2,500

South Asia's Muslim population of 460 million is the largest concentration of Muslims in the world and spans seven countries: Pakistan, Afghanistan, Bangladesh, India, Nepal, Sri Lanka, and the Maldives.

In recent years, as a key component of the war on terrorism, the United States has redoubled its efforts to help Muslim countries and populations mitigate the conditions that breed extremism as well as the perceptions that feed extremism. While close to 45 percent of U.S. development and Economic Support Funds (ESF) programs for South Asia and close to 50 percent of U.S. public diplomacy resources for South Asia address one of these two goals, we continually seek to cross-fertilize successful efforts between countries, and are searching for new areas or methods that can inform our larger bilateral programs.

The South Asia Education, Democracy and Development in South Asia (EDSA) program is assisting in finding ever more effective ways to address the issue of extremism through small, innovative pilot and multi-country projects in the areas listed below. Reform in the first three areas listed below is key to overcoming the lack of education, isolation, political exclusion and deprivation that have fostered extremism. The fourth area of focus, conflict mitigation, reflects the need to address tensions between significant Muslim populations and other ethnic populations in India and Sri Lanka.

- Education and public information that promote economic opportunity and effective citizenship: Including curriculum broadening or teacher training in receptive public and private schools in order to enhance tolerance, critical thinking, problem-solving, and employment skills; exchanges and training for Islamic scholars and educators; and literacy and job skills training for Muslim women and unemployed Muslim youth.

Projects funded since the program's FY 2003 inception include: new teaching methods at the primary school level to increase tolerance and critical thinking skills and to involve parents and the community in order to increase enrollment and retention; computer literacy and self-sustaining computer labs in Pakistani schools; and a workshop on teaching methodologies and expanded curriculum for Indian Madrassah educators and their professional colleagues.

- Democracy projects that foster government accountability and citizen participation: Including small grants to NGOs in Muslim population centers for grassroots democracy and civic education projects; and innovative, multi-country pilots for legislative training, independent election commission strengthening, political party reform, civil society development, independent media, and human rights projects.

Projects funded thus far include: Cross-border radio journalist training in fact-based field reporting, small equipment for new radio stations, and increasing the information flow into and out of the joint border regions of Afghanistan and Pakistan through travel grants and exchanges between local and national journalists; practical civic education projects for middle school students that include research and recommendations on a local policy problem, which the students present to local government officials for consideration and implementation.

- Economic projects that address poverty and regional instability: Including projects that promote regional cooperation; local community-led health and development projects with a civic education component; and micro-enterprise or employment-generation projects in Muslim population centers.

Projects funded thus far include: training for community leaders, including Imams and Mullahs, on secular topics from local enterprise and health to women's rights and anti-trafficking awareness; and support for a region-wide Muslim women's network supporting and informing locally-designed women's rights and economic participation projects in each country.

- Conflict mitigation, reconciliation and confidence-building projects: Including with Muslim populations in Sri Lanka and India -- and possibly in Kashmir -- through small-scale health, employment- generation, education and civil society projects.

Projects funded thus far include library enhancement collections for Kashmir Universities in Jammu and Muzzafarabad.

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